Financial Results for FY Ended March 2020



May 14, 2020

Asante Incorporated 【TSE First Section Securities Code 6073】

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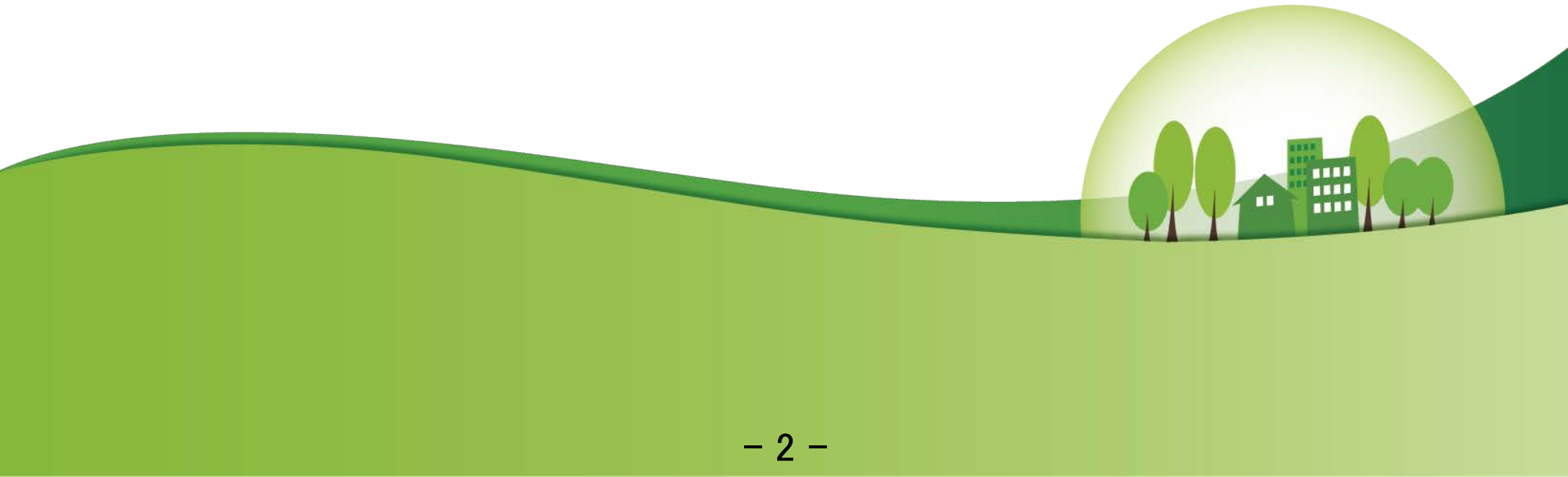
Ⅰ. Financial Results for FY3/20



Business Environment

The economy has been on a moderate recovery trend backed by corporate earnings improvement. But concerns about labor shortages have been at a high level.

Consumer sentiment was weak due to the impact of the consumption tax hike and the COVID-19 infection.

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.

Industry (Potential Demand of Termite Control for New Customers)

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

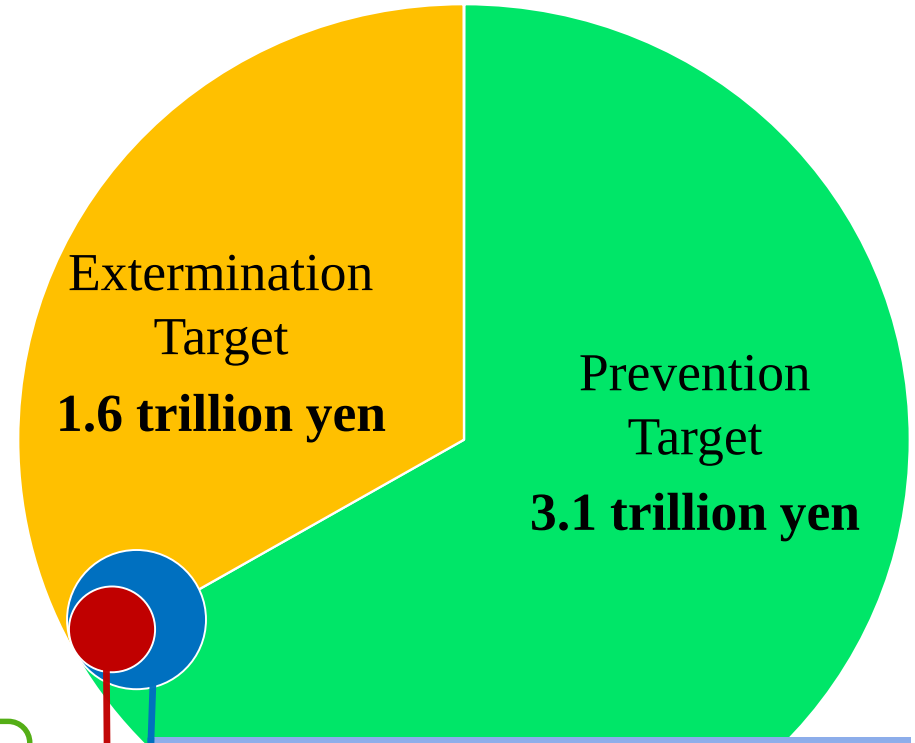
  (Statistics Bureau, MIC[*1], “2018 Statistical Survey on Housing and Land”)

- **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)



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)

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

[*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

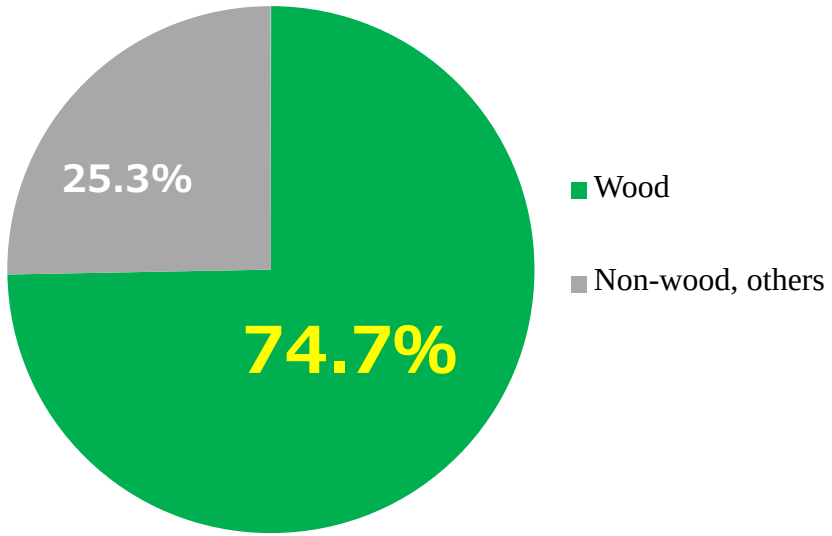
＊ Reference: Materials of MLIT



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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Business Plan & Specific Initiatives

1. Strengthening of compliance and increase of customer satisfaction

- Strengthen internal cooperation by integration of related departments

2. Securing of excellent human resources and strengthening of education system

- Focus on increasing retention of new employees and making them as helpful workforces early.
- Strengthening of management capability by augmenting managerial training

