Financial Results for the Second Quarter Ended September 30, 2020

November 11, 2020






Detection Dog Team “Kunkuns”





Asante Incorporated 【TSE First Section Securities Code 6073】

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* We adopted consolidated accounting from the second quarter of the fiscal year ending March 2021. Comparisons with the same period of the previous year (non-consolidated) are provided as a reference.

Business Environment

Corporate earnings continued to fall sharply amidst a weak employment situation due to the impact of the COVID-19 infections.

Economic conditions remain challenging, but consumer spending shows signs of recovery.

The national policy of "emphasizing life extension and maintenance of existing houses" remains unchanged, and there is also an enormous latent demand.

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 to May 15), 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.
- With the lifting of the State of Emergency declaration, we have gradually resumed door-to-door sales activities to new customers, with all sales offices resuming operations from June.

Customer trends

- Even after the resumption of activities, our operations continued to be affected, as our sales activities have been restricted due to a decline in consumer confidence and concerns over the spread of infections.

Employee support

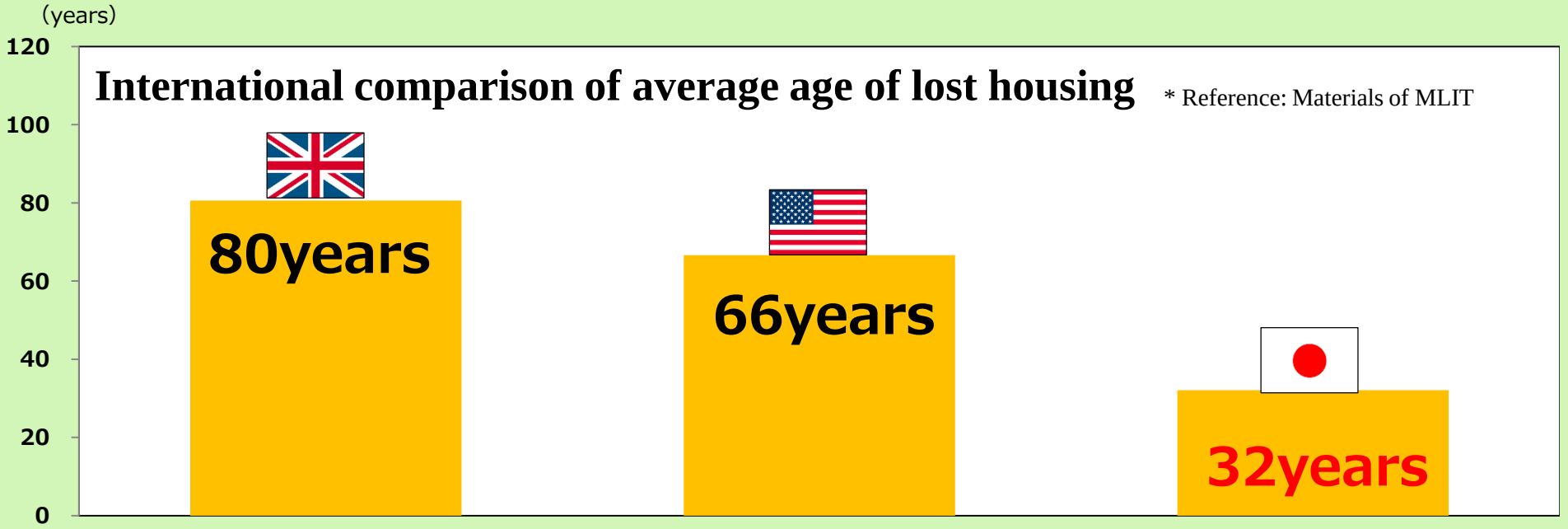
- We will implement measures to ensure the safety and stability of our employees' lives.

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**



Potential Demand of Termite Control for New Customers

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

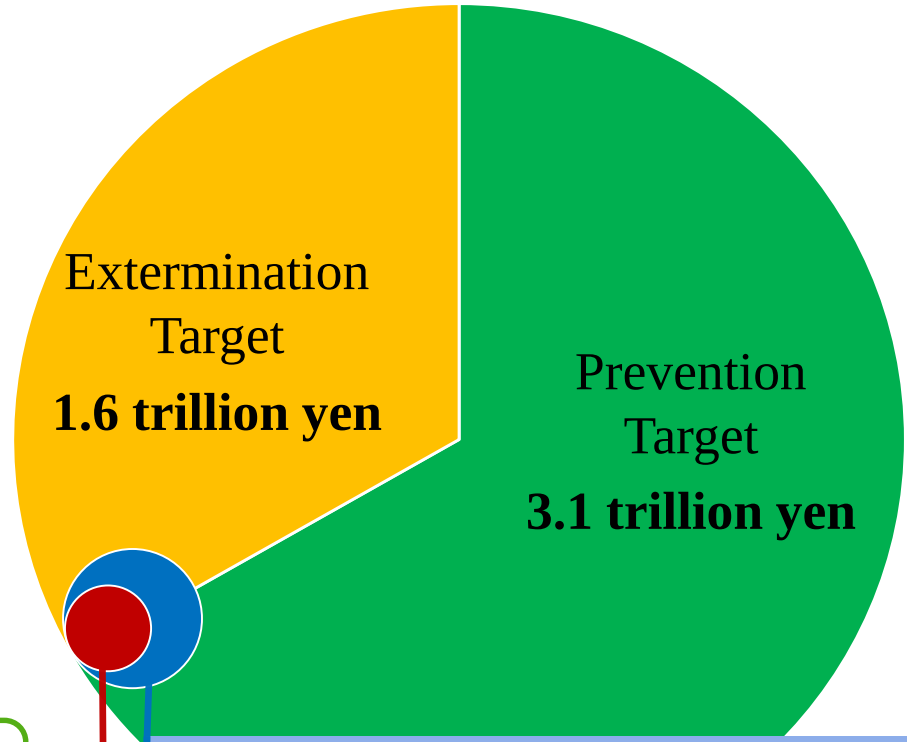
  (Statistics Bureau, MIC[*1], “2018 Statistical Survey on Housing and Land”)

- **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”

Trends of Wooden Houses

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

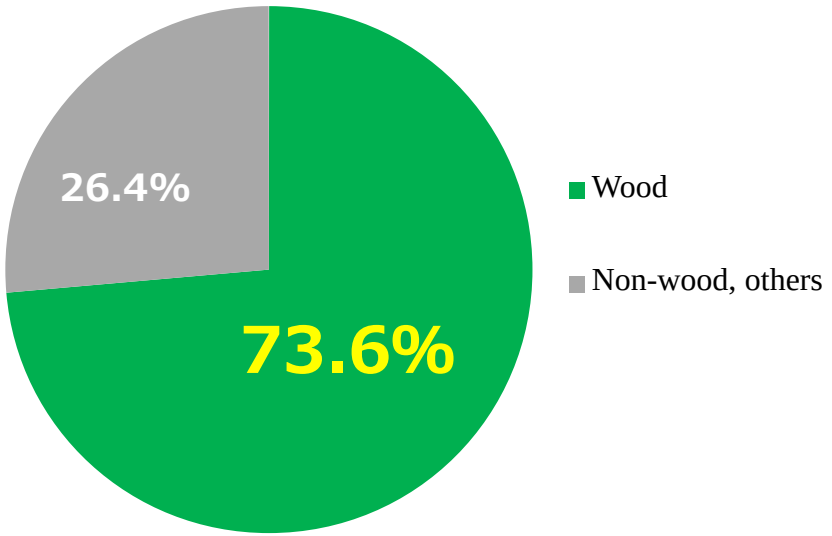
＊ Reference: Materials of MLIT



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

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

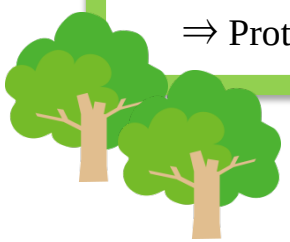
・Shift to a market model that utilizes housing stocks with promoting the distribution of existing housing through renovation and other means

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 Plan & Specific Initiatives in 1H

1. Strengthening of compliance and increase of customer satisfaction

- Build a thorough compliance-oriented sales system

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

- Reduce the number of retirees and increase the retention rate by improving the working environment

