We protect Japanese houses from termites

Asante Incorporated

Company Introduction

November 2020



【TSE First Section Securities Code 6073】

Contents

Company Overview	P. 2
Business Contents	P. 5
Strengths	P.12
Industry	P.17
External Environment	P.20
Termites	P.23
Growth Strategy	P.28
Public Relations	P.33
Dividend	P.39
Stock Information	P.40

Company Overview

Company Name	Asante Incorporated （Securities Code 6073）
Head Office Location	33-15, Shinjuku 1-Chome, Shinjuku-ku, Tokyo
Locations	79 locations (Branches: 14, Sales Offices: 65)
Representative	Sei Miyauchi
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 FY3/20)
Net Sales	14.4 billion yen (FY3/20)
Number of Employees	962 (including contract staff) (End of FY3/20)
Group Companies	Heartful Home Co., Ltd. (Consolidated : Investment Ratio 100%) Human Green Service Co., Ltd. (Non-consolidated)

Business Plan

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

- Contributing to the improvement of environmental issues through our business
- Providing people with safe, secure and comfortable living
- Extending the life of wooden houses and maintaining their value



We will achieve this by improving service quality and developing human resources



Environmental Initiatives

We are working to protect the environment through our business

Aiming to create a sustainable society as an extension of our business



Our business

Housing Life Master Plan (National Plan) (By MLIT, March 2016)

Affinity with national policy

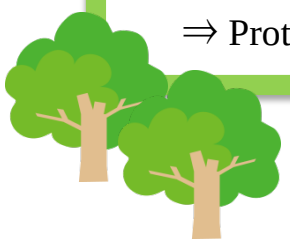
・Shift to a market model that utilizes housing stocks with promoting the distribution of existing housing through renovation and other means

Extend the lifetime of housing to maintain and improve the value of existing wooden houses



Reduction of industrial waste and CO2 emissions from rebuilding houses

⇒ Protecting and cultivating forests



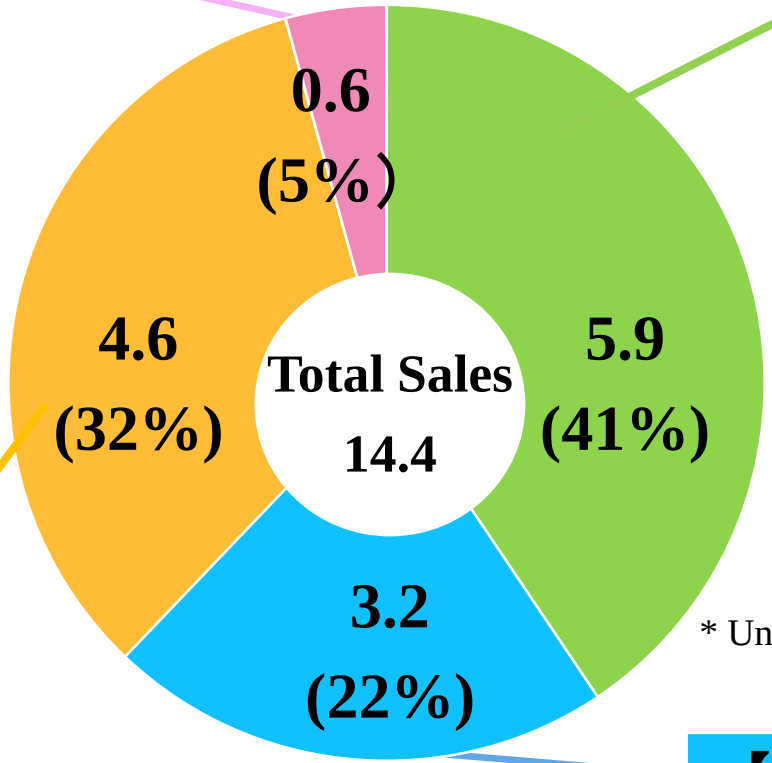


Business Contents

Target	Product (Service)	Details
Existing wooden houses	**Termite Control**	Prevention and extermination of termites
	Anti-humidity Measures	Prevention of rot, mold and termites
	Anti-earthquake Measures	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	Pest control	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 (FY3/20)

【 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



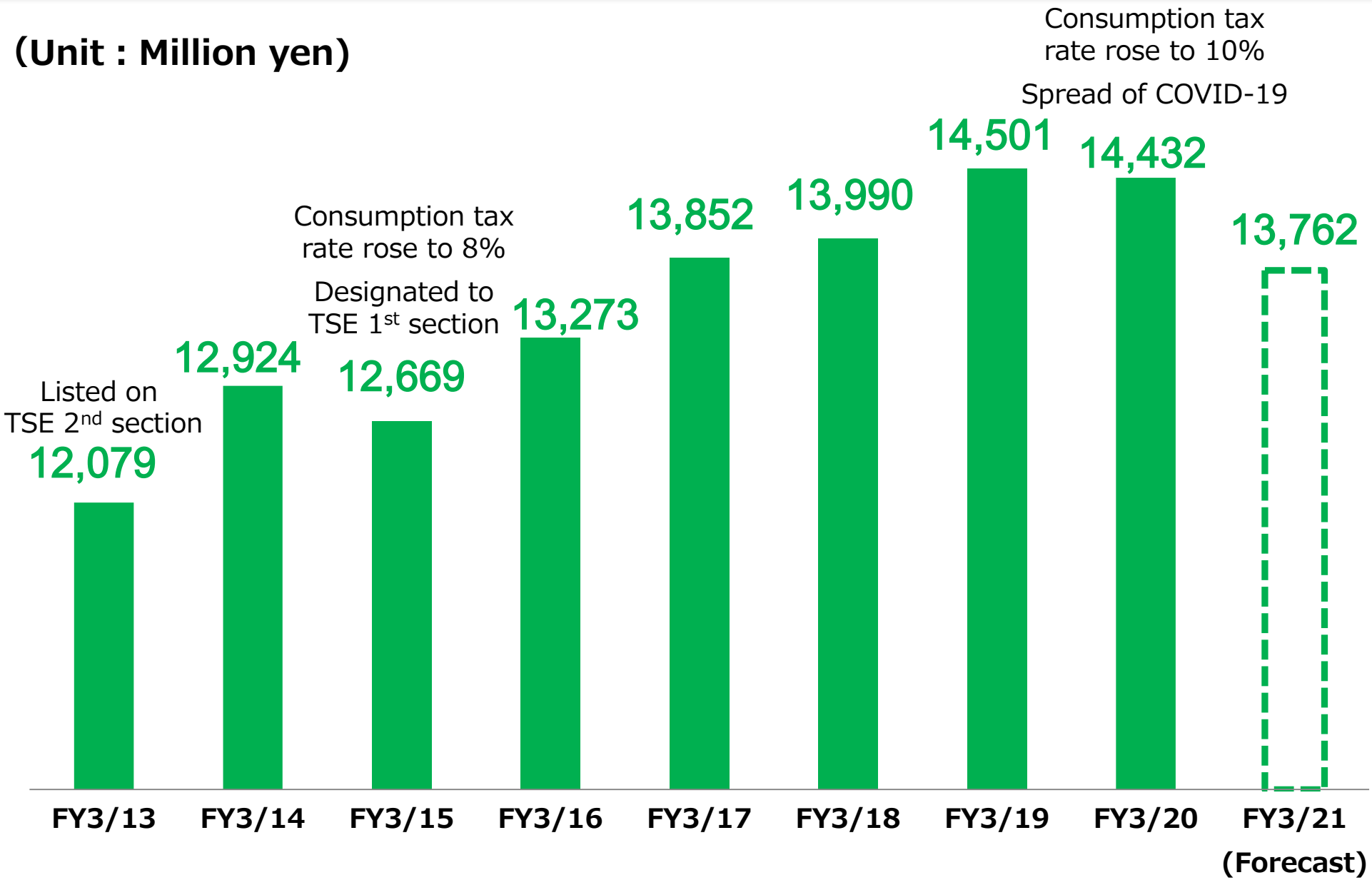
Humidity Adjusting Materials



Asante Inc.

Change of Net Sales

(Unit : Million yen)



*We adopted consolidated accounting from the second quarter of the fiscal year ending March 2021.

Business Model

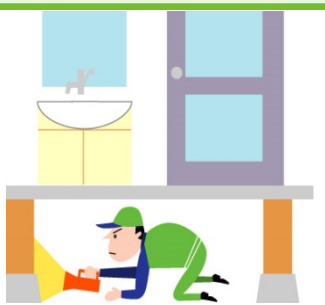
Direct selling is the mainstay of our business, and all operations are carried out by our own employees

Door-to-door sales



Our employees visit each house and guide inspection by experts.