3. Promote efficiencies of business and enhancement of productivity

- Strengthening of functions to improve sales efficiency using smartphones
- Efficiently capture demand through advertising and sales promotion
- Strengthening of management system for sales to new customers

4. Sales area development to increase potential customers

- Open new sales office in western Japan
  （Hanshin sales office (opened on Sep. 1), Kashihara sales office (opened on Oct. 1))

Advertising and Sales Promotion

- Run new TV commercial, insert leaflets in newspapers and place advertisements on website

TV commercial

- May – June (Entire marketing area)



- September (Some marketing areas)



Leaflets & web advertisements



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Sponsorship Agreement

- Signed a sponsorship deal with Kawasaki Frontale (2020Meiji Yasuda Life Insurance J1 League)
- Continue the sponsorship for FY3/21 to raise the public's awareness

Asante Excite Match

- April 21, 2018 (vs. Kashima Antlers)
- June 1, 2019 (vs. Urawa Red Diamonds)







Pest control at Todoroki Athletics Stadium

- Pest control throughout the game season





Pesticide spraying near drainage ditches, audience seats and other floors



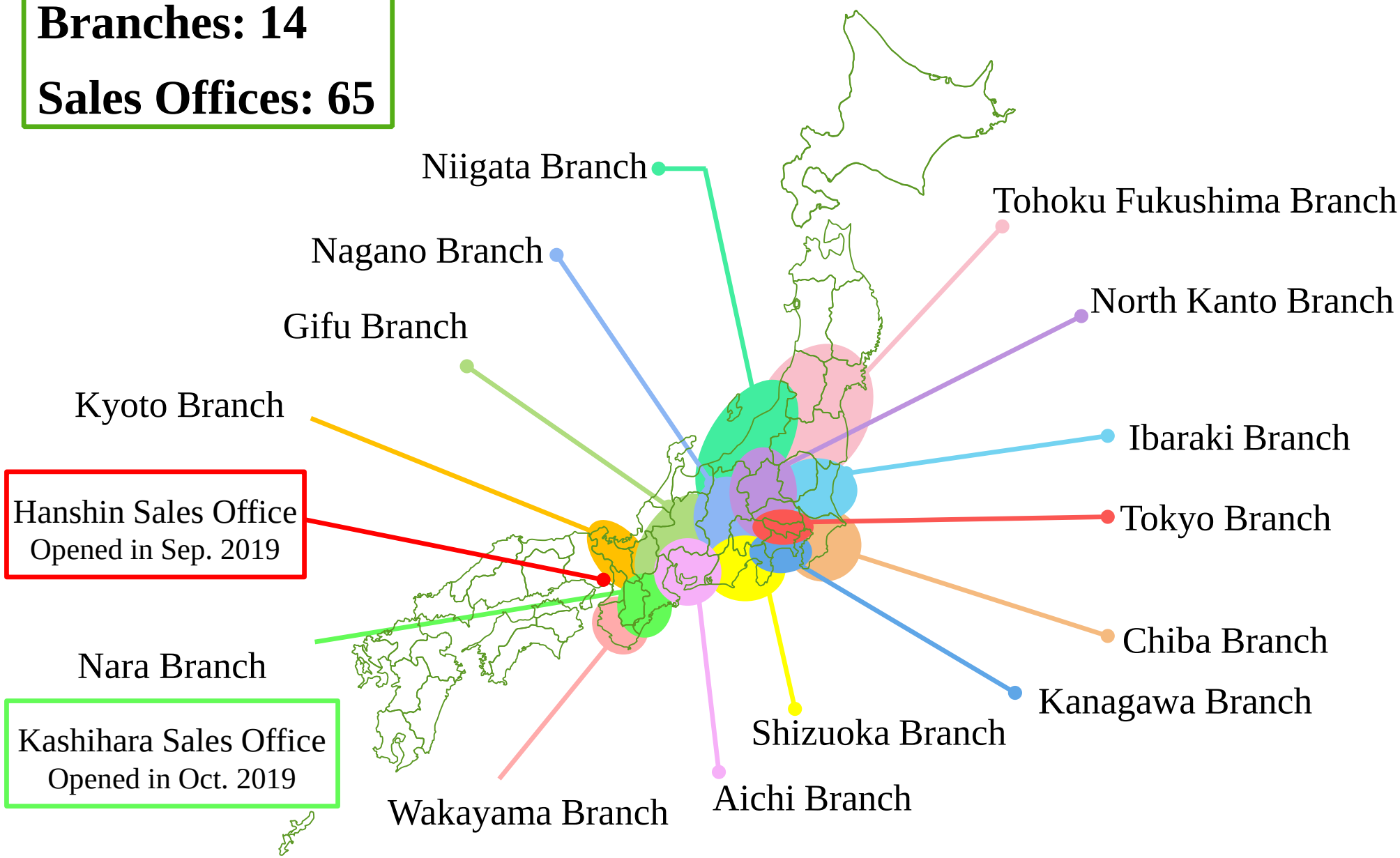
Received letter of appreciation from Kawasaki Frontale

@KAWASAKI FRONTALE CO.,LTD

Marketing Area Development

Branches: 14

Sales Offices: 65



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Results for Profit and Loss (YoY)

- Net sales decreased by 68 million yen
  Operating income decreased by 46 million yen
  Net income increased by 64 million yen

(Unit: Million yen)	FY3/19 Results	FY3/20 Results	YoY Change	YoY Change in Ratio
Net Sales	14,501	14,432	-68	-0.5%
Gross Profit	10,432	10,322	-109	-1.1%
Gross profit ratio	71.9%	71.5%	-0.4pt	—
Operating Income	2,285	2,239	-46	-2.0%
Operating income ratio	15.8%	15.5%	-0.2pt	—
Ordinary Income	2,314	2,380	66	2.9%
Ordinary income ratio	16.0%	16.5%	0.5pt	—
Net Income	1,515	1,580	64	4.3%
Net income ratio	10.5%	11.0%	0.5pt	—
EPS (yen)	122.81	128.06	5.25	4.3%

Results for Profit and Loss (Ratio of Forecasts)

