

We protect Japanese houses from termites



Asante Incorporated

Company Introduction



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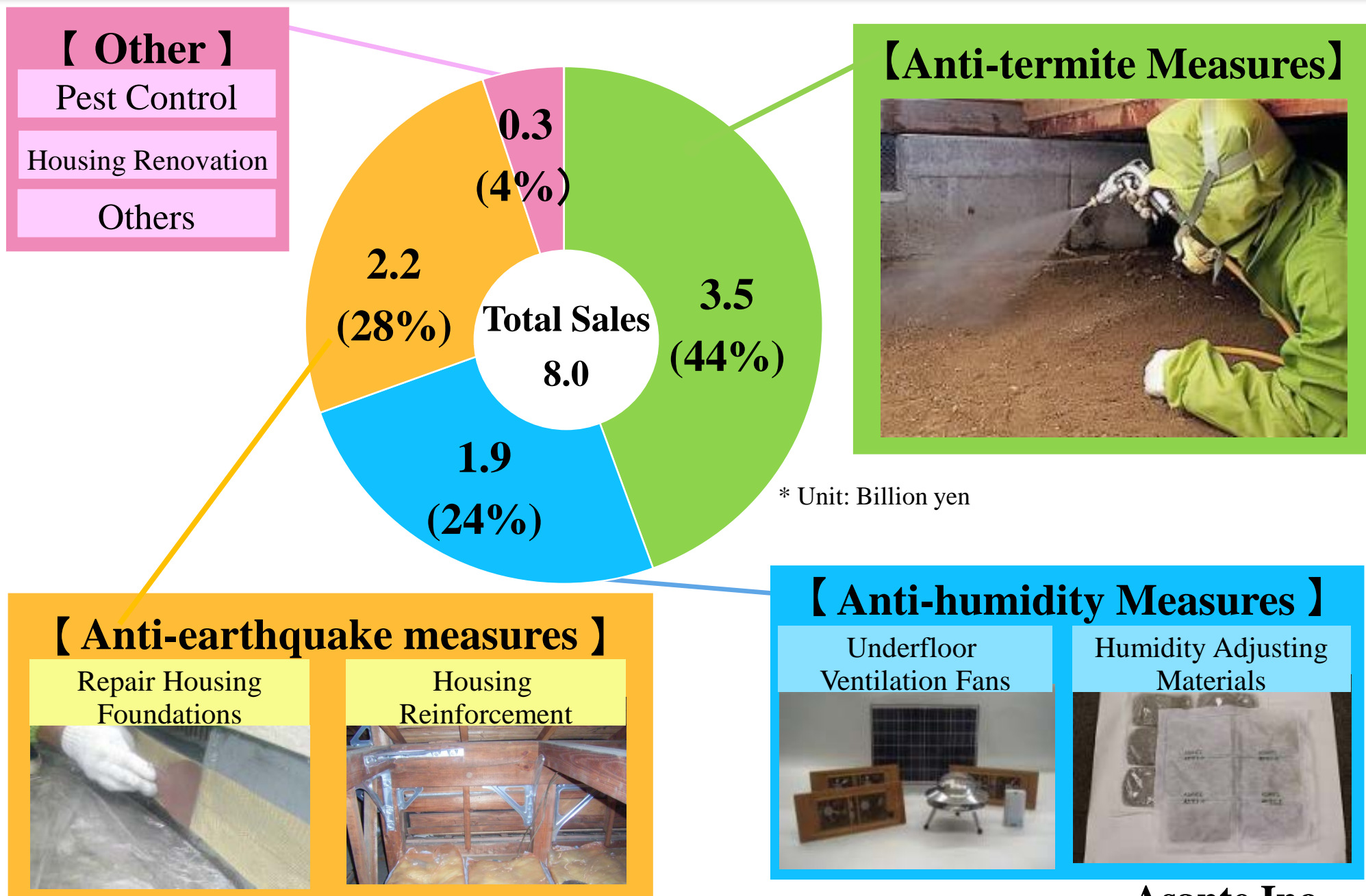
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Company Overview



Company Name	Asante Incorporated (Securities Code 6073)
Head Office Location	33-15, Shinjuku 1-Chome, Shinjuku-ku, Tokyo
Locations	76 locations (Branches: 14, Sales Offices: 62)
Representative	Makoto Munemasa
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 FY3/18)
Net Sales	13.9 billion yen (FY3/18)
Number of Employees	1,040 (including contract staff) (End of FY3/18)

Sales Composition by Service (FY3/19 1H)

