We protect Japanese houses from termites

Asante Incorporated

Company Introduction



【TSE First Section Securities Code 6073】

August 2018

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Company Overview

Company Name	Asante Incorporated （Securities Code 6073）
Head Office Location	33-15, Shinjuku 1-Chome, Shinjuku-ku, Tokyo
Locations	76 locations (Branches: 14, Sales Offices: 62)
Representative	Makoto Munemasa
History Overview	May 1970 established
	Sep. 1973 reformed into a stock company
	Apr. 2014 Listed on Tokyo Stock Exchange First Section.
Capital Stock	1.1 billion yen (End of FY3/18)
Net Sales	13.9 billion yen (FY3/18)
Number of Employees	1,040 (including contract staff) (End of FY3/18)

Business Plan

Corporate Philosophy
“Protecting people, houses and forests by fostering our own people and technology”

- Protect and convey the Japanese wood culture to the next generation
- Maintain the value and extend the lifetime of wooden housing to meet social needs
- Provide customers with safety and security in life



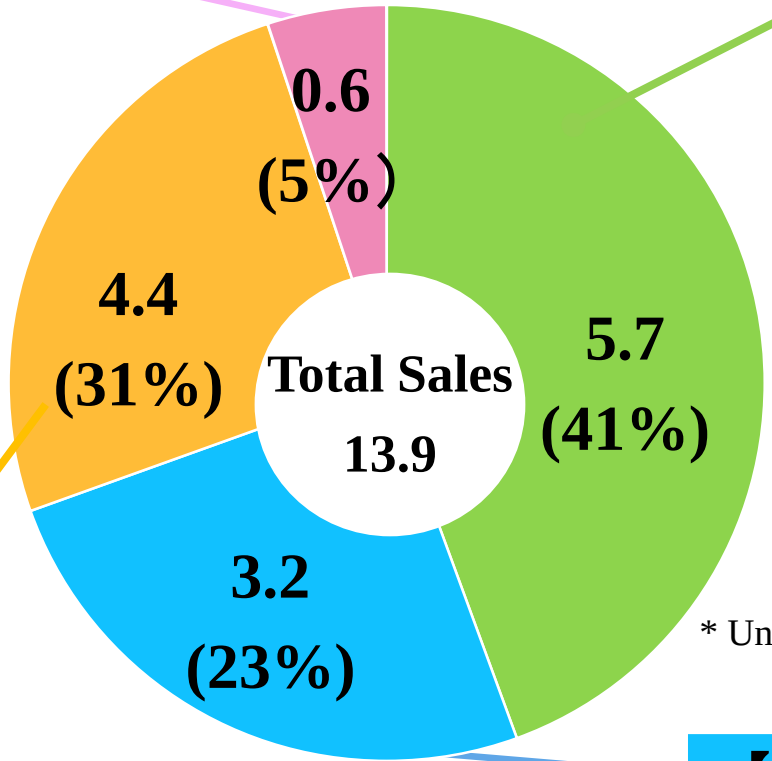
Raise quality and the diffusion rate of our service

Business Contents

Target	Product (Service)	Details
Existing wooden houses	**Anti-termite Measures**	Prevention and extermination of termites
	Anti-humidity Measures	Prevention of rot, mold and termites
	Anti-earthquake Measures	Prevention of deterioration and repair of the basic concrete Reinforcement for the wood junction
	Maintain Measures	Housing renovation, new building construction, Seismic retrofit
	Maintenance Measures	Construction of photovoltaic power system
Hotels Offices Restaurants	Anti-pest Measures	Prevention and extermination of harmful insects (like cockroach, tick, bedbug, bee, etc.)
	Anti-harmful Animal Measures	Prevention and extermination of harmful animals (like rat, dove, etc.)
	Sanitary Measures	Sterilization etc. according to sanitation levels of hospitals and other facilities

Sales Composition by Service (FY3/18)

【 Other 】
Pest Control
Housing Renovation
Others



【Anti-termite Measures】



* Unit: Billion yen

【 Anti-earthquake measures 】

Repair Housing Foundations



Housing Reinforcement



【 Anti-humidity Measures 】

Underfloor Ventilation Fans



Humidity Adjusting Materials



Asante Inc.

Work under the Floor (Inspection and Construction)