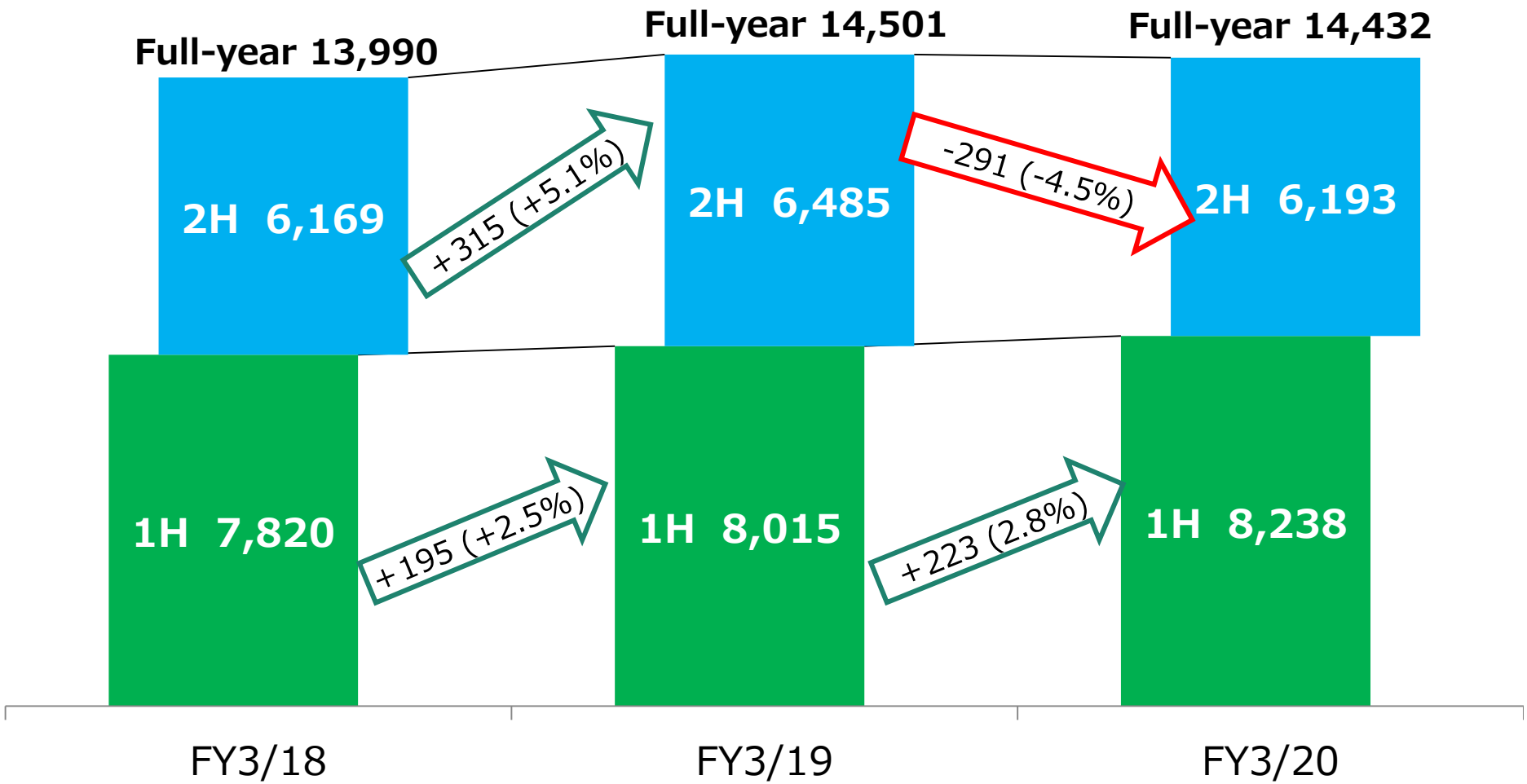
- Net sales　Ratio on full-year forecasts: 93.5%
  Operating income　Ratio on full-year forecasts: 85.6%

(Unit: Million yen)	FY3/20			
	Forecasts	**Results**	Ratio of Forecasts	**Achievement Ratio**
Net Sales	15,430	**14,432**	-997	93.5%
Gross Profit	11,107	**10,322**	-784	92.9%
Gross profit ratio	72.0%	71.5%	−0.5pt	—
Operating Income	2,615	**2,239**	-376	85.6%
Operating income ratio	17.0%	15.5%	−1.4pt	—
Ordinary Income	2,628	**2,380**	-247	90.6%
Ordinary income ratio	17.0%	16.5%	−0.5pt	—
Net Income	1,752	**1,580**	-171	90.2%
Net income ratio	11.4%	11.0%	−0.4pt	—
EPS (yen)	141.96	**128.06**	-13.90	90.2%

Net Sales by 1H and 2H

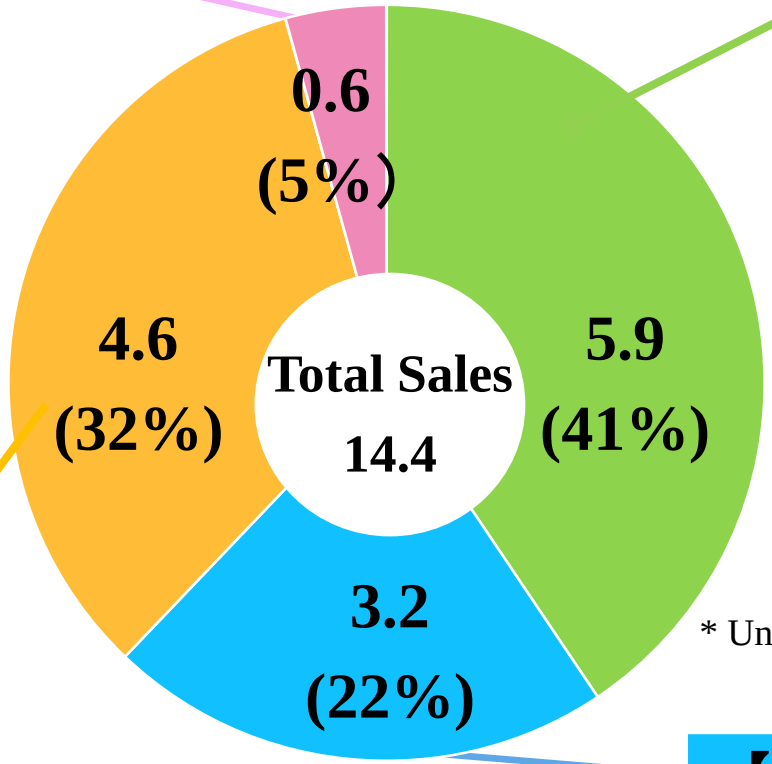
- 1H: Net sales increased mainly due to the effect of expanded advertising and sales promotion activities and rush demand before the consumption tax hike.
- 2H: Net sales decreased mainly due to a drop in reaction to the tax hike, worsening consumer sentiment, and bad weather conditions such as typhoons.
- The effects of COVID-19 gradually became apparent in March.