3. Promote efficiencies of business and enhancement of productivity

- Efficient demand stimulation and customer acquisition through advertising and sales promotion
- Continue to improve efficiency by systematizing operations

4. Sales area development to increase potential customers

- Entering the Hokkaido market by making Heartful Home Co., Ltd. a subsidiary

5. Measures to prevent the spread of the COVID-19

- Implement measures to ensure the safety of customers and employees to prevent the spread of infections

Advertising and Sales Promotion

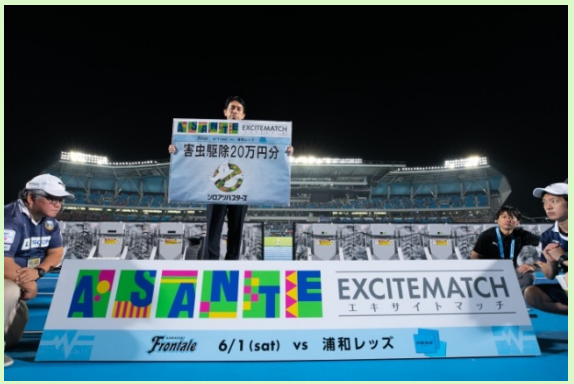
TV commercial
Leaflets & web advertisements





Sponsorship

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







© KAWASAKI FRONTALE CO.,LTD

Experience of M&A

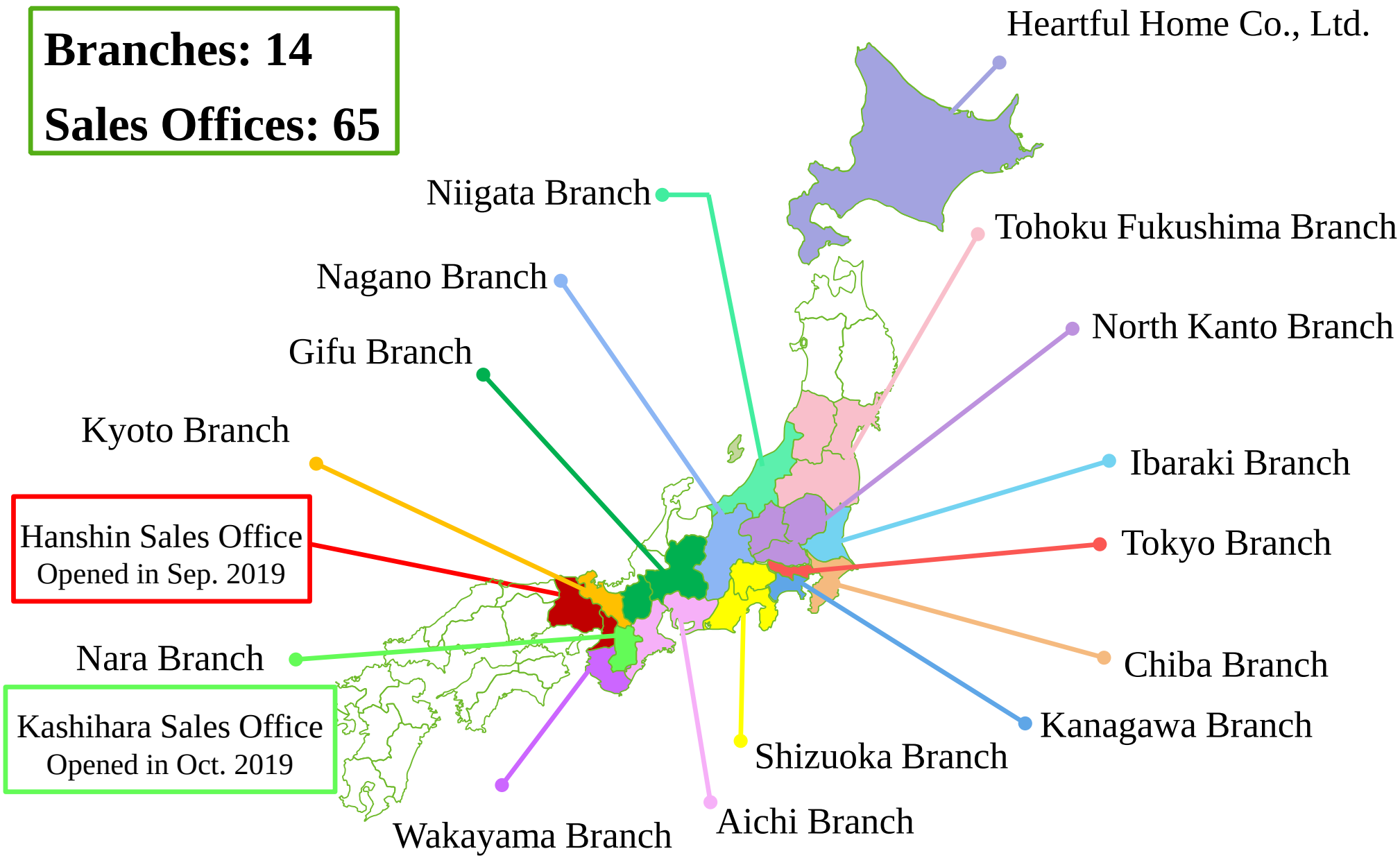
Heartful Home Co., Ltd.

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

Marketing Area Development

Branches: 14

Sales Offices: 65



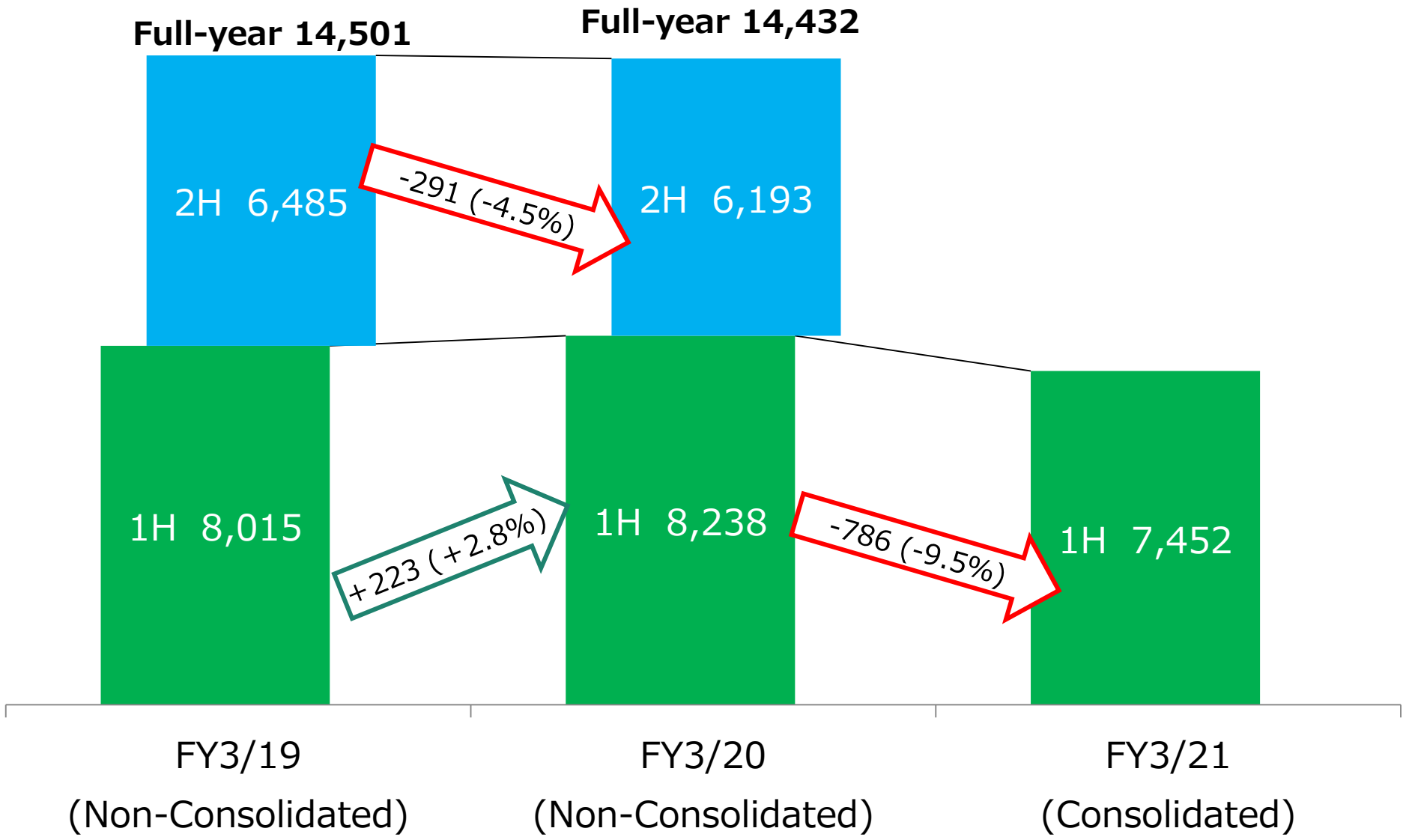
Results for Profit and Loss (1H)

