Financial Results for the Second Quarter Ended September 30, 2018

November 13, 2018

Detection Dog Team “Kunkuns”



Asante Incorporated 【TSE First Section Securities Code 6073】

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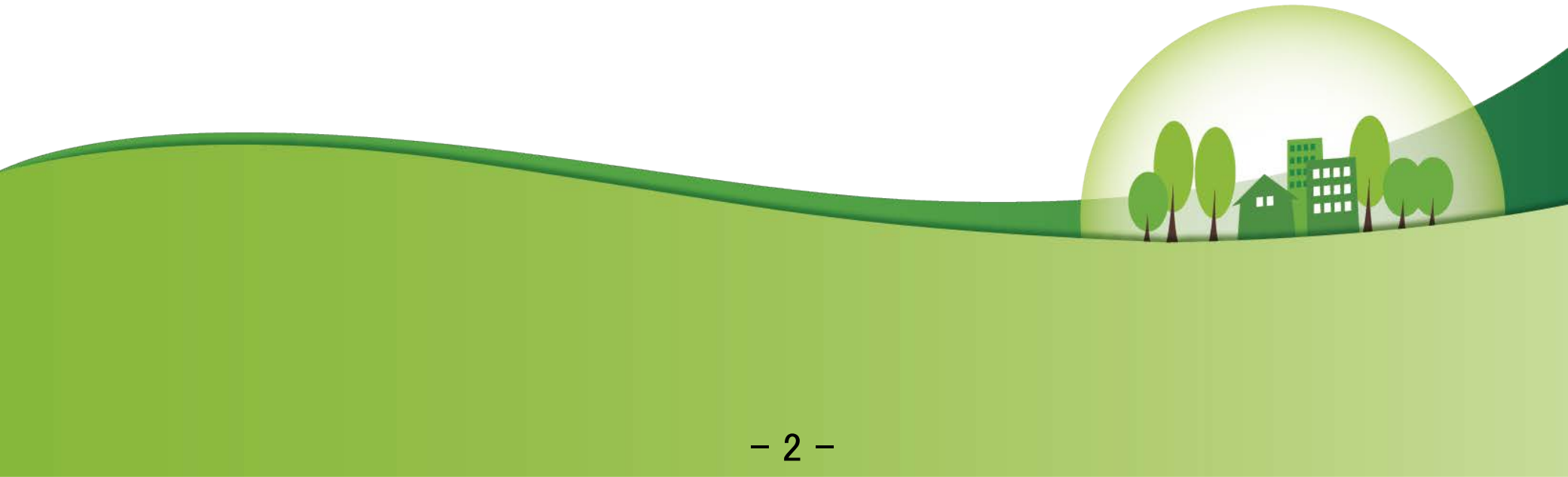
Ⅰ. Overview of Financial Results for the Second Quarter of FY 3/19



Business Environment

- Further promote housing policy toward expansion of distribution of existing houses and renovation market

  ➡Recognition in the industry is rising

- Severe market environment as the saving consciousness remains strong and because of record-setting heat and typhoons

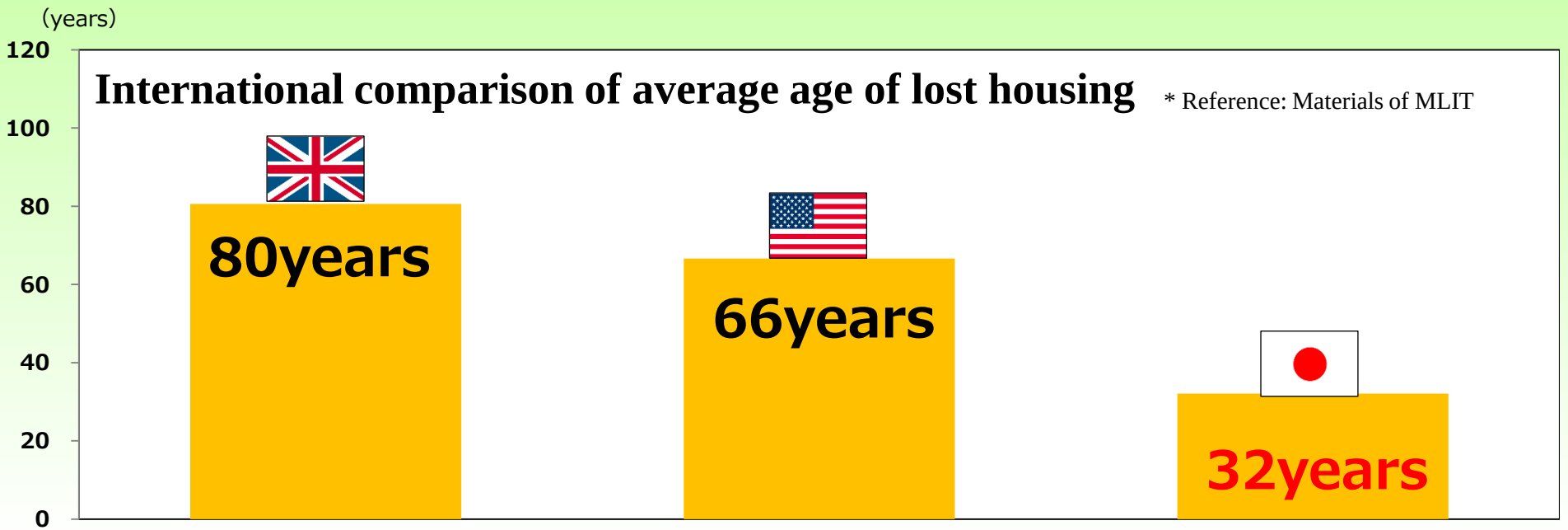
- Labor supply and demand remain tight and recruitment environment is more severe

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
  - 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**



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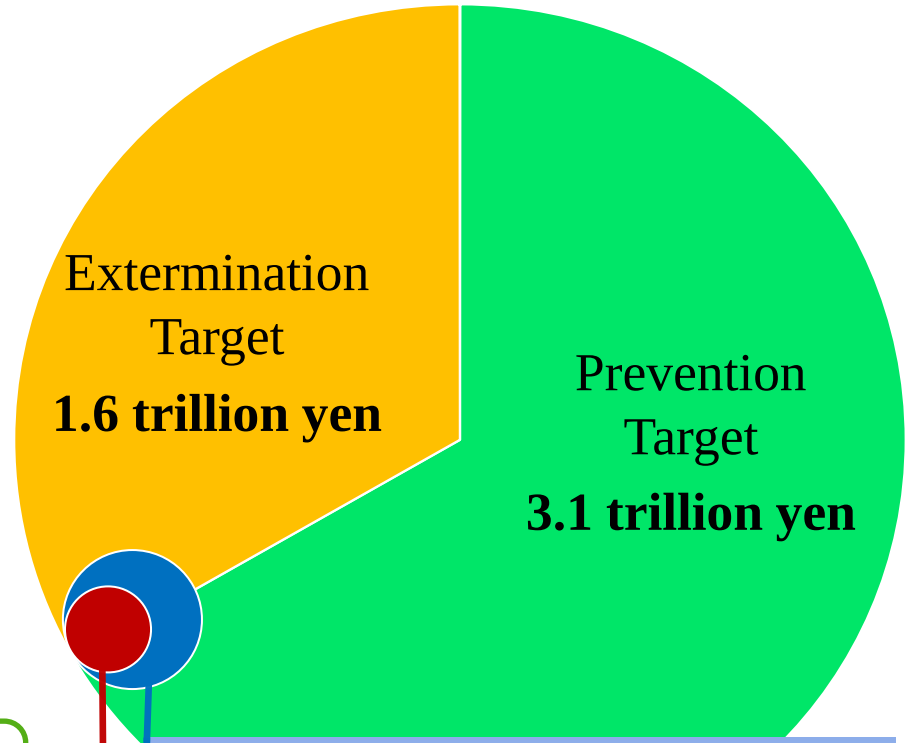
Potential Demand of New Termite Control

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

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

- **Potential demand** (New termite control only) **Approx. 4.7trillion yen**
- **Probability of termite damage** **1 in 3 houses**

(The Japan Termite Control Association)



- Major potential for market to grow
- Effective length of chemicals is 5 years.