Inspection



Inspection of termites, moisture, water leaks, molds, decay, damage to houses, etc. was conducted directly under the floor.

Report and suggestion



Prepare and submit the investigation report. Propose countermeasures when necessary and submit estimates.

Contract



Establish a thorough compliance system with telephone calls to post-contract customers to verify the contract process and intentions.

Construction



High quality termite control construction based on the technical skills and know-how accumulated over many years.

After-sales Maintenance



The warranty period for termite control is 5 years. During this period, we conduct periodic inspections once a year, check the condition after the control construction, and conduct comprehensive maintenance.

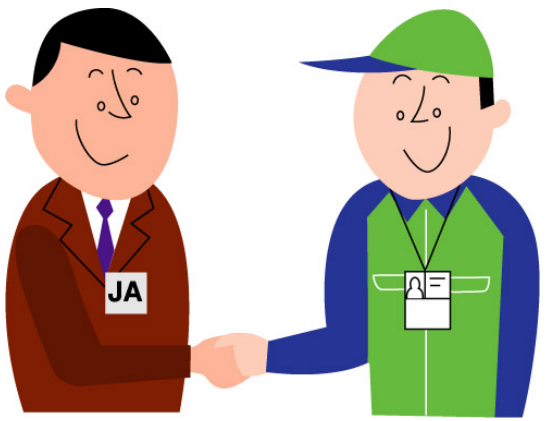
Once a year for 5 years

Wide-ranging alliance with JA

- As a partner of JA, our employees go door-to-door sales in our sales area.
- JA collects money for termite control construction.

Key benefits of the alliance

- Sales activities using JA's name recognition and creditworthiness
- Certainty of payment collection (control of bad debt)
- Strengthening compliance through third-party checks



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

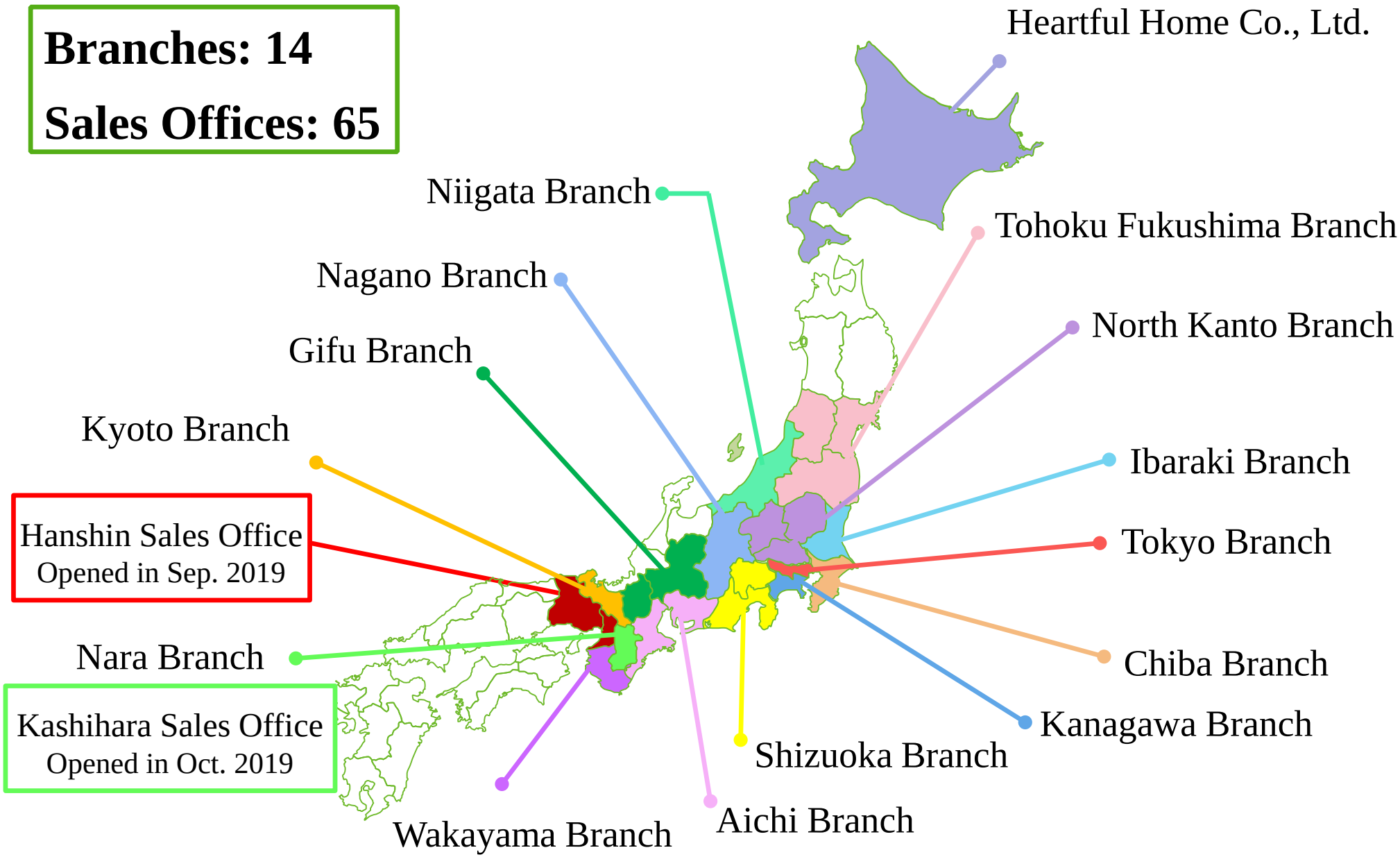




Marketing Area Development

Branches: 14

Sales Offices: 65



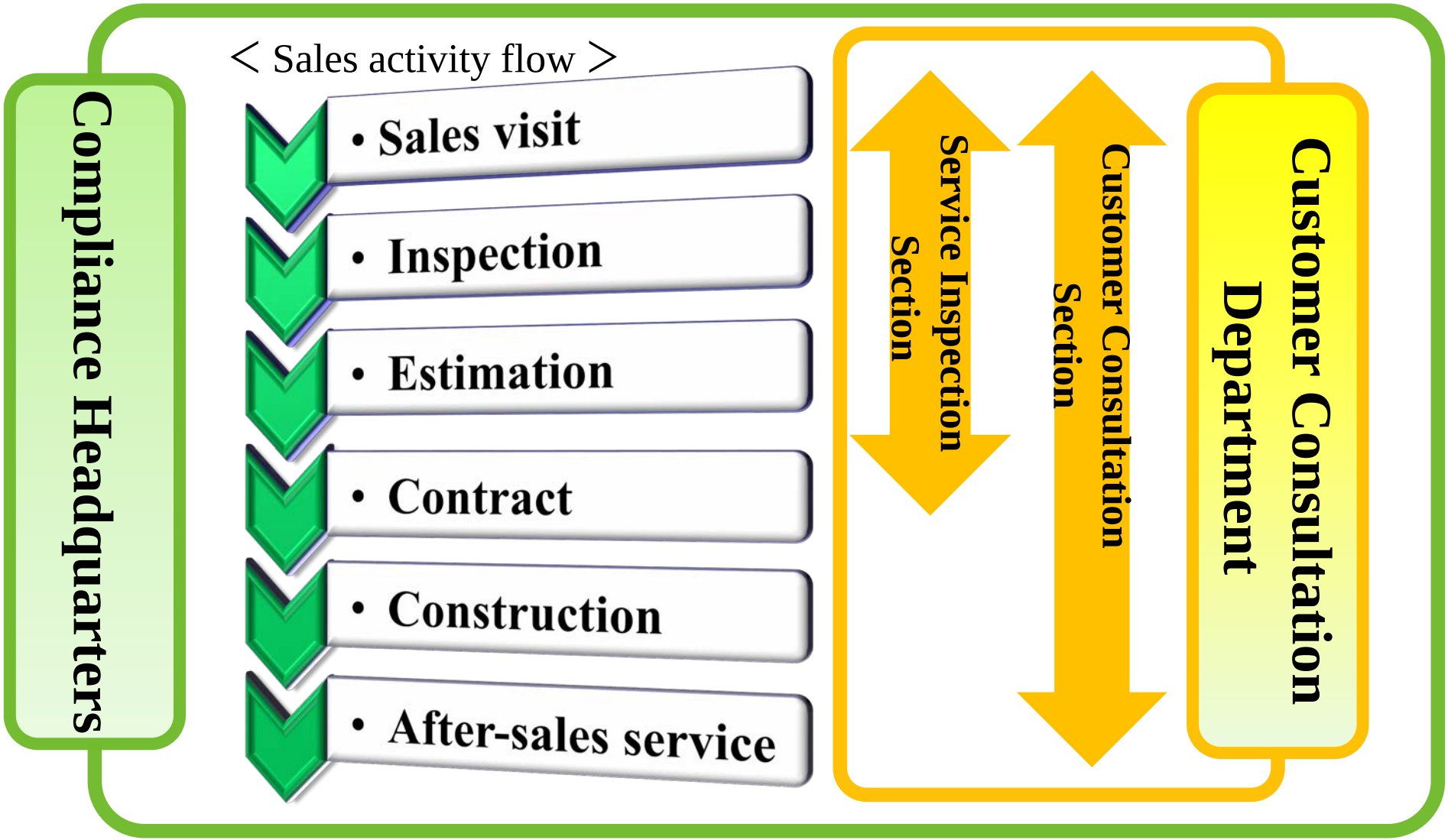
Strengths 1 (Overall Strength)