- Net sales 7,452 million yen
  Operating income 1,166 million yen

(Unit: Million yen)	(Non-Consolidated) FY3/20 1H	(Consolidated) FY3/21 1H	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales	8,238	**7,452**	-786	-9.5%
Gross Profit	6,012	**5,334**	-677	-11.3%
Gross profit ratio	73.0%	71.6%	−1.4pt	—
Operating Income	1,772	**1,166**	-606	-34.2%
Operating income ratio	21.5%	15.7%	−5.9pt	—
Ordinary Income	1,783	**1,265**	-517	-29.0%
Ordinary income ratio	21.6%	17.0%	−4.7pt	—
Net income attributable to owners of parent	1,201	**825**	-375	-31.3%
Net income ratio	14.6%	11.1%	−3.5pt	—
EPS (yen)	97.32	**66.84**	-30.47	-31.3%

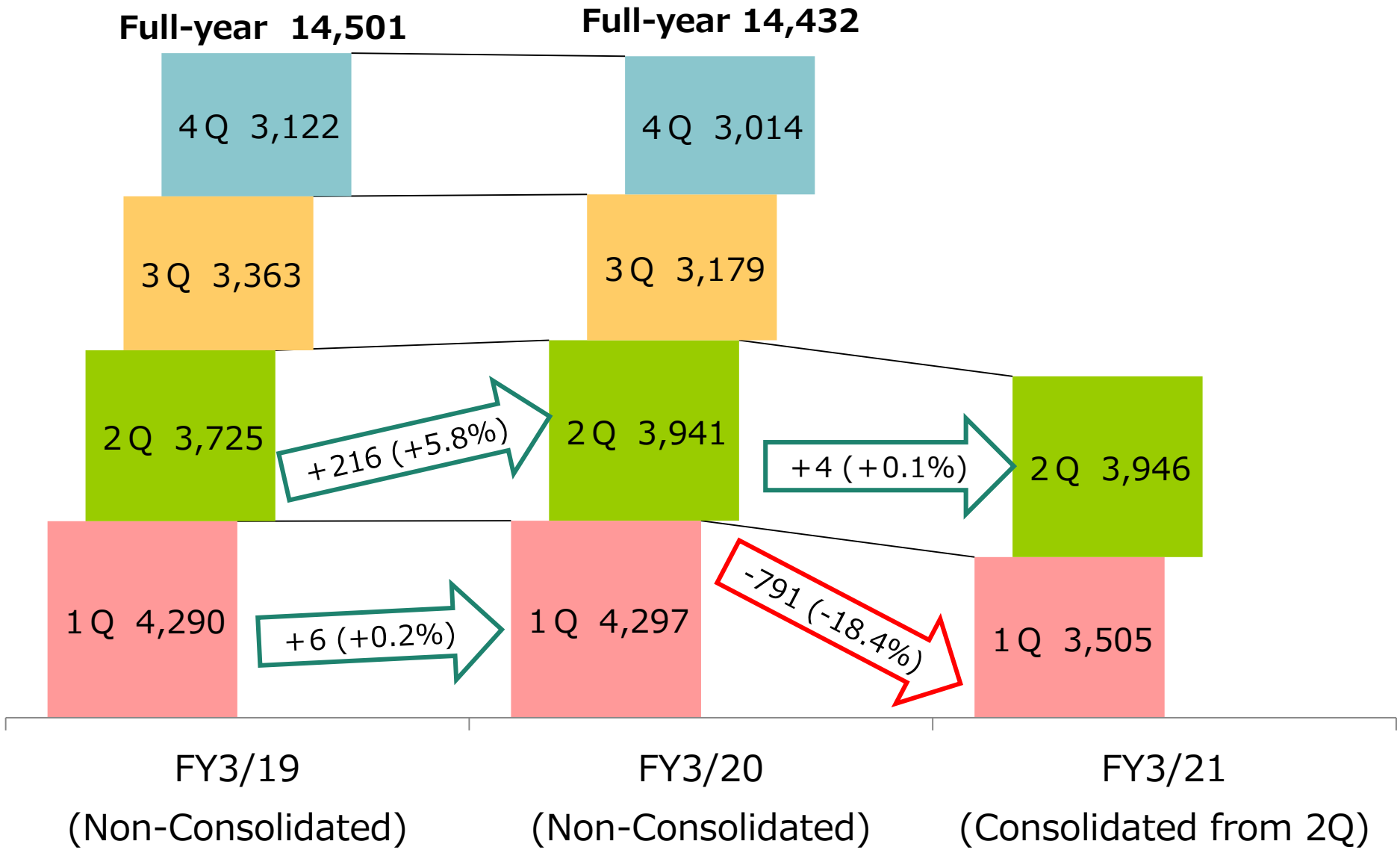
Net Sales by 1H and 2H

(Unit : Million Yen)

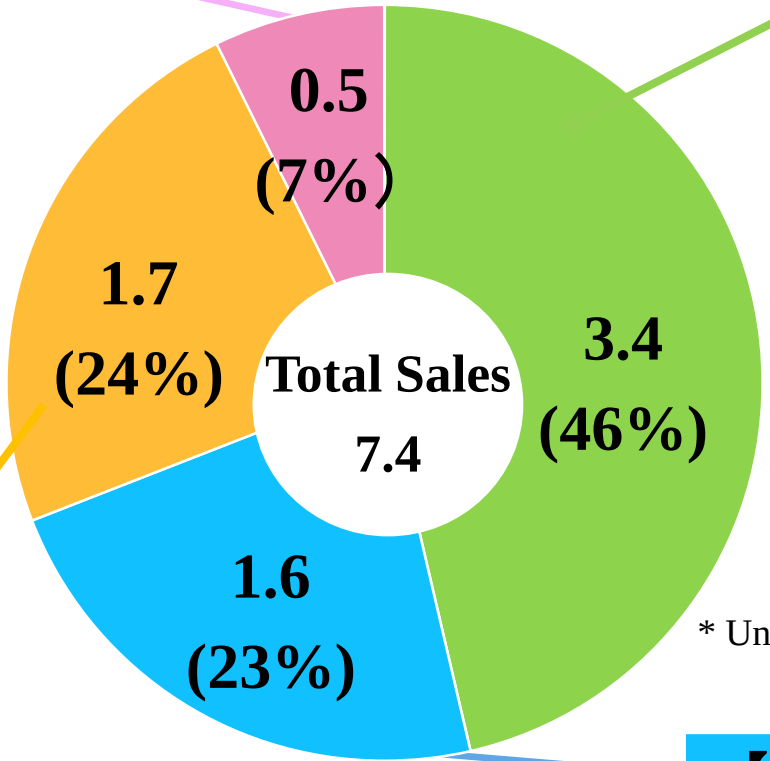


Net Sales by Quarter

(Unit : Million Yen)



Sales Composition by Service (1H)