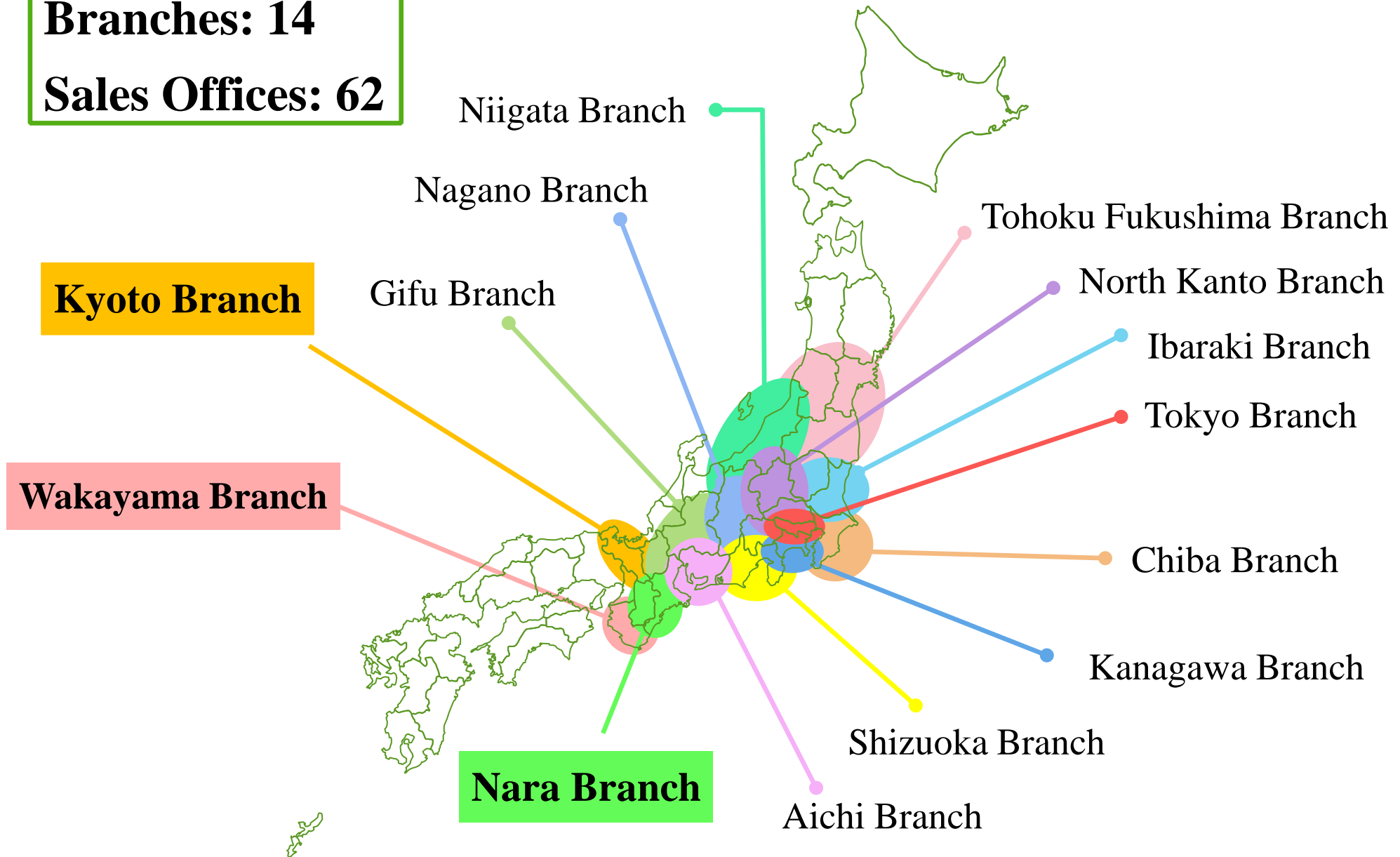


Marketing Areas

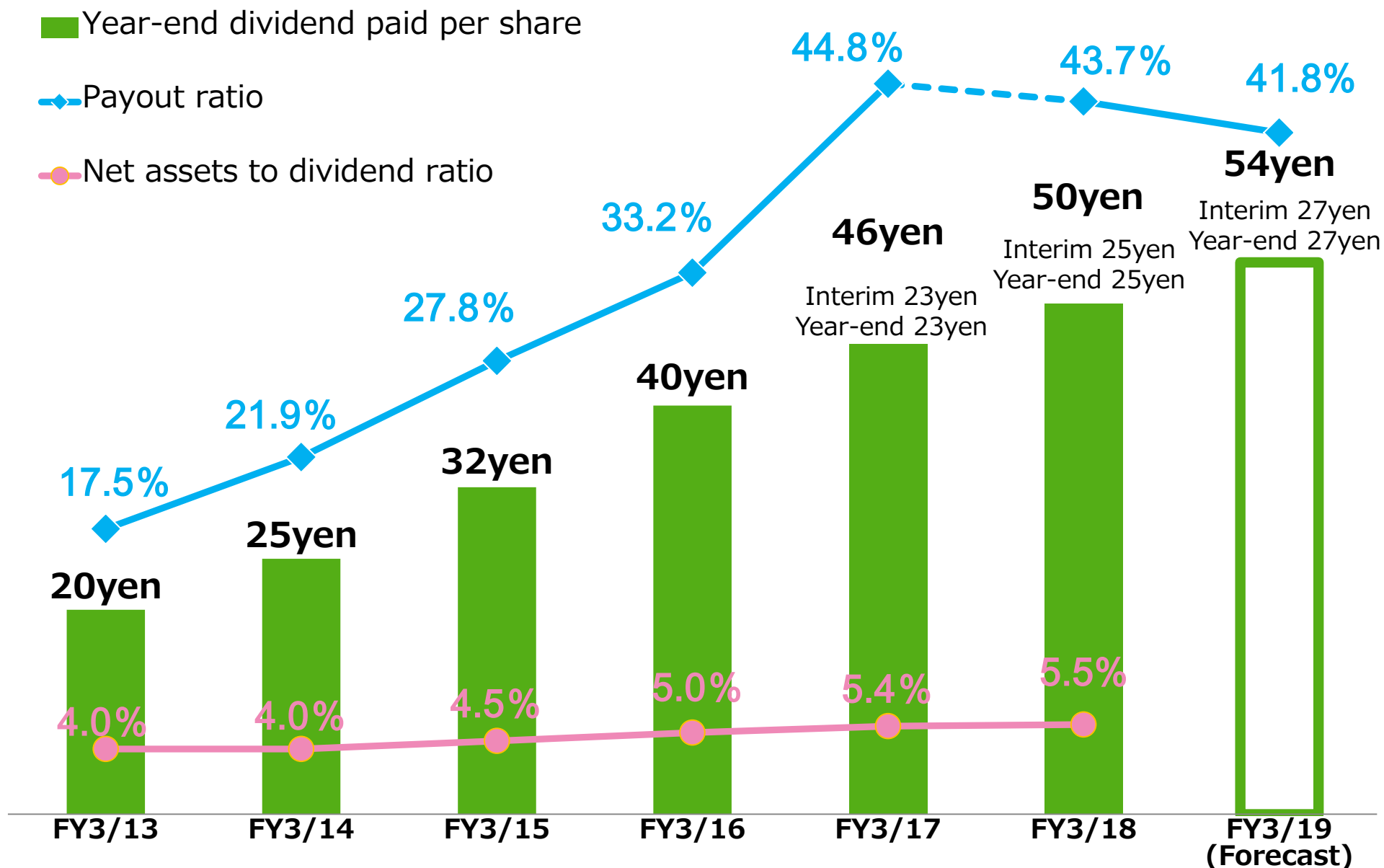


Branches: 14

Sales Offices: 62



Dividend (Results and Forecasts)



Stock Information (Special Benefit for Shareholders / Dividend yield)