(Unit : Million Yen)



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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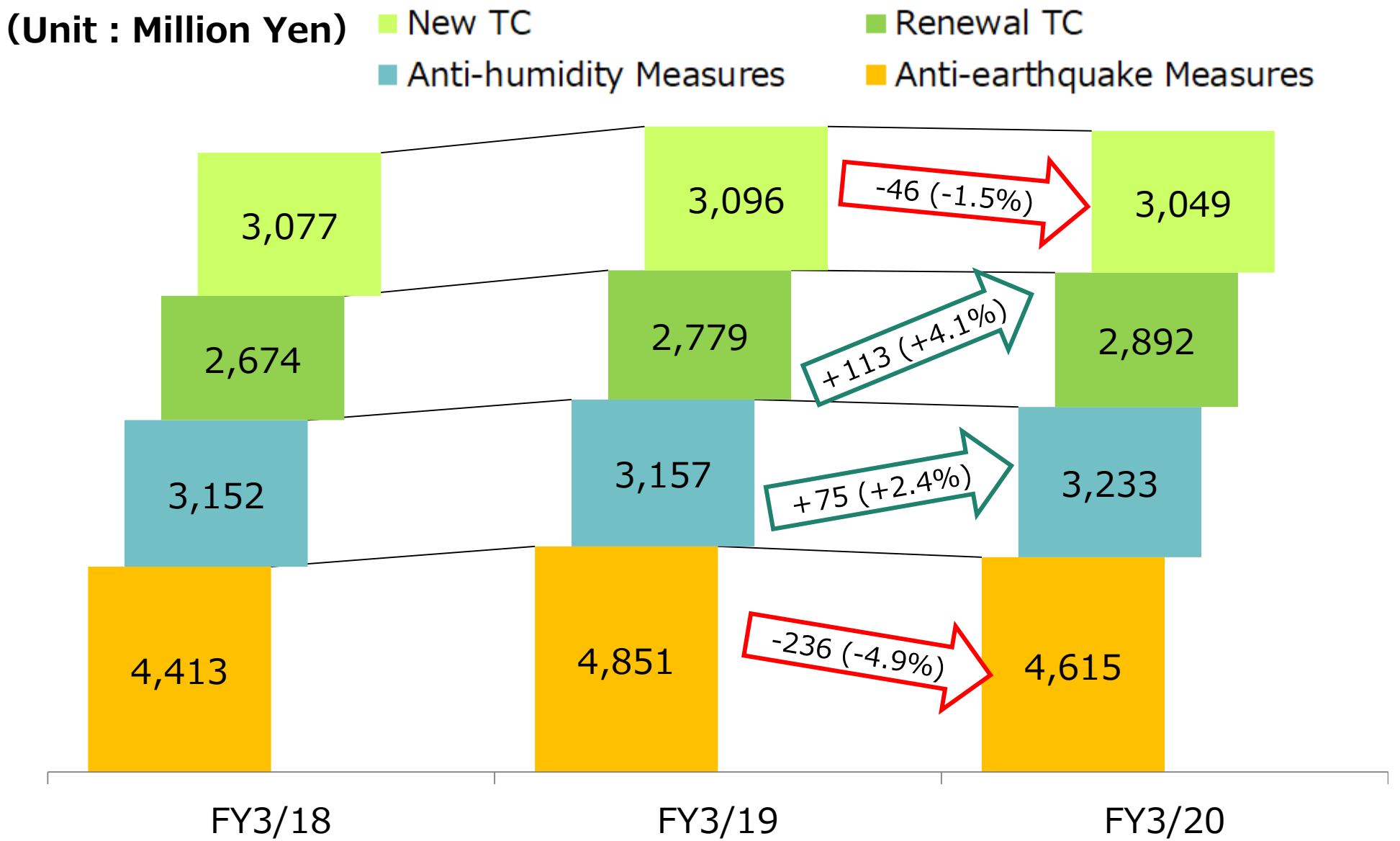
Net Sales by Service (YoY)

- Net sales: -0.5%
- Termite control: +1.1%
  (New termite control: -1.5%, Renewal termite control : +4.1%)
- Anti-humidity measures: +2.4%
- Anti-earthquake measures: -4.9%

(Unit: Million yen)	FY3/19		FY3/20		YoY	
	Results	Composition ratio	**Results**	**Composition ratio**	Change	Change in ratio
Net sales	14,501	—	**14,432**	—	-68	-0.5%
Termite control	5,875	40.5%	**5,941**	**41.2%**	66	1.1%
New	3,096	21.4%	**3,049**	**21.1%**	-46	-1.5%
Renewal	2,779	19.2%	**2,892**	**20.0%**	113	4.1%
Anti-humidity measures	3,157	21.8%	**3,233**	**22.4%**	75	2.4%
Anti-earthquake measures	4,851	33.5%	**4,615**	**32.0%**	-236	-4.9%
Others	616	4.3%	**642**	**4.5%**	26	4.3%

Net Sales by Service (Full-year)



Number of Staffs, Sales per Staff (YoY)

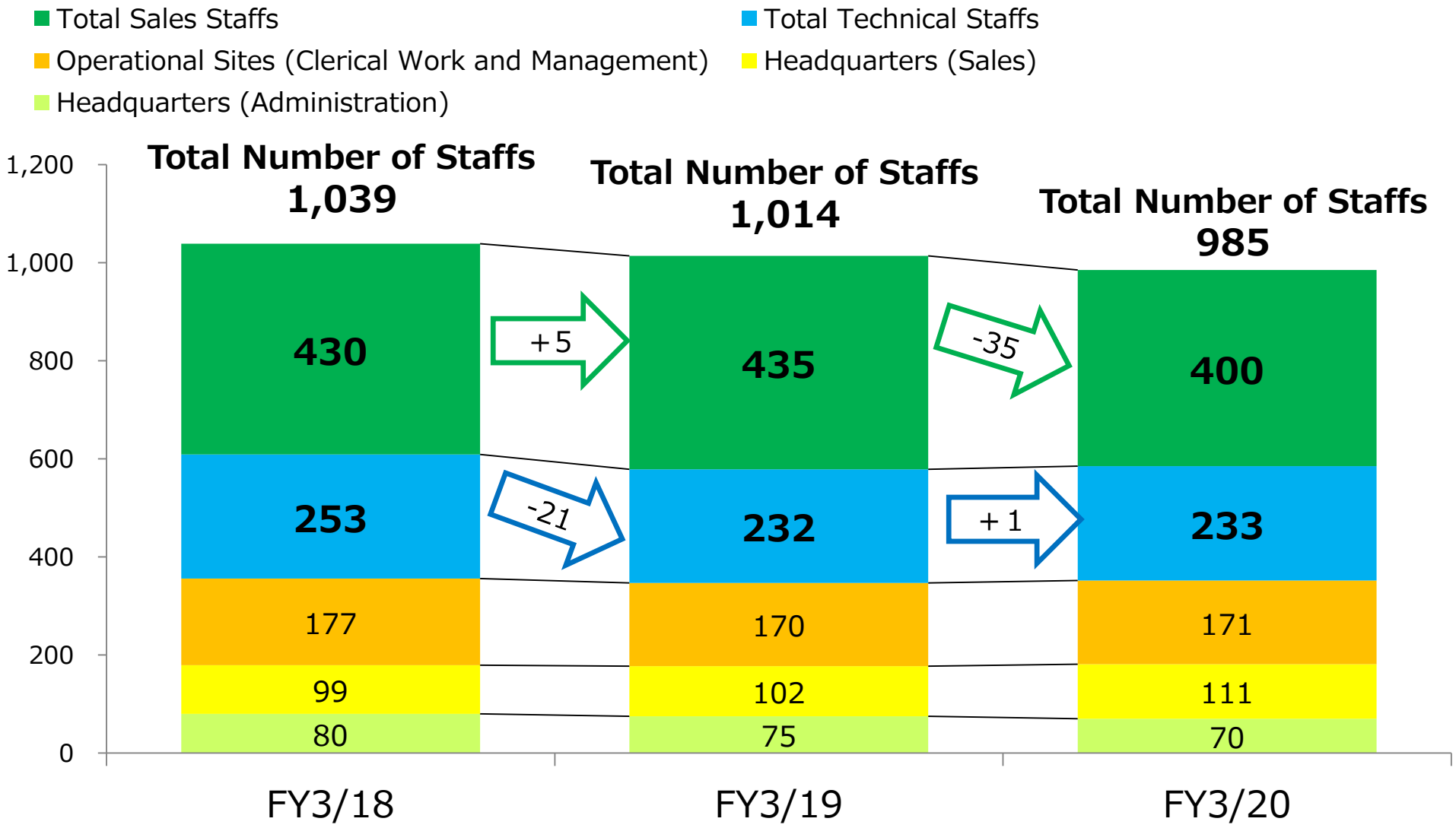
- Average number of staffs decreased by 2.8%, Sales per staff increased by 2.4%
- Number of staffs at end of period decreased by 60 (5.9%)
  (Of the total, 47 staffs decreased due to a change in the joining month for new employees from March to April in order to prevent the spread of COVID-19)