- Training under the floor of model house pertaining to our Training Center





- Working under the real floor

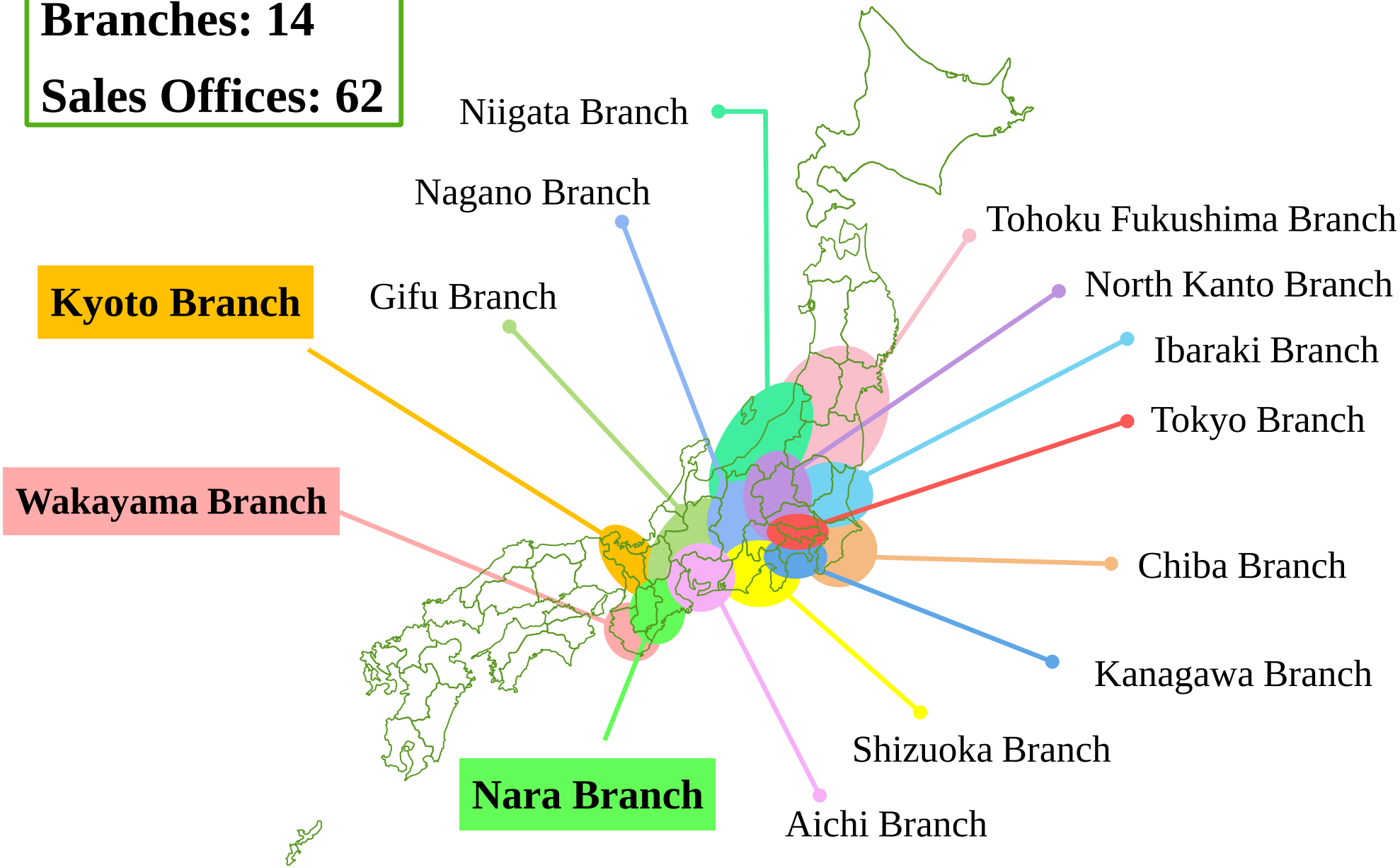




Marketing Areas

Branches: 14

Sales Offices: 62



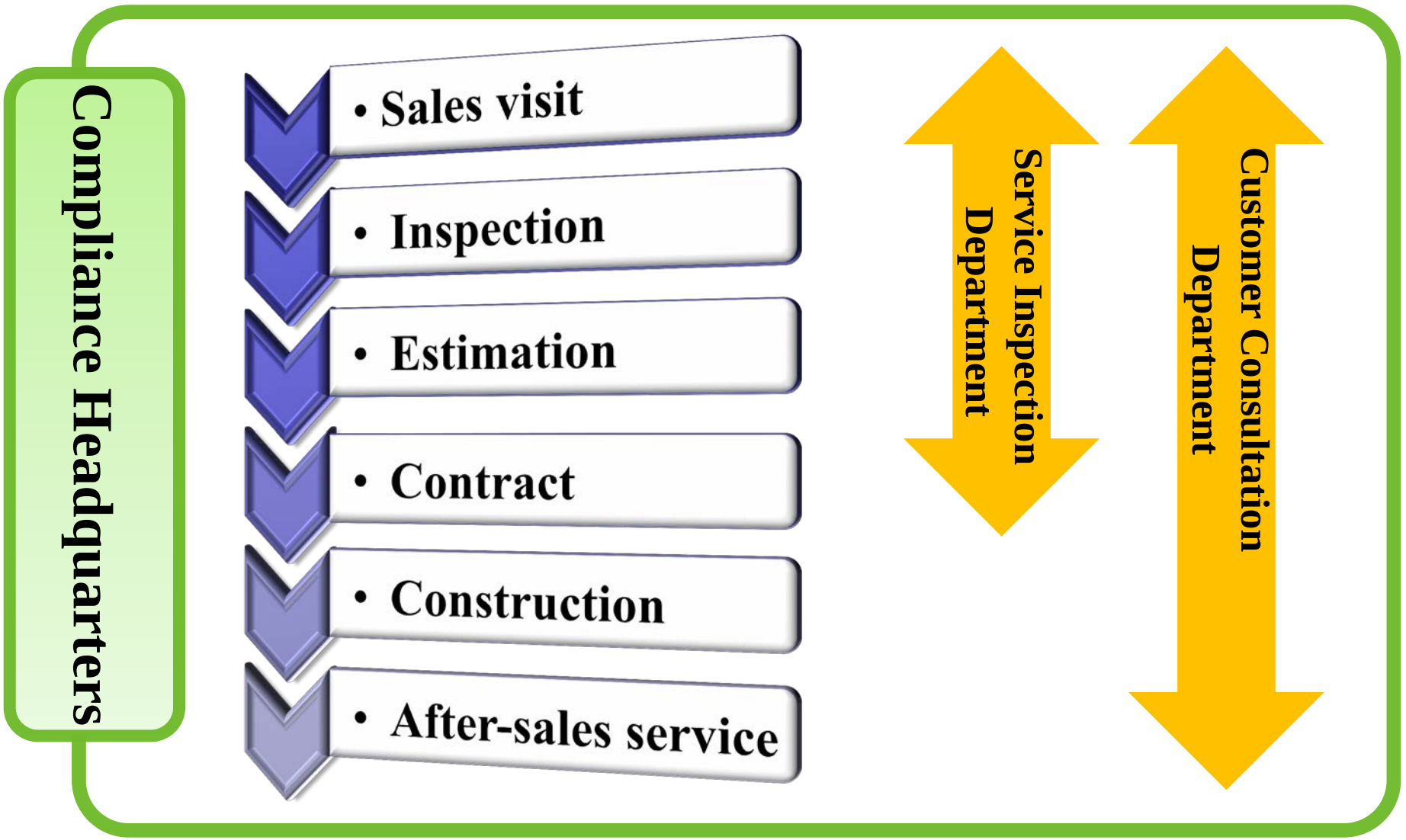
Strengths (Overall Strength)

Strengths are related to each business processes

	Sales/Marketing				Profit
	Direct Sales Contracts	Construction	After Maintenance	Claims Handling	To Maintain High Profit Ratio
Points of Strengths	High Contract Ratio	Accumulation of know-how	Increase Existing Clients' Sales Acquisition of Re-contract	Improved Customer Satisfaction	
Thorough Compliance System	●	●	●	●	●
Customers First	●		●	●	
Accumulated Technical Skills		●	●	●	●
Enrichment of Educational Systems	●	●		●	
Broad Cooperation with JA	●		●		●
Sound Finance	●				●

Strengths (Thorough Compliance System)

A thorough compliance system that creates trust and competitiveness



Strengths (Enrichment of Educational Systems)

Allocate a comprehensive training center for north and south business areas

Mikkabi Comprehensive Training Center (Shizuoka)

*Established in 1990, rebuild in Mar. 2015







Inawashiro Comprehensive Training Center

(Fukushima) *Established in 2002



Strengths (Broad Cooperation with JA)