◆ Special Benefit for Shareholders

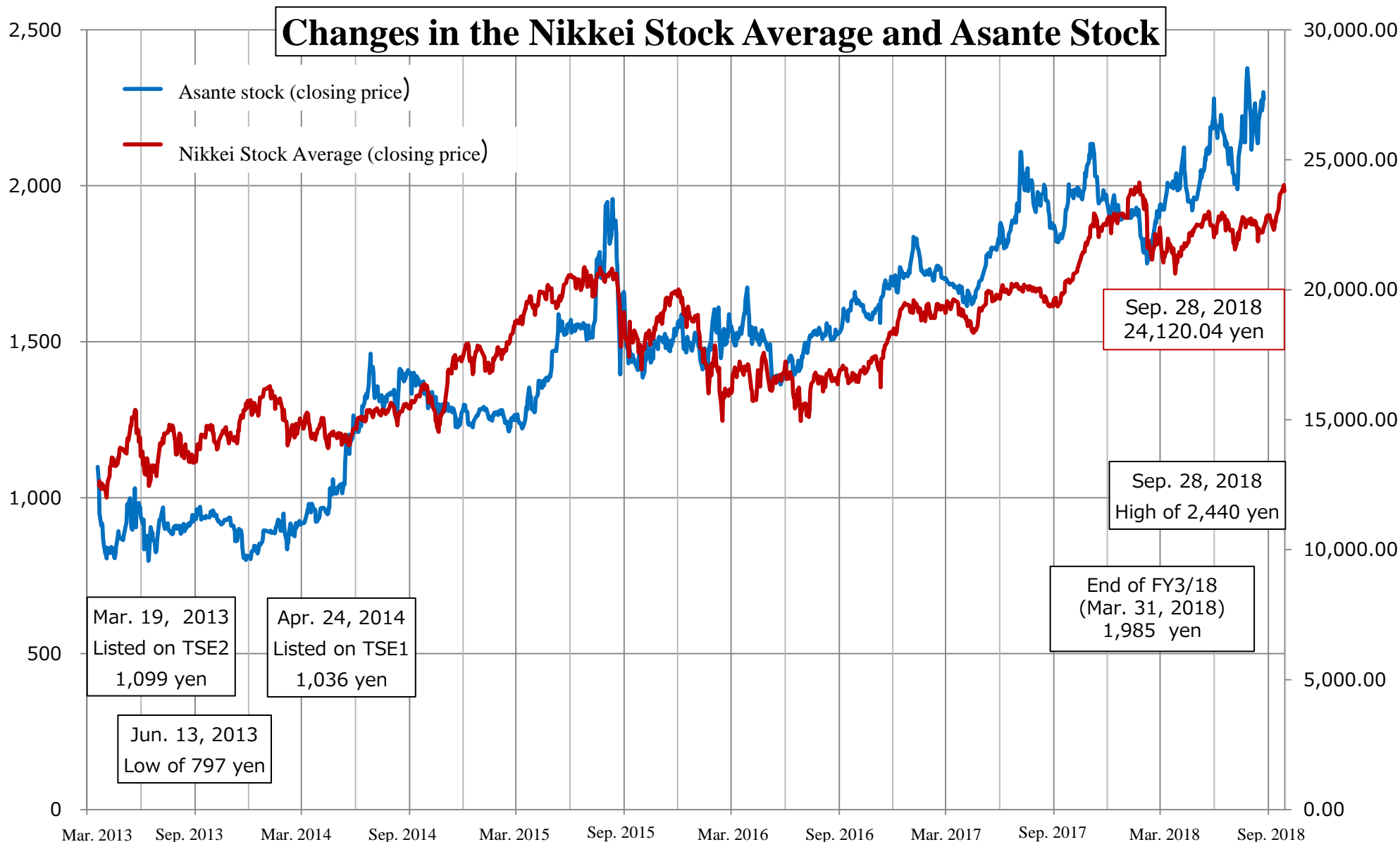
- Eligible shareholders : For shareholders with 1 or more share unit(s)
at the end of March or September
- Special Benefit : Gift of a 1,000 yen Mitsubishi UFJ NICOS gift card
- Delivery Period : Planned to be sent in June and December of every year

◆ Dividend yield

Stock price (closing price as of September 30, 2018)	2,440 yen
Trading unit	100 shares
Annual dividend (Interim: 27 yen, year-end: 27 yen)	54 yen
Annual dividend yield (forecast)	2.2 %
Special Benefit for Shareholders (1,000 yen gift card/ twice a year)	2,000 yen
【Ref.】 Annual dividend yield of 「Dividend + Shareholder benefit」*	3.0 %

*when holding one trading unit for one year

Changes in Stock Prices





Corporate Philosophy

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

- Protect and convey the Japanese wood culture to the next generation
- Maintain the value and extend the lifetime of wooden housing to meet social needs
- Provide customers with safety and security in life

**Raise quality and
the diffusion rate of
our service**



Business Contents



Target	Product (Service)	Details
Existing wooden houses	Anti-termite Measures	Prevention and extermination of termites
	Anti-humidity Measures	Prevention of rot, mold and termites
	Anti-earthquake Measures	Prevention of deterioration and 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	Anti-pest Measures	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

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








Termites 1 (Distribution)



