Financial Results for FY Ended March 2019

May 17, 2019



Asante Incorporated 【TSE First Section Securities Code 6073】

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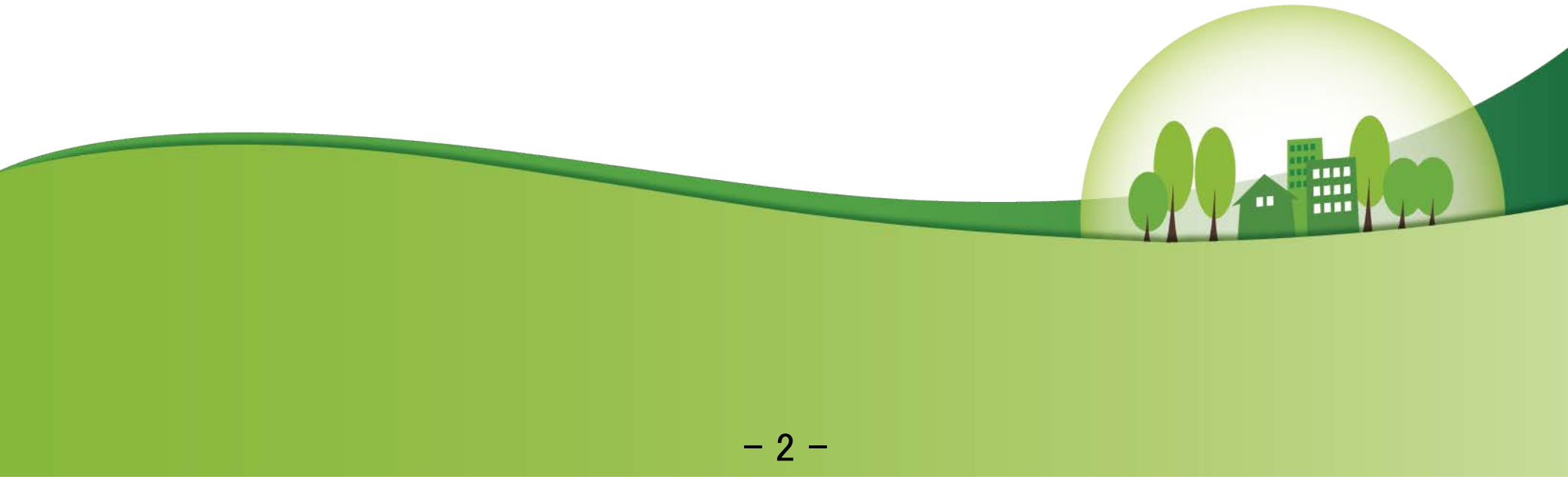
Ⅰ. Overview of Financial Results for FY3/19



Business Environment

The economy is on a moderate recovery trend thanks to the improvements in corporate earnings and the employment environment.

Consumers' saving consciousness remains strong, and record-breaking hot weather and typhoons also affected the performance.

Awareness of extension of housing lifetime increased backed by housing policies aimed at expanding the existing housing distribution and renovation markets.

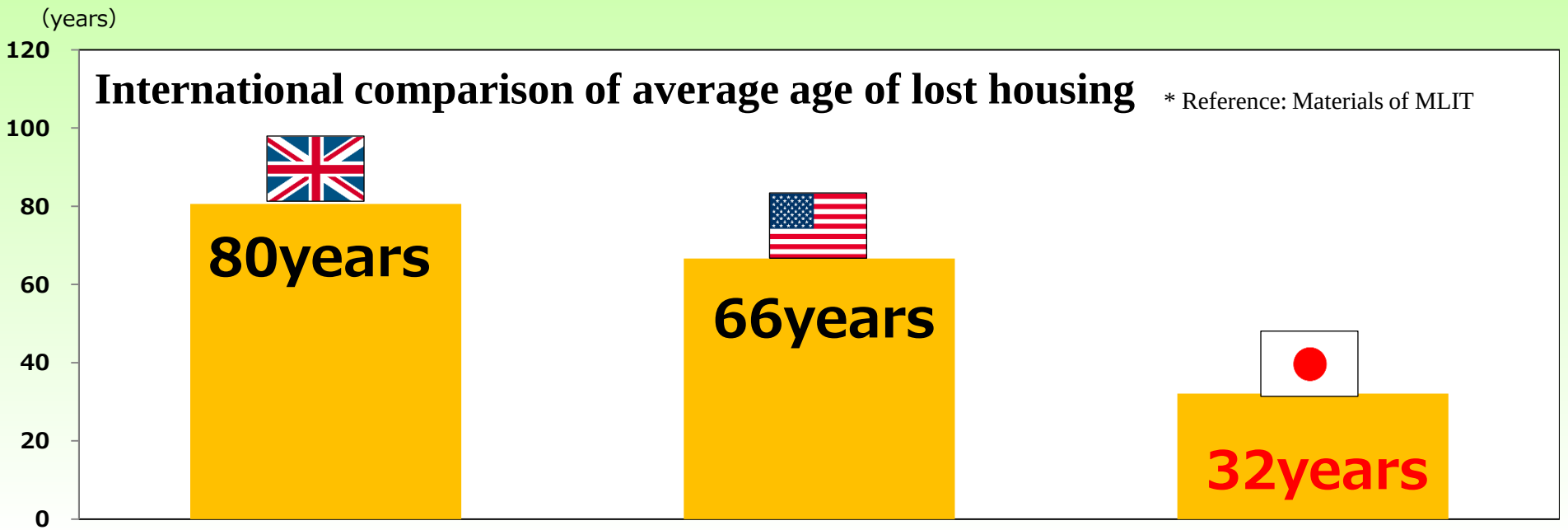
The hiring environment is becoming more severe due to continued tight labor supply-and-demand situation.

External Environment (Trend of the National Policy)

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**



Industry (Potential Demand of Termite Control for New Customers)

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

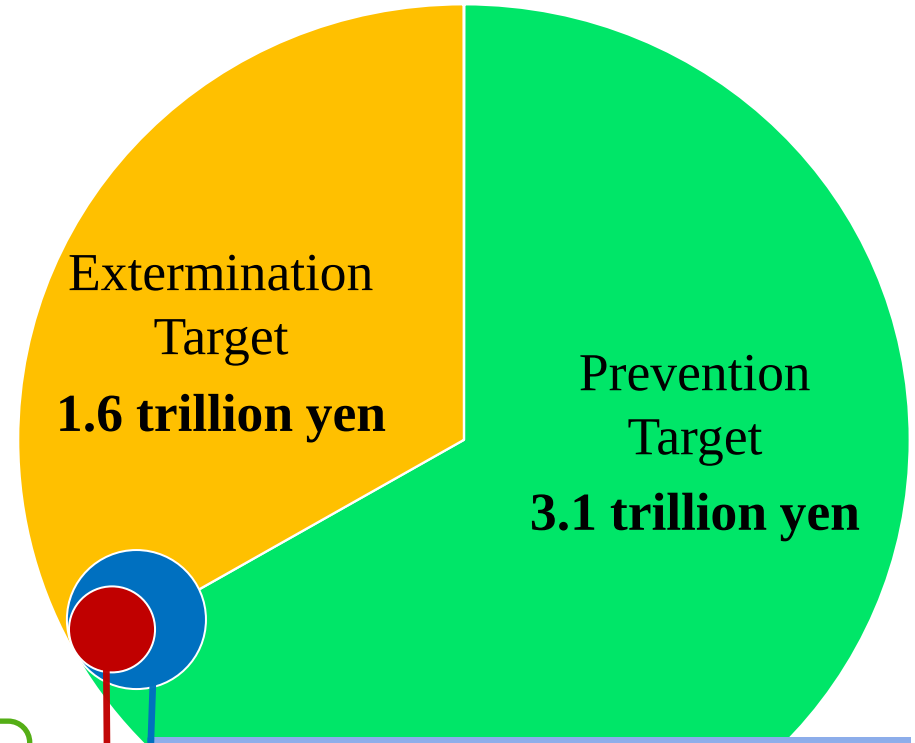
  (Statistics Bureau, MIC[*1], “2013 Statistical Survey on Housing and Land”)

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

  (Termite control for new customers only)

- **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.