Our Original Business Model

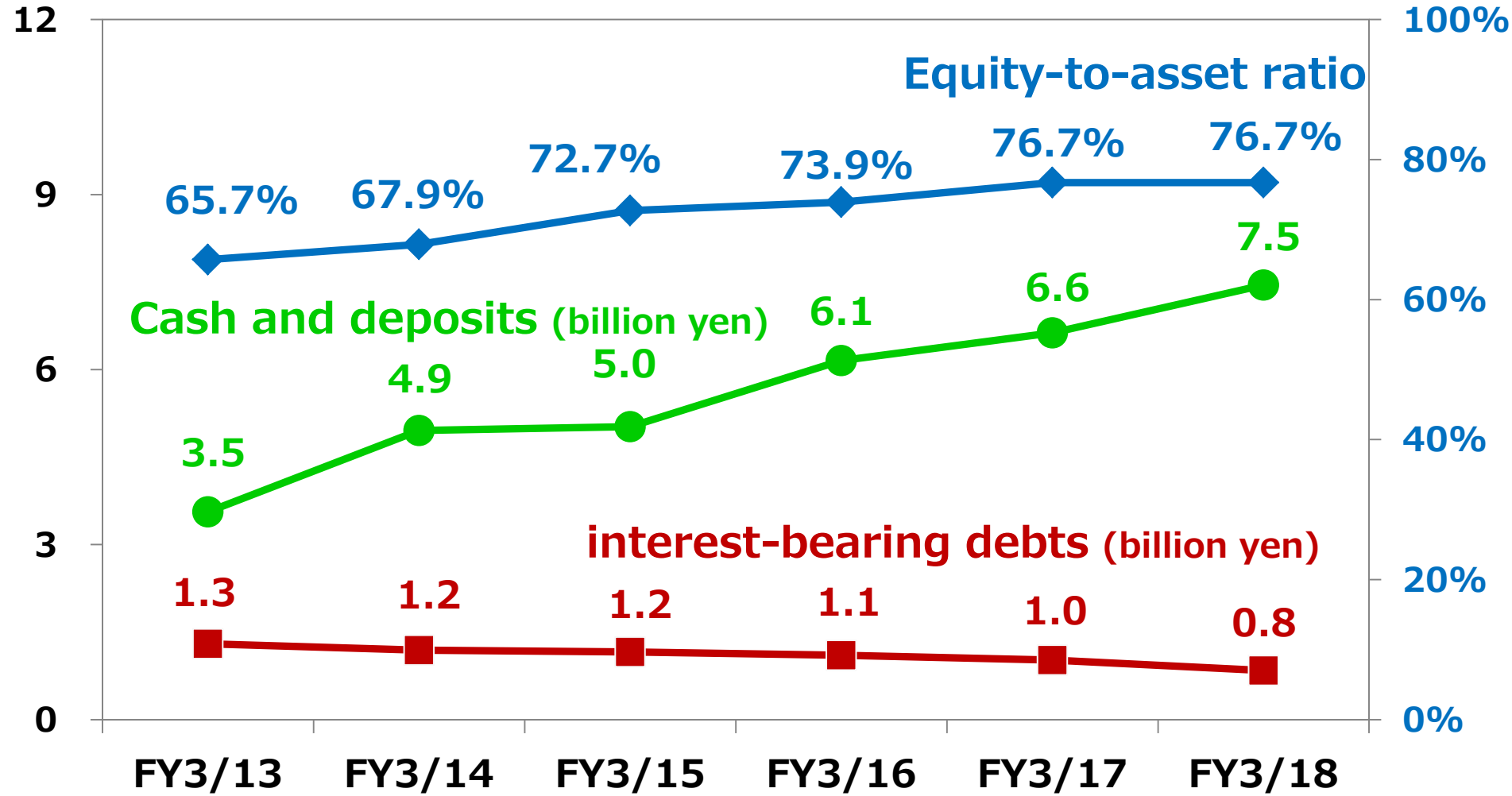
- Business Tie-ups with **Approx. 200 JA** in **21 Prefectures**
  - Community-Based Operations

    Sales, construction and after maintenance by company employees
  - Improvement in Reliability
  - Security in Collecting Construction Fees

Differentiation and Competition superiority with other companies

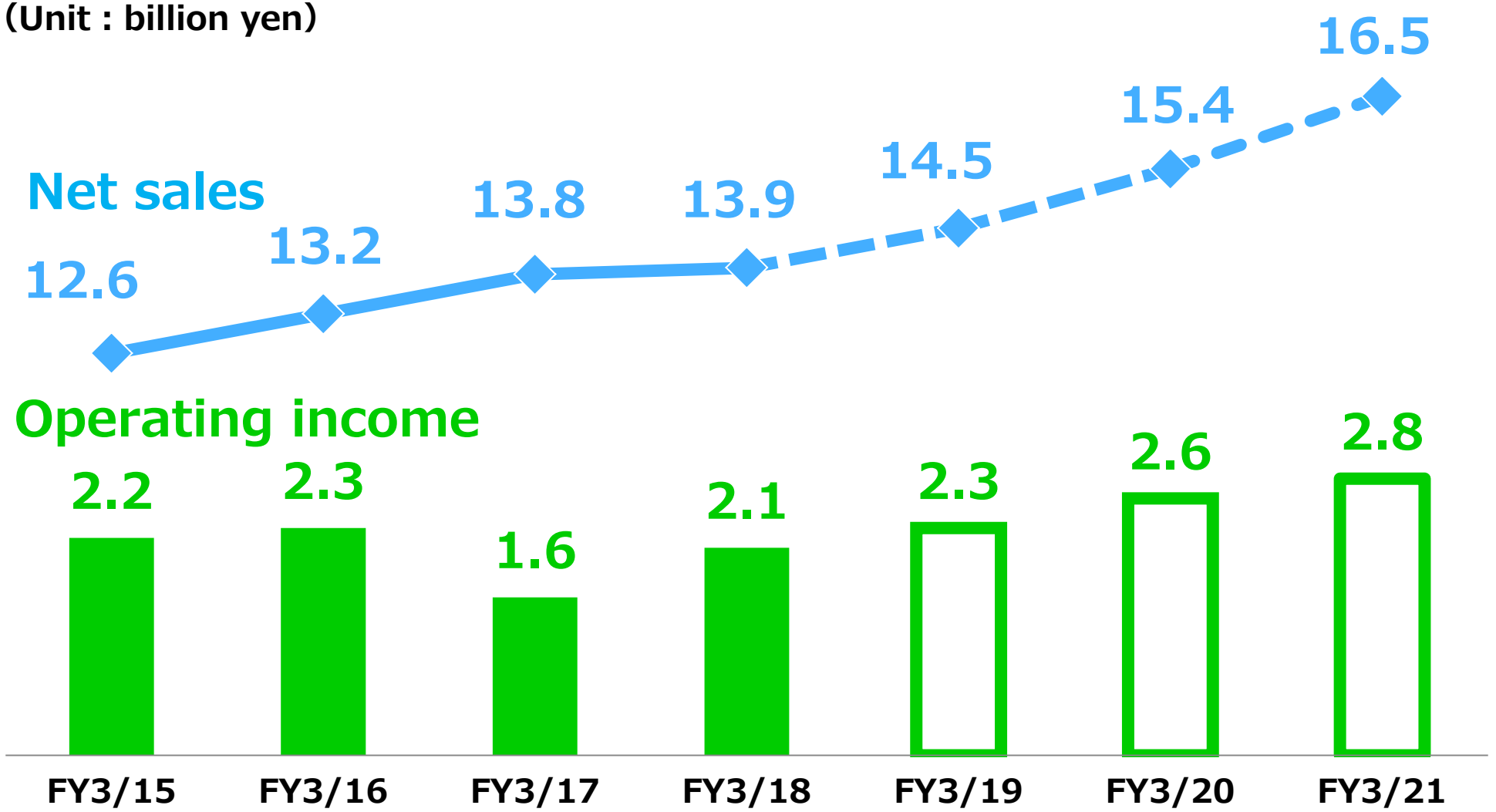
Strengths (Sound Finance)