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

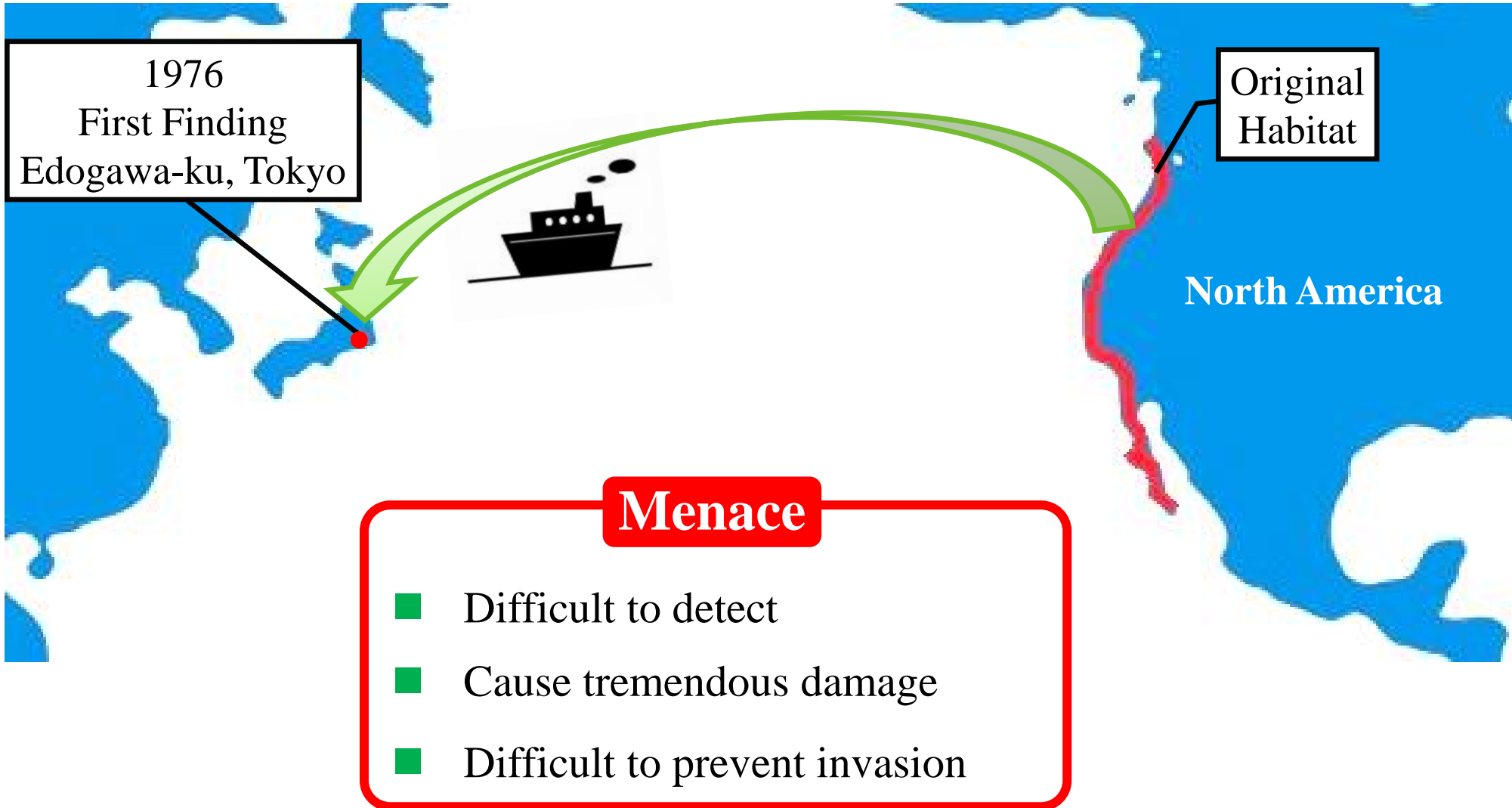
Distribution of Major Termite Types in Japan

-  Japanese subterranean termite area
-  Formosan/Japanese subterranean termite mixed area
-  Formosan subterranean termite northern limit
-  Dry-wood termite northern limit
-  Spots Western dry-wood termites discovered



Reference: The Japan Termite Control Association,
“Fundamental Knowledge on Termite Control and Rot Prevention” (Jan. 2017)

Termites 2 (Alien Species Western Dry-wood Termite)



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)



Earthquake ➡ Building Collapse ➡ Risk to Human Life



■ Damage from the Great Hanshin-Awaji Earthquake

【 Ratio of Total Collapse of House* 】 **93.2%**



■ Without Termite Damage/Rot

23.5%

■ With Termite Damage/Rot

*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 (Damage to Cultural Heritages)



We want to accomplish responsibility to pass onto next generation

■ Katsura Imperial Villa Unprecedented major repair (1976)

Termite damage with sinking its floors, and it was required major repairs in the Showa era.

■ Statues of Ni-ō guardian dieties at Todai-ji Great South Gate Major repair (1988)

Termite damage in bases of two wooden statues of Ni-ō guardian dieties, the largest in the world.

■ Kiyomizu Temple Termites damage the “stage”

Termite damage and rot in pillars supporting “Kiyomizu stage” led to support joints becoming necessary.

■ East tower of Yakushiji Temple Termite damage led to reinforcement with Japanese cypress components

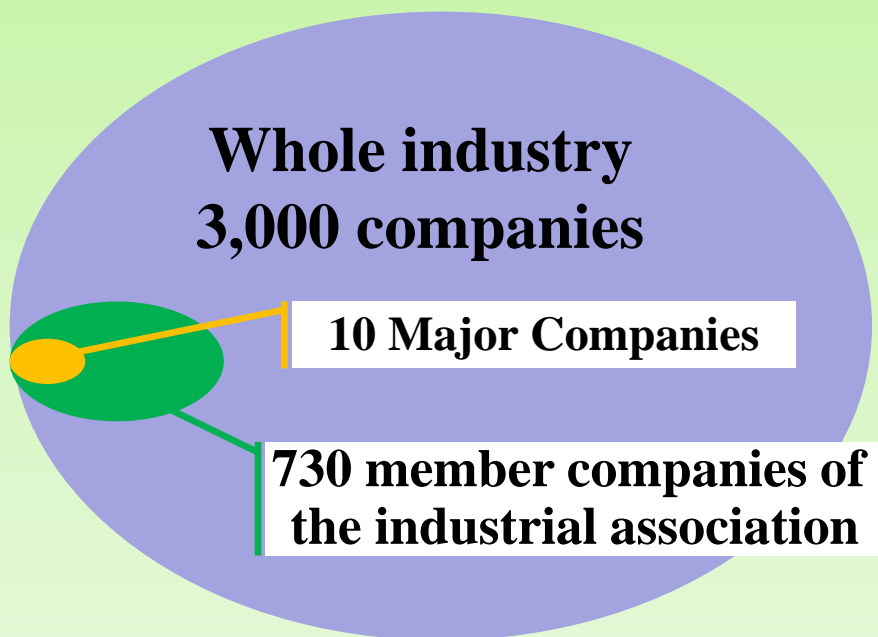
Termite damage reached 2.7 m of the lowest part of central pillar in spire and formed a hollow.

Industry 1 (Characteristics)