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)

[*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”

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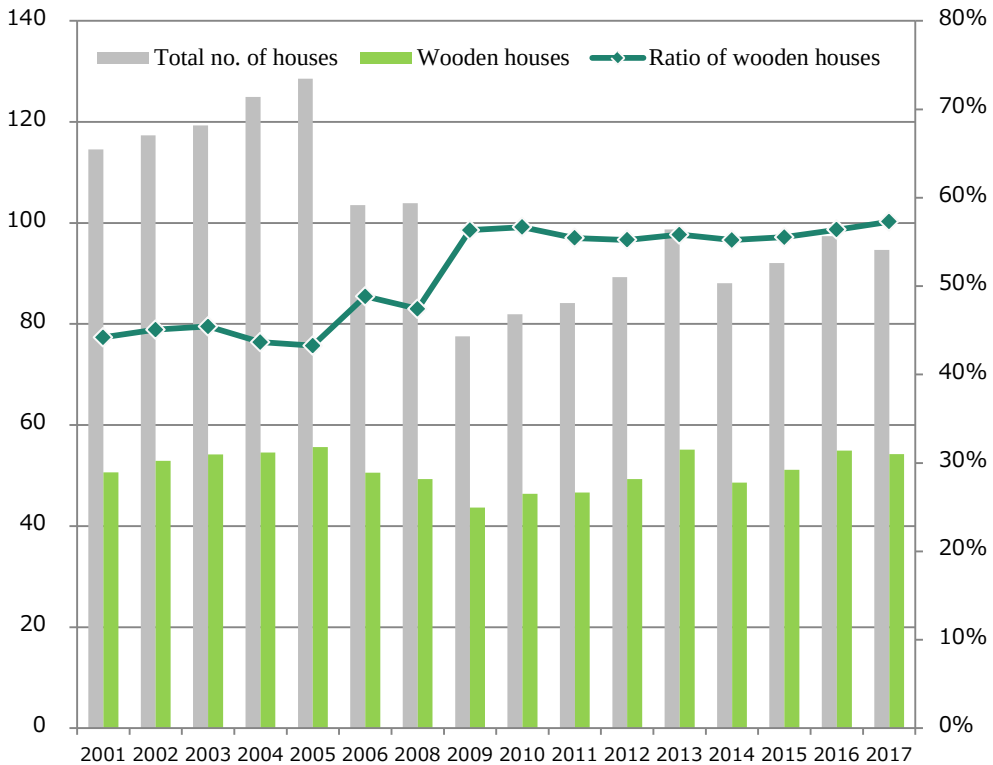
Trends of Wooden Houses

Changes in ratio of wooden house for the number of new housing starts

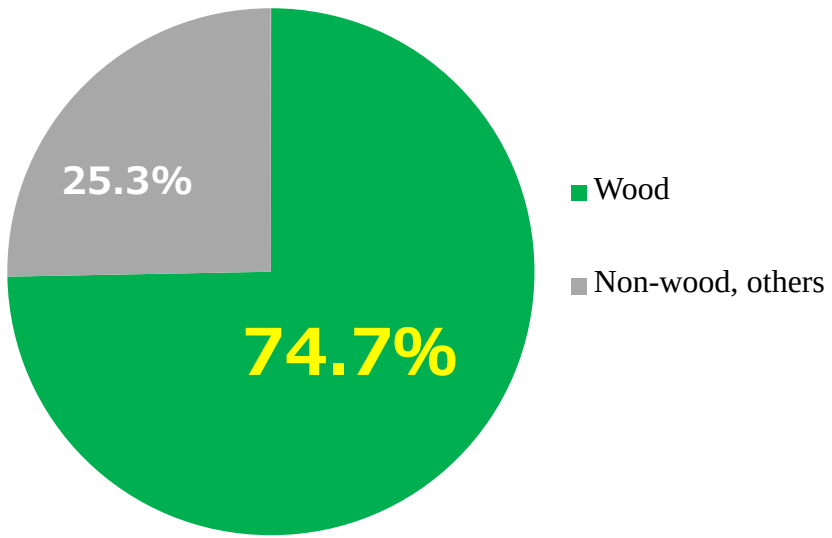
* Reference: Materials of MLIT



Intentions regarding wooden houses

* Reference : “Awareness and intention survey on cyclical use of forest resources” (2015 Japan’s Ministry of Agriculture, Forestry and Fisheries

Q: What kind of houses do you want to choose when you build or buy a new house?



Maintain an enormous stock of wooden houses

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FY3/19 Business Plan

- **Securing of excellent human resources and strengthening of education system**

  Also focus on diversification of human resources

  ⇒Enhance development of sales positions of female and senior workers

- **Improvement in operating efficiency**

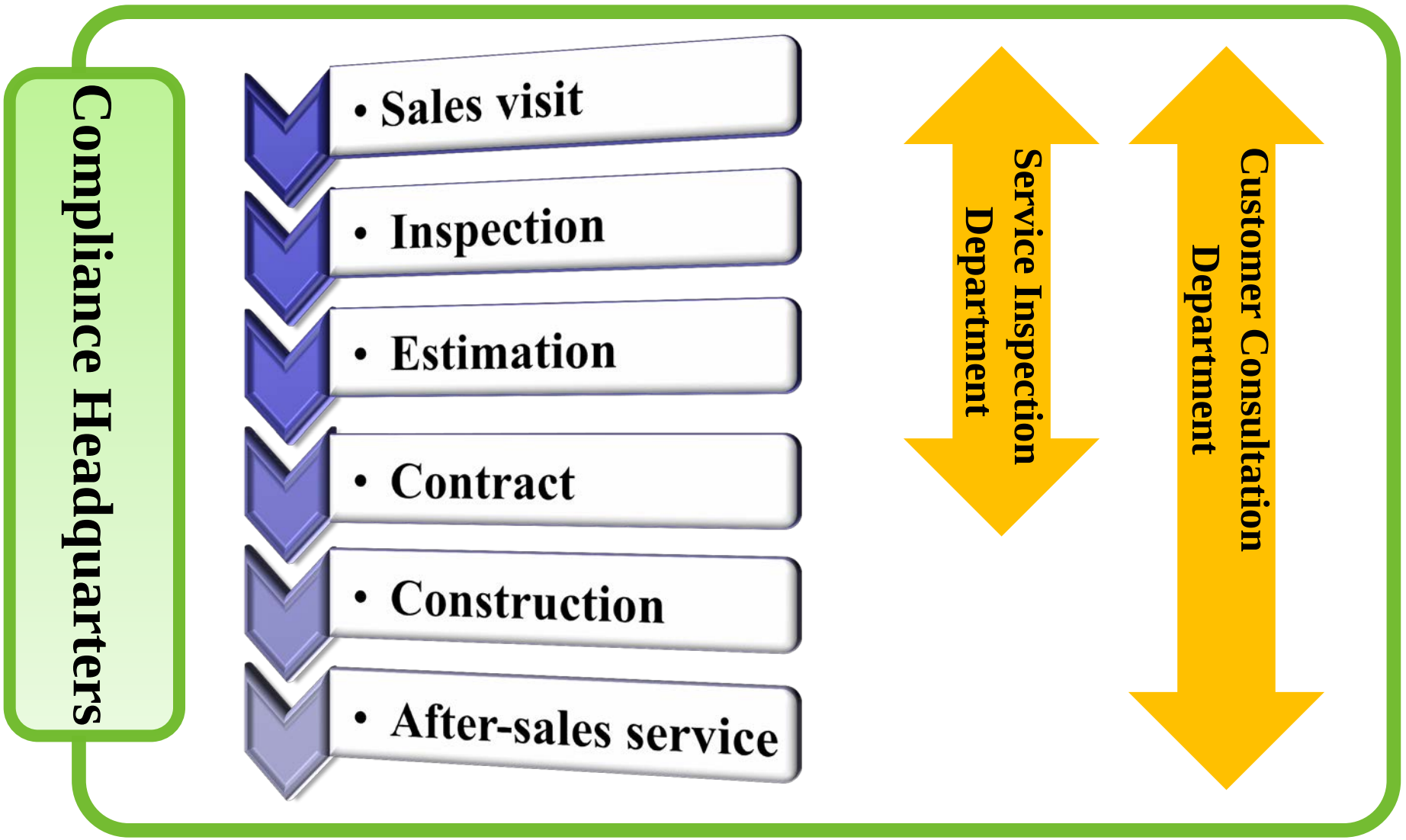
  Promote efficiencies of business systemization and application development