High Safety and Rapid Response to Investment



Results and Mid-term Business Plan

(Unit : billion yen)



Growth Strategy

Sustainable growth with termite control-related services at the core

【Basis for growth】

- Huge potential demand
- Superiority of industry leader
- Spur to national policy
- High profit margins
- Underfloor business know-how

【Issues to be approached】

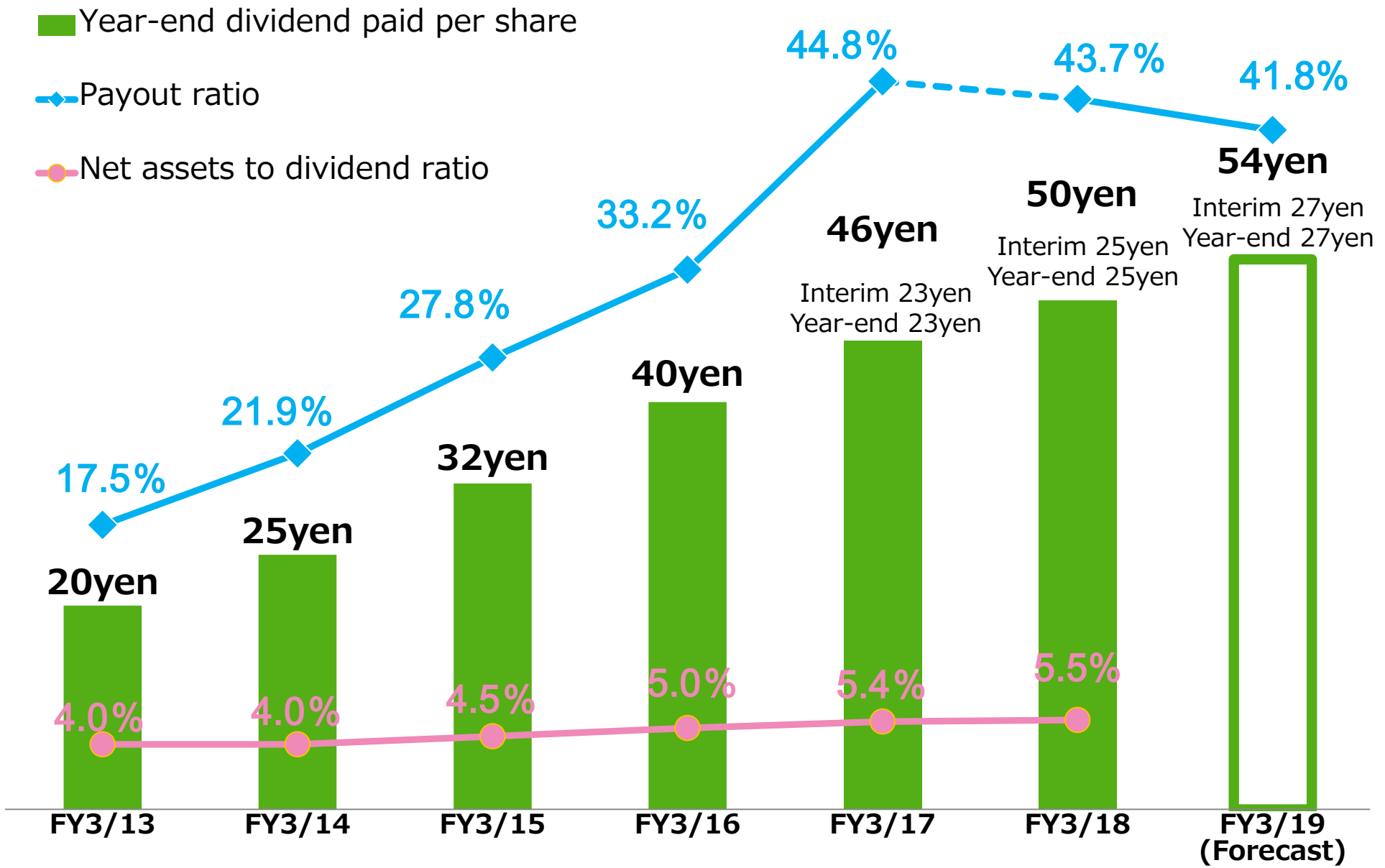
- **Expand areas** across the country
- Securing and fostering of **excellent human resources**
- Maintenance and improvement of **competitive advantage**
- Enhancement of **productivity**

【Target vision】

Realize a sustainable and stable growth

To a house maintenance industry-leading company

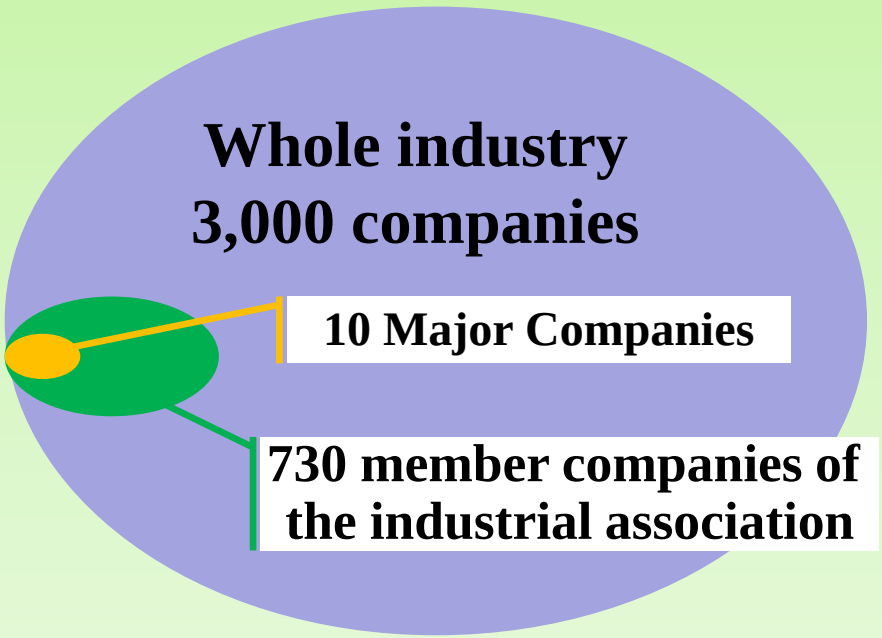
Dividend (Results and Forecasts)