2018
Estimate of total industry sales (Forecast)
47.8 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)

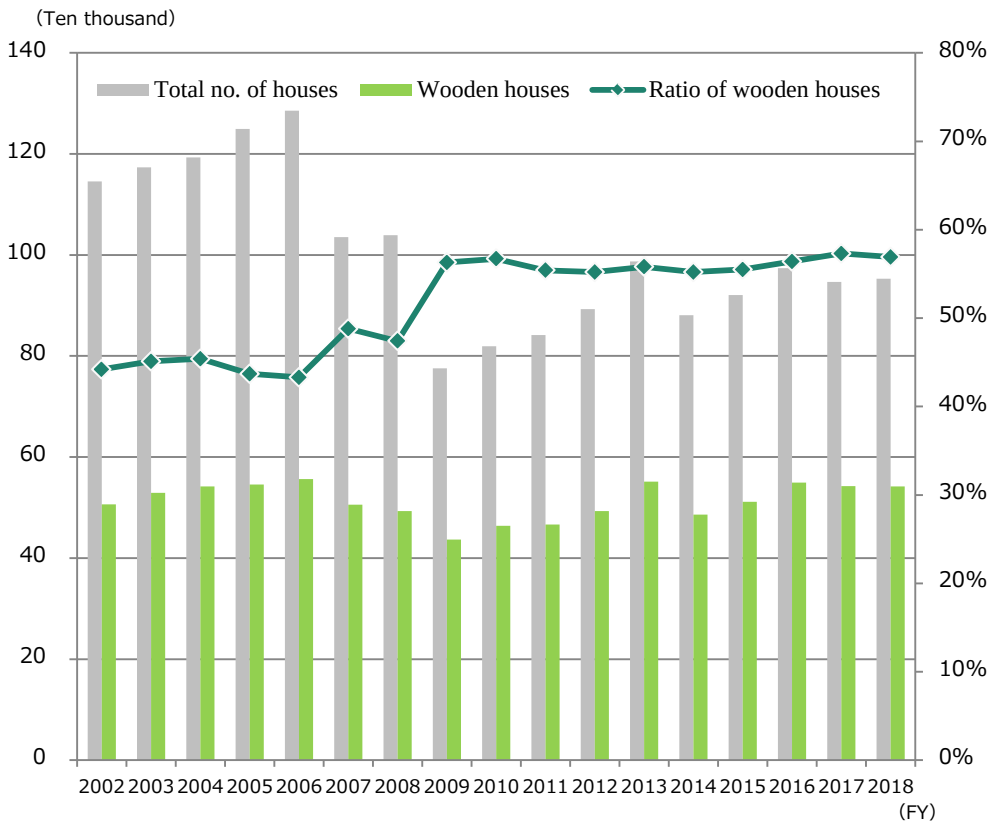
*1 MIC …Ministry of Internal Affairs and Communications

*2 Reference: Yano Research Institute Ltd.
“2019 Edition: PCO/TCO/Fumigation Services Market Realities and Mid-term Prospects”

Trends of Wooden Houses

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

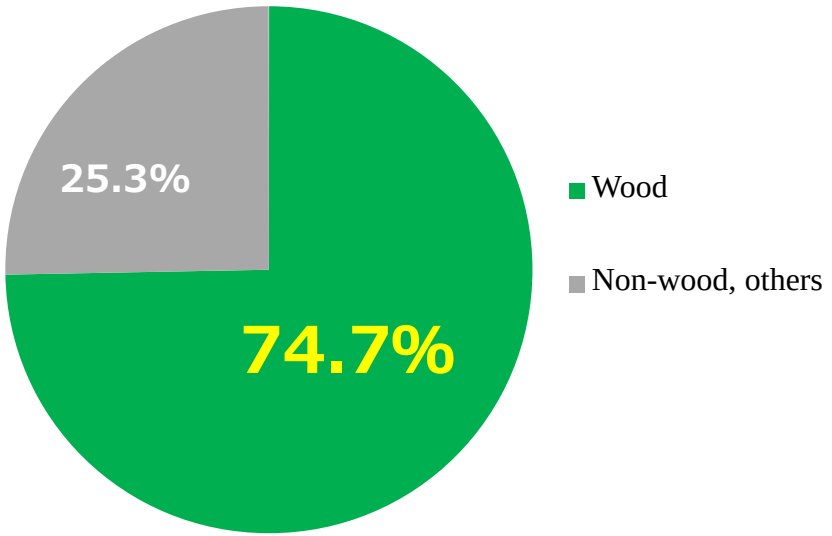
＊ Reference: Materials of MLIT



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 & Specific Initiatives

Securing of excellent personnel and strengthen its educational system

- **Further improve our marketing capabilities**

Improvement of operating efficiency

- **Systemization of operations for sales efficiency**
- **Improve awareness and image through advertising and sales promotion**

Deepening of corporate governance

- **Establish the Nomination and Remuneration Advisory Committee to strengthen governance**

Strengthening of compliance and improve customer satisfaction

- **Further strengthen the structure through PDCA management**

FY3/19　Sponsorship Agreement

- Signed a sponsorship deal with Kawasaki Frontale (2018Meiji Yasuda Life Insurance J1 League)
- Continue the sponsorship for FY3/20 to raise the public's awareness

Asante Excite Match







Pest control at Todoroki Athletics Stadium

- Pest control throughout the game season





Pesticide spraying near drainage ditches, audience seats and other floors



Received letter of appreciation from Kawasaki Frontale

@KAWASAKI FRONTALE CO.,LTD

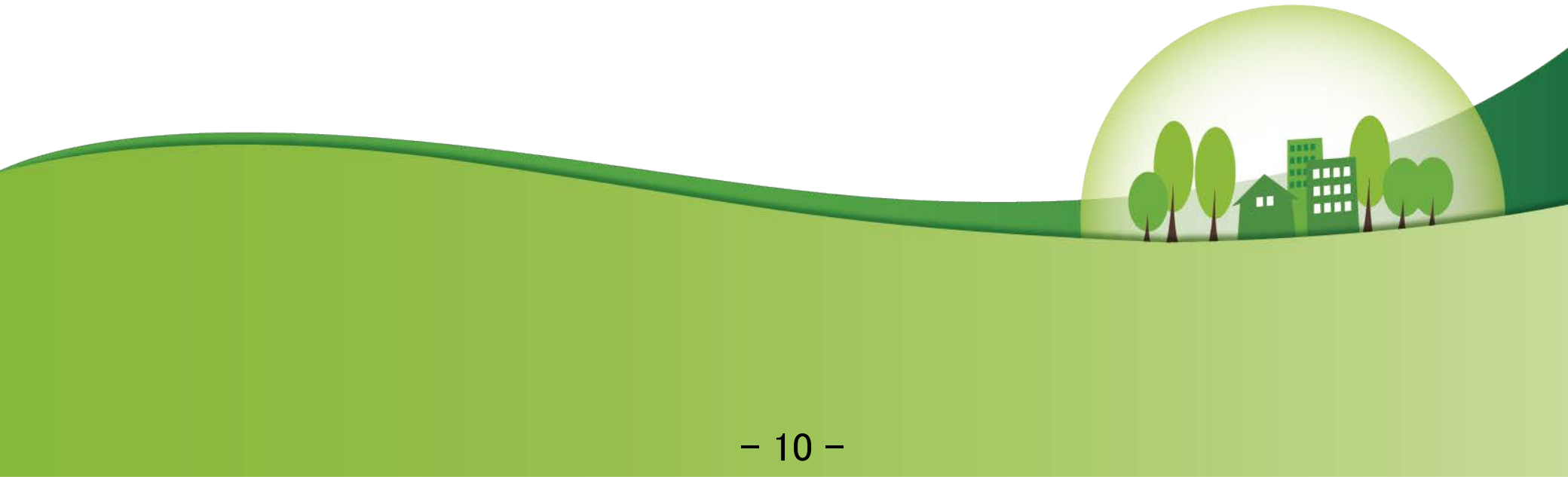
FY3/19 Results for Profit and Loss

- Net sales increased by 511 million yen

  Operating income increased by 154 million yen

(Unit: Million yen)	FY3/18	FY3/19	YoY	
	Results	**Results**	Change	Change in Ratio
Net sales	13,990	**14,501**	511	3.7%
Gross profit	9,965	**10,432**	466	4.7%
Operating Income	2,131	**2,285**	154	7.2%
Ordinary Income	2,155	**2,314**	158	7.4%
Net income	1,411	**1,515**	104	7.4%

Ⅱ. Overview of Forecasts for FY3/19



FY3/20 Outline of New Organizational Structure

- **Transition to a three-division structure**

  Appoint directors as heads of divisions

- **Establishment and consolidation of departments**

  Strengthen the functions of the education department

  Integrate divisions to improve technological and R&D capabilities

Strengthening the functions of each department and speeding up decision-making

FY3/20 Business Plan

1. **Strengthening of compliance and increase of customer satisfaction**
2. **Securing of excellent human resources and strengthening of education system**
3. **Promote efficiencies of business and enhancement of productivity**
4. **Sales area development to increase potential customers**

FY3/20 Advertising and Sales Promotion

- Run new TV commercial, insert leaflets in newspapers and place advertisements on website in line with the termite swarming season which has a strong response and high close rate

TV commercial





Leaflets & web advertisements



Addition of two new dogs this spring to Kun Kun's ®

Asante's Detection Dog Team "Kunkuns"



FY3/20 Public Relations 2

Public Seminar

Initiatives since 2012

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

April 18, 2019

6th Termite public seminar



Lecturer: Wakako Ohmura
Forestry and Forest Products Research Institute,
Department of Wood Improvement,
Director of Department of Wood Improvement