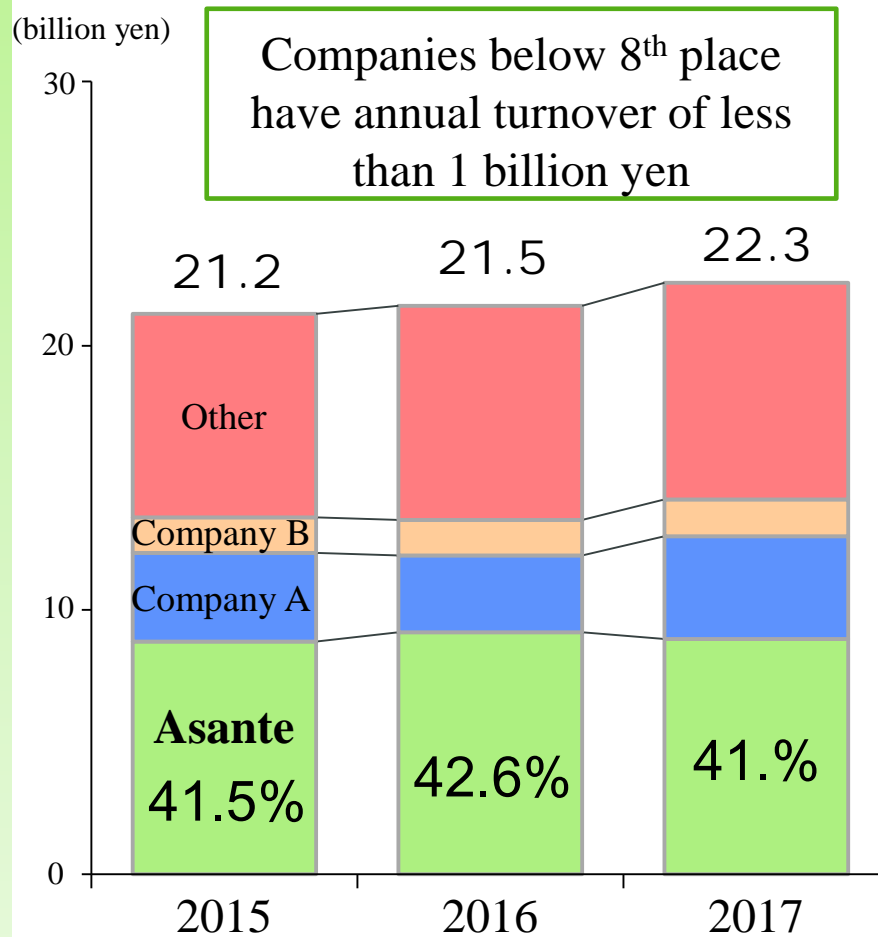
Termite Control Industry Characteristics

- 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 New Termite Control)

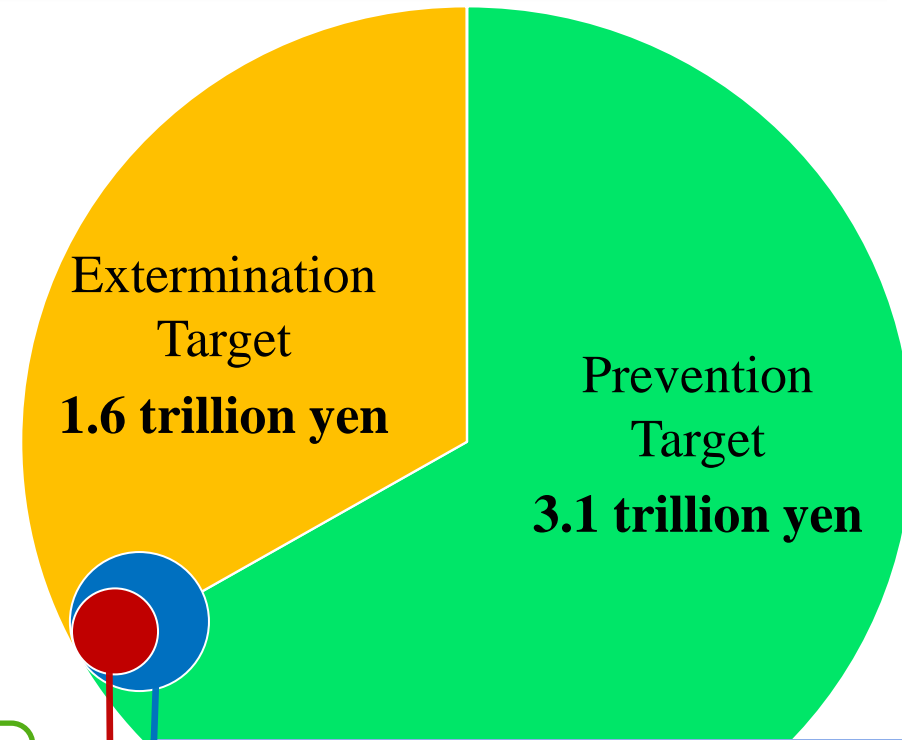
■ **Number of Wooden Residences** **26 million**

(Statistics Bureau, MIC^{*1}, “2013 Statistical Survey on Housing and Land”)

■ **Potential demand** **Approx. 4.7trillion yen**
(New termite control 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.

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.

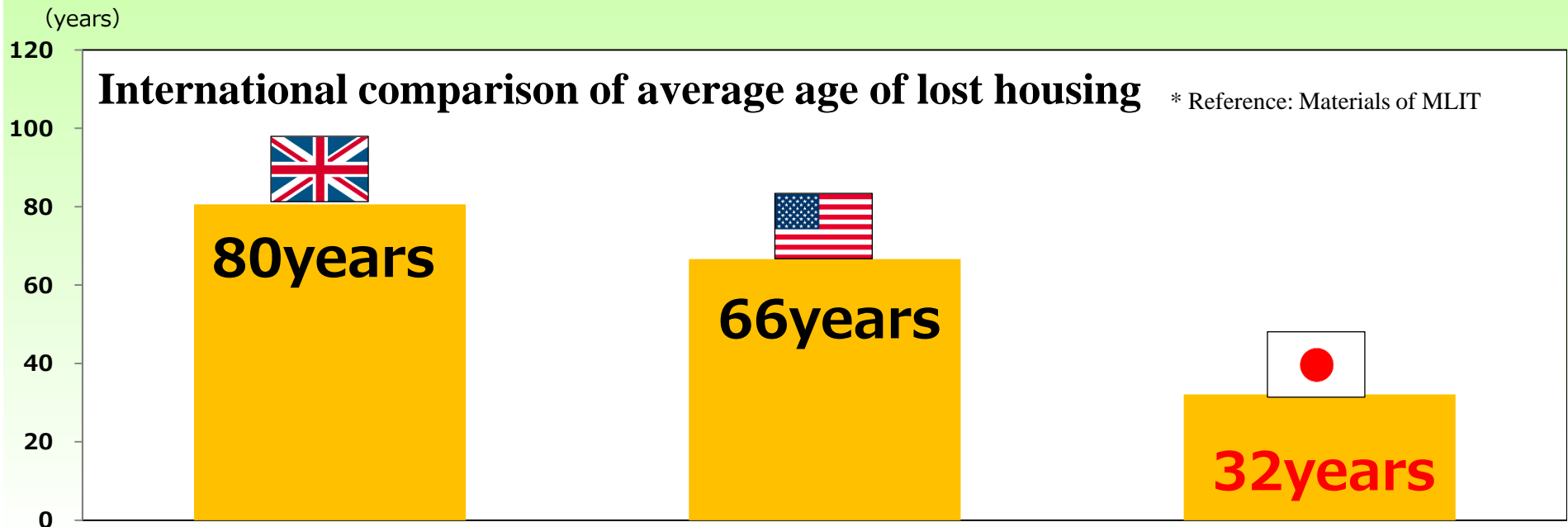
“2016 Edition: PCO/TCO/Fumigation Services Market Realities and Mid-term Prospects”