Industry (Characteristics)

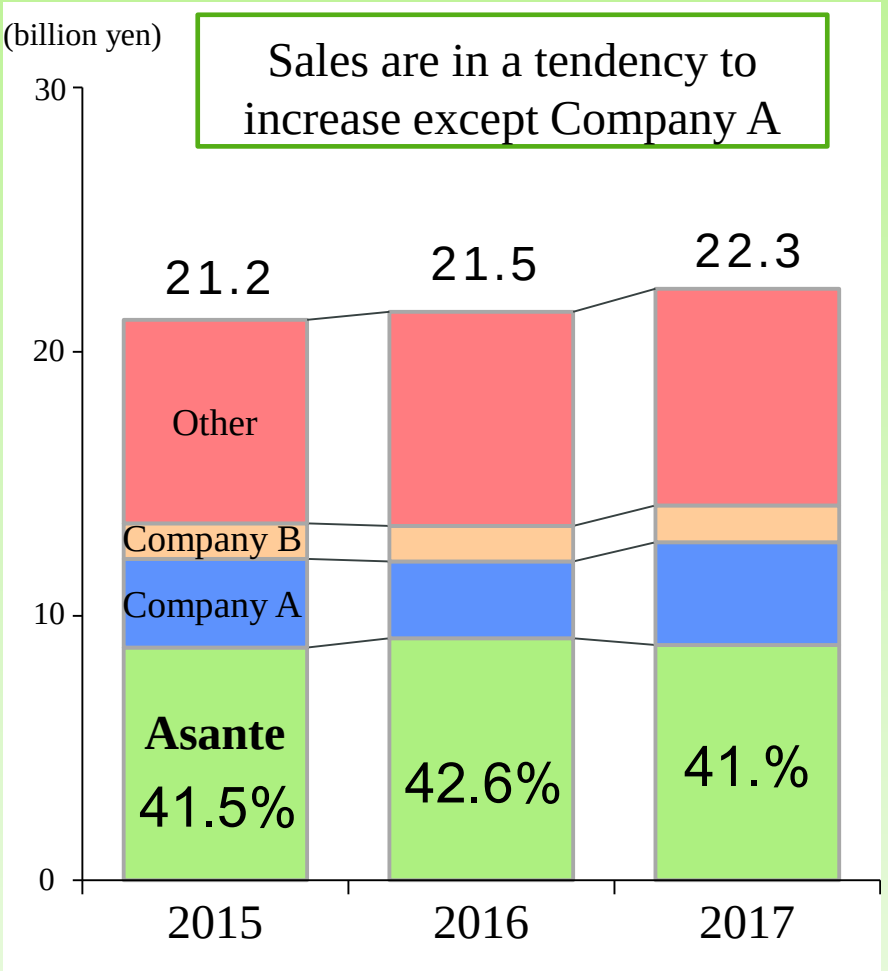
Termite Control Industry Characteristics

- High composition ratio of small and medium sized enterprises
- Decrease in number of industry workers



* The Japan Termite Control Association recognize that the total number of companies is 4 times the number of member companies

Total Sales of 10 Major Companies



*Estimated by our company
*Including the underfloor ventilation system etc.

Industry (Scale of Potential Demand)

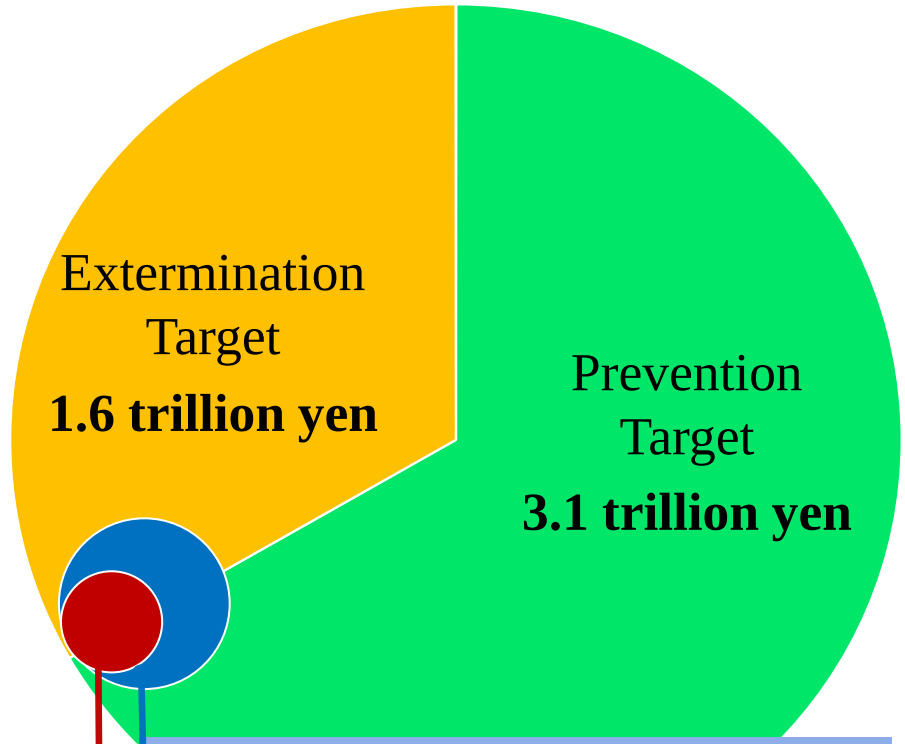
- **Number of Wooden Residences** **26 million**

  (Statistics Bureau, MIC[*1], “2013 Statistical Survey on Housing and Land”)

- **Potential demand** **Approx. 4.7trillion yen**

- **Probability of termite damage** **1 in 3 houses**

  (The Japan Termite Control Association)



2017
Estimate of total industry sales (Forecast)
46.7 billion yen (Termite control only)※2

Estimate by our company of the total sales of top 10 companies in the industry
22.3 billion yen
(including underfloor ventilation systems)

- Major potential for market to grow
- Effective length of chemicals is 5 years. (Continual maintenance is necessary.)