- **Deepening of corporate governance**

- **Strengthening of compliance and increase of customer satisfaction**

Strengths (Thorough Compliance System)

A thorough compliance system that creates trust and competitiveness



FY3/19 Advertising and Sales Promotion -1

Sponsorship

- Signed a sponsorship deal with Kawasaki Frontale (2018Meiji Yasuda Life Insurance J1 League)



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TV commercial Leaflets & web advertisements





FY3/19 Advertising and Sales Promotion -2

Detection Dog Team “Kunkuns”

- First-Time Initiative in Japan



Termite Warning

- Announce termite “forecasts” or “alerts and warnings” based on its own database



Termite Warning

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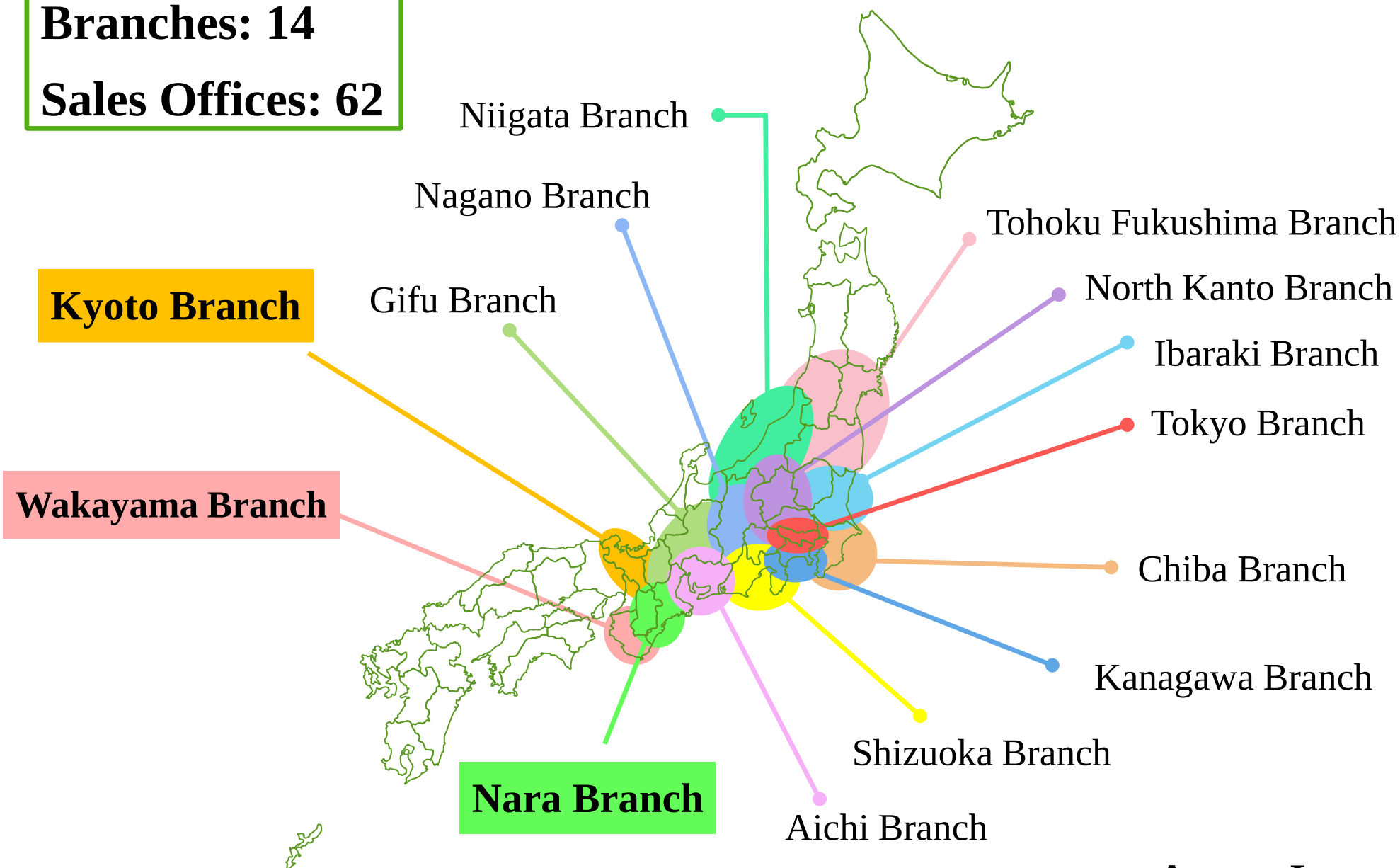
Marketing Areas

Branches: 14

Sales Offices: 62



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Results for Profit and Loss (1H YoY)

- Net sales increased by 195 million yen, operating income increased by 101 million yen

(Unit: Million yen)	FY3/18 1H	FY3/19 1H	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales	7,820	**8,015**	195	2.5%
Gross Profit	5,651	**5,837**	185	3.3%
Gross profit ratio	72.3%	72.8%	+0.6pt	—
Operating Income	1,551	**1,652**	101	6.5%
Operating income ratio	19.8%	20.6%	+0.8pt	—
Ordinary Income	1,579	**1,672**	92	5.9%
Ordinary income ratio	20.2%	20.9%	+0.7pt	—
Net Income	1,052	**1,121**	69	6.6%
Net income ratio	13.5%	14.0%	+0.5pt	—
EPS (yen)	85.24	**90.85**	5.60	6.6%

Ratios to Estimates

- Progress ratio of full-year sales forecasts is 55.0%
  Progress ratio of full-year operating income forecasts is 69.2%