Demonstration of new termite detection dog

Termite Warning

Initiatives since 2007

- Announce termite forecasts, alerts and warnings based on its own database
- For this fiscal year, it disclosed on April 19, 2019



Termite Warning

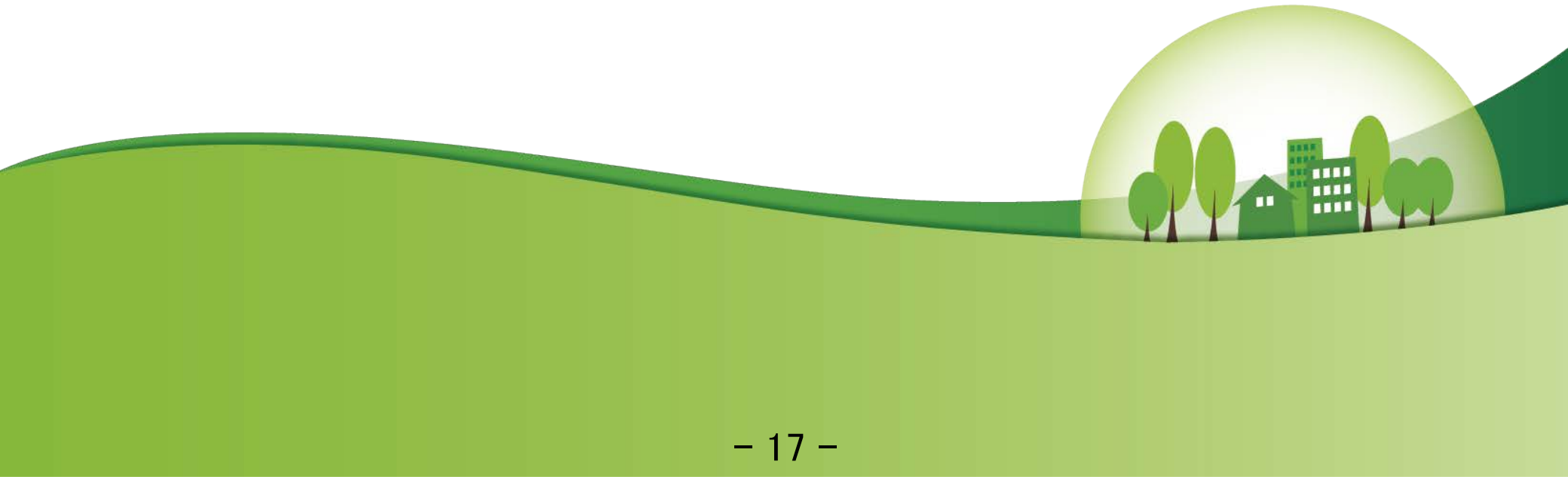
FY3/20 Forecasts of Profit and Loss

- Net sales to increase by 928 million yen

  Operating income to increase by 330 million yen

(Unit: Million yen)	FY3/19	FY3/20	YoY	
	Results	**Forecasts**	Change	Change in Ratio
Net sales	14,501	**15,430**	928	6.4%
Gross profit	10,432	**11,107**	674	6.5%
Operating Income	2,285	**2,615**	330	14.4%
Ordinary Income	2,314	**2,628**	313	13.6%
Net income	1,515	**1,752**	236	15.6%
Year-end dividend paid per share (yen)	54	**60**	6	–

Ⅱ. Overview of Mid-term Business Plan



Outlook for Business Environment

- **National policy of "emphasizing the extension of the lifetime and maintenance of existing houses" remains unchanged.**
  - The awareness of the need for termite control is gradually increasing
- **Potential demand is still very heavy**
- **Consumer spending remains firm**
  - While an upturn in economy is expected toward the Olympic year, there is a risk for slowdown in consumer spending due to a sluggish real wage growth
  - Less affected by consumption tax hike scheduled for October 2019
- **Labor supply and demand remain tight**
  - Require continued efforts to secure and foster excellent human resources

Mid-term business policy (Rolling System)

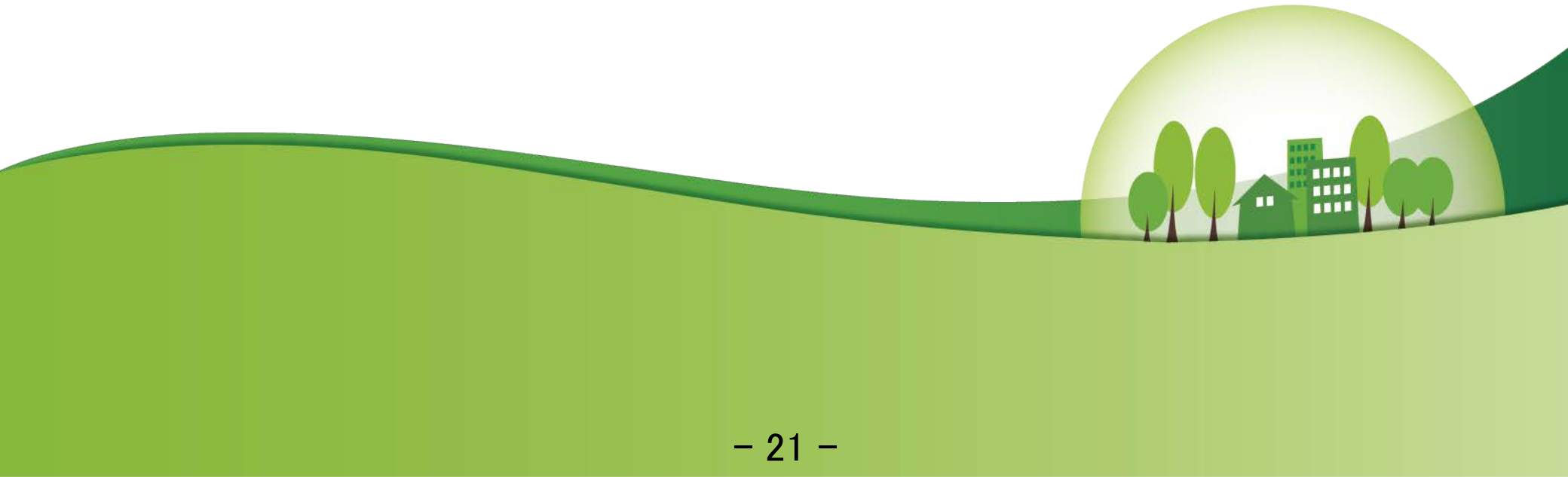
Mid-term business policy

1. Compliance-oriented management
2. Enhancing corporate governance
3. Increasing the number of talented personnel and strengthen the education system
4. Expansion of sales area
5. Improvement in operating efficiency
6. Improvement in technological and new product development capabilities
7. Taking measures for environmental and social issues

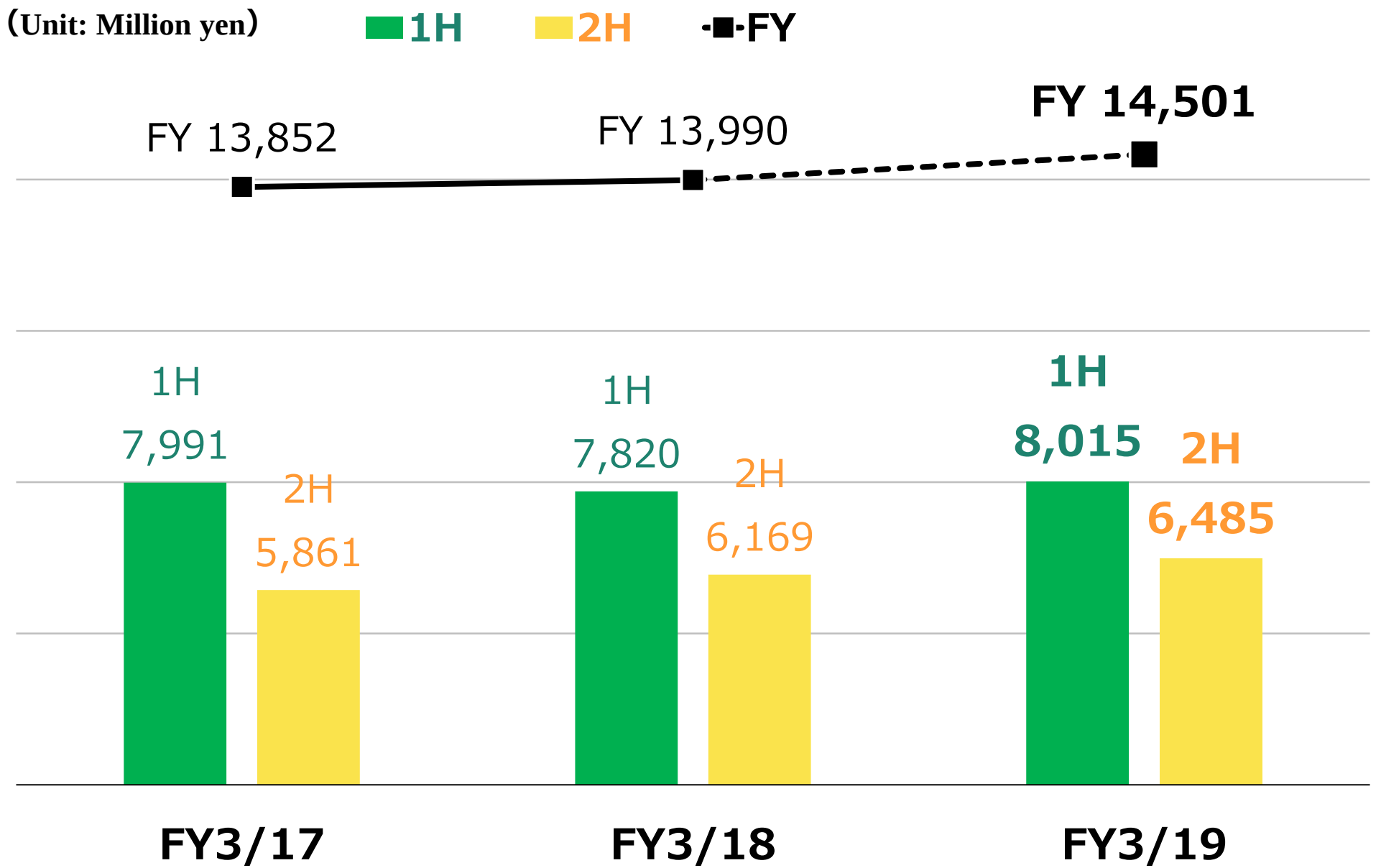
Mid-term Profit and Loss Plan (Rolling System)