【 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

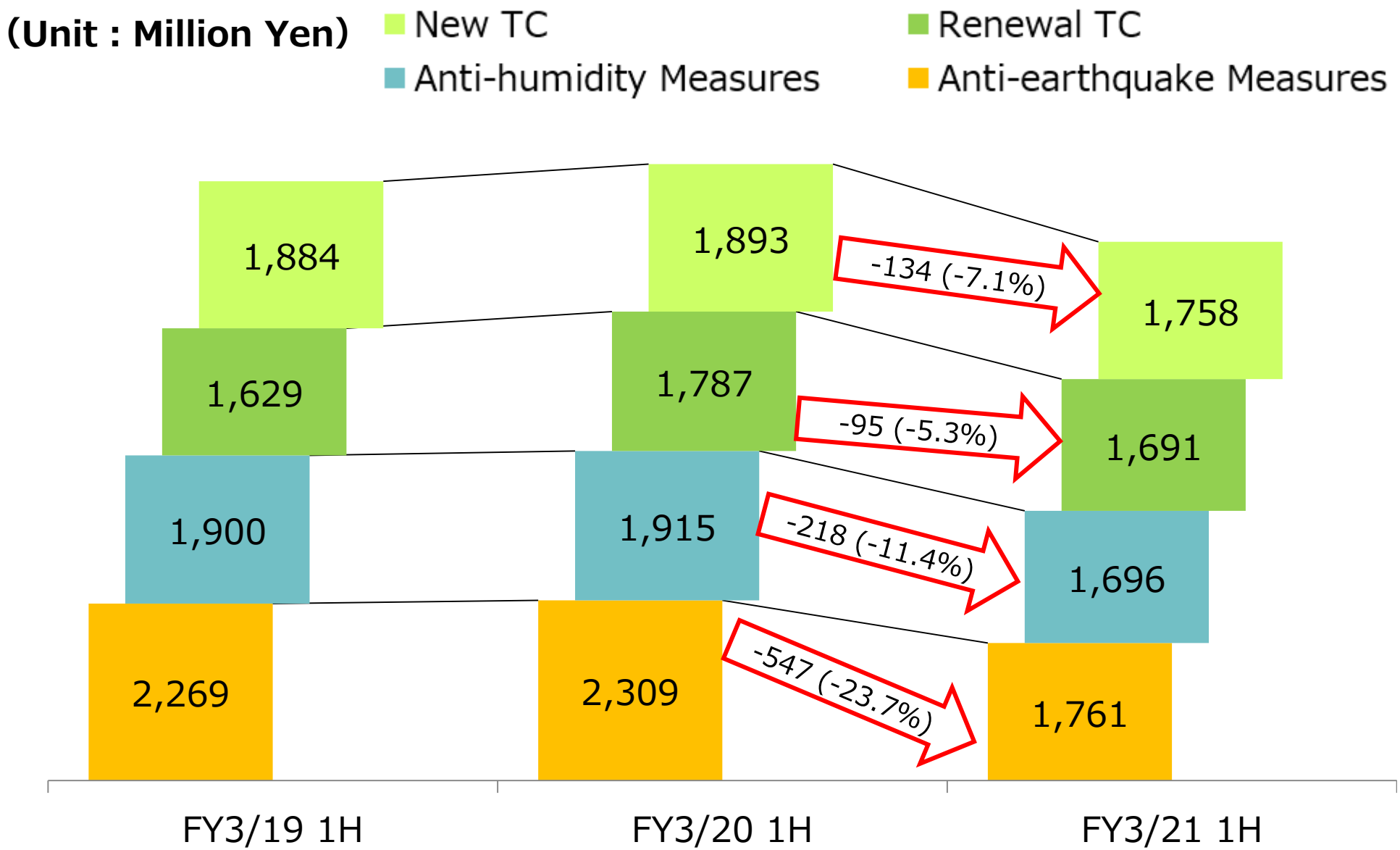


Net Sales by Service (1H)

- Net sales: -9.5%
- Termite Control: -6.3%
  (Termite control for new customers: -7.1%, Renewal termite control : -5.3%)
- Anti-humidity measures: -11.4%
- Anti-earthquake measures: -23.7%

(Unit: Million yen)	(Non-Consolidated) FY3/20 1H		(Consolidated) FY3/21 1H		YoY	
	Results	Composition ratio	**Results**	**Composition ratio**	Change	Change in ratio
Net sales	8,238	–	**7,452**	–	-786	-9.5%
Termite control	3,680	44.7%	**3,450**	**46.3%**	-230	-6.3%
New	1,893	23.0%	**1,758**	**23.6%**	-134	-7.1%
Renewal	1,787	21.7%	**1,691**	**22.7%**	-95	-5.3%
Anti-humidity measures	1,915	23.2%	**1,696**	**22.8%**	-218	-11.4%
Anti-earthquake measures	2,309	28.0%	**1,761**	**23.6%**	-547	-23.7%
Others	333	4.0%	**543**	**7.3%**	210	63.2%

Net Sales by 3 Service (1H)



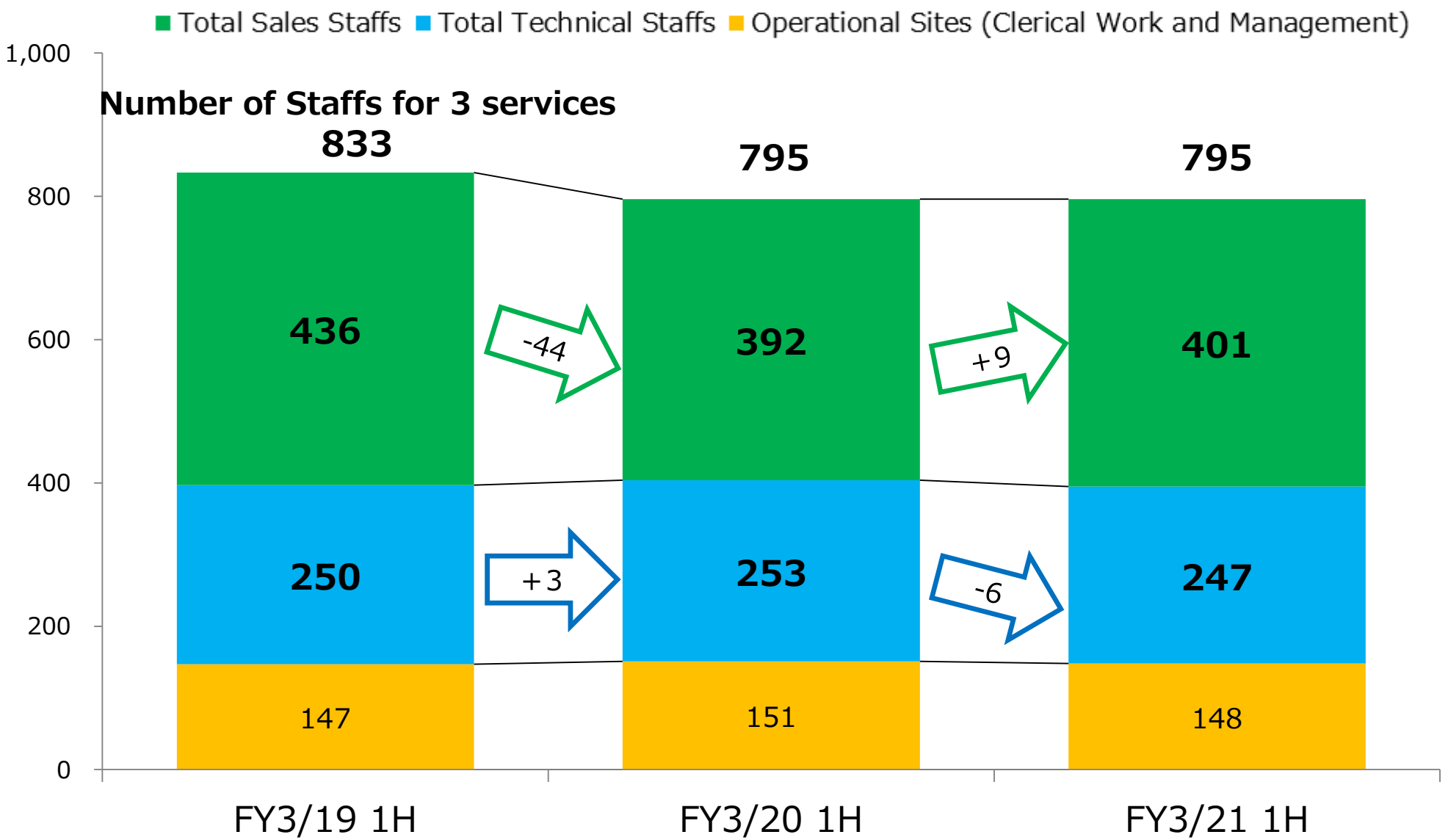
Number of Staffs, Sales per Staff (1H)