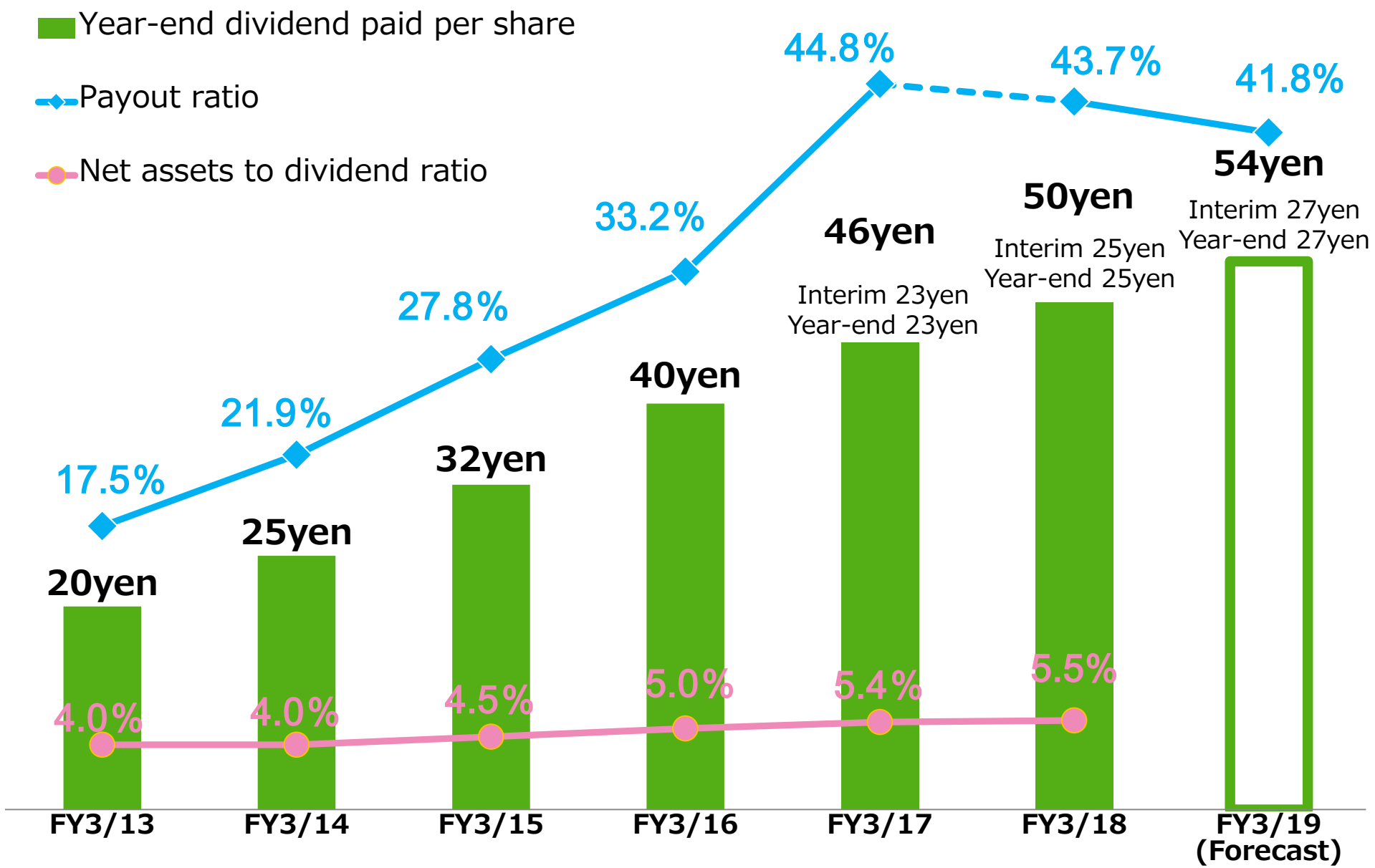
(Unit: Million yen)	FY3/19 1H				FY3/19 Full-year	
	Results	Forecasts	Ratio of forecasts	**Achievement ratio**	Forecasts	**Progress ratio**
Net sales	8,015	8,165	△149	**98.2%**	14,581	**55.0%**
Gross profit	5,837	5,951	△114	**98.1%**	10,459	**55.8%**
Gross profit ratio	72.8%	72.9%	△0.1pt	—	71.7%	—
Operating income	1,652	1,676	△23	**98.6%**	2,389	**69.2%**
Operating income ratio	20.6%	20.5%	+0.1pt	—	16.4%	—
Ordinary income	1,672	1,696	△24	**98.5%**	2,405	**69.5%**
Ordinary income ratio	20.9%	20.8%	+0.1pt	—	16.5%	—
Net income	1,121	1,142	△21	**98.1%**	1,594	**70.3%**
Net income ratio	14.0%	14.0%	△0.0pt	—	10.9%	—
EPS (yen)	90.85	92.57	△1.72	**98.1%**	129.20	**70.3%**

FY3/19 2H Specific Initiatives

- **Accelerate the expansion of marketing areas**
- **Strengthen recruitment and education system**
- **Increase recognition and strengthen advertising and sales promotional activities**
- **Promote the introduction of new services**
- **Establish a more objective and transparent corporate governance system**

Dividend (Results and Forecasts)