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)

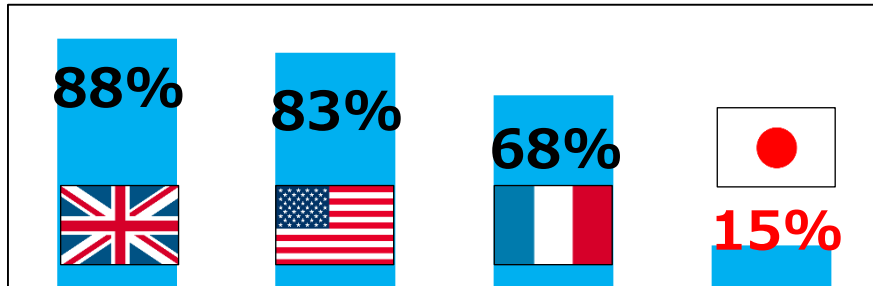
◆ Extension of lifetime of existing housing stock



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

Create a market environment of confidence

■ “Reliable R Housing” system

(enforced on December 1, 2017)

(Registration system for trade associations providing information on specified existing housing)

- ◆ Trade association grants a mark to houses that meet certain standards under government supervision

【Features of Reliable R Housing】

- ① Has basic quality – **Reliable**
- ② Has been reformed – **Beautiful**
- ③ Information on the house has been disclosed – **Easy to understand**

■ Act to Partially Amend the Real Estate Brokerage Act

(enforced on April 1, 2018)

- ◆ Increase in information provided on existing housing for at transaction time

- Promote house inspections by specialists



Top 100 PCO Sales Ranking (GIE Media's "PCT Magazine", May 2018 Issue)

- Total sales of the top 100 companies are approx. \$7 billion
(YOY increase of approx. \$0.4 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 North America** (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. \$1.5 billion
(our company's estimate)

*The PCT Top 100 List is based on 2017 revenues

Strengths 1 (Overall Strength)



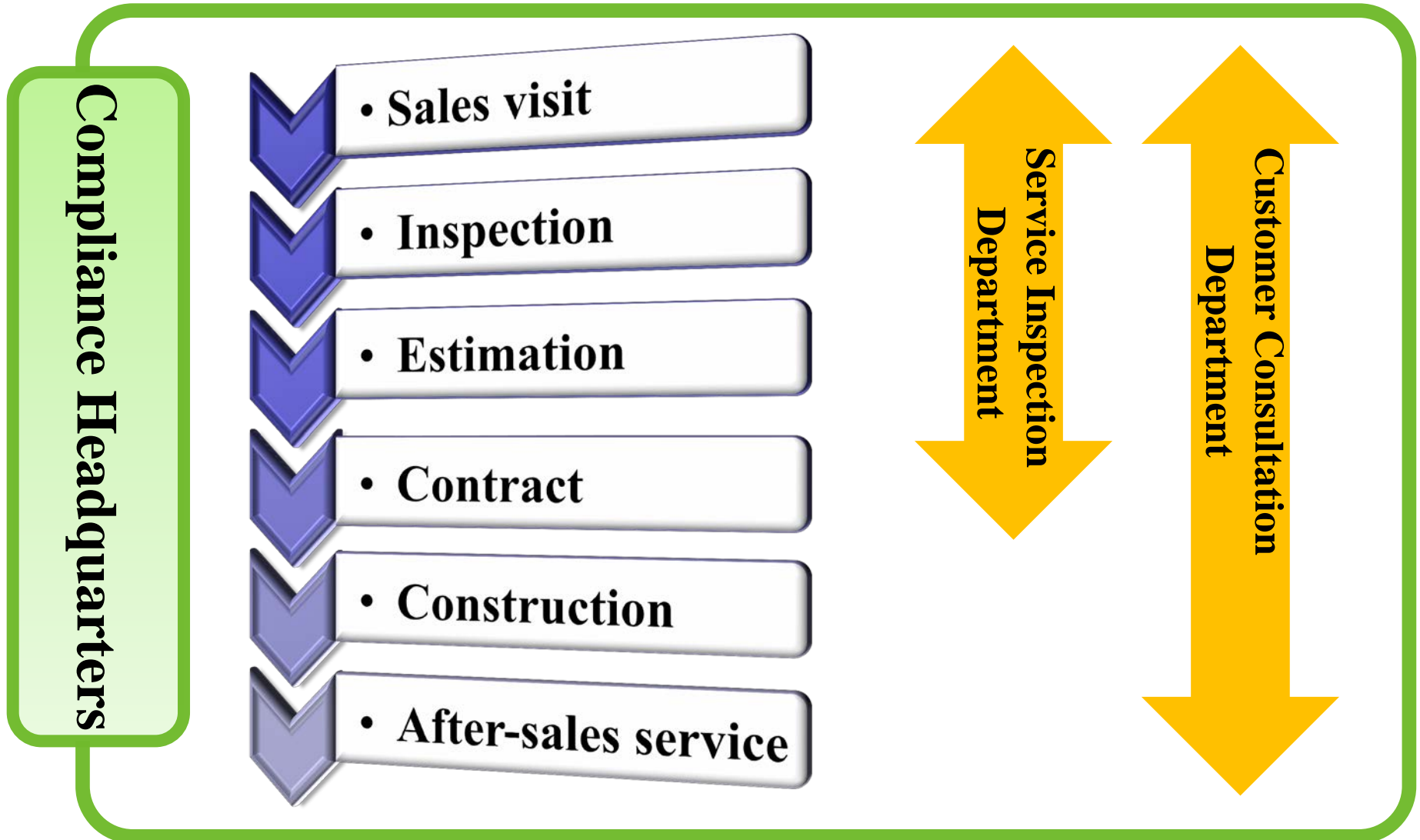
Strengths are related to each business processes