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	●	●		●	
Operating Efficiency	●		●		●
Sound Finance	●				●

Strengths 2 (Thorough Compliance System)

A thorough compliance system that creates trust and competitiveness



Strengths 3 (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 4 (Operating Efficiency)

Company listed on the Tokyo Stock Exchange

- Improvement in creditworthiness and awareness

Industry-leader in termite control

- Established superiority of industry leader

Wide-ranging alliance with JA

- The Company's own business model
- Community-based business operations

Achieved differentiation from other companies and realized high operating efficiency

Strengths 5 (Sound Finance)

High Safety and Profitability

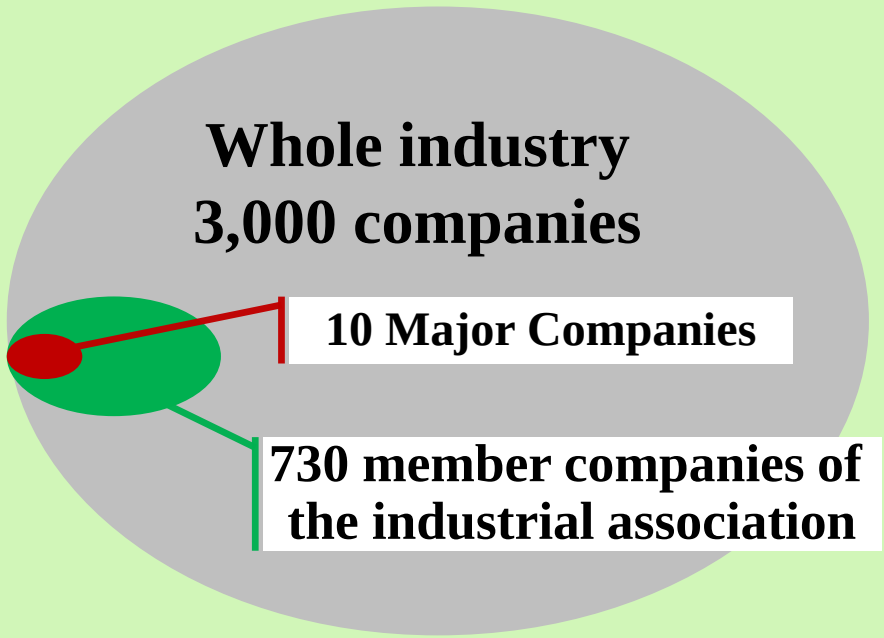
- Financial safety is further improved
- Maintains high operating income ratio and ROE

	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

Industry 1 (Characteristics)

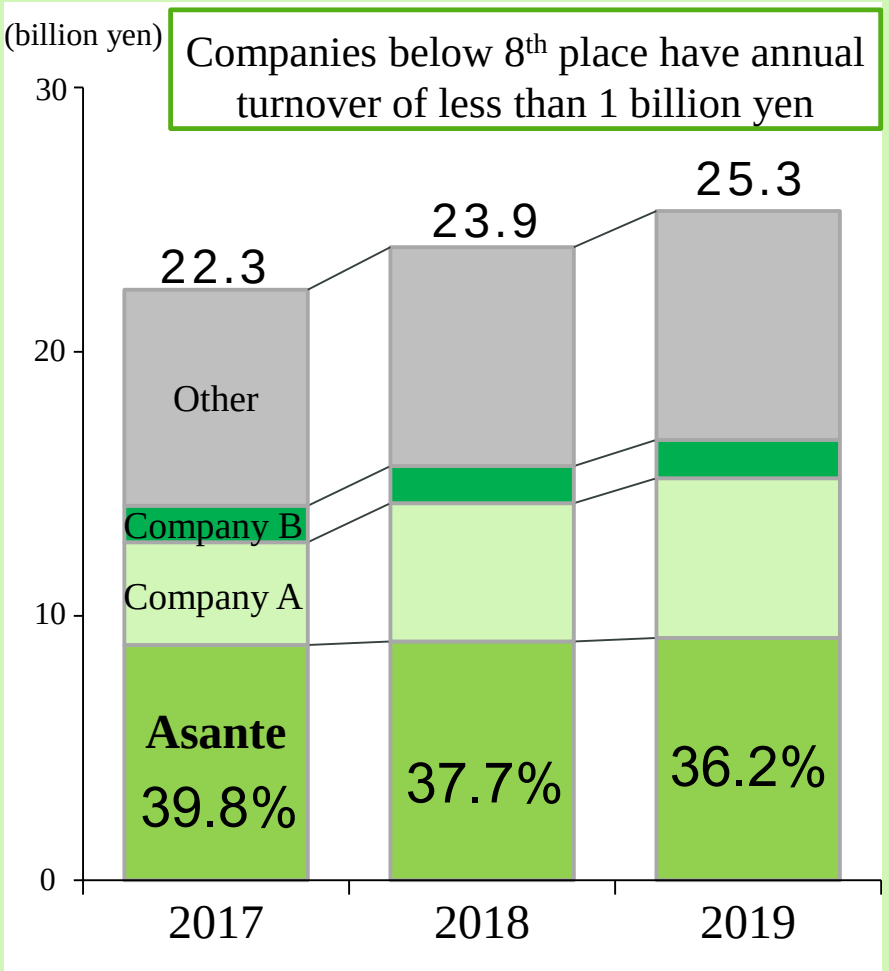
Termite Control Industry Characteristics

- 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 2 (Potential Demand of Termite Control for New Customers)

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

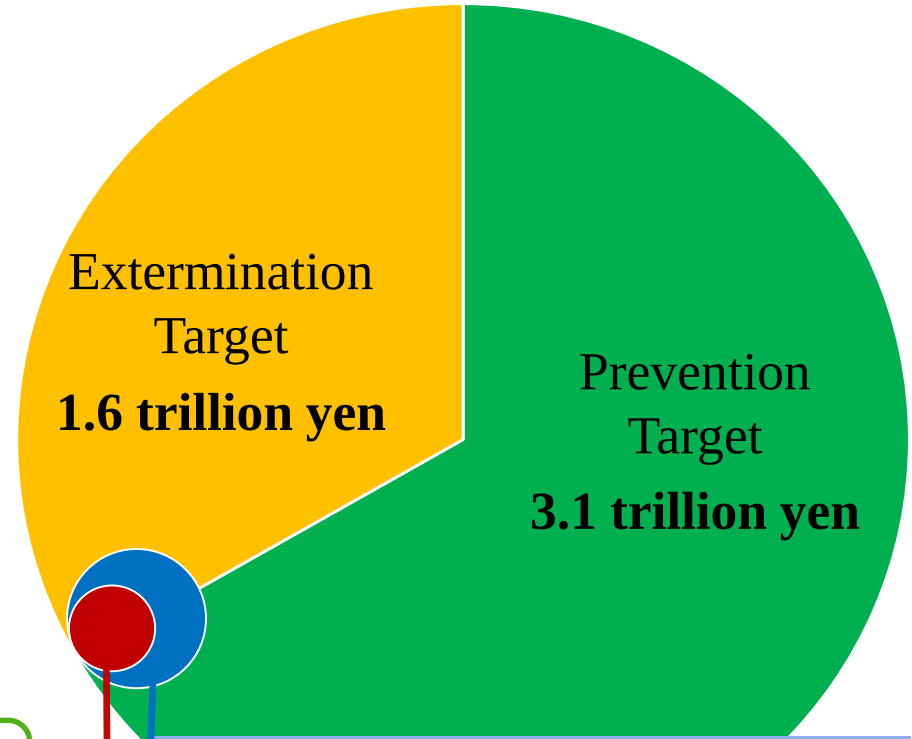
  (Statistics Bureau, MIC[*1], "2018 Statistical Survey on Housing and Land")

- **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)



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

2019
Estimate of total industry sales (Forecast)
48.3 billion yen (Termite control only)※2

Estimate by our company of the total sales of top 10 companies in the industry
25.3 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"