■ Average number of staffs increased by 21

	(Non-Consolidated) FY3/20 1H	(Consolidated) FY3/21 1H	YoY	
	Results	**Results**	Change	Change in ratio
Net Sales (Million yen)	8,238	**7,452**	-786	-9.5%
Within the three services	7,905	**6,908**	−996	−12.6%
Average number of staffs during the period	996	**1,017**	21	2.1%
Within the three services	795	**795**	0	0.0%
Within sales staffs	392	**401**	9	2.3%
Sales per staff (Thousand yen/month)	1,378	**1,221**	-157	-11.4%
Within the three services	1,656	**1,447**	−208	−12.6%
Number of staffs at end of period	992	**1,036**	44	4.4%
Within the three services	791	**797**	6	0.8%

- ”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

Number of Staffs for 3 Services (1H)



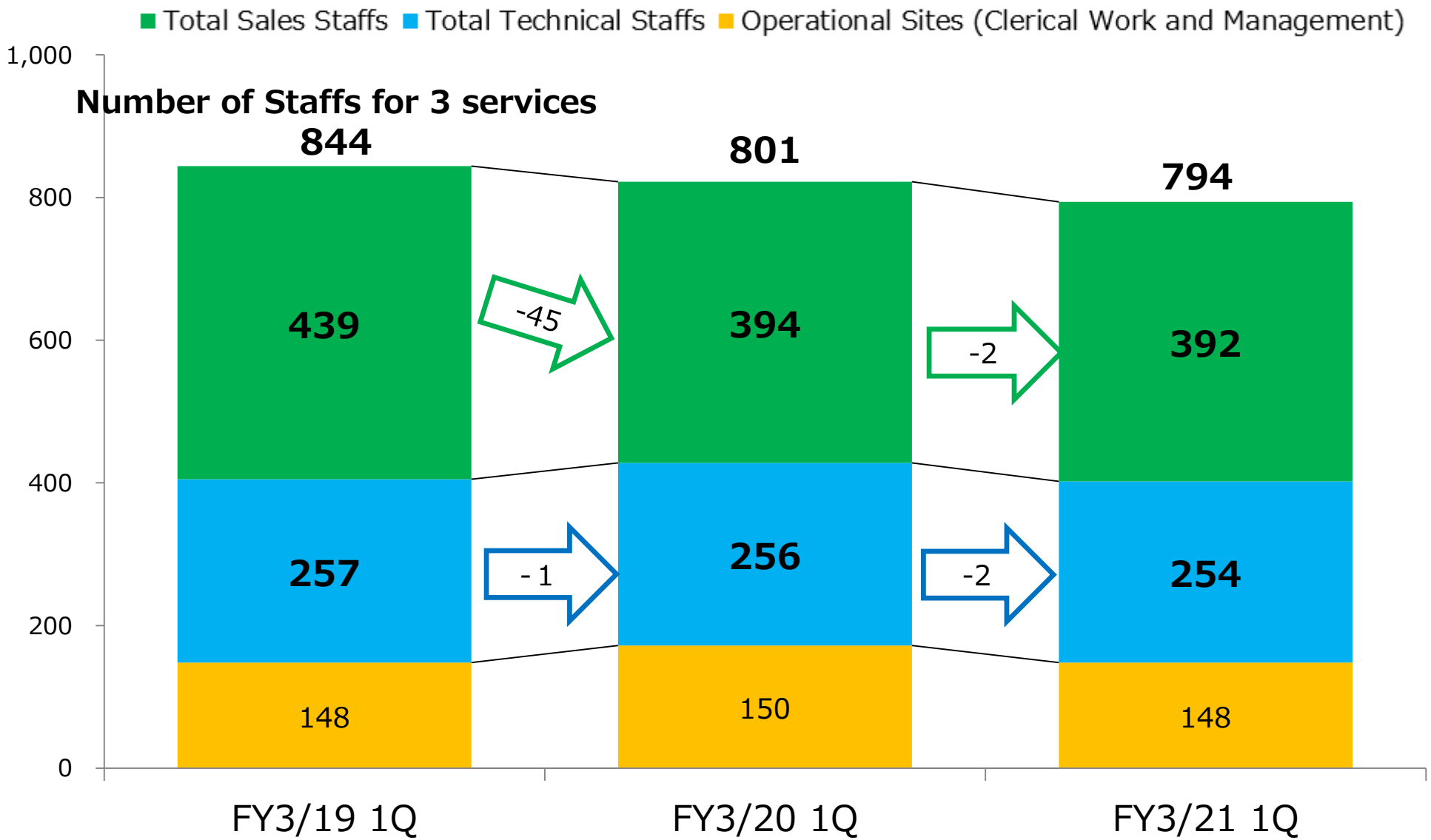
- ”Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites working including part-time employees and contract employees (excluding dispatched and seconded staffs)

Number of Staffs, Sales per Staff (1Q YoY)

	FY3/20 1Q	FY3/21 1Q	YoY	
	Results	**Results**	Change	Change in ratio
Net Sales (Million yen)	4,297	**3,505**	-791	-18.4%
Within the three services	4,133	**3,352**	−780	−18.9%
Average number of staffs during the period	1,001	**1,000**	-2	-0.2%
Within the three services	801	**794**	−6	−0.8%
Within sales staffs	394	**392**	−2	−0.5%
Sales per staff (Thousand yen/month)	1,430	**1,169**	-261	-18.3%
Within the three services	1,720	**1,406**	−314	−18.2%
Number of staffs at end of period	997	**1,007**	10	1.0%
Within the three services	796	**801**	5	0.6%

- ”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 for 3 Services (1Q)



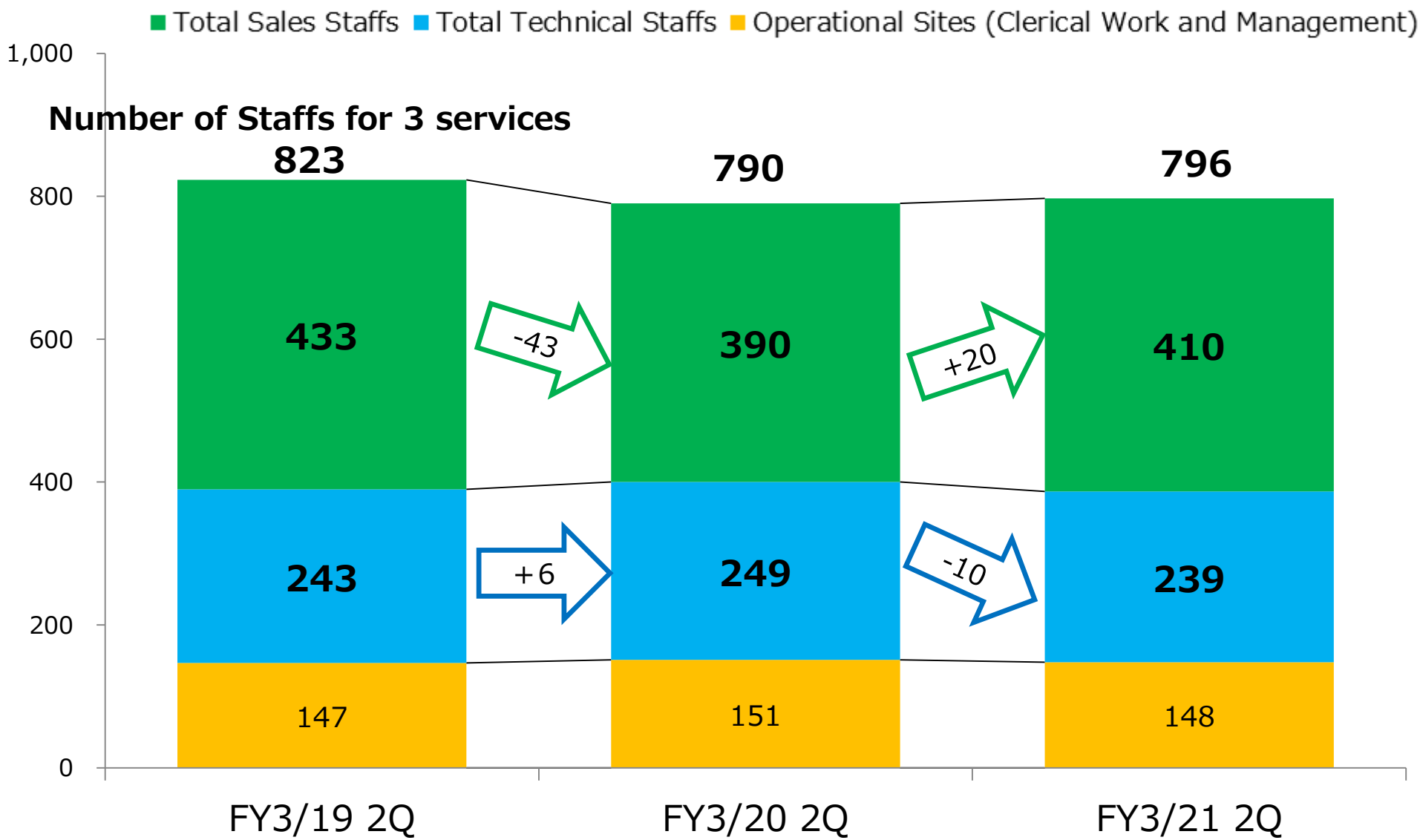
- ”Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites working including part-time employees and contract employees (excluding dispatched and seconded staffs)