(Unit: Million yen)	FY3/19	FY3/20	FY3/21	FY3/22		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/19	
					Change	Change in ratio
Net sales	14,501	15,430	16,500	**17,580**	3,078	21.2%
Operating income	2,285	2,615	2,887	**3,077**	792	34.7%
Operating income ratio	15.8%	17.0%	17.5%	**17.5%**	1.7pt	—
Net income	1,515	1,752	1,943	**2,075**	560	37.0%
Net income ratio	10.5%	11.4%	11.8%	**11.8%**	1.4pt	—

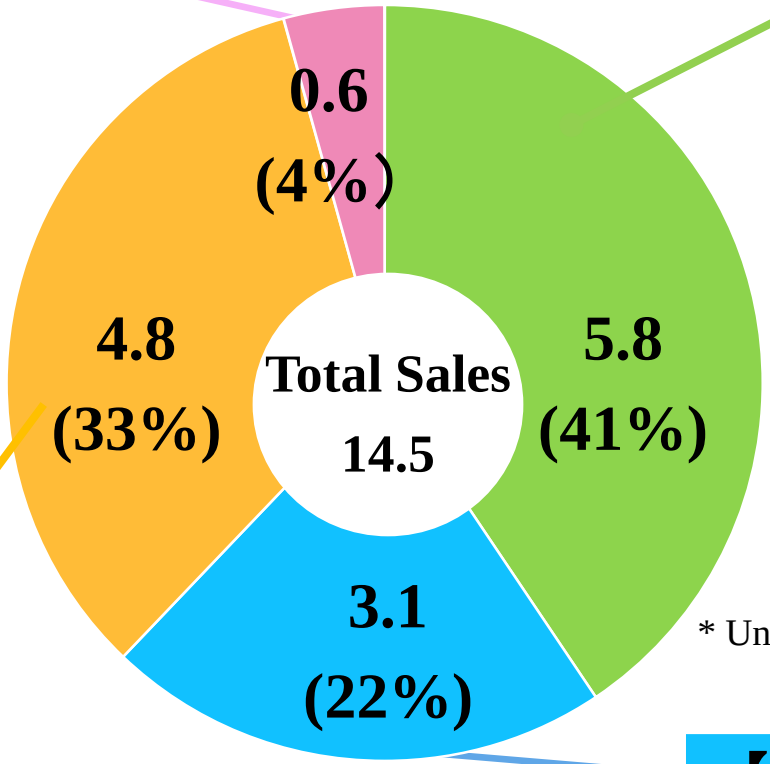
Ⅲ. Details of Financial Results for FY3/19



Net Sales by 1H and 2H



FY3/19 Sales Composition by Service



【 Other 】

- Pest Control
- Housing Renovation
- Others

【Termite control】



* Unit: Billion yen

【 Anti-earthquake measures 】

Repair Housing Foundations



Housing Reinforcement



【 Anti-humidity Measures 】

Underfloor Ventilation Fans



Humidity Adjusting Materials



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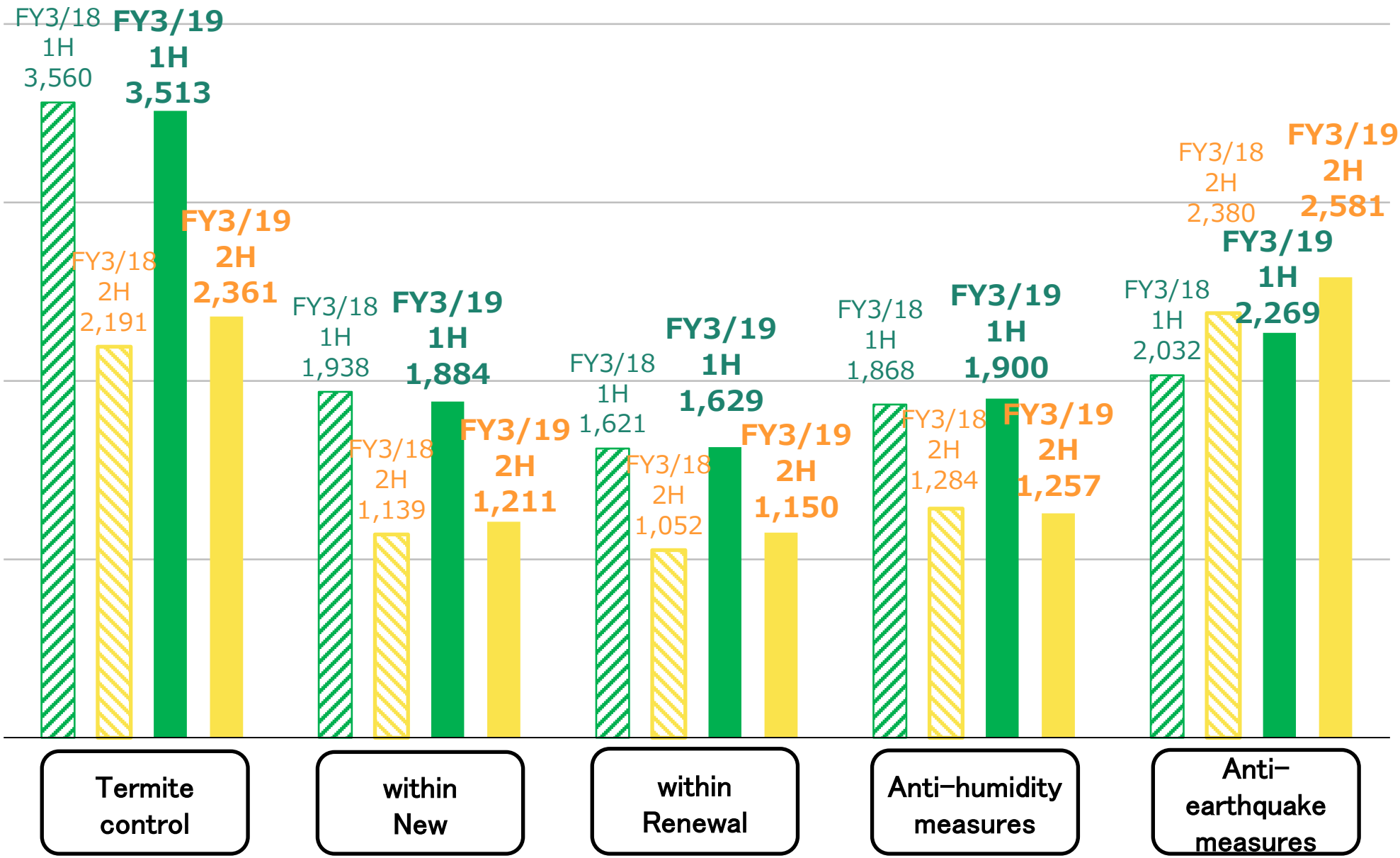
Sales of Three Major Services by 1H and 2H

（Unit: Million yen）



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FY3/19 Net Sales by Service (Full-year)