Industry 3 （ US Market Scale ）

Top 100 PCO Sales Ranking
(GIE Media's "PCT Magazine", May 2020 Issue ）

- Total sales of the top 100 companies are approx. $8.2 billion
  (YOY increase of approx. $0.5 billion)

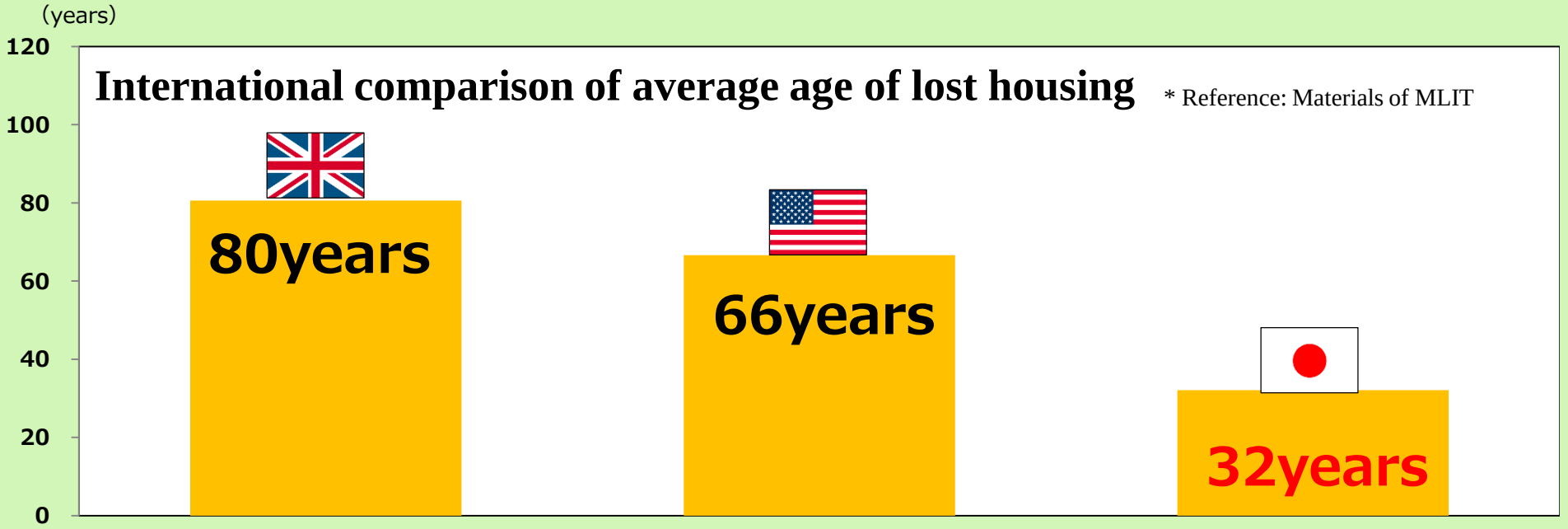
- Top 4 companies or their affiliated entities are listed on the Stock Exchange
  - 1st **Rollins**（NY Stock Exchange）
  - 2nd **Terminix International**（The parent company Service Master is listed on NY Stock Exchange）
  - 3rd **Rentokil**（The parent company Rentokil Initial is listed on London Stock Exchange）
  - 4th **Ecolab**（NY Stock Exchange）
- Total TCO sales of the top 100 companies are approx. $1.6 billion
  (our company's estimate)

*The PCT Top 100 List is based on 2019 revenues

External Environment 1 (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**



External Environment 2 (Trend of the National Policy)

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

External Environment 3 (Trends of Wooden Houses)

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

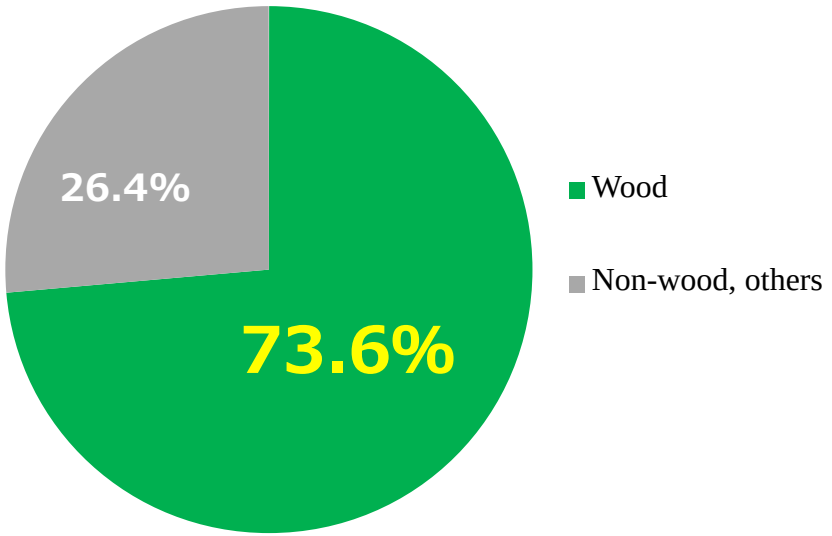
＊ Reference: Materials of MLIT



Intentions regarding wooden houses

＊ Reference : “Public Opinion Survey on the Forest and Life” (2019 Cabinet Office)

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

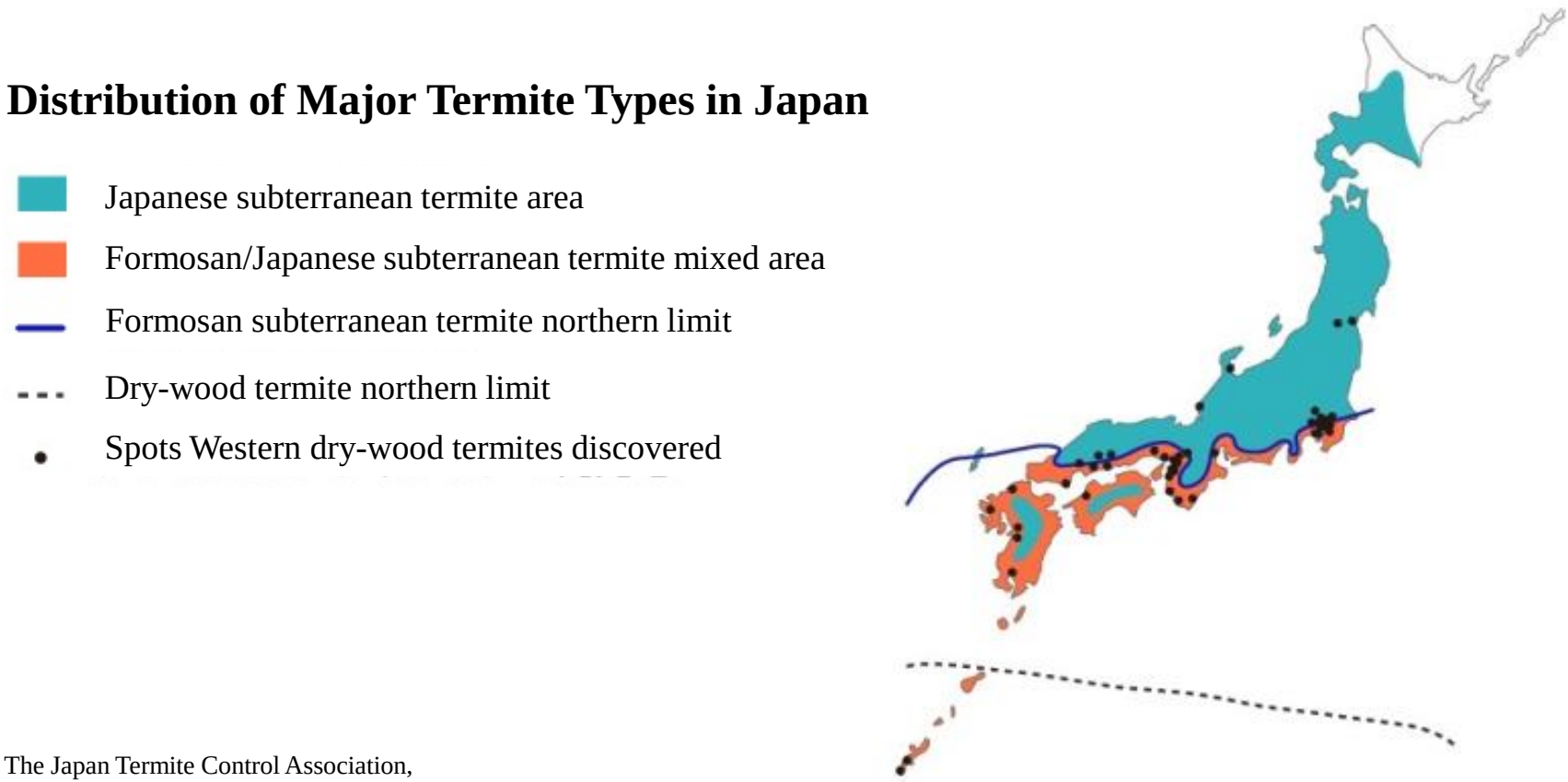


Maintain an enormous stock of wooden houses

Termites 1 (Distribution)