Number of Staffs, Sales per Staff (2Q YoY)

	(Non-Consolidated) FY3/20 2Q	(Consolidated) FY3/21 2Q	YoY	
	Results	**Results**	Change	Change in ratio
Net Sales (Million yen)	3,941	**3,946**	4	0.1%
Within the three services	3,772	**3,556**	−215	−5.7%
Average number of staffs during the period	991	**1,035**	43	4.4%
Within the three services	790	**796**	6	0.8%
Within sales staffs	390	**410**	20	5.0%
Sales per staff (Thousand yen/month)	1,325	**1,271**	-53	-4.1%
Within the three services	1,591	**1,488**	−102	−6.5%
Number of staffs at end of period	992	**1,036**	44	4.4%
Within the three services	791	**797**	6	0.8%

- ”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

Number of Staffs for 3 Services (2Q)



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

Factors for Changes in Operating Income (1H)

(Unit: Million yen)	(Non-Consolidated) FY3/20 1H	(Consolidated) FY3/21 1H	YoY	Change in Ratio
Net Sales	8,238	7,452	-786	-9.5%
Cost of Sales	2,226	2,117	-108	-4.9%
Material Costs	961	891	-70	-7.3%
Labor Costs	771	738	-32	-4.2%
Other Cost of Sales	493	487	-6	-1.3%
Gross Profit	6,012	5,334	-677	-11.3%
SG&A Expenses	4,239	4,168	-71	-1.7%
Personnel Expenses	2,622	2,596	-25	-1.0%
Recruiting Expenses	109	81	-28	-26.0%
Sales Promotional Expenses	390	277	-112	-28.8%
Other SG&A Expenses	1,116	1,212	95	+8.6%
Operating Income	1,772	1,166	-606	-34.2%

- Sales Promotional Expenses：Advertising expenses related to promotional activities

Results for Profit and Loss (1Q YoY)

(Unit: Million yen)	FY3/20 1Q	FY3/21 1Q	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales	4,297	**3,505**	-791	-18.4%
Gross Profit	3,152	**2,521**	-631	-20.0%
Gross profit ratio	73.4%	71.9%	-1.5pt	—
Operating Income	871	**453**	-417	-47.9%
Operating income ratio	20.3%	12.9%	-7.3pt	—
Ordinary Income	867	**484**	-383	-44.2%
Ordinary income ratio	20.2%	13.8%	-6.4pt	—
Net Income	585	**321**	-264	-45.1%
Net income ratio	13.6%	9.2%	-4.5pt	—
EPS (yen)	47.45	**26.05**	-21.40	-45.1%

Results for Profit and Loss (2Q YoY)

(Unit: Million yen)	(Non-Consolidated) FY3/20 2Q Results	(Consolidated) FY3/21 2Q **Results**	YoY Change	YoY Change in Ratio
Net Sales	3,941	**3,946**	4	0.1%
Gross Profit	2,859	**2,813**	-45	-1.6%
Gross profit ratio	72.5%	71.3%	−1.2pt	—
Operating Income	901	**712**	-188	-20.9%
Operating income ratio	22.9%	18.1%	−4.8pt	—
Ordinary Income	915	**781**	-134	-14.7%
Ordinary income ratio	23.2%	19.8%	−3.4pt	—
Net income attributable to owners of parent	615	**503**	-111	-18.2%
Net income ratio	15.6%	12.8%	−2.9pt	—
EPS (yen)	49.87	**40.80**	-9.07	-18.2%

Results for Profit and Loss (1H Ratio of Forecasts)

- Net sales　Achievement ratio on 1H forecasts : 102.2%
  Operating income　Achievement ratio on 1H forecasts : 118.9%

(Unit: Million yen)	(Consolidated) FY3/21 1H			
	Forecasts	**Results**	Ratio of Forecasts	**Achievement Ratio**
Net Sales	7,292	**7,452**	160	102.2%
Gross Profit	5,160	**5,334**	173	103.4%
Gross profit ratio	70.8%	71.6%	+0.8pt	—
Operating Income	981	**1,166**	185	118.9%
Operating income ratio	13.5%	15.7%	+2.2pt	—
Ordinary Income	1,036	**1,265**	229	122.2%
Ordinary income ratio	14.2%	17.0%	+2.8pt	—
Net income attributable to owners of parent	661	**825**	163	124.7%
Net income ratio	9.1%	11.1%	+2.0pt	—
EPS (yen)	53.60	**66.84**	13.25	124.7%

Ratios to Estimates

- Net sales　Progress ratio on full-year forecasts: 54.2%
- Operating income　Progress ratio on full-year forecasts: 87.2%

(Unit: Million yen)	(Consolidated) FY3/21 1H	(Consolidated) FY3/21 Full-year	
	Results	Forecasts	**Progress Ratio**
Net Sales	**7,452**	13,762	**54.2%**
Gross Profit	**5,334**	9,521	**56.0%**
Gross profit ratio	71.6%	69.2%	—
Operating Income	**1,166**	1,338	**87.2%**
Operating income ratio	15.7%	9.7%	—
Ordinary Income	**1,265**	1,385	**91.4%**
Ordinary income ratio	17.0%	10.1%	—
Net income attributable to owners of parent	**825**	841	**98.0%**
Net income ratio	11.1%	6.1%	—
EPS (yen)	**66.84**	68.18	**98.0%**

Major Initiatives for 2H

1. **Thoroughly prevent the spread of COVID-19 and conduct sales activities to recover our performance**

2. **Further strengthen the compliance-oriented system through the PDCA cycle**

3. **Secure excellent human resources and strengthen the education system**

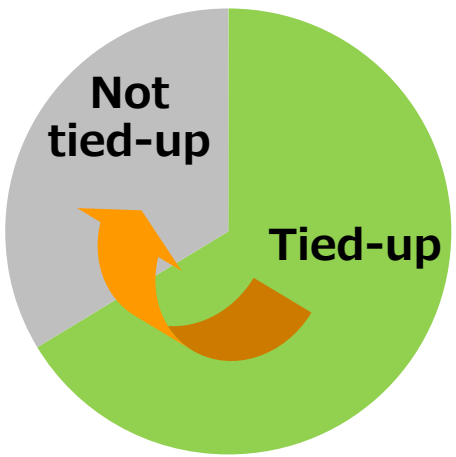
4. **Strengthen sales of new services mainly for existing customer markets**

Growth Strategy 1 (Direction of the Area Development)