- Sales of major three services generally increased year on year

((Unit: Million yen)	FY3/18		FY3/19		YoY	
	Results	Composition ratio	**Results**	**Composition ratio**	Change	Change in ratio
Net sales	13,990	—	**14,501**	—	511	3.7%
Termite Control	5,751	41.1%	**5,875**	**40.5%**	123	2.1%
New	3,077	22.0%	**3,096**	**21.4%**	18	0.6%
Renewal	2,674	19.1%	**2,779**	**19.2%**	104	3.9%
Anti-humidity measures	3,152	22.5%	**3,157**	**21.8%**	5	0.2%
Anti-earthquake measures	4,413	31.5%	**4,851**	**33.5%**	438	9.9%
Others	672	4.8%	**616**	**4.3%**	△55	△8.3%

FY3/19 Number of Staffs, Sales per Staff (1H/2H)

- In both 1H and 2H, the average number of staffs increased in sales positions, and it significantly decreased in technical positions as planned

	FY3/18					
	1H	YoY		2H	YoY	
	Results	Change	Change in ratio	**Results**	Change	Change in ratio
Net Sales (Million yen)	**8,015**	195	2.5%	**6,485**	315	5.1%
Within the three services	**7,683**	222	3.0%	**6,201**	344	5.9%
Average number of staffs during the period	**1,035**	△32	△3.0%	**993**	△17	△1.7%
Within the three services	**833**	△29	△3.3%	**795**	△11	△1.3%
Sales per staff (Thousand yen/month)	**1,290**	69	5.7%	**1,088**	70	6.9%
Within the three services	**1,536**	94	6.5%	**1,300**	88	7.3%

- ”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 termite control, 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

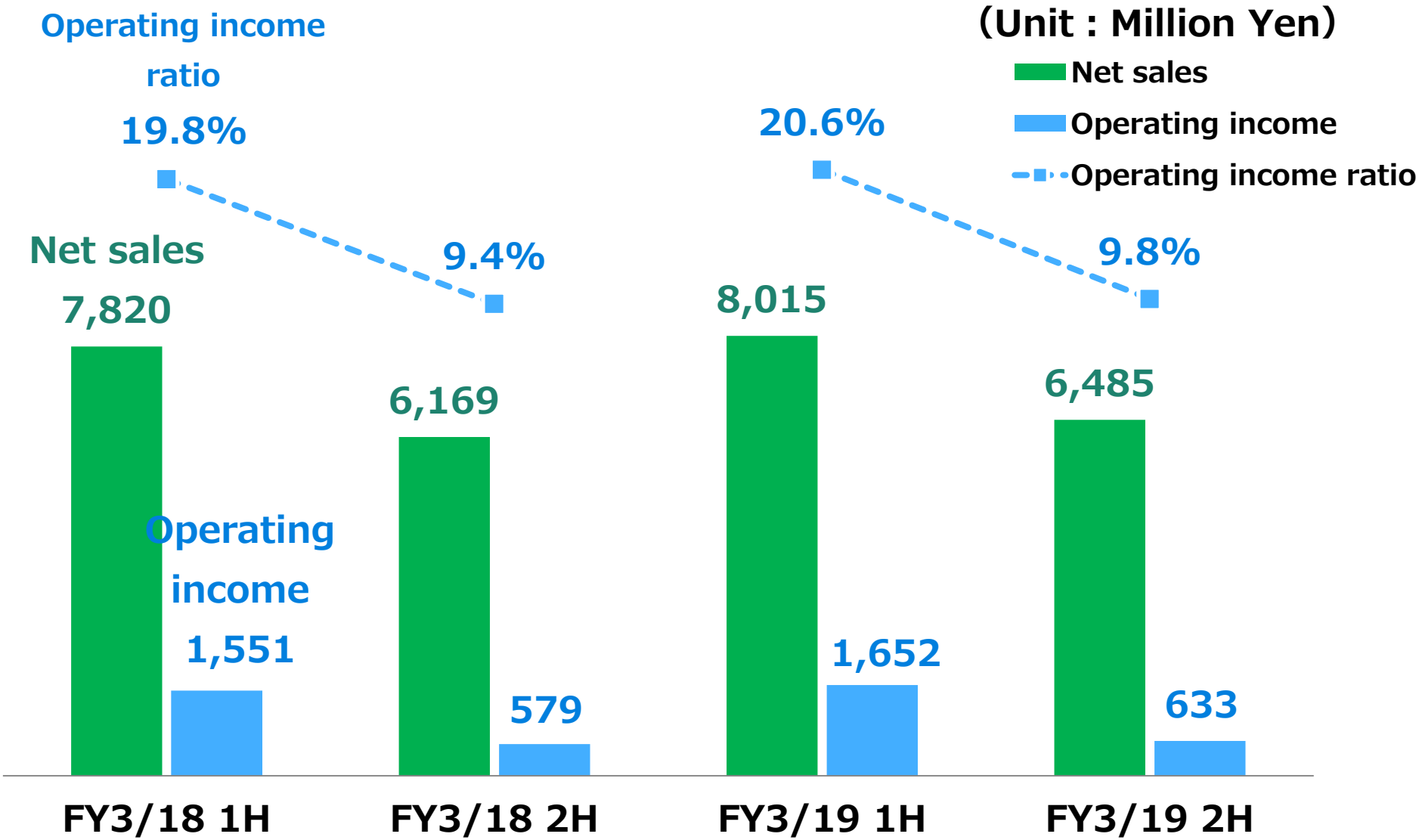
FY3/19 Number of Staffs, Sales per Staff (Full-year)

- The 2.4% decrease in average number of staffs is due to the decrease in technical and clerical management positions. Sales staffs increased by 1.2%
- Sales per staff increased by 6.2%

	FY3/18	FY3/19	YoY	
	Results	**Results**	Change	Change in ratio
Net Sales (Million yen)	13,990	**14,501**	511	3.7%
Within the three services	13,317	**13,884**	566	4.3%
Average number of staffs during the period	1,039	**1,014**	△25	△2.4%
Within the three services	834	**814**	△20	△2.4%
Sales per staff (Thousand yen/month)	1,122	**1,191**	69	6.2%
Within the three services	1,331	**1,421**	90	6.8%

- ”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 termite control, 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

FY3/19 Profit and Loss by 1H and 2H



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FY3/19 Results for Profit and Loss (Full-year)

(Unit: Million yen)	FY3/18	FY3/19	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales	13,990	**14,501**	511	3.7%
Gross Profit	9,965	**10,432**	466	4.7%
Gross profit ratio	71.2%	71.9%	+0.7pt	—
Operating income	2,131	**2,285**	154	7.2%
Operating income ratio	15.2%	15.8%	+0.5pt	—
Ordinary income	2,155	**2,314**	158	7.4%
Ordinary income ratio	15.4%	16.0%	+0.6pt	—
Net income	1,411	**1,515**	104	7.4%
Net income ratio	10.1%	10.5%	+0.4pt	—
Overall personnel costs	6,574	**6,819**	245	3.7%
Overall personnel costs ratio	47.0%	47.0%	+0.0pt	—

FY3/19 Factors for Changes in Operating Income (YoY)

- Operating expenses increased by 356 million yen

(Unit: Million yen)	Amount	Change in ratio	Main factors for changes
FY3/18 Operating income	2,131	–	
Net sales	+511	+3.7%	
Material costs	+8	+0.5%	
Outsourcing costs	+22	+51.2%	
Labor costs	△23	△1.6%	
Other cost of sales	+36	+4.7%	
Personnel expenses	+268	+5.2%	
Recruiting expenses	+15	+7.8%	
Advertising expenses	△2	△0.6%	
Repair expenses	+11	+10.9%	
Other SG&A expenses	+19	+1.0%	
FY3/19 Operating income	2,285	+7.2%	

FY3/19 Balance Sheet

(Unit: Million yen)	End of FY3/18	End of FY3/19	Change	Main factors for changes	
Current assets	9,665	10,506	840	Cash and deposits	815
Non-current assets	5,548	5,570	22		
Total Assets	15,214	16,077	862		
Current liabilities	2,443	2,492	49	Current portion of long-term loans payable	△ 29
Non-current liabilities	1,104	1,043	△61	Long-term loans payable	△ 88
Total Liabilities	3,547	3,536	△11		
Total Net Assets	11,666	12,541	874	Retained earnings	873
Equity-to-asset Ratio	76.7%	78.0%	1.3pt		
BPS (yen)	945.29	1,016.16	70.87		