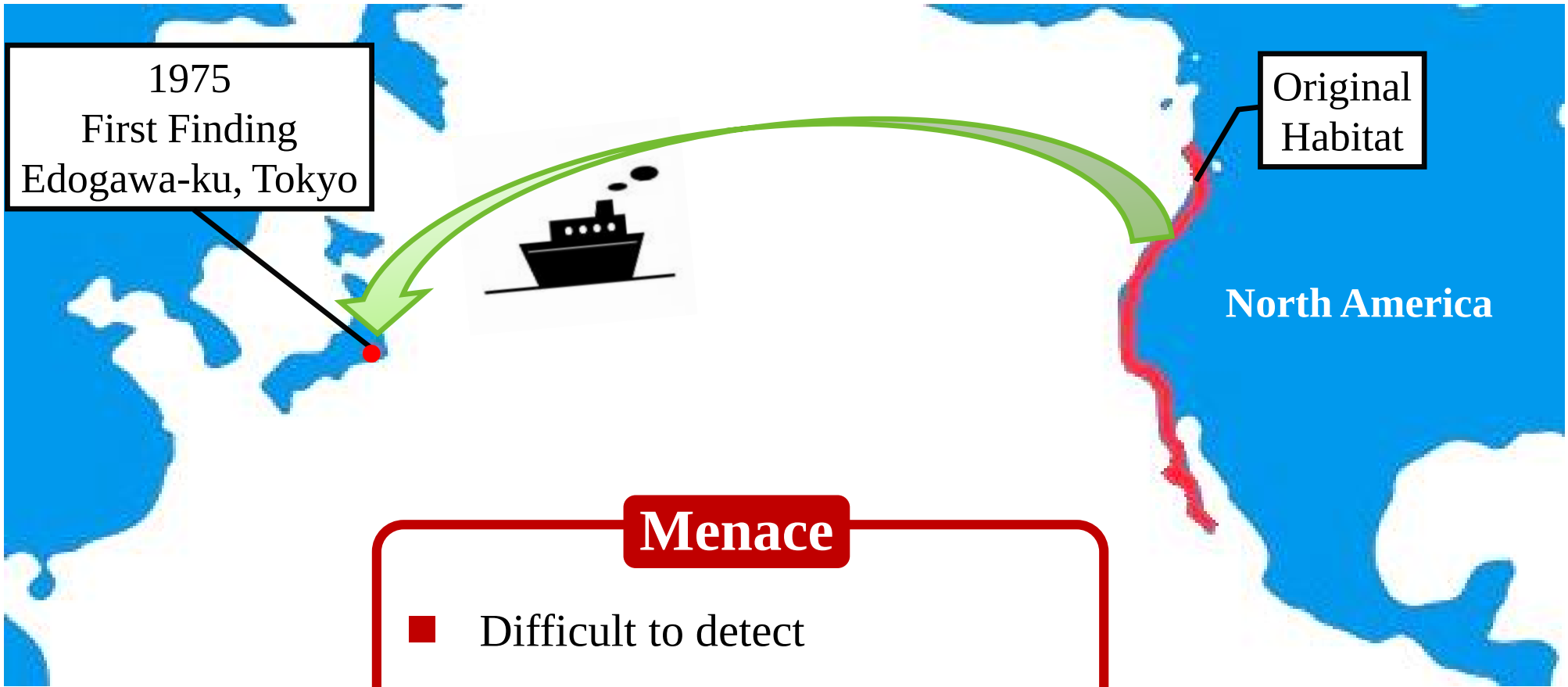
- Japan has 24 species, but pests are primarily 4.
- Excluding some part of Hokkaido, they are distributed throughout Japan.

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)

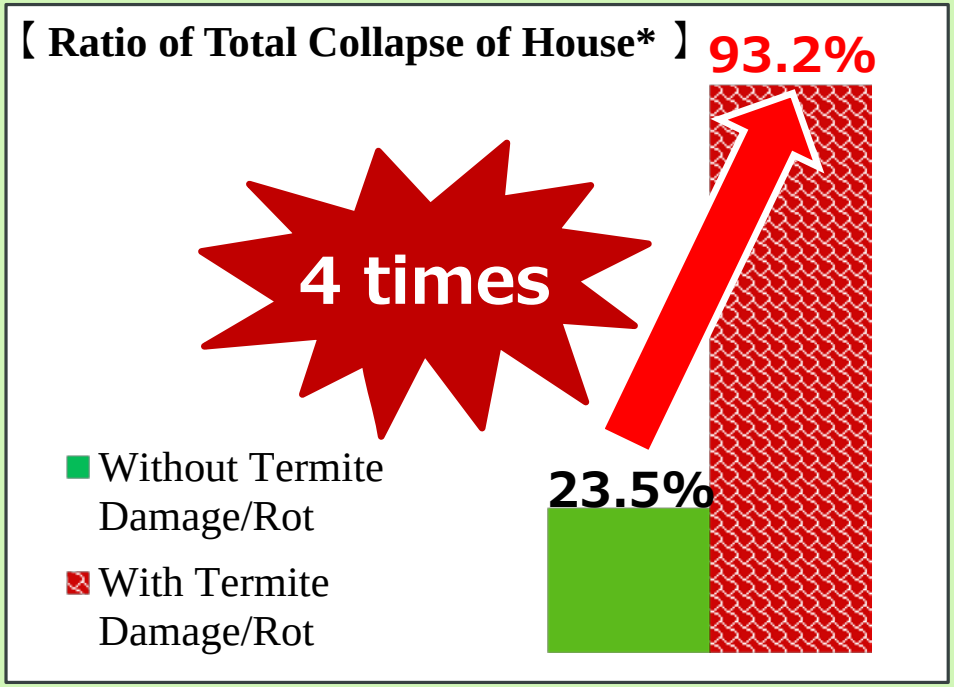
Termites 4 (Risk to Human Life)

The Building Collapse due to Earthquake can be a 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 (Significance of our business)

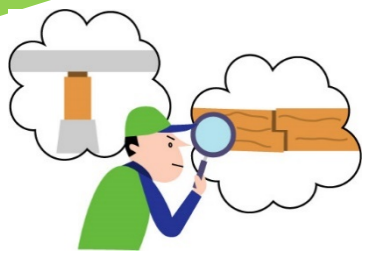
Proper maintenance and management can contribute to environmental issues.

Our Business

Maintain/Manage
Renovation









- Extend the life of the wooden houses and maintain its value
- Reduction of industrial waste and CO2 emissions, Protect and nurture the forest
- Conversion to a market based on housing stock

⇒ **Contributing to a recycling-oriented society**

Derelict



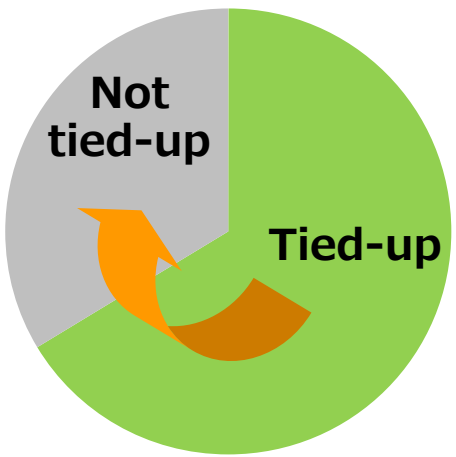
- Occurrence of Vacant Houses
  (Negative effects on nearby living conditions, pest outbreak)
- Demolition
  (Generation of industrial waste and CO2, Excessive harvesting of forests)

Growth Strategy 1 (Direction of the Area Development)