	FY3/19	FY3/20	YoY	
	Results	**Results**	Change	Change in ratio
Net Sales (Million yen)	14,501	**14,432**	-68	-0.5%
Within the three services	13,884	**13,790**	−94	−0.7%
Average number of staffs during the period	1,014	**985**	-29	-2.8%
Within the three services	814	**783**	−31	−3.8%
Within sales staffs	435	**400**	−34	−7.9%
Sales per staff (Thousand yen/month)	1,191	**1,220**	29	2.4%
Within the three services	1,421	**1,467**	46	3.3%
Number of staffs at end of period	1,022	**962**	-60	-5.9%
Within the three services	827	**758**	−69	−8.3%

- ”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

Number of Staffs (Full-year)

- Struggled to recruit new sales staffs. Technical staffs are generally in line with the plan.



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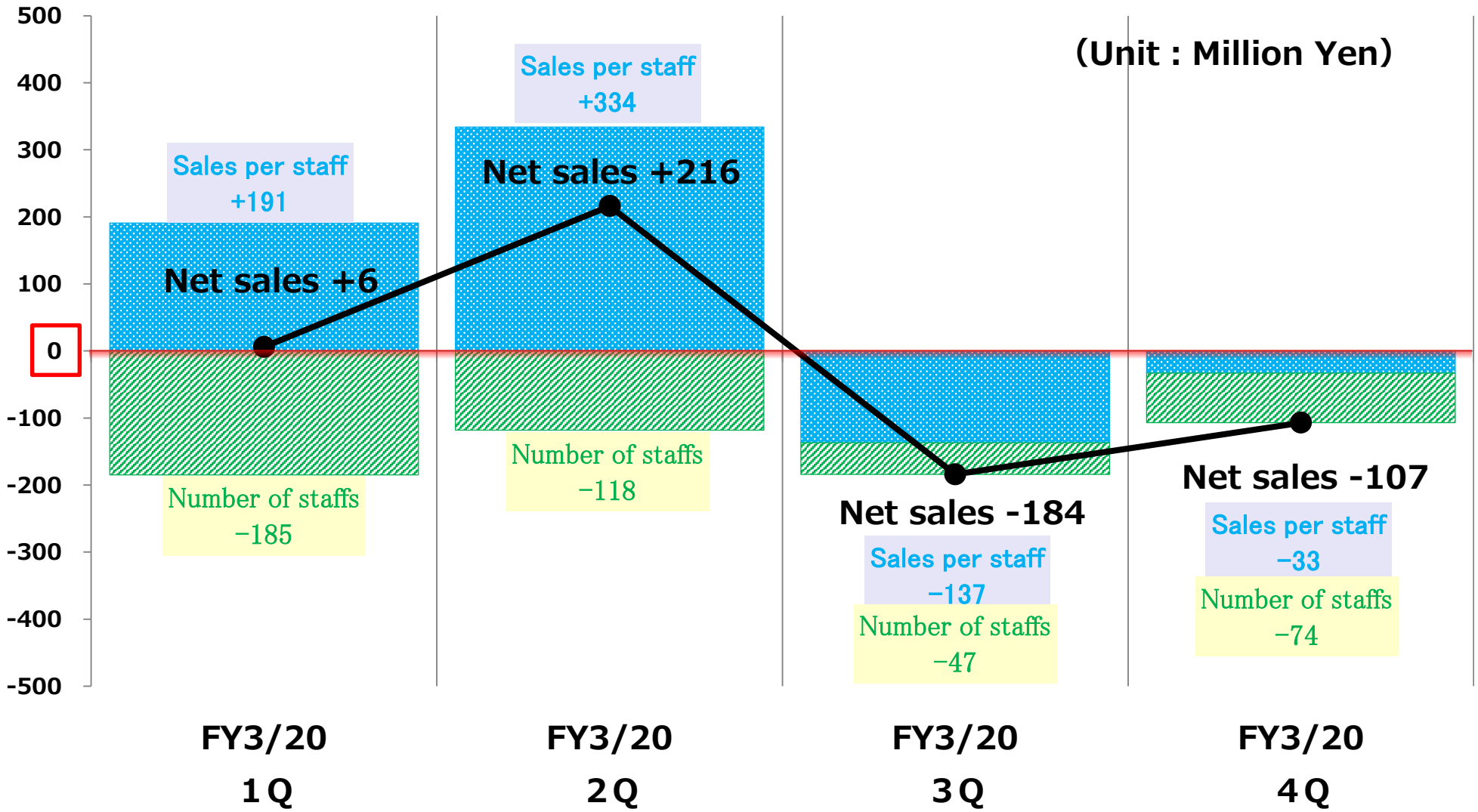
Factors for Changes in Net Sales (YoY)

- The number of staffs decreased in each quarter.
- In the 1Q and 2Q, net sales increased due to an increase in sales per staff
  In the 3Q and 4Q, net sales decreased due to an decrease in sales per staff



Factors for Changes in Operating Income (YoY)

(Unit: Million yen)	FY3/19	FY3/20	YoY	Change in Ratio	Main factors for changes
Net Sales	14,501	14,432	-68	-0.5%	
Cost of Sales	4,068	4,110	41	+1.0%	
Material Costs	1,775	1,749	-25	-1.5%	Decrease in net sales
Labor Costs	1,409	1,432	22	+1.6%	
Other Cost of Sales	883	928	44	+5.0%	
Gross Profit	10,432	10,322	-109	-1.1%	
SG&A Expenses	8,146	8,083	-63	-0.8%	
Personnel Expenses	5,410	5,296	-114	-2.1%	Decrease in sales staffs
Recruiting Expenses	209	189	-20	-9.8%	
Sales Promotional Expenses	364	425	60	+16.7%	
Other SG&A Expenses	2,162	2,173	10	+0.5%	
Operating Income	2,285	2,239	-46	-2.0%	

- Sales Promotional Expenses：Advertising expenses related to promotional activities