No revisions from the figures announced on May 14



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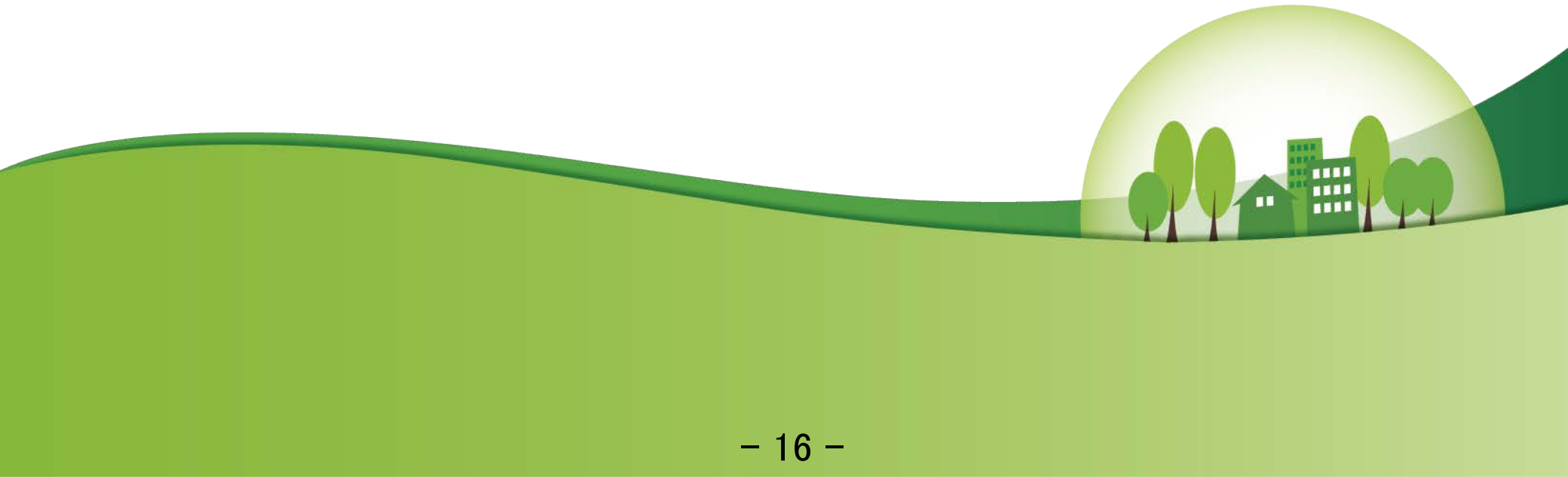
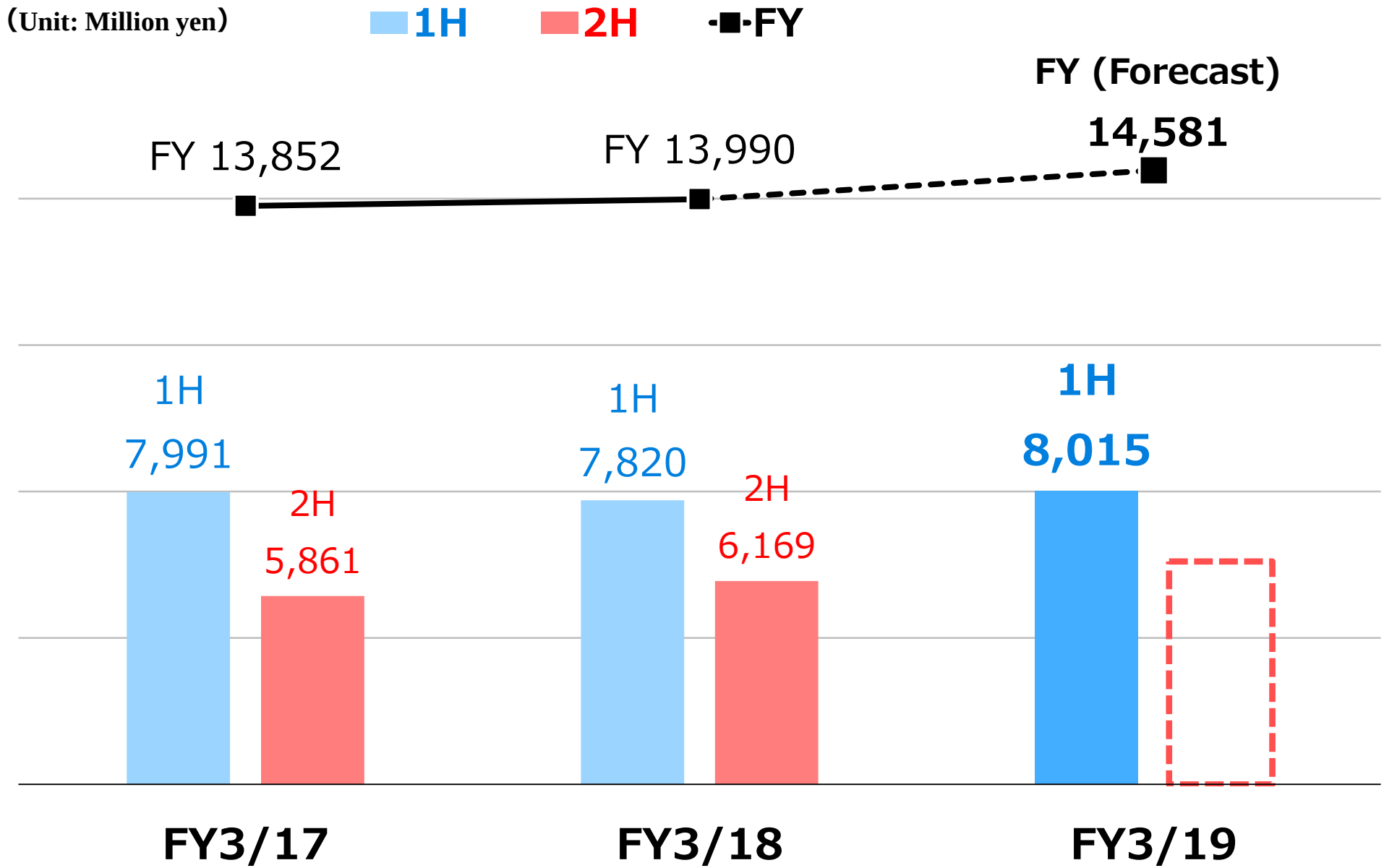
Ⅱ. Details of Financial Results for the Second Quarter of FY 3/19



Net Sales by 1H and 2H



Results for Net Sales by Service (1H YoY)

- Anti-termite measures decreased by 1.3%
  Anti-humidity measures increased by 1.7%
  Anti-earthquake measures increased by 11.7%

(Unit: Million yen)	FY3/18 1H		FY3/19 1H		YoY	
	Results	Composition Ratio	**Results**	**Composition Ratio**	Change	Change in Ratio
Net Sales	7,820	–	**8,015**	**–**	195	2.5%
Anti-termite Measures	3,560	45.5%	**3,513**	**43.8%**	△46	△1.3%
New	1,938	(54.4%) *	**1,884**	**(53.6%) ***	△53	△2.8%
Renewal	1,621	(45.6%) *	**1,629**	**(46.4%) ***	7	0.5%
Anti-humidity Measures	1,868	23.9%	**1,900**	**23.7%**	31	1.7%
Anti-earthquake Measures	2,032	26.0%	**2,269**	**28.3%**	237	11.7%
Others	359	4.6%	**332**	**4.1%**	△27	△7.6%

*Composition ratio to sales of termite control

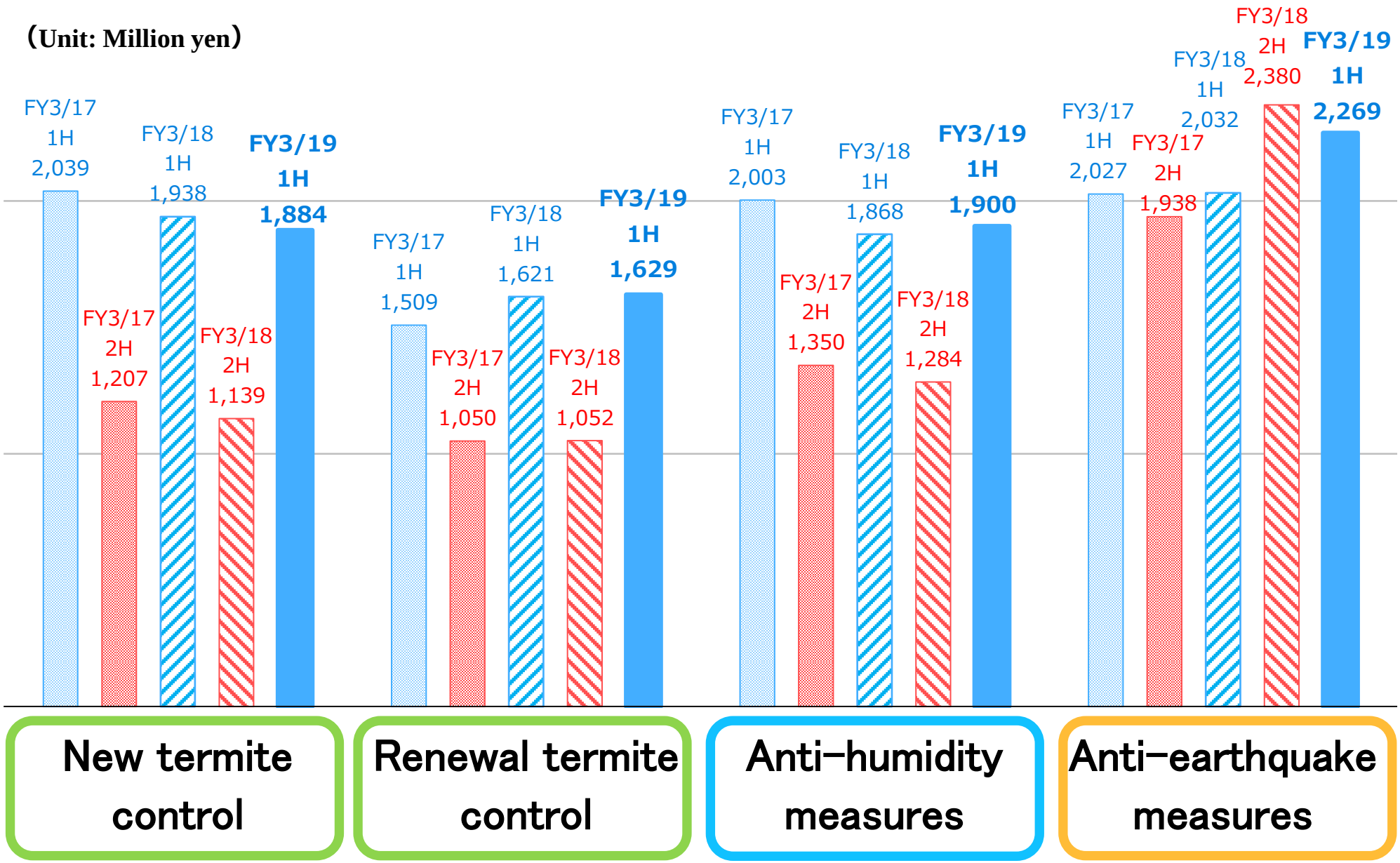
Results for Number of Staffs, Sales per Staff (1H YoY)