Cultivation of existing areas

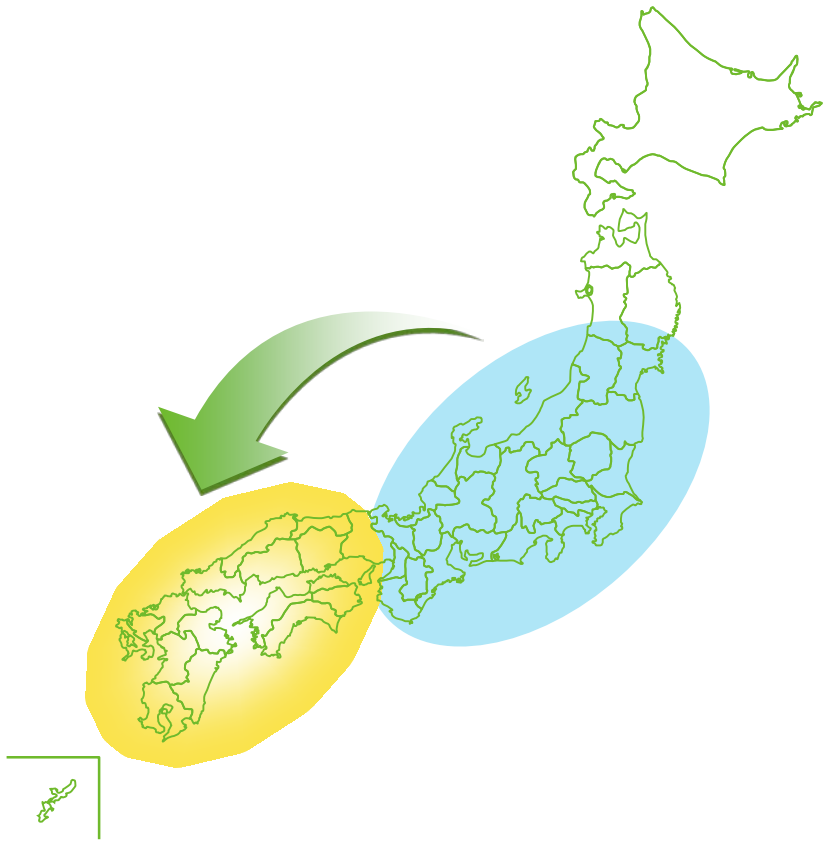
- There is still room for development
- Rise in profit margin due to improvement in operating efficiency

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



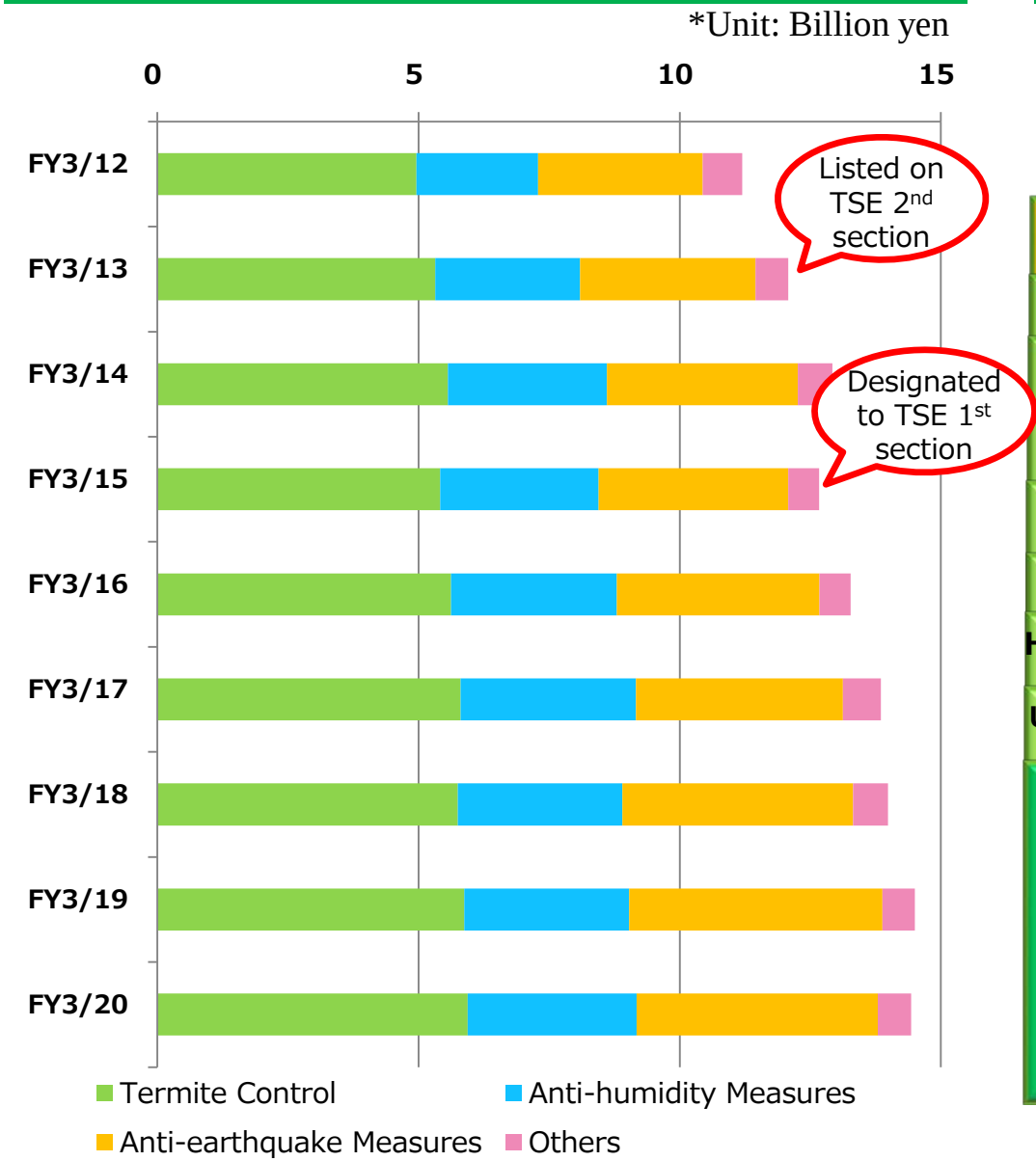
Expansion of new areas

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



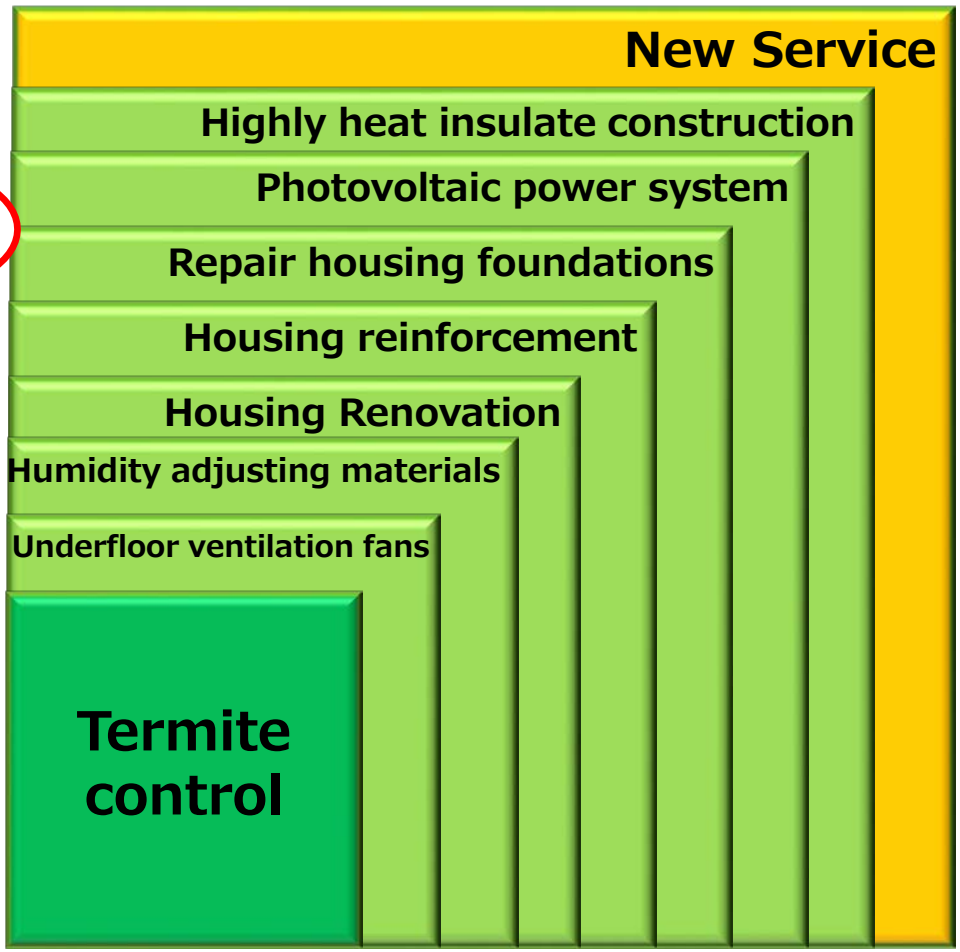
Growth Strategy 2 (Direction of the Service Field Expansion)

Change of Net Sales by Service



Expansion of the Field of Service

- Lineup of house maintenance services



Growth Strategy 3 (Acquisition of external resources through M&A)