[*1] MIC …Ministry of Internal Affairs and Communications
[*2] Reference: Yano Research Institute Ltd.
“2016 Edition: PCO/TCO/Fumigation Services Market Realities and Mid-term Prospects”

Industry (US Market Scale)

Top 100 PCO Sales Ranking
(GIE Media's "PCT Magazine", May 2018 Issue)

- Total sales of the top 100 companies are approx. $7 billion
  (YOY increase of approx. $0.4 billion)

- Top 4 companies or their affiliated entities are listed on the Stock Exchange
  - 1st **Rollins** (NY Stock Exchange)
  - 2nd **Terminix International** (The parent company Service Master is listed on NY Stock Exchange)
  - 3rd **Rentokil North America** (The parent company Rentokil Initial is listed on London Stock Exchange)
  - 4th **Ecolab** (NY Stock Exchange)

- Total TCO sales of the top 100 companies are approx. $1.5 billion
  (our company's estimate)

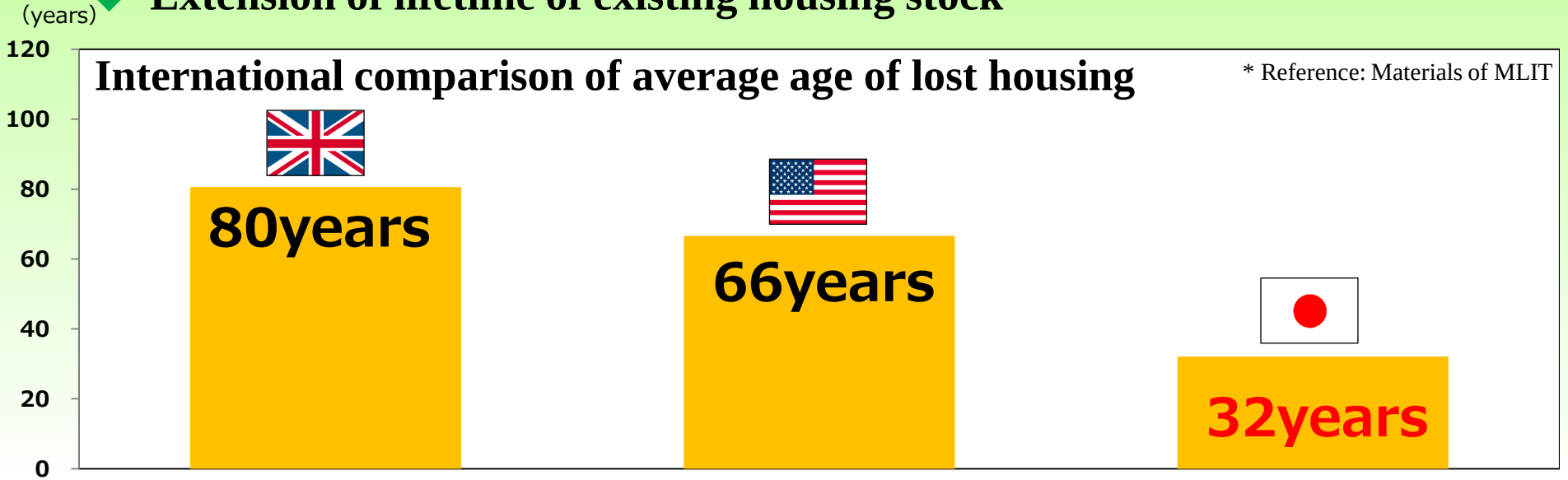
*The PCT Top 100 List is based on 2017 revenues

External Environment (Trend of the National Policy 1)

The direction of government's efforts to housing (Housing Life Master Plan)

- Shift to a new housing circulation system
  - From "build and tear down" to "create good products, maintains them properly and takes care of them in the long-run"
  - Improvement of environment **for distribution of existing houses and expansion of renovation market**
- Reduce burden of housing costs of young and families with children (increase in good quality existing houses)

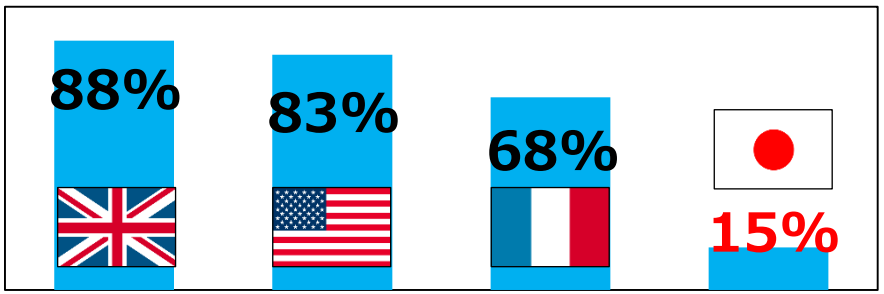
- **Extension of lifetime of existing housing stock**



External Environment (Trend of the National Policy 2)

Pct. of existing houses of all residences for sale in Japan

* Reference: Materials of MLIT



Housing Life Master Plan (Cabinet Decision, Revised in 2016)

(Unit : Trillion yen)	As of 2013	Goal by 2025
Expansion of the renovation market scale	**7**	**12**
Expansion of the existing housing market scale	**4**	**8**
Total	**11**	**20**

■ "Reliable R Housing" system

(enforced on December 1, 2017)

(Registration system for trade associations providing information on specified existing housing)

◆ **Trade association grants a mark to houses that meet certain standards under government supervision**

【Features of Reliable R Housing】

① Has basic quality – **Reliable**
② Has been reformed – **Beautiful**
③ Information on the house has been disclosed – **Easy to understand**

■ Act to Partially Amend the Real Estate Brokerage Act

(enforced on April 1, 2018)