■ Sales staffs slightly increased, and technical staffs decreased as planned

	FY3/18 1H	FY3/19 1H	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales (Million yen)	7,820	**8,015**	195	2.5%
Within the three services	7,460	**7,683**	222	3.0%
Average number of staffs during the period	1,067	**1,035**	△32	△3.0%
Within the three services	862	**833**	△29	△3.3%
Sales per staff (Thousand yen/month)	1,221	**1,290**	69	5.7%
Within the three services	1,442	**1,536**	94	6.5%
Number of staffs at end of 2Q	1,048	**1,010**	△38	△3.6%
Within the three services	843	**811**	△32	△3.8%

- ”Number of staffs”: total number of staffs actually working including part-time employees and contract employees (excluding dispatched and seconded staffs)
- ”Sales of three services”: total sales of anti-termite measures, anti-humidity measures and anti-earthquake measures
- ”Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites

Sales of Three Major Services by 1H and 2H



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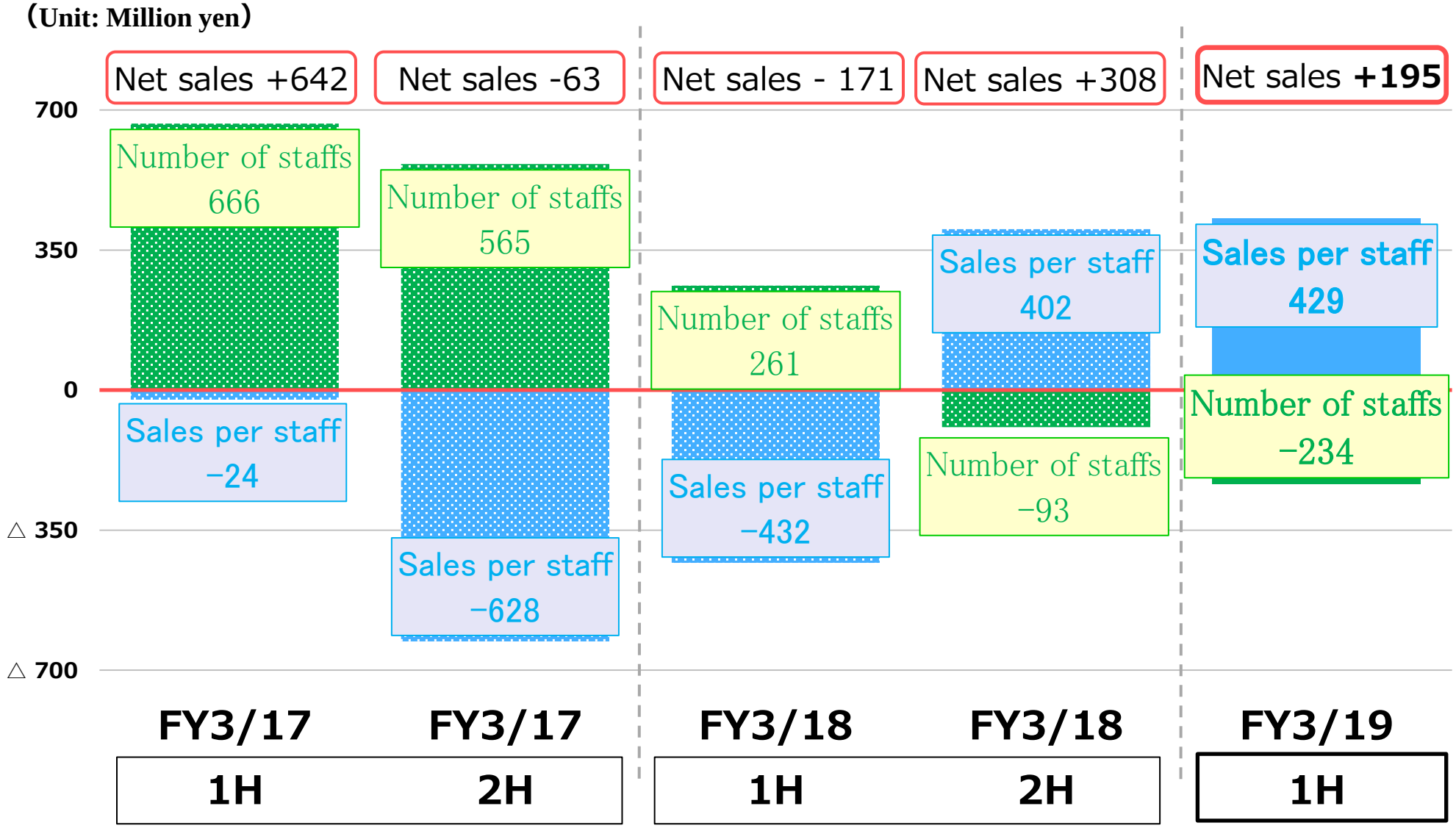
Factors for Changes in Net Sales

- The number of staffs increased by 9.9% in FY3/17, and slightly increased by 0.9% in FY3/18 due to control of hiring



Results for Profit and Loss (1H YoY)

- Net sales increased by 2.5%, operating income increased by 6.5%

(Unit: Million yen)	FY3/18 1H Results	FY3/19 1H Results	YoY Change	YoY Change in Ratio
Net Sales	7,820	8,015	195	2.5%
Cost of sales	2,168	2,178	9	0.5%
Cost of sales ratio	27.7%	27.2%	△0.6pt	—
Gross Profit	5,651	5,837	185	3.3%
Gross profit ratio	72.3%	72.8%	＋0.6pt	—
SG&A	4,100	4,184	84	2.1%
SG & A ratio	52.4%	52.2%	△0.2pt	—
Operating Income	1,551	1,652	101	6.5%
Operating income ratio	19.8%	20.6%	＋0.8pt	—
Overall personnel costs	3,378	3,413	34	1.0%
Overall personnel costs ratio	43.2%	42.6%	△0.6pt	—