- The policy is to focus on house maintenance projects for existing wooden houses

M&A

Expansion of the Field of Service

⇒ **Sharing of know-how**

Cross development

Comprehensive House Maintenance

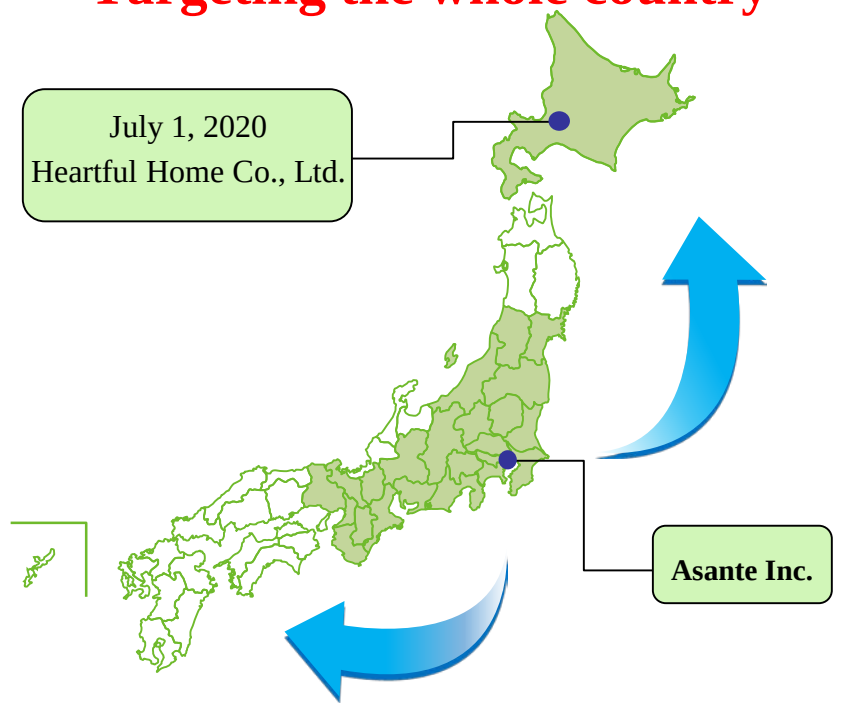
- Termite Control
- Anti-humidity Measures
- Anti-earthquake Measures
- Other Service

+

New Service Areas

Expansion of marketing areas

⇒ **Targeting the whole country**



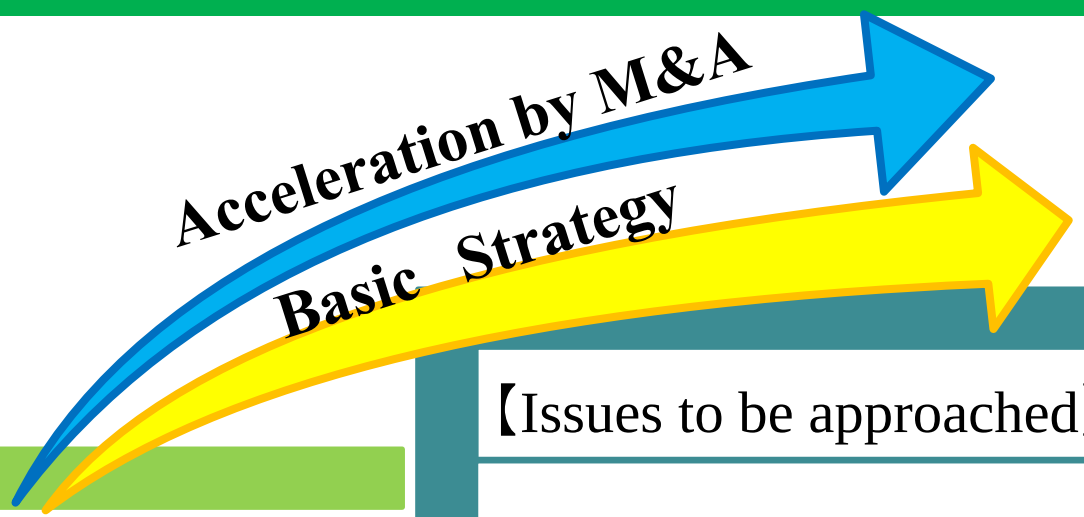
Example of M&A

■ Heartful Home Co., Ltd.

Head Office Location	6-2 Kitano 1-jo 2-chome, Kiyota-ku, Sapporo-shi, Hokkaido
Representative	Daisuke Watanabe, President
Business Content	Construction and remodeling business (Exterior wall remodeling with metal siding)
Establishment	June 1975
Capital	15 million yen
Net sales	923 millon yen (FY3/20)
Date of execution of share transfer agreement	July 1, 2020 (Percentage of voting rights held: 100%)
Purpose of acquisition	・Expansion of the Field of Service and Acquisition of new business area (Hokkaido) ・Utilization of know-how for exterior wall remodeling work and human resources ・Business expansion through synergy with comprehensive house maintenance services

Growth Strategy 4 (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
- **Expansion of the Field of Service**
- 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

Public Relations 1 (Detection Dog Team “Kunkuns” 1)

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

Asante’s Detection Dog Team “Kunkuns”



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

Activity Results of “Kunkuns”



Training with the handler



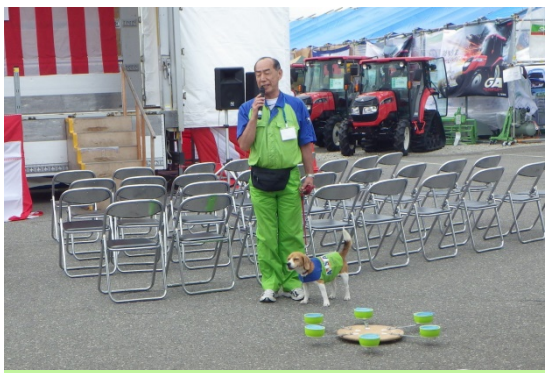
Inspection at hotel or house



Inspection in remote island



Media exposure



Participation in events

Asante Inc.

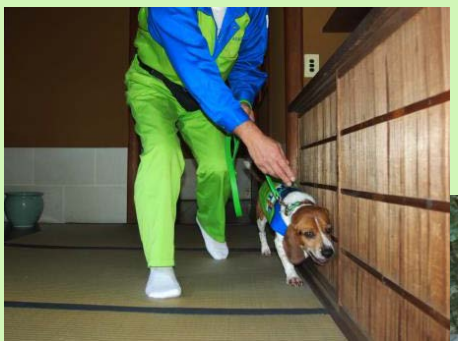
Public Relations 3

Project on Shinto Shrines and Buddhist Temples

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



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)

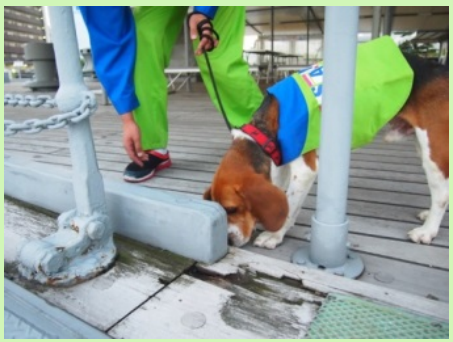
*METI…Ministry of Economy, Trade and Industry

Example of Termite Control

Historic Memorial Warship MIKASA

- Implement termite prevention since wood is used for the deck.





Hayashi Fumiko Memorial Hall

- Implement termite prevention at the request of the Shinjuku Foundation for Creation of Future.