Balance Sheet

(Unit: Million yen)	End of FY3/19	End of FY3/20	Change	Main factors for changes	
Current assets	10,506	11,130	624	Cash and deposits	781
Non-current assets	5,570	5,439	-131		
Total Assets	16,077	16,569	492		
Current liabilities	2,492	2,194	-298	Accounts payable	-156
Non-current liabilities	1,043	957	-86	Provision for directors' retirement benefits	-61
Total Liabilities	3,536	3,151	-384		
Total Net Assets	12,541	13,417	876	Retained earnings	876
Equity-to-asset Ratio	78.0%	81.0%	3.0pt		
BPS (yen)	1,016.16	1,087.20	71.04		

Cash Flow Statement

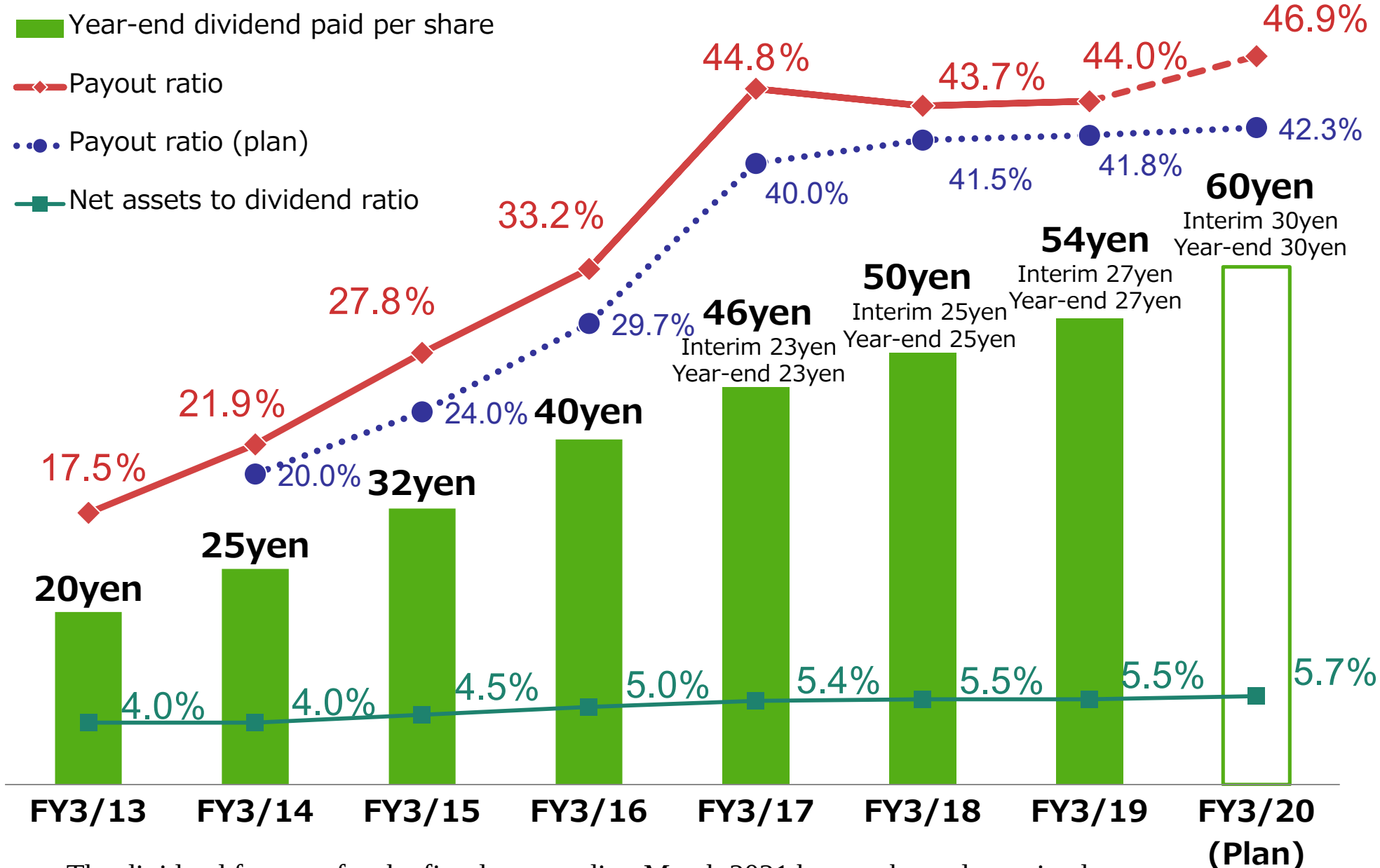
(Unit: Million yen)	FY3/19	FY3/20	Factors for changes	
Cash flows from operating activities	1,722	1,524	Income before income taxes Income taxes paid	2,380 -802
Cash flows from investing activities	-137	10		
Free cash flows	1,584	1,534		
Cash flows from financing activities	-769	-752	Net decrease in borrowings Cash dividends paid	-41 -703
Net increase/decrease in cash and cash equivalents	815	781		

Management indicator

- Financial safety is further improved
- Maintains high operating income ratio and ROE

	FY3/18	FY3/19	FY3/20	YoY Change
Equity-to-asset ratio	76.7%	78.0%	**81.0%**	3.0pt
Interest-bearing debt dependency	5.5%	4.5%	**4.1%**	-0.4pt
Cash and deposits (Billion yen)	7.4	8.2	**9.0**	0.7
interest-bearing debts (Billion yen)	0.8	0.7	**0.6**	-0.0
Operating income ratio	15.2%	15.8%	**15.5%**	-0.2pt
ROA	14.7%	14.8%	**14.6%**	-0.2pt
ROE	12.5%	12.5%	**12.2%**	-0.3pt

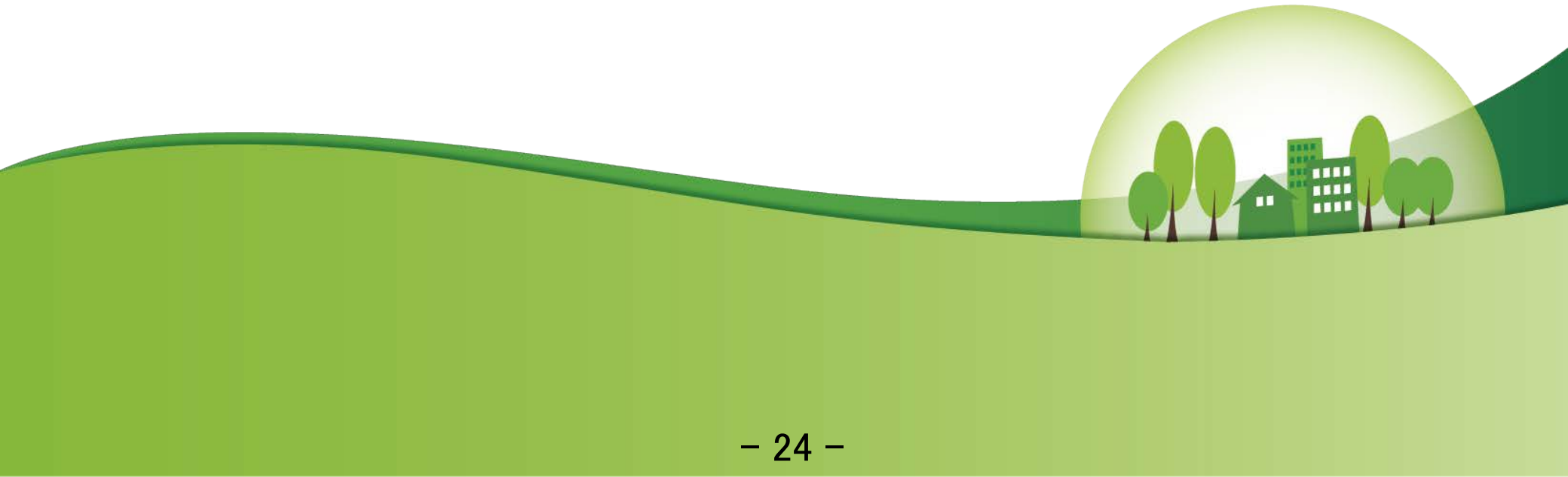
Dividend



- The dividend forecast for the fiscal year ending March 2021 has not been determined yet.