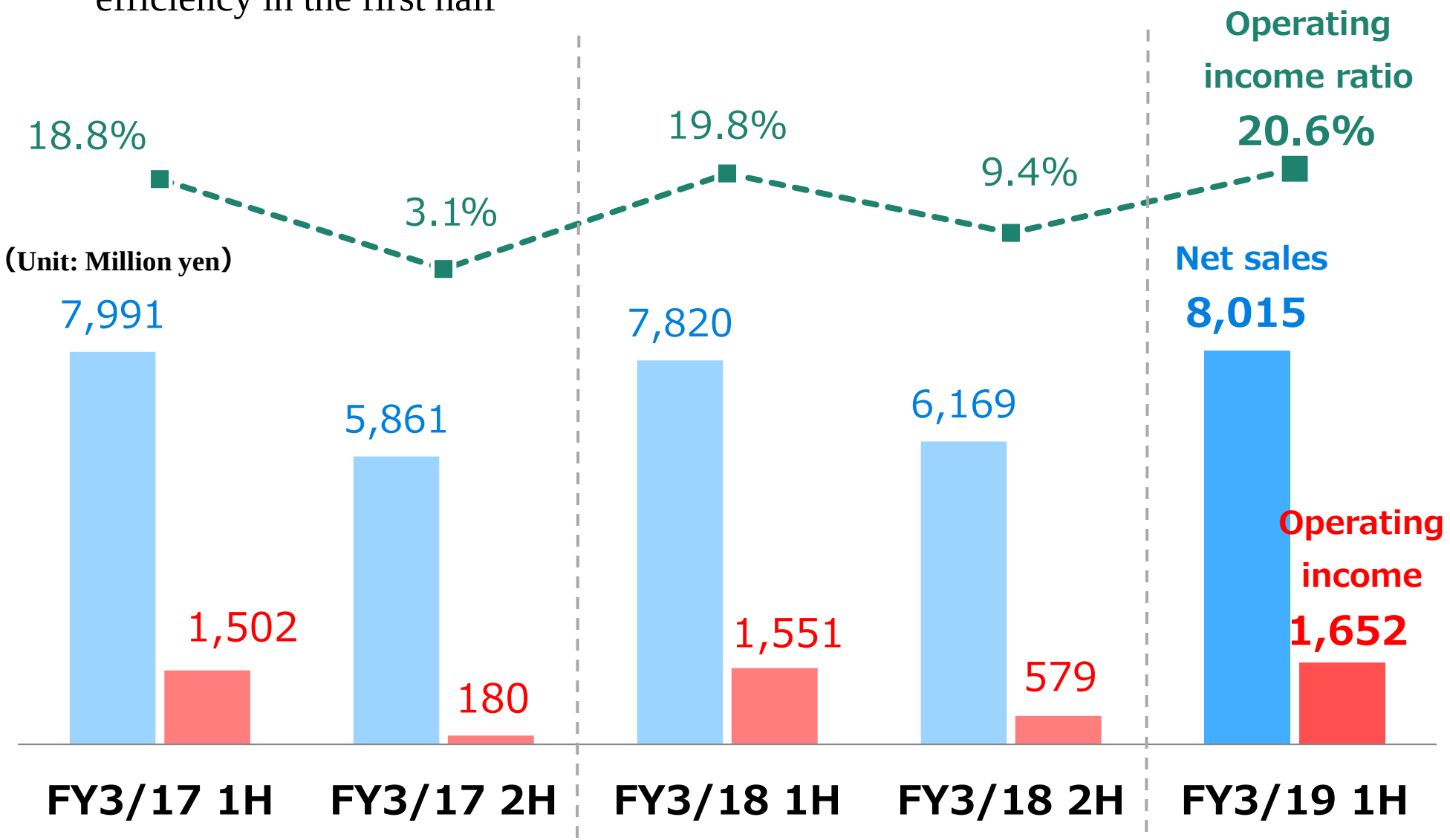
Factors for Changes in Operating Income (1H YoY)

- Net sales increased by 195 million yen, operating expenses increased by 94 million yen, and operating income increased by 101 million yen

(Unit: Million yen)	Amount	Change in ratio	Main factors for changes
FY3/18 1H Operating Income	1,551	–	
Net Sales	195	+2.5%	
Material Costs	16	+1.7%	
Labor Costs	△26	△3.4%	
Other Cost of Sales	20	+4.7%	
Personnel Expenses	61	+2.4%	
Recruiting Expenses	1	+1.7%	
Advertising Expenses	3	+1.0%	
Other SG & A Expenses	17	+1.6%	
FY3/19 1H Operating Income	1,652	+6.5%	

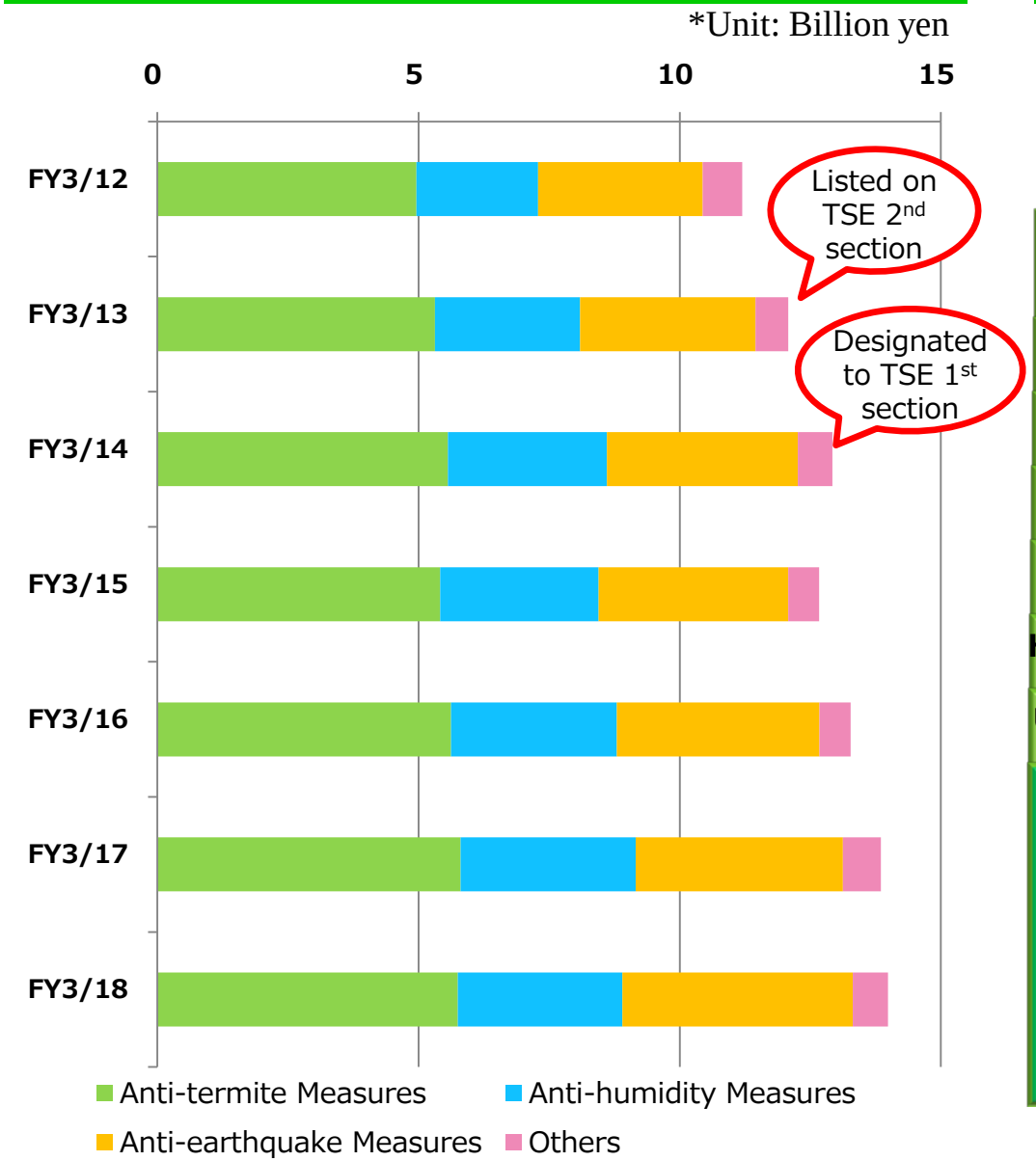
Profit and Loss by 1H and 2H

- There was a seasonal variation in performance due to improvement in operating efficiency in the first half