FY3/19 Cash Flow Statement

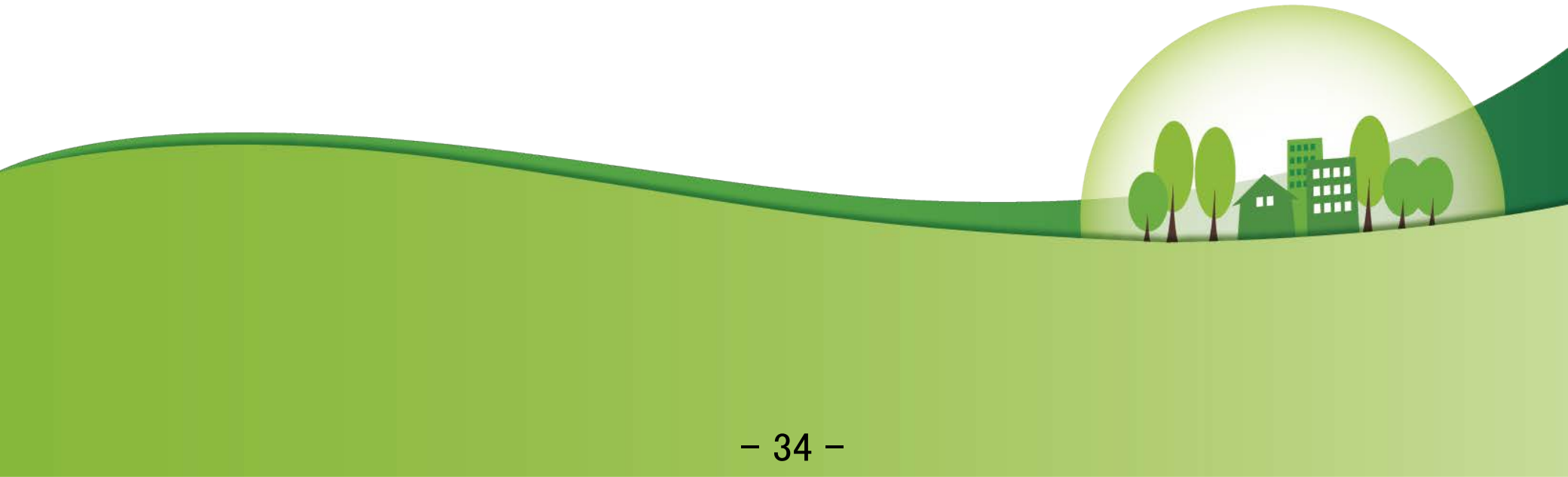
(Unit: Million yen)	FY3/18	FY3/19	Factors for changes	
Cash flows from operating activities	1,655	1,722	Income before income taxes Income taxes paid	2,295 △815
Cash flows from investing activities	△47	△137	Purchase of investment securities	△100
Free cash flows	1,608	1,584		
Cash flows from financing activities	△786	△769	Net decrease in borrowings Cash dividends paid	△118 △641
Net increase/decrease in cash and cash equivalents	821	815		

FY3/19 Management indicator

- Financial security is improving further
- ROE and equity-to-asset ratio are maintained at high levels.

	FY3/18	FY3/19	YoY
Equity-to-asset ratio	76.7%	**78.0%**	＋1.3pt
Dependance on interest-bearing debts	5.5%	**4.5%**	△1.0pt
ROA	14.7%	**14.8%**	＋0.1pt
ROE	12.5%	**12.5%**	＋0.0pt
EPS	114.36 yen	**122.81 yen**	8.45 yen
BPS	945.29 yen	**1,016.16 yen**	70.87 yen
Payout ratio	43.7%	**44.0%**	＋0.3pt
Net assets to dividend ratio	5.5%	**5.5%**	＋0.0pt

V. Details of Forecasts for FY3/19



FY3/20 Forecasts of Profit and Loss

(Unit: Million yen)	FY3/19	FY3/20	YoY	
	Results	**Forecasts**	Change	Change in Ratio
Net Sales	14,501	**15,430**	928	6.4%
Gross Profit	10,432	**11,107**	674	6.5%
Gross profit ratio	71.9%	72.0%	＋0.0pt	—
Operating income	2,285	**2,615**	330	14.4%
Operating income ratio	15.8%	17.0%	＋1.2pt	—
Ordinary income	2,314	**2,628**	313	13.6%
Ordinary income ratio	16.0%	17.0%	＋1.1pt	—
Net income	1,515	**1,752**	236	15.6%
Net income ratio	10.5%	11.4%	＋0.9pt	—
Overall personnel costs	6,819	**6,911**	91	1.3%
Overall personnel costs ratio	47.0%	44.8%	△2.2pt	—

FY3/20 Factors for Changes in Operating Income (YoY)

- Operating income increased by 330 million yen (+14.4%)

(Unit: Million yen)	Amount	Change in ratio	Main factors for changes
FY3/19 Operating income	2,285	–	
Net sales	+928	+6.4%	
Material costs	+109	+6.2%	
Outsourcing costs	△0	△0.3%	
Labor costs	+48	+3.4%	
Other cost of sales	+96	+11.8%	
Personnel expenses	+43	+0.8%	
Recruiting expenses	+8	+4.1%	
Advertising expenses	+76	+21.4%	
Repair expenses	+20	+17.8%	
Other SG&A expenses	+196	+9.6%	
FY3/20 Operating income forecast	2,615	+14.4%	

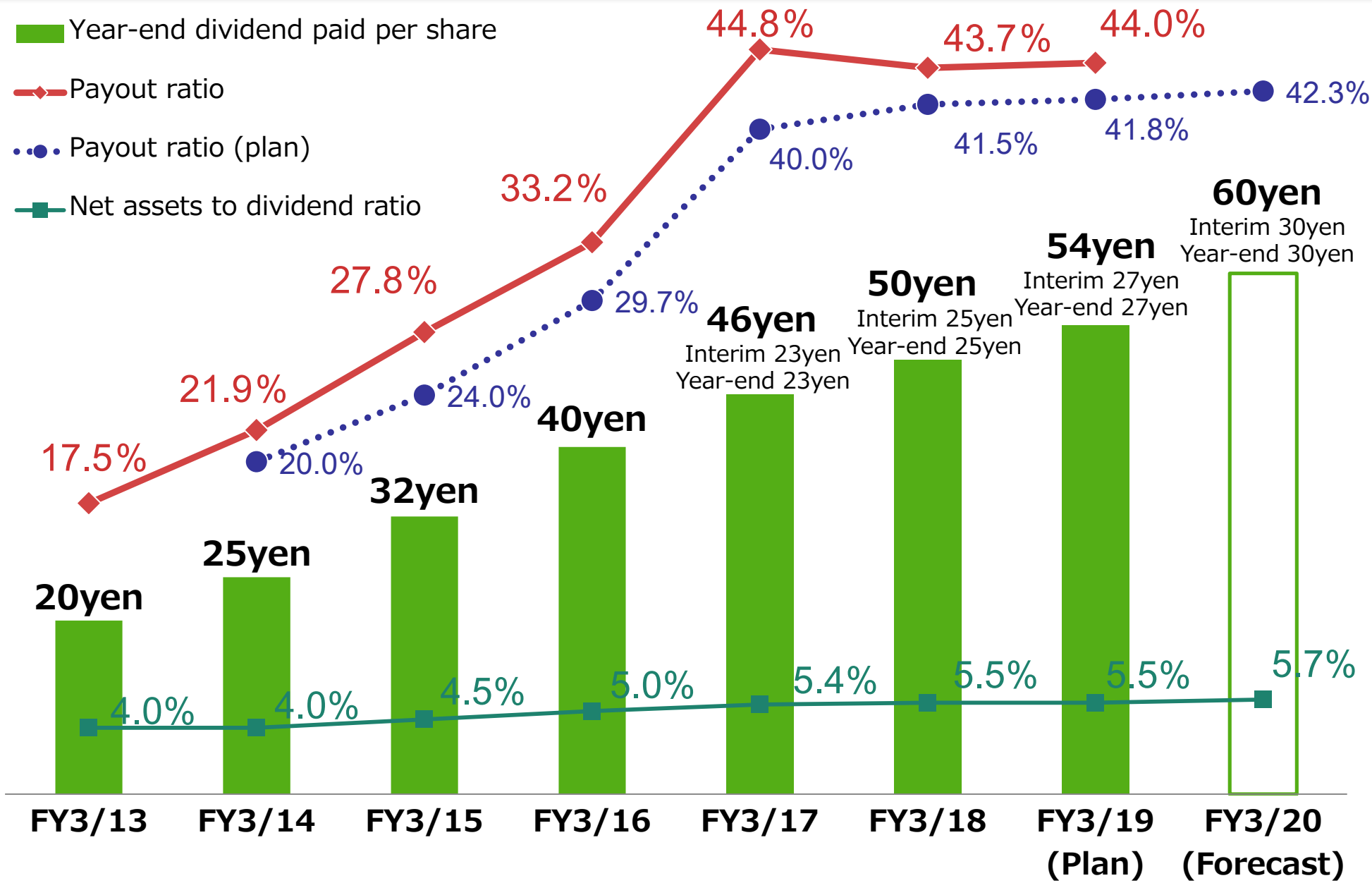
FY3/20 Forecasts of Number of Staffs, Sales per Staff

- 6.4% increase in net sales due to 2.0% increase in the average number of staffs and 4.3% increase in sales per staff