Ⅱ. Forecasts for FY3/21

(Not yet determined)



Effects of New Coronavirus (COVID-19) Infections

Operational status at major business sites

- All sales offices have temporarily suspended door-to-door sales activities to new customers (from April 18), but we will continue to accept orders from new customers and continue service to existing customers.
- We will continue advertising and sales promotion as usual to raise awareness of the need for measures against termites during swarming season.

Production and supply status

- There has been no significant impact on the purchase of materials for major services.

Customer trends

- Concerns over COVID-19 are growing

Employee support

- We will implement measures to ensure the safety and stability of our employees' lives.

Forecasts for FY3/21

The company places the highest priority on the safety of our customers and employees. Therefore, we have decided to temporarily suspend door-to-door sales activities to new customers in order to prevent the spread of the new coronavirus (COVID-19).

On the other hand, as the company places highest priority on its social responsibility of our business, we will continue advertising and sales promotion to raise awareness of the need for measures against termites. We will continue to accept orders from new customers and continue service to existing customers.

We plan to continue business operations while paying sufficient attention to infection control. We will continue to monitor the trend in the spread of the COVED-19 and conform to the central and local government guidance to determine the timing of discontinuing these measures.

Determining a reliable forecast for the fiscal year is not possible at this time because it is difficult to reasonably estimate the impact of the COVID-19. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

Public Relations

Detection Dog Team “Kunkuns”

Initiatives since 2006

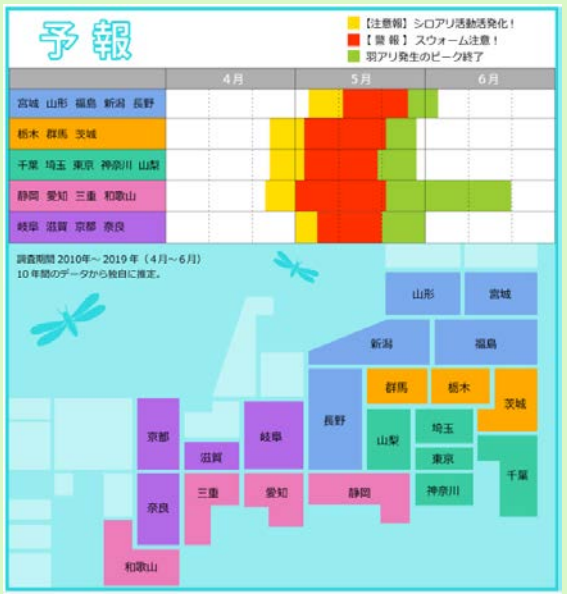
- They “smell” to find their targets (termites or bedbugs), and able to detect without destroying anything
- There are now seven active dogs



Termite Warning

Initiatives since 2007

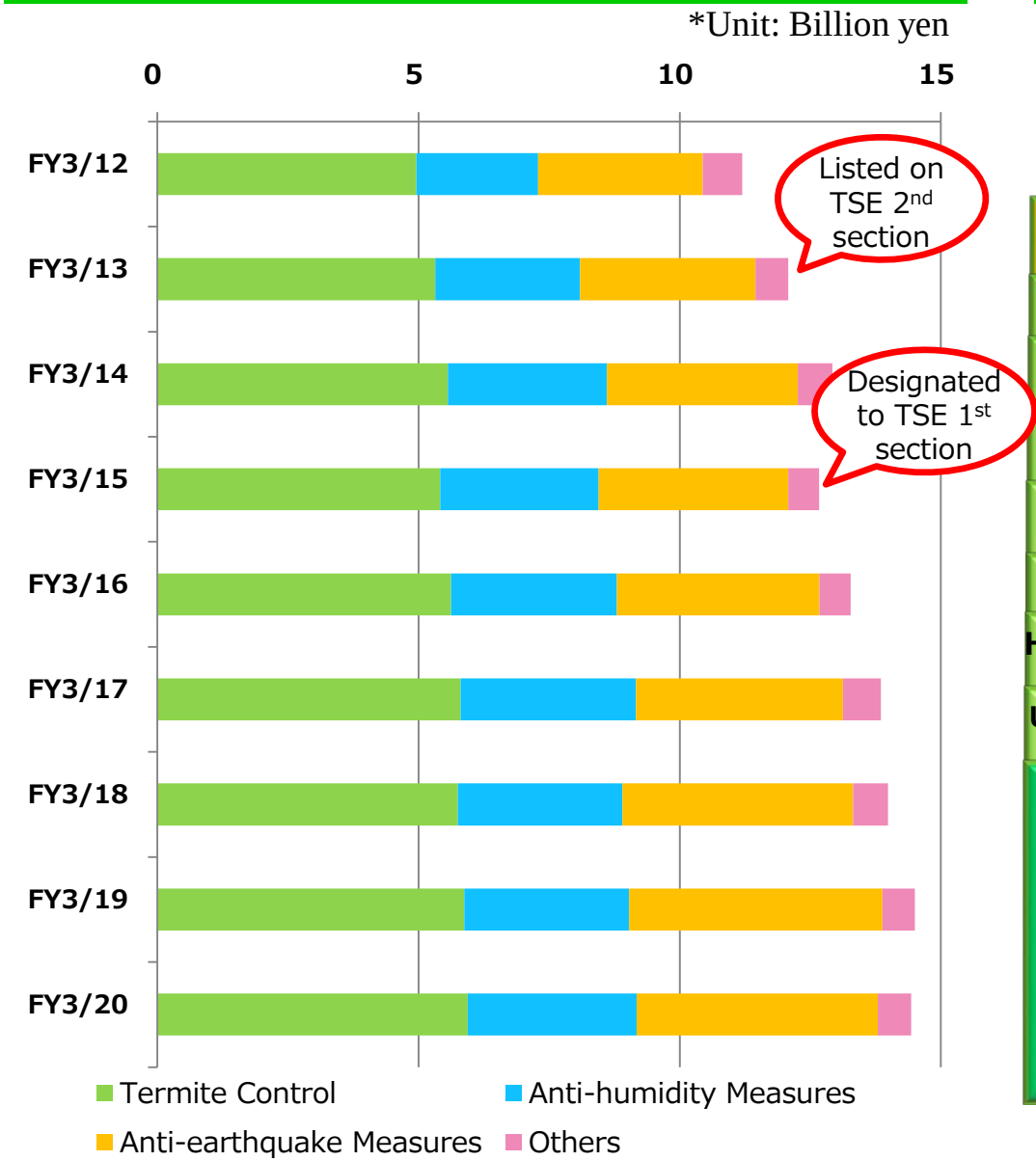
- Announce termite forecasts, alerts and warnings based on its own database
- For this fiscal year, it disclosed on April 23, 2020