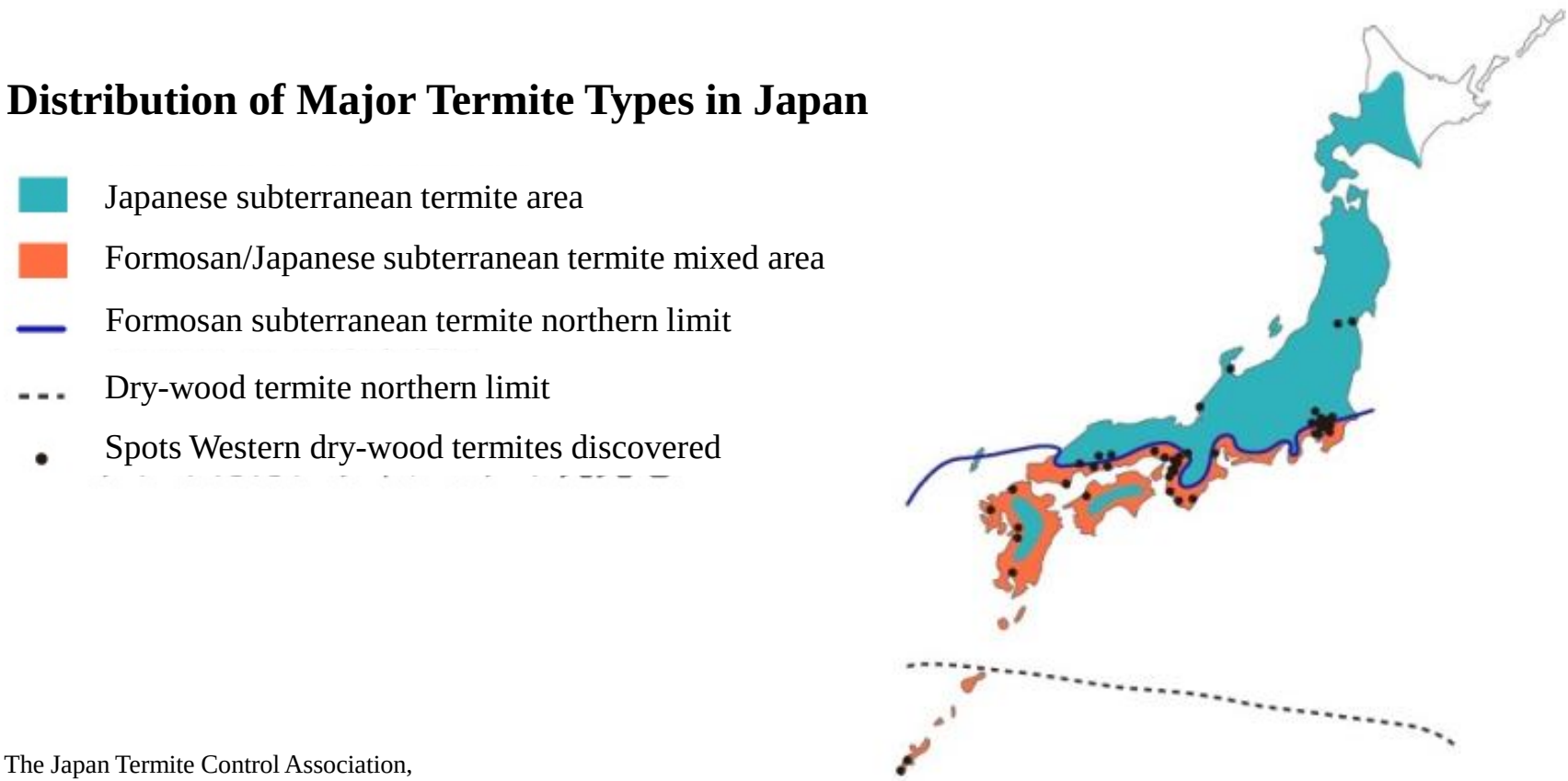
◆ **Increase in information provided on existing housing for at transaction time**

- Create a market environment of confidence for consumers by encouraging house builders to promote house inspections by specialists

Termites 1 (Distribution)

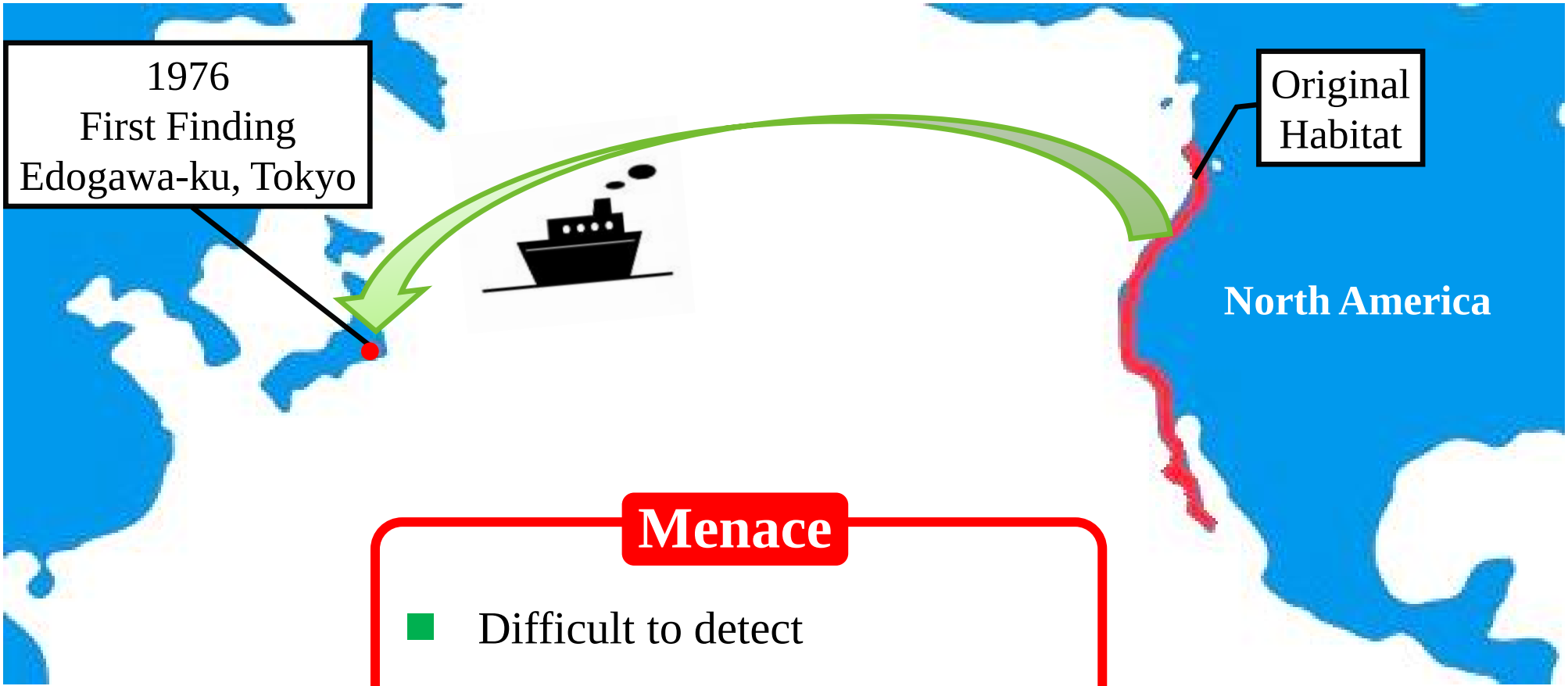
- Japan has 24 species, but pests are primarily 4.
- Excluding some part of Hokkaido, they are distributed throughout Japan.