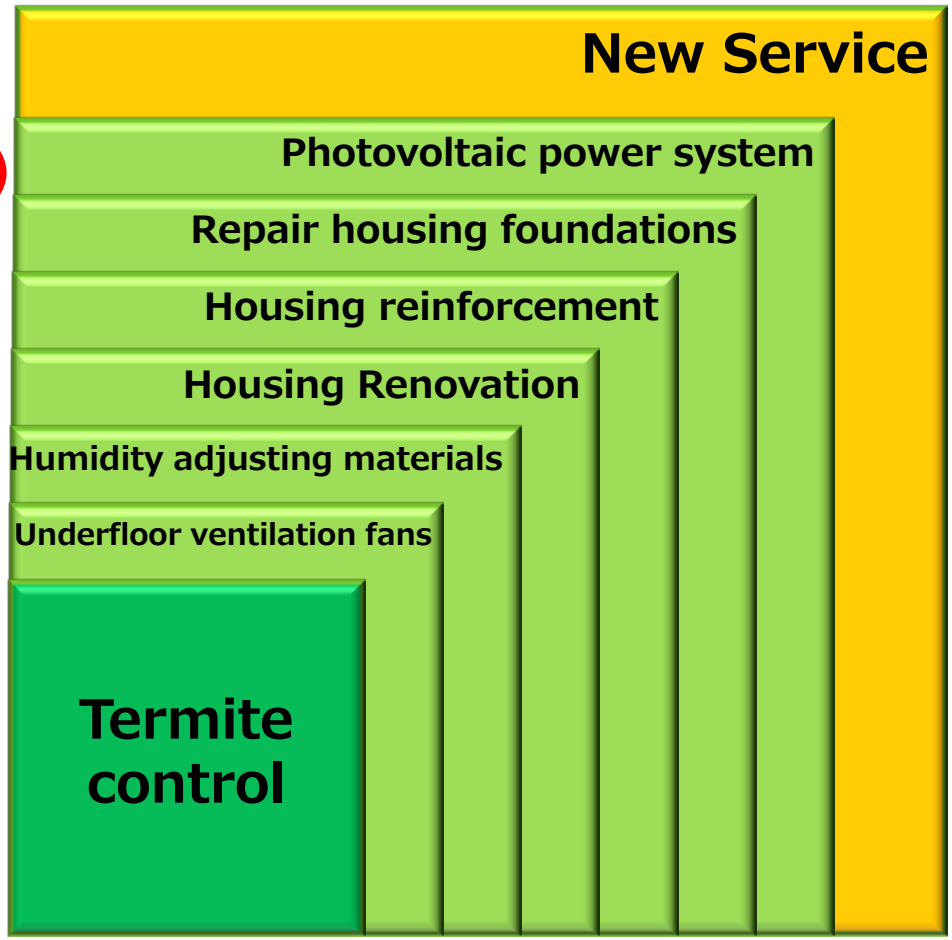
Growth Strategy 1

Change of Net Sales by Service



Expansion of the Field of Service

- Lineup of house maintenance services



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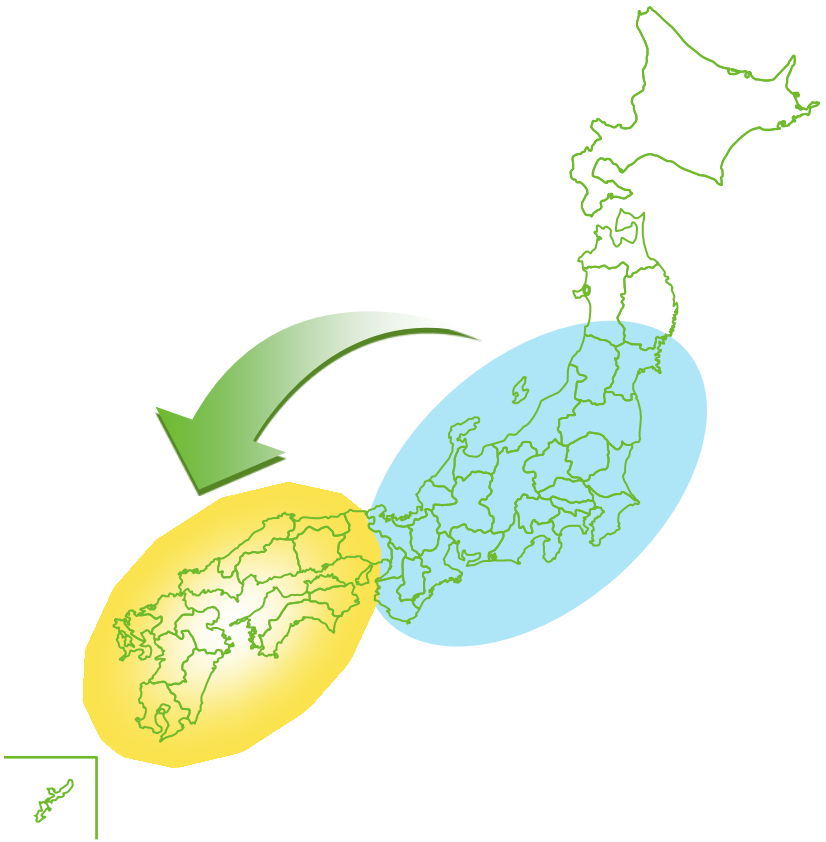
Growth Strategy 2

Expansion of marketing areas

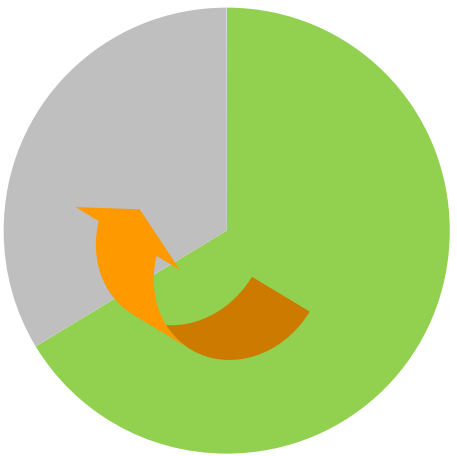
- Expand in to the west of Kansai
- Develop areas in tie-ups with JA



Cultivation of existing areas

- There is still room for development
- Rise in profit margin due to improvement in operating efficiency

Pct. of tie-ups with JA within the existing areas



Work under the Floor (Inspection and Construction)

Wealth of human resources who can perform high-quality jobs in a severe environment

- Training under the floor of model house





- Working under the real floor





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



Growth Strategy 3

Sustainable growth with termite control-related services at the core

【Basis for growth】

- Huge potential demand
- Spur to national policy
- High-quality services
- High profit margins
- Superiority of industry leader

【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

Mid-term Profit and Loss Plan (Rolling System)

No revisions from the figures announced on May 14

- Operating income margin recovered to 17% level in FY3/18 and to record 17.5% in FY3/19

(Unit: Million yen)	FY3/18	FY3/19	FY3/20	FY3/21		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/18	
					Change	Change in ratio
Net sales	13,990	14,581	15,430	**16,500**	2,510	17.9%
YoY Change in ratio	1.0%	4.2%	5.8%	6.9%	—	—
Operating income	2,131	2,389	2,615	**2,887**	756	35.4%
YoY Change in ratio	26.7%	12.1%	9.5%	10.4%	—	—
Operating income ratio	15.2%	16.4%	17.0%	**17.5%**	+ 2.3pt	—
Net income	1,411	1,594	1,752	**1,941**	530	37.6%
YoY Change in ratio	11.5%	13.0%	9.9%	10.8%	—	—
Net income ratio	10.1%	10.9%	11.4%	**11.8%**	+ 1.7pt	—

Notes on Future Forecasts

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