Termite Warning

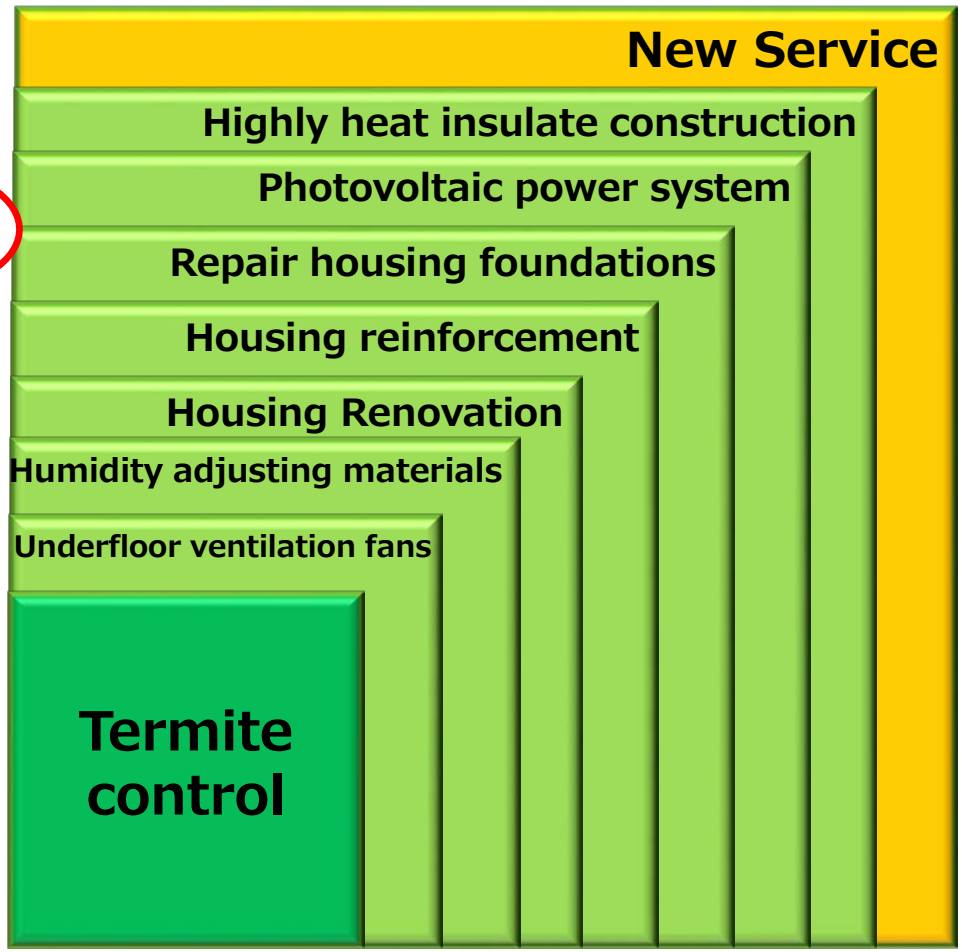
Growth Strategy 1 (Direction of the Service Field Expansion)

Change of Net Sales by Service



Expansion of the Field of Service

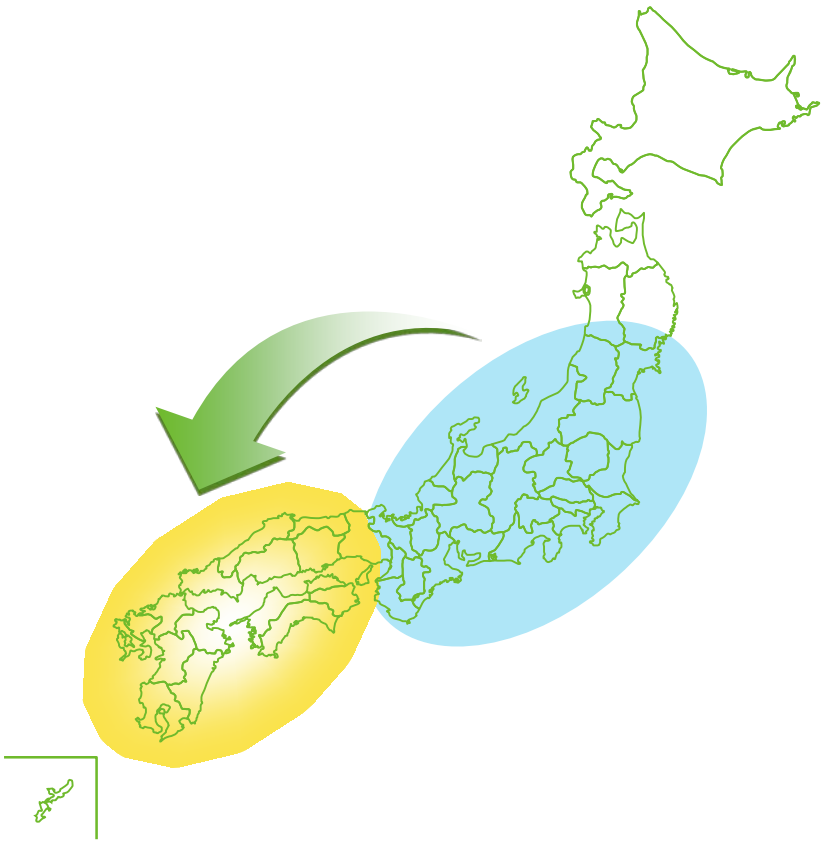
- Lineup of house maintenance services



Growth Strategy 2 (Direction of the Area Expansion)

Expansion of marketing areas

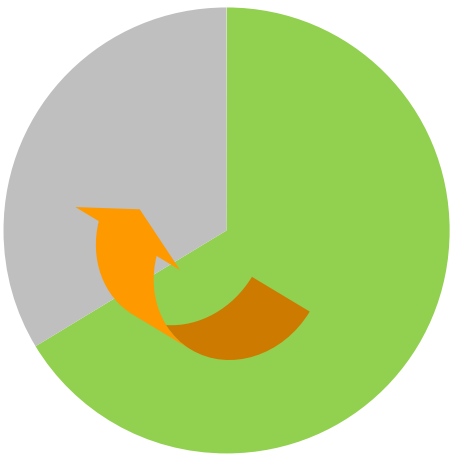
- Expand in to the west of Kansai
- Develop areas in tie-ups with JA



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 (Future Image)

Sustainable growth with termite control-related services at the core



【Basis for growth】

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

【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.

When using this document, please be aware that the future results of the Company may differ from the current forecasts made by the Company.

Also, for references to the industry, etc., data thought to be trustworthy is used, but the Company provides no guarantees as to its accuracy or completeness.

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