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

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 23, 2020



Termite Warning

Advertising and Sales Promotion

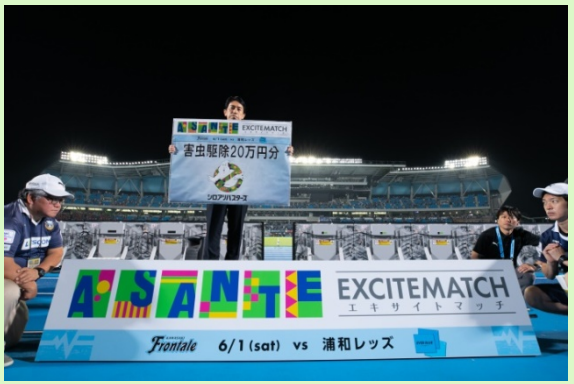
TV commercial
Leaflets & web advertisements





Sponsorship

- Signed a sponsorship deal with Kawasaki Frontale
  (2020 Meiji Yasuda Life Insurance J1 League)



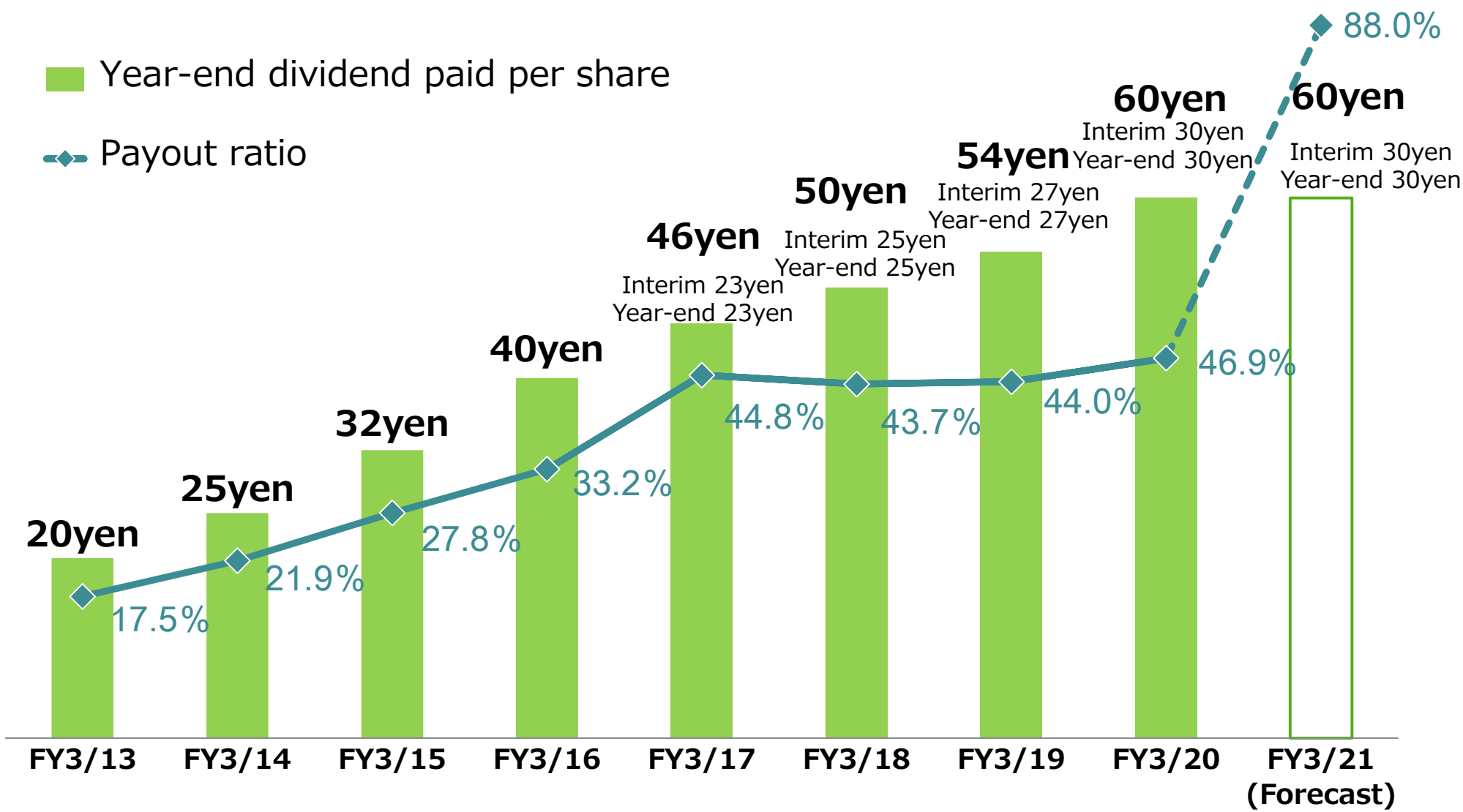




© KAWASAKI FRONTALE CO.,LTD

Dividend

Since listing, we have focused on shareholder returns



*We adopted consolidated accounting from the second quarter of the fiscal year ending March 2021.

Stock Information (Special Benefit for Shareholders / Dividend yield)

◆ Special Benefit for Shareholders

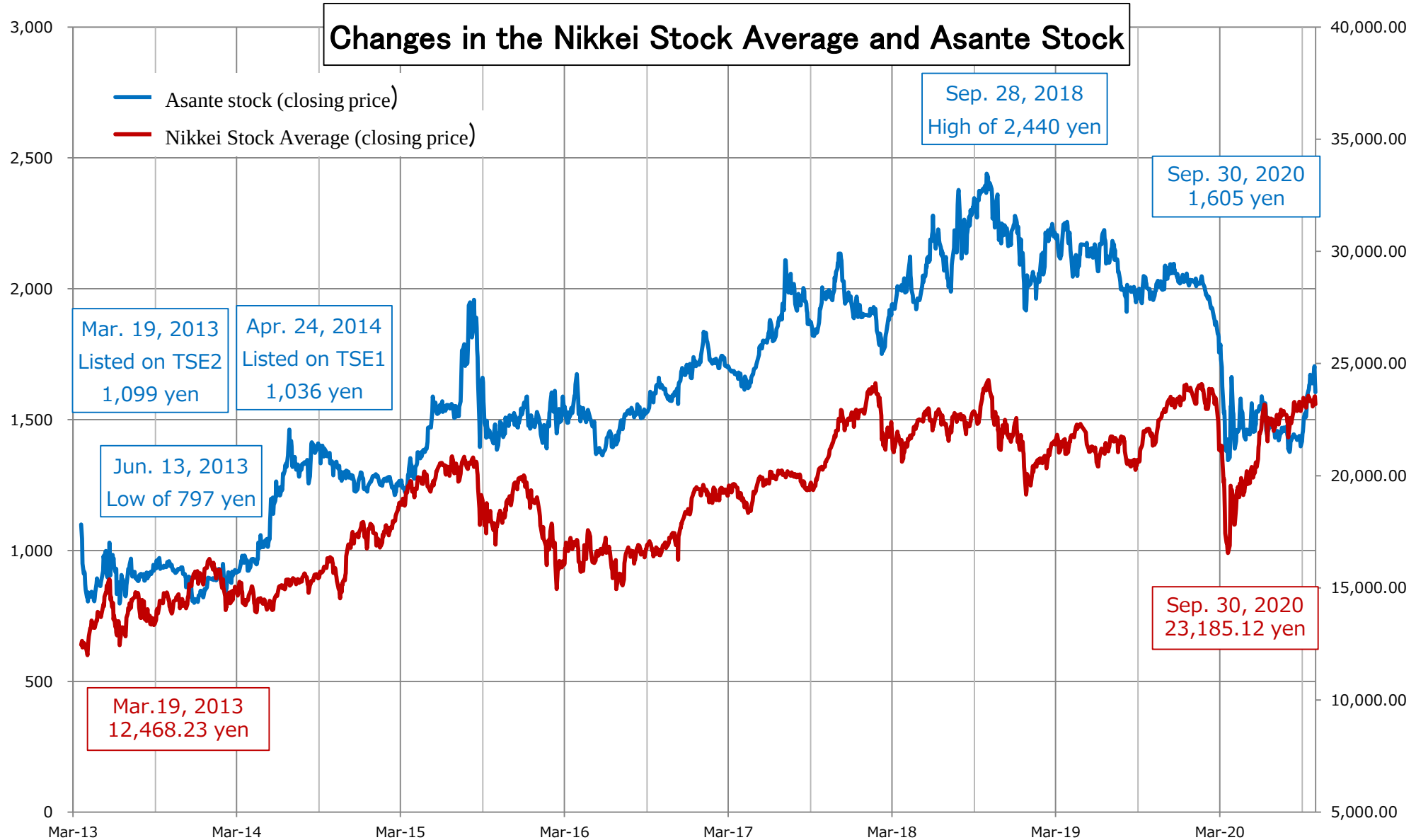
- Eligible shareholders : For shareholders with 1 or more share unit(s) at the end of March or September
- Special Benefit : Gift of a 1,000 yen Mitsubishi UFJ NICOS gift card
- Delivery Period : Planned to be sent in June and December of every year

◆ Dividend yield

Stock price (closing price as of September 30, 2020)	1,605 yen
Trading unit	100 shares
Annual dividend (forecast) (Interim: 30 yen, year-end: 30 yen)	60 yen
Annual dividend yield (forecast)	**3.7 %**
Special Benefit for Shareholders (1,000 yen gift card/ twice a year)	2,000 yen
【Ref.】**Annual dividend yield of 「Dividend＋Shareholder benefit」***	**5.0 %**

*when holding one trading unit for one year

Changes in Stock Prices



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.

No matter what purpose investors use this document for, it is provided with the understanding that they will use it based on their own judgment and responsibility, and the Company shall bear no responsibility for its use.

（Last updated November 11, 2020）

Asante Inc.