	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

Tie-ups with JA through a wide area

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

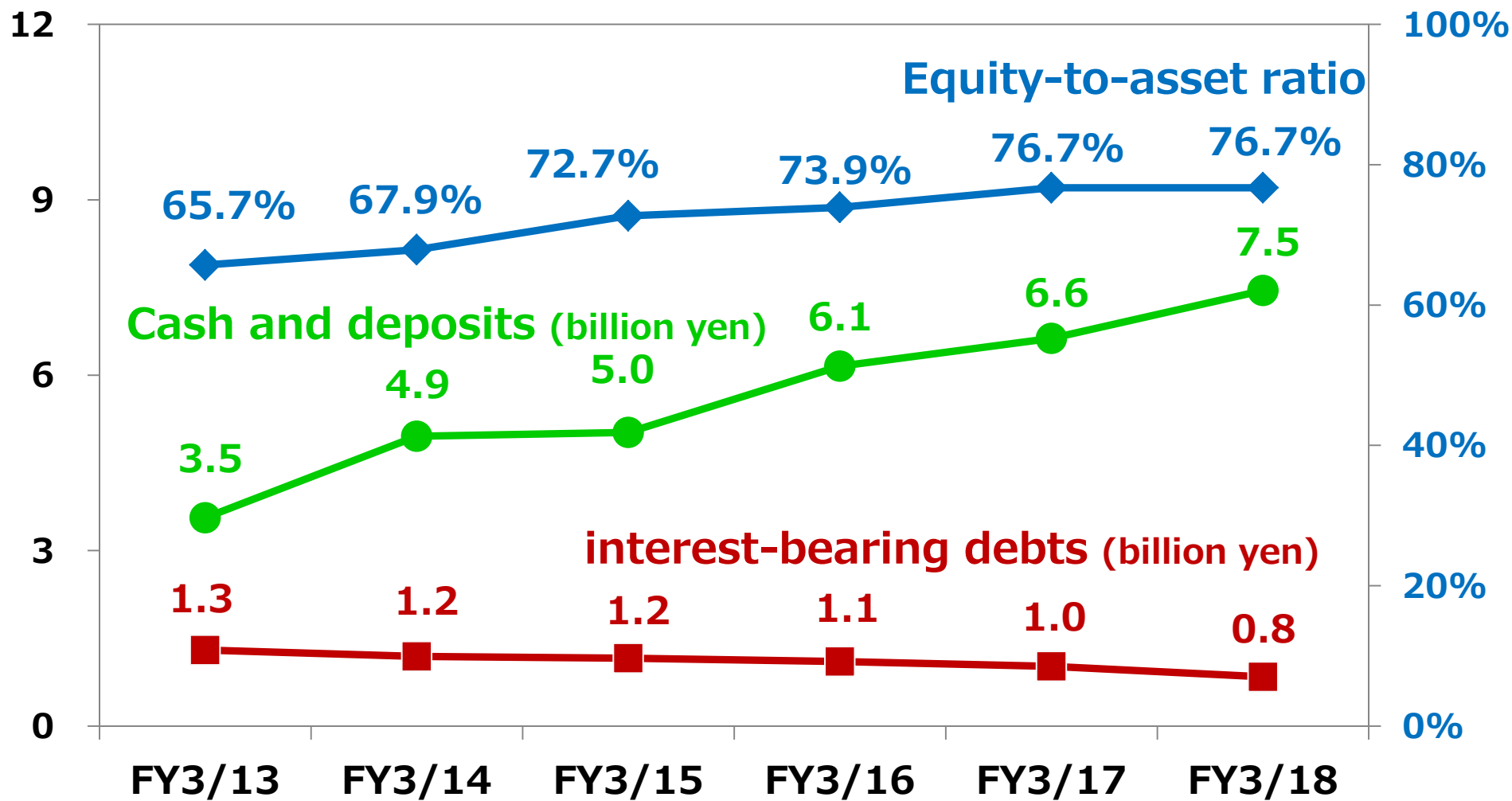


Achieved differentiation from other companies and realized high operating efficiency

Strengths 5 (Sound Finance)



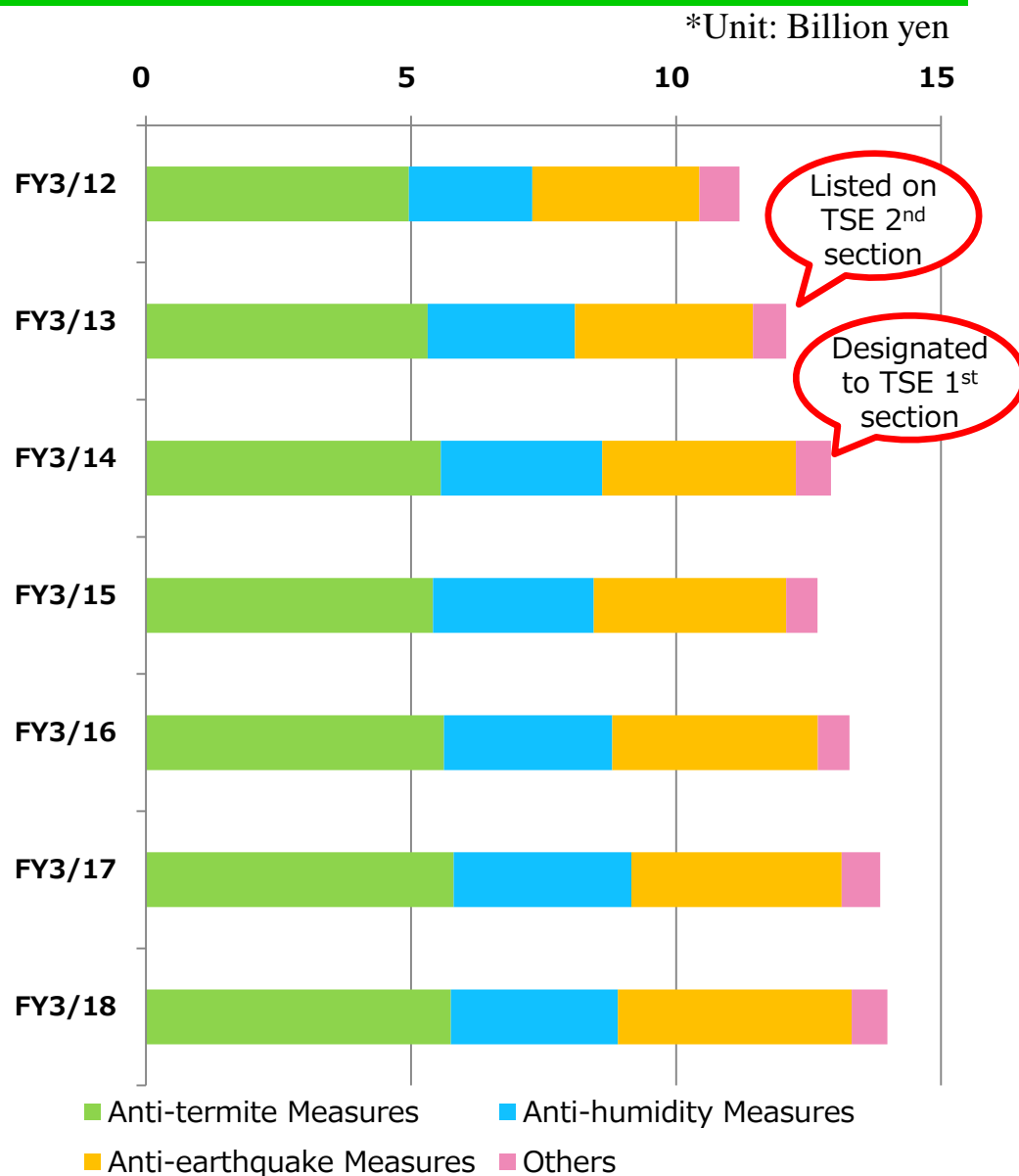
High Safety and Rapid Response to Investment