Cultivation of existing areas

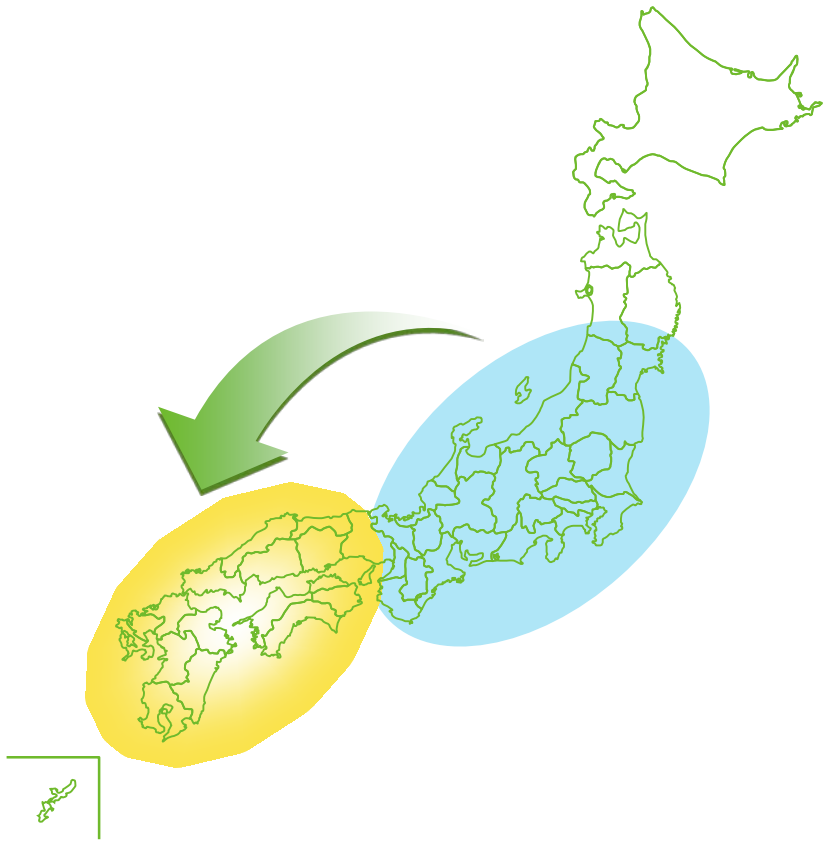
- There is still room for development
- Rise in profit margin due to improvement in operating efficiency

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



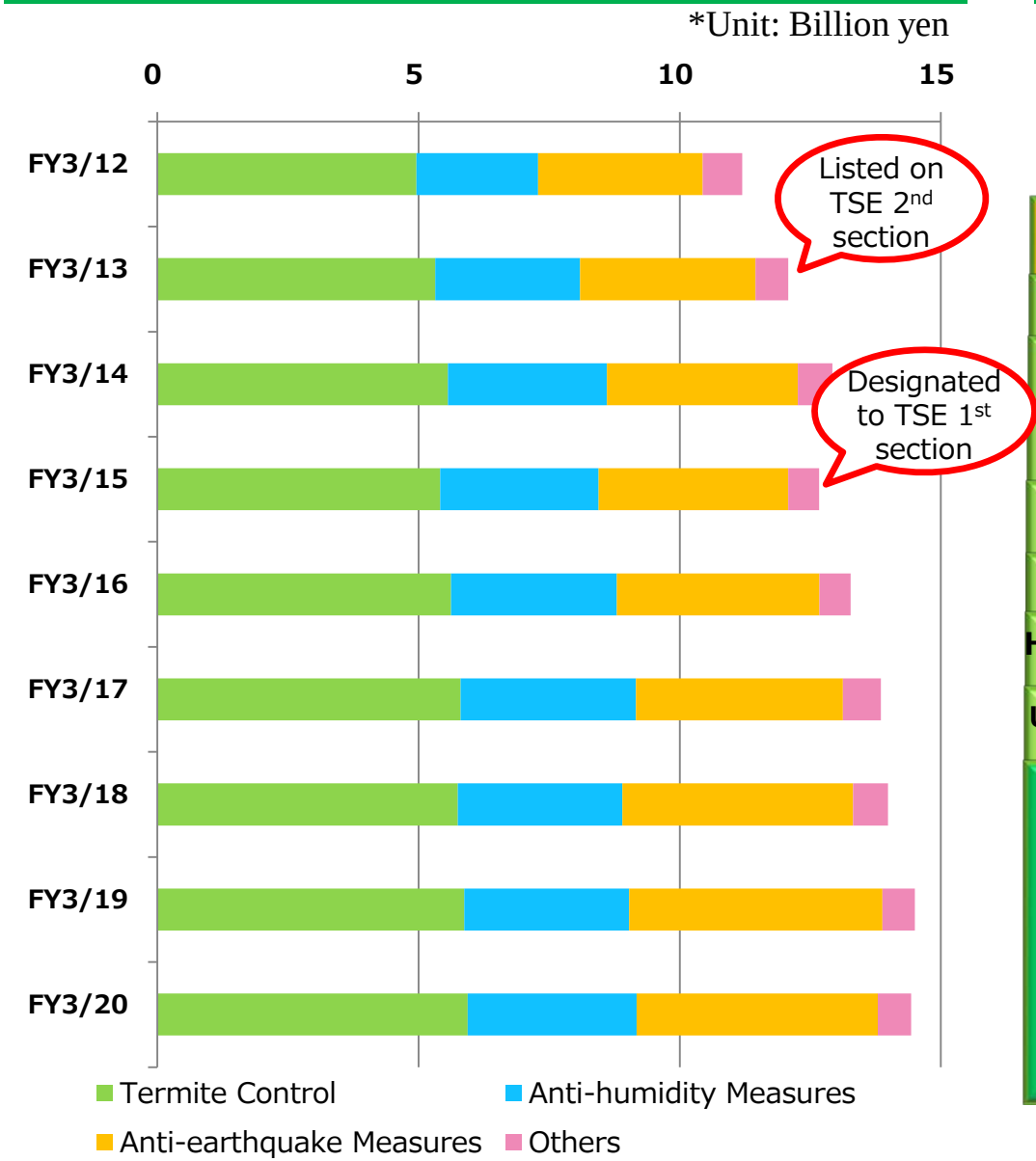
Expansion of new areas

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



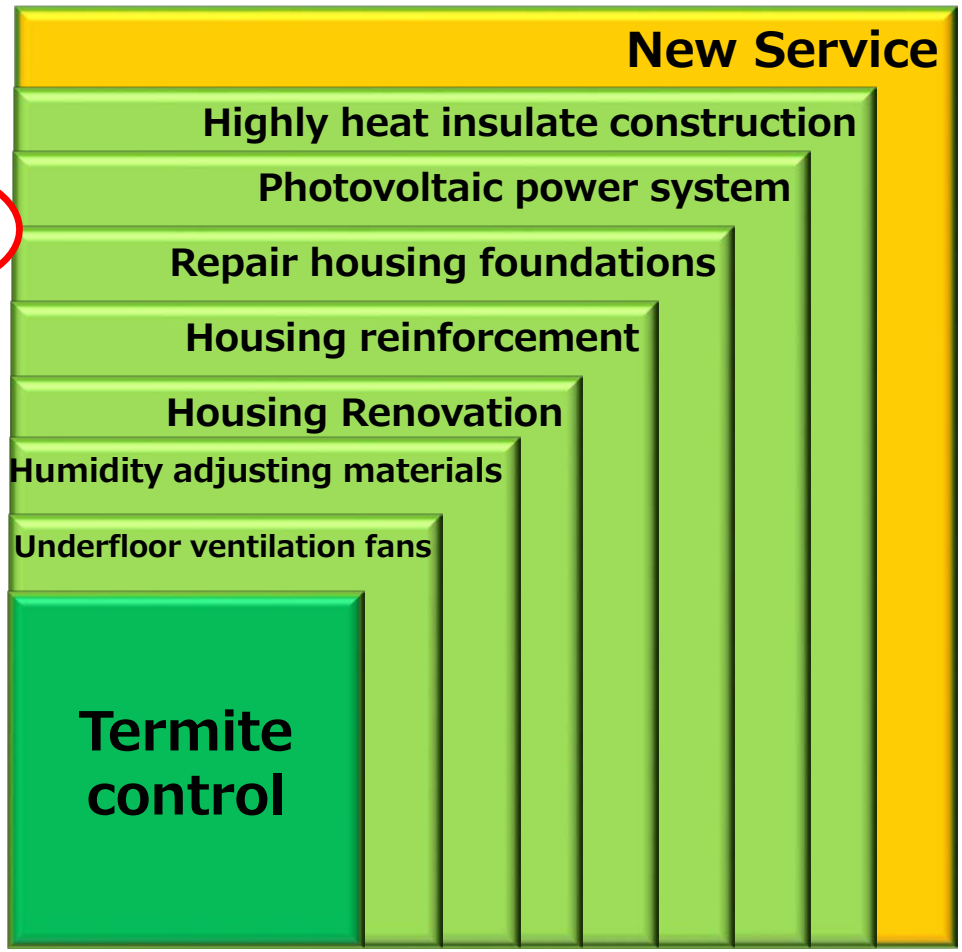
Growth Strategy 2 (Direction of the Service Field Expansion)