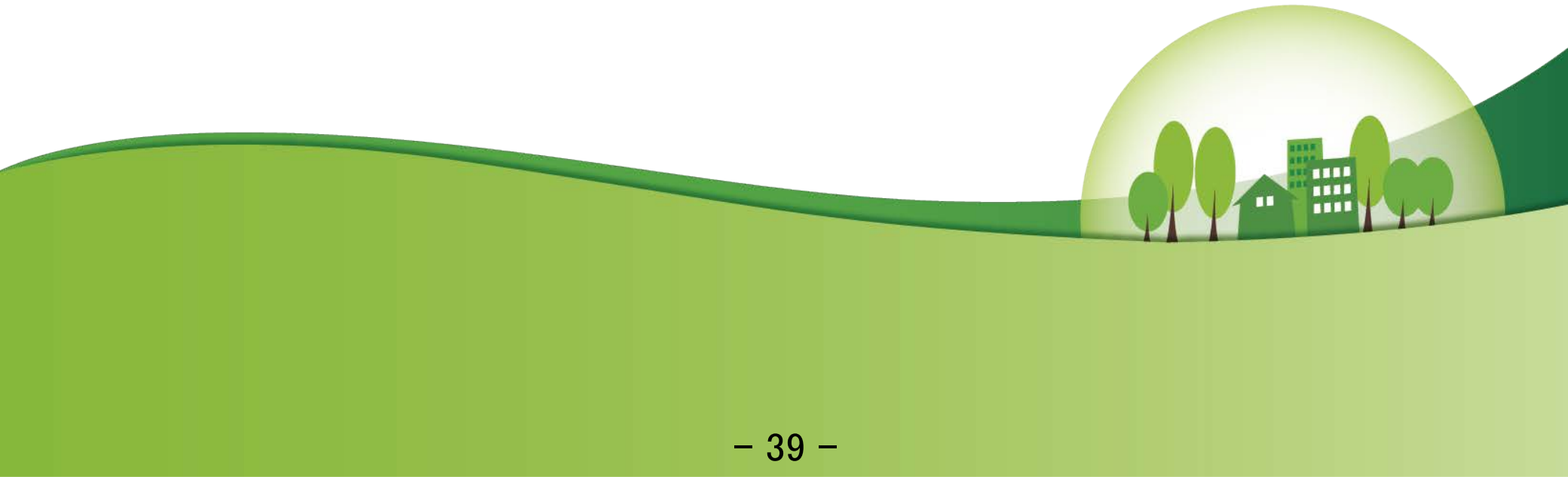
	FY3/18	FY3/19	YoY	
	Results	**Forecasts**	Change	Change in ratio
Net Sales (Million yen)	14,501	**15,430**	928	6.4%
Within the three services	13,884	**14,840**	955	6.9%
Average number of staffs during the period	1,014	**1,034**	20	2.0%
Within the three services	814	**833**	19	2.3%
Sales per staff (Thousand yen/month)	1,191	**1,243**	51	4.3%
Within the three services	1,421	**1,484**	63	4.5%

- ”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 termite control, 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

Planned Dividend and Forecasts



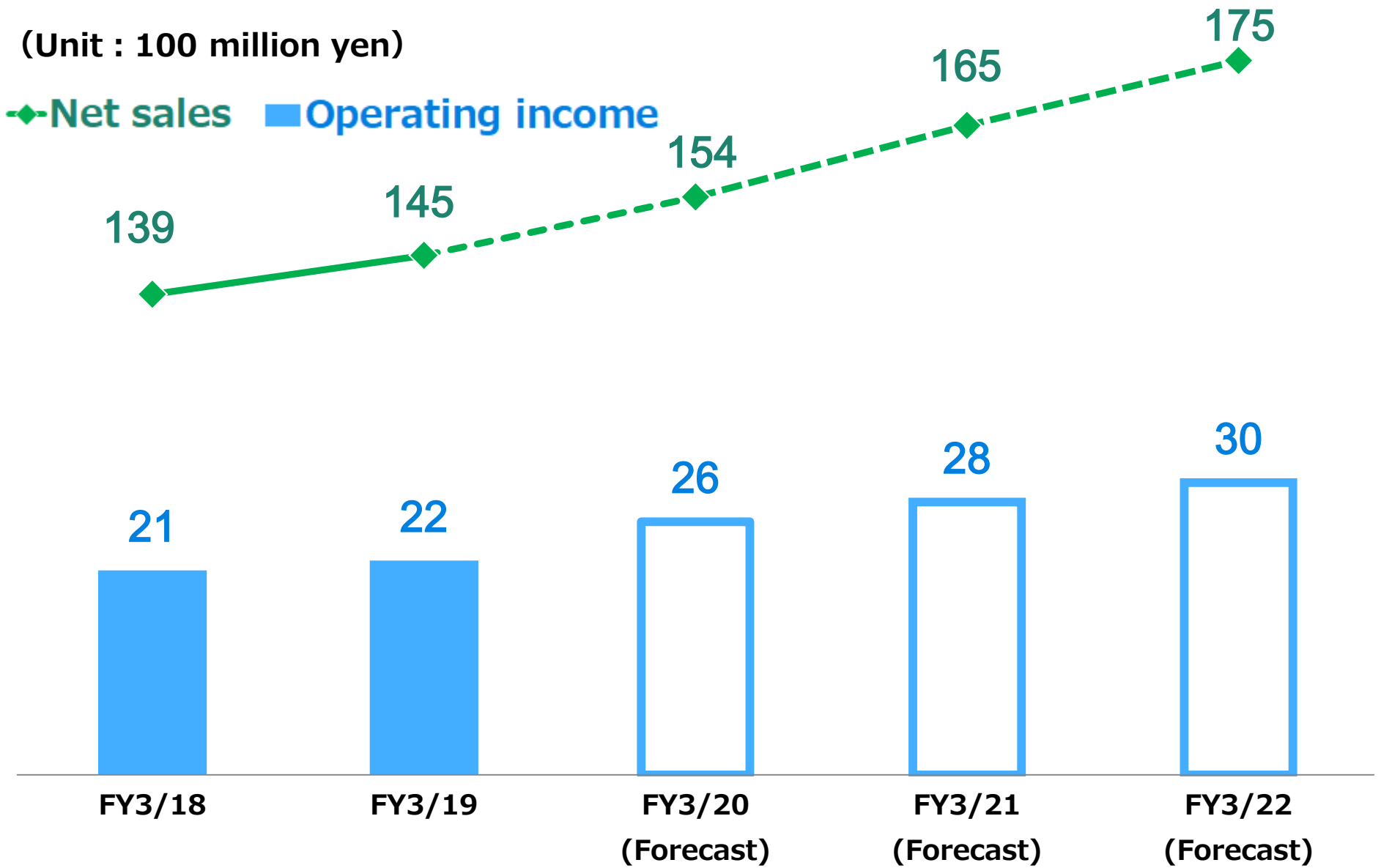
Ⅵ. Details of Mid-term Business Plan



Mid-term Profit and Loss Plan (Rolling System)