Distribution of Major Termite Types in Japan



Reference: The Japan Termite Control Association,
"Fundamental Knowledge on Termite Control and Rot Prevention" (Jan. 2017)

Termites 2 (Alien Species Western Dry-wood Termite)



Menace

- Difficult to detect
- Cause tremendous damage
- Difficult to prevent invasion

Non-destructive inspection by detection dogs is effective

Termites 3 (Inhabiting Form)

Nest of termites

- **Japanese Subterranean Termite**
  Several tens of thousand
  to several hundreds of thousand
- **Formosan Subterranean Termite**
  Sometimes reach over 1 million



Reference: The Japan Termite Control Association
"Fundamental Knowledge on Termite Control and Rot Prevention" (Jan. 2017)

Swarming Periods

- **Japanese Subterranean Termite**
  Late April – June
- **Formosan Subterranean Termite**
  June– early July
- **Occurs from the south and goes north**



Reference: The Japan Termite Control Association
"Fundamental Knowledge on Termite Control and Rot Prevention" (Jan. 2017)

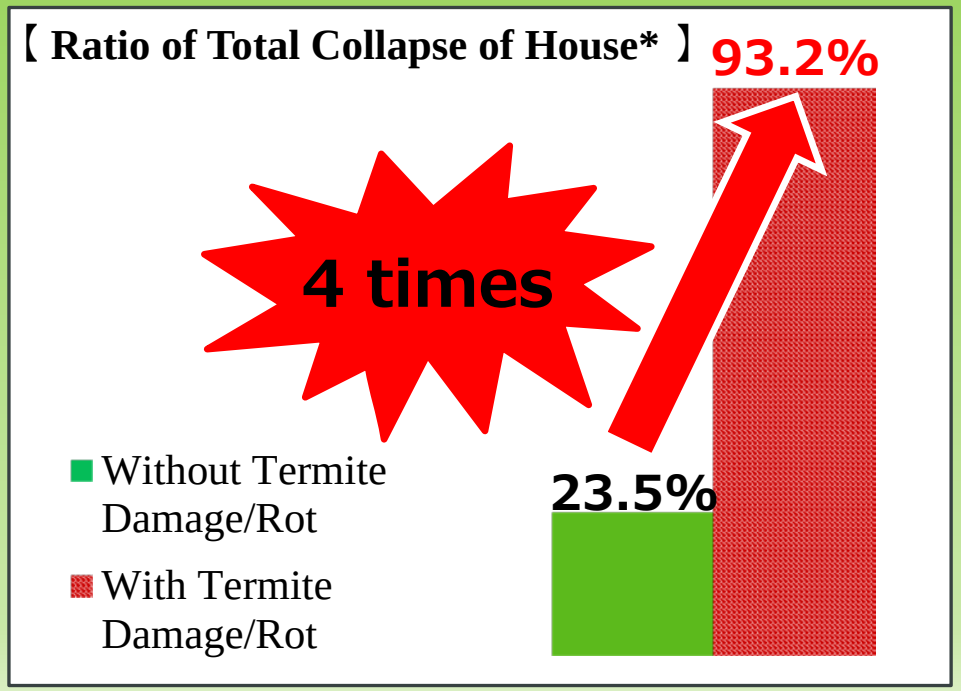
Termites 4 (Risk to Human Life)

Earthquake ➡ Building Collapse ➡ Risk to Human Life





■ Damage from the Great Hanshin-Awaji Earthquake



*Reference: Investigative Committee on Earthquake Damage to Wooden Houses (October 1995) “Report on Study of Disaster Damage of Wooden Houses, etc., in the 1995 Great Hanshin-Awaji Earthquake”

Termites 5 (Damage to Cultural Heritages)

We want to accomplish responsibility to pass onto next generation

- **Katsura Imperial Villa** Unprecedented major repair (1976)

  Termite damage with sinking its floors, and it was required major repairs in the Showa era.

- **Statues of Ni-ō guardian dieties at Todai-ji Great South Gate** Major repair (1988)

  Termite damage in bases of two wooden statues of Ni-ō guardian dieties, the largest in the world.

- **Kiyomizu Temple** Termites damage the "**stage**"

  Termite damage and rot in pillars supporting "Kiyomizu stage" led to support joints becoming necessary.

- **East tower of Yakushiji Temple** Termite damage led to reinforcement with Japanese cypress components

  Termite damage reached 2.7 m of the lowest part of central pillar in spire and formed a hollow.

Public Relations 1 (Detection Dog Team “Kunkuns”)

First-Time Initiative in Japan
･･･They “smell” to find termites or bedbugs



– Introduced from the US – Noah (introduced in 2006, retired in 2016), Kira･Samson (introduced in 2010)

Public Relations 2 (Detection Dog Team “Kunkuns” 2)

Activity Results of “Kunkuns”



Training with the handler



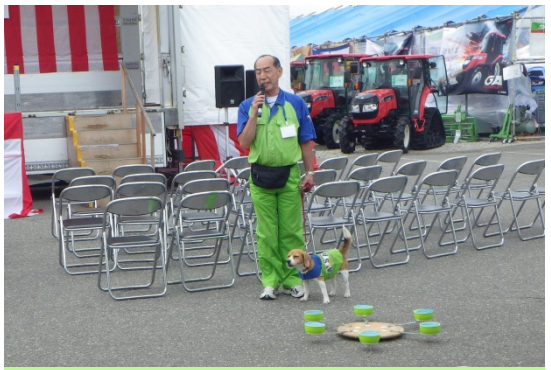
Inspection at hotel or house



Inspection in remote island



Media exposure



Participation in events

Public Relations 3

Project on Shinto Shrines and Buddhist Temples

- Pass our cultural heritage to the next generation
- Draw attention to the importance of anti-termite measures



Tsuruga Kehi Shrine



Konomiya Owariokunitama Shrine

Shizuoka Sengen Shrine



Development of Termite Control Robots

- Support project of METI*
- Application to business of the robot technology (RT)



The Latest Model "Mirubo Ⅳ"



Demonstration in Shitennoji (2008)

*METI…Ministry of Economy, Trade and Industry

Public Relations 4

Public Seminar

Initiatives since 2012

- Aim to raise the public's awareness of our industry by using mass media
- Initiatives as the industry leader

November 7, 2017

5th Termite public seminar



Lecturer:
Prof. Tsuyoshi Yoshimura
Kyoto University Research Institute for Sustainable Humanosphere
(Authority on Termite Research)



Demonstration of termite detection dog

Termite Warning

Initiatives since 2007

- Announce termite forecasts based on its own database
- Termite swarm information received at the Customer Consultation Department is used to issue termite alerts and warnings
- For this fiscal year, it disclosed on April 23, 2018



Termite Warning

Stock Information (Special Benefit for Shareholders / Dividend yield)

◆ Special Benefit for Shareholders

- Eligible shareholders : For shareholders with 1 or more share unit(s) at the end of March or September
- Special Benefit : Gift of a 1,000 yen Mitsubishi UFJ NICOS gift card
- Delivery Period : Planned to be sent in June and December of every year

◆ Dividend yield

Stock price (closing price as of August 24, 2018)	2,279 yen
Trading unit	100 shares
Annual dividend（Interim: 27 yen, year-end: 27 yen）	54 yen
Annual dividend yield (forecast)	**2.4 %**
Special Benefit for Shareholders (1,000 yen gift card/ twice a year)	2,000 yen
【Ref.】**Annual dividend yield of 「Dividend＋Shareholder benefit」***	**3.2 %**

*when holding one trading unit for one year

Notes on Future Forecasts

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