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

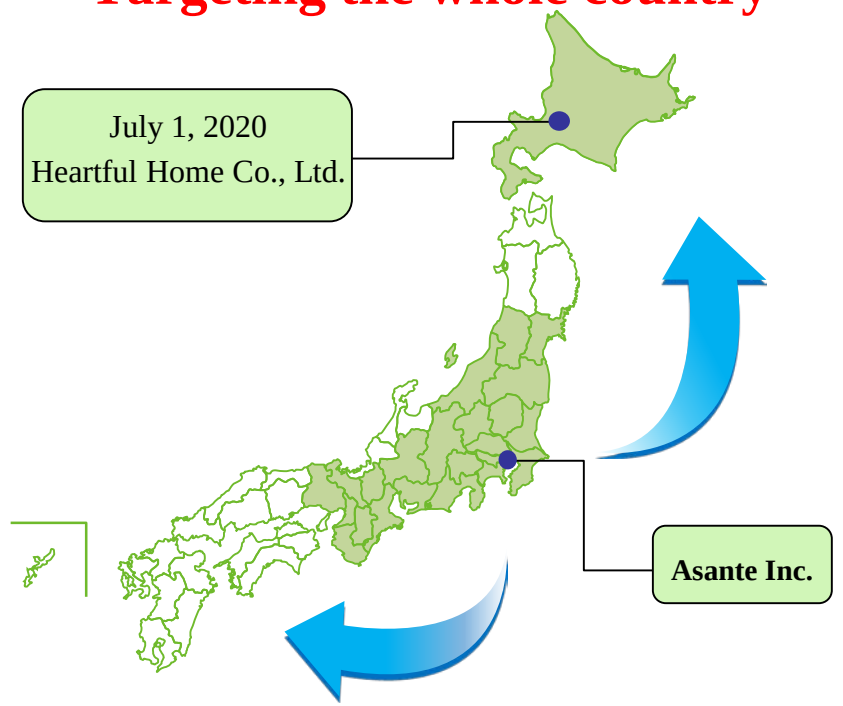
- Termite Control
- Anti-humidity Measures
- Anti-earthquake Measures
- Other Service

+

New Service Areas

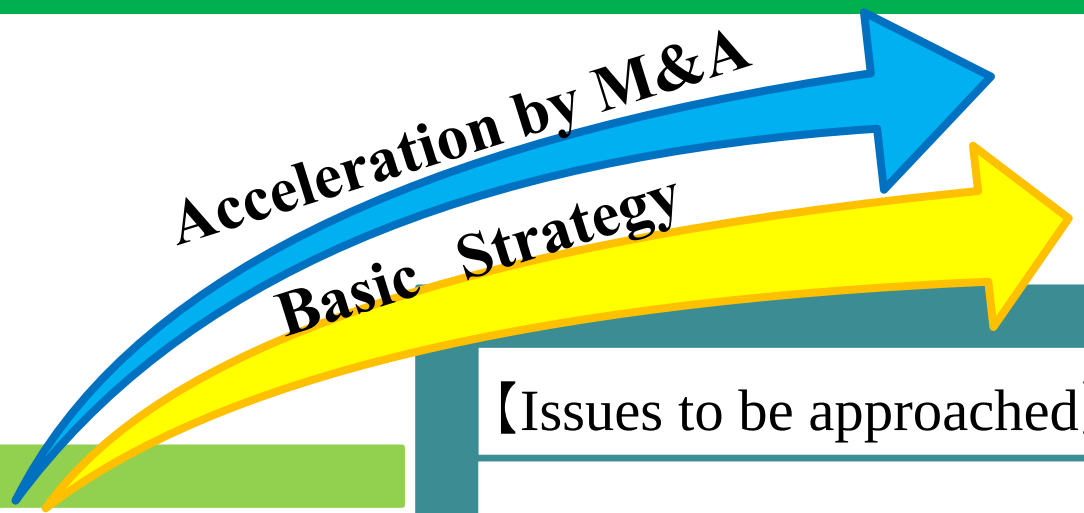
- **Expansion of marketing areas**

⇒ **Targeting the whole country**



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】

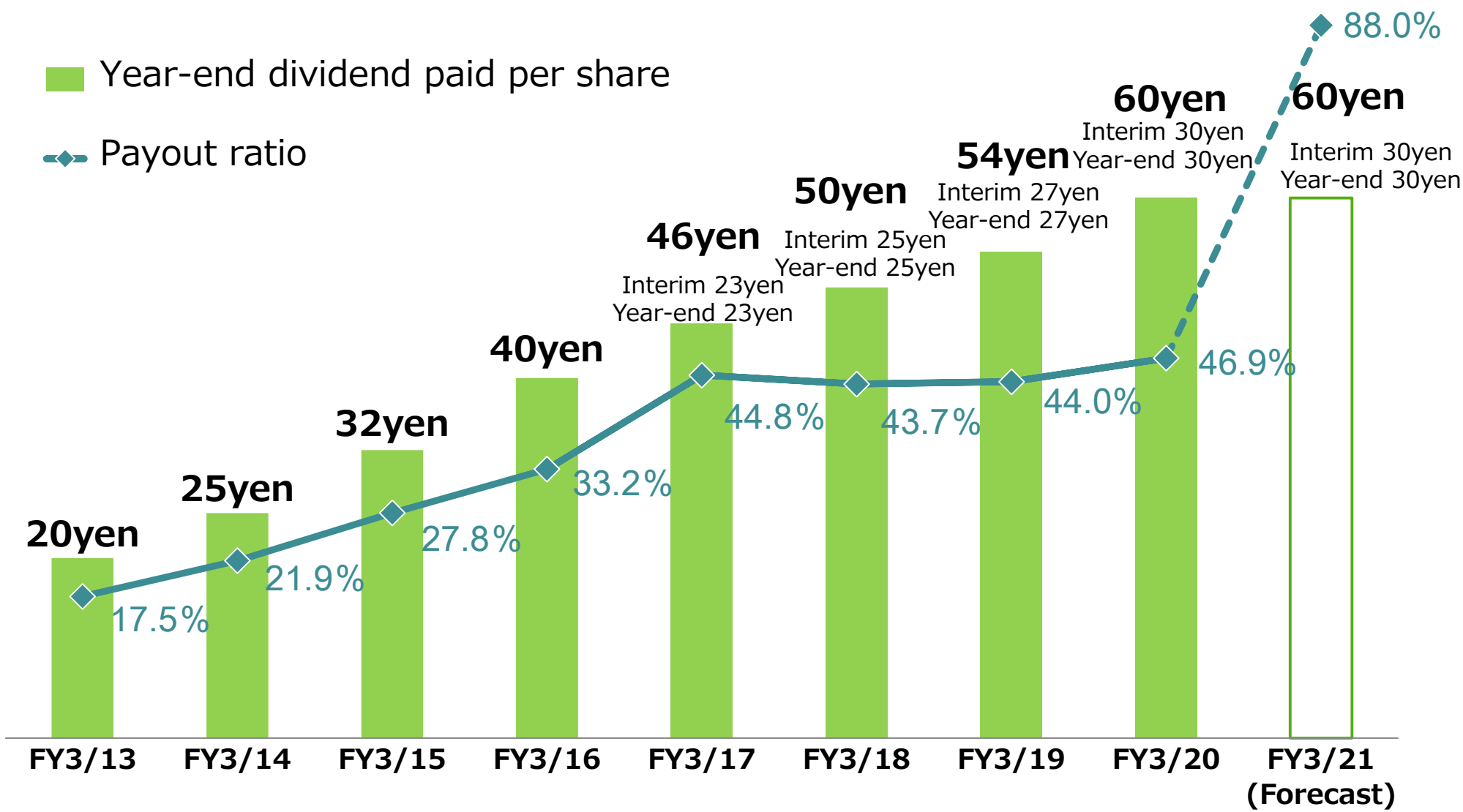
Realize a sustainable and stable growth

To a house maintenance industry-leading company

Dividend (Results and Forecasts)

No revisions from the figures announced on August 21

Since listing, we have focused on shareholder returns



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

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.