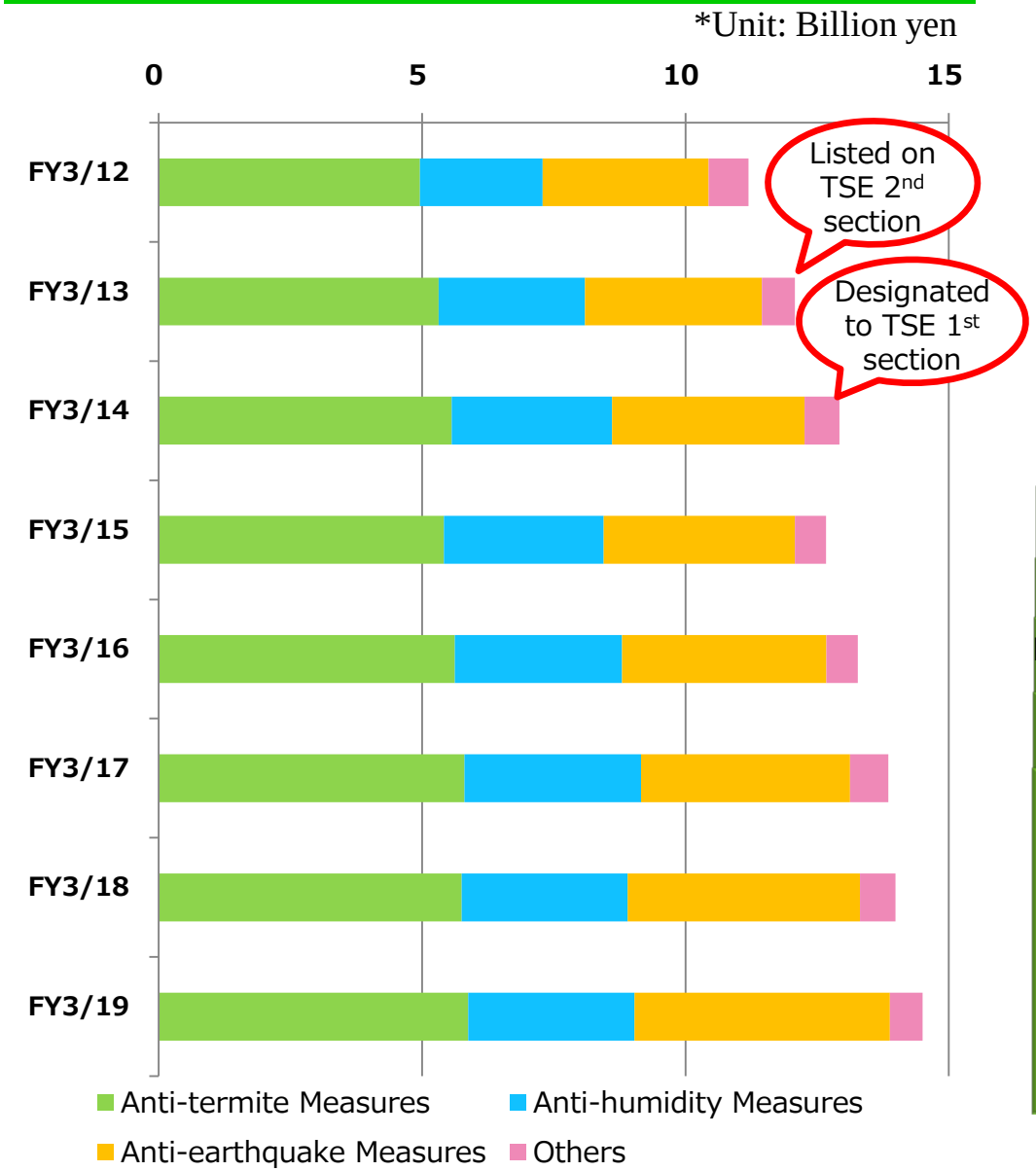
(Unit: Million yen)	FY3/19	FY3/20	FY3/21	FY3/22		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/19	
					Change	Change in ratio
Net sales	14,501	15,430	16,500	**17,580**	3,078	21.2%
YoY Change in ratio	3.7%	6.4%	6.9%	6.5%	—	—
Operating income	2,285	2,615	2,887	**3,077**	792	34.7%
YoY Change in ratio	7.2%	14.4%	10.4%	6.6%	—	—
Operating income ratio	15.8%	17.0%	17.5%	**17.5%**	+1.7pt	—
Net income	1,515	1,752	1,943	**2,075**	560	37.0%
YoY Change in ratio	7.4%	15.6%	10.9%	6.8%	—	—
Net income ratio	10.5%	11.4%	11.8%	**11.8%**	+1.4pt	—

Mid-term Profit and Loss Plan (Rolling System)



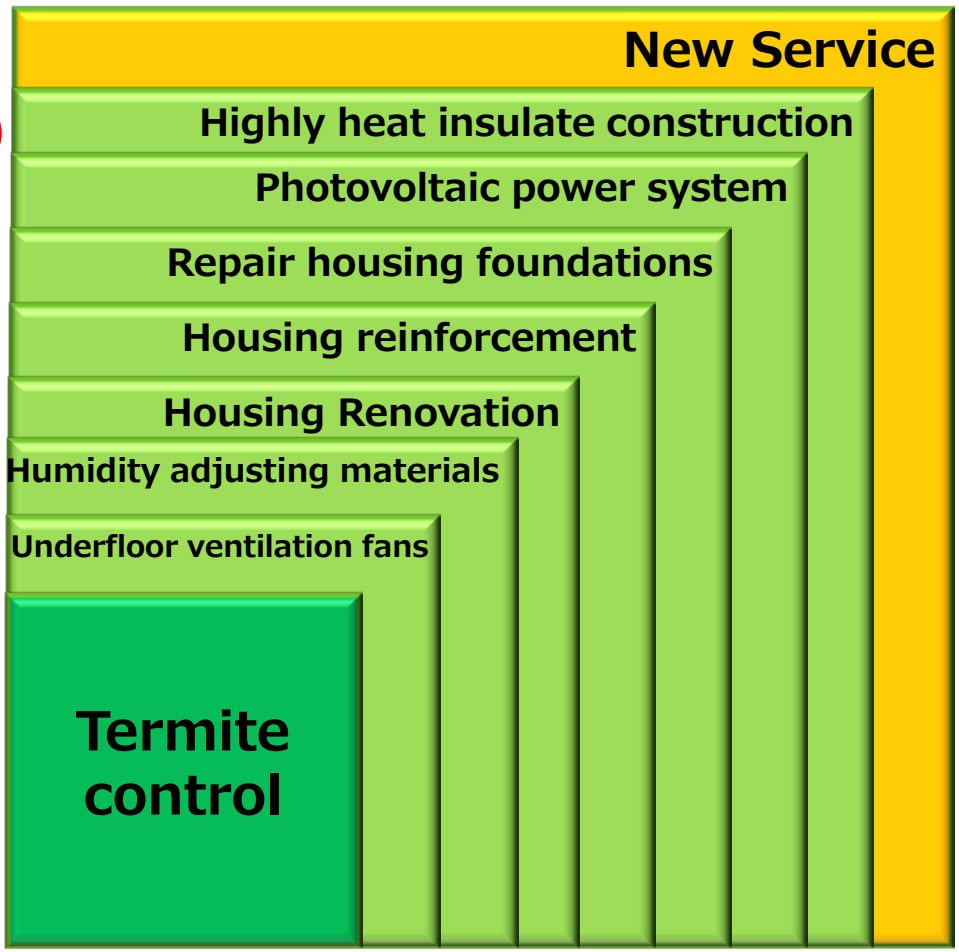
Growth Strategy 1

Change of Net Sales by Service



Expansion of the Field of Service

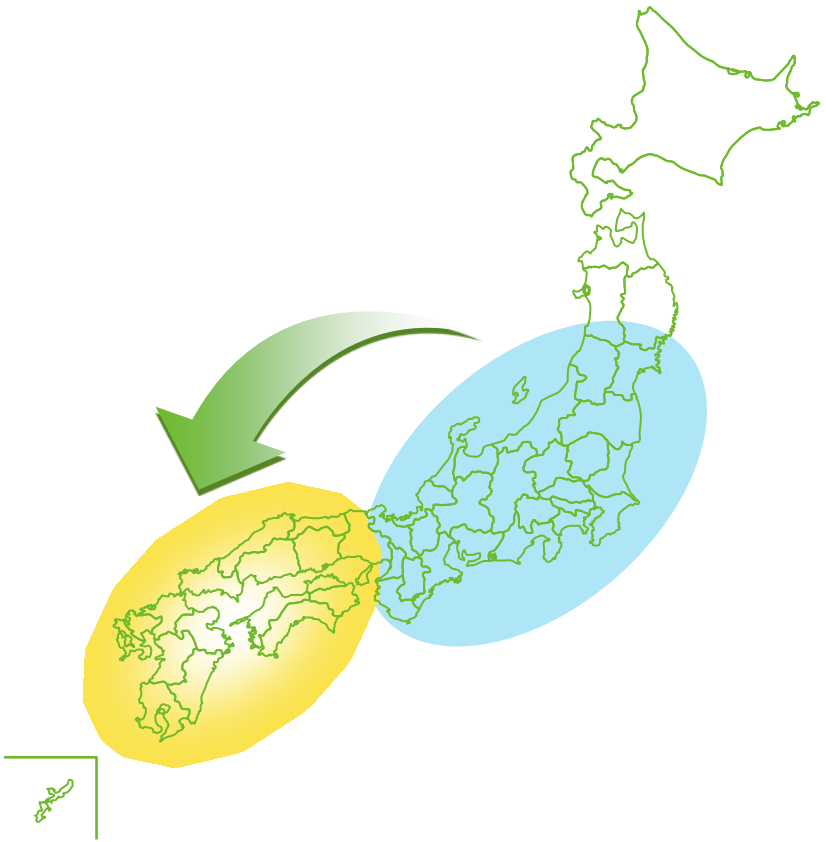
- Lineup of house maintenance services



Growth Strategy 2

Expansion of marketing areas

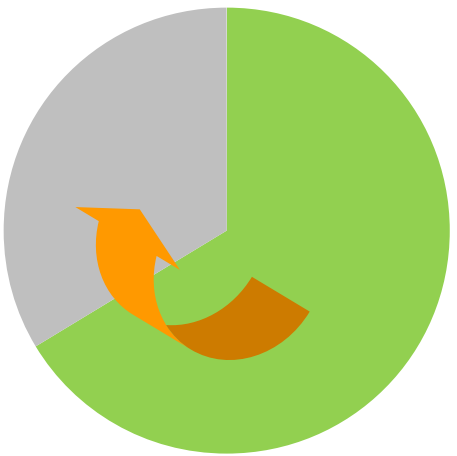
- Expand in to the west of Kansai
- Develop areas in tie-ups with JA



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



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

Notes on Future Forecasts

This document is only to provide information to investors, and is not for the purpose of soliciting purchases or sales.

References to future forecasts in this document are based on goals and predictions, and are not certain or guaranteed.

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