Growth Strategy 1

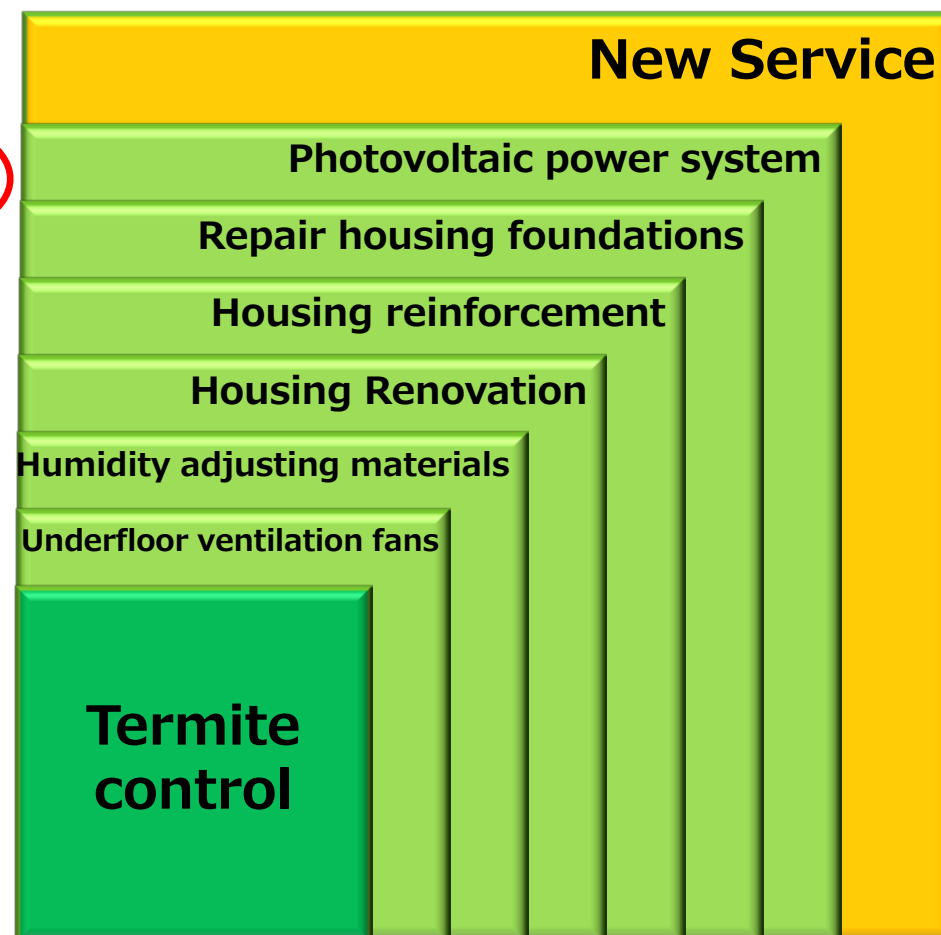


Change of Net Sales by Service



Expansion of the Field of Service

■ Lineup of house maintenance services

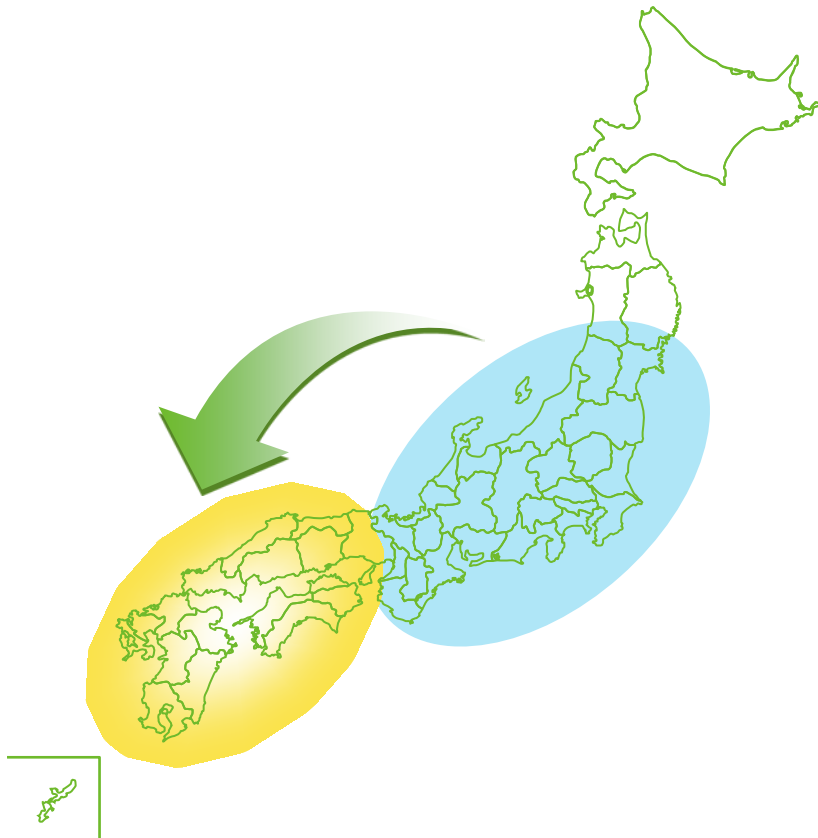


Growth Strategy 2



Expansion of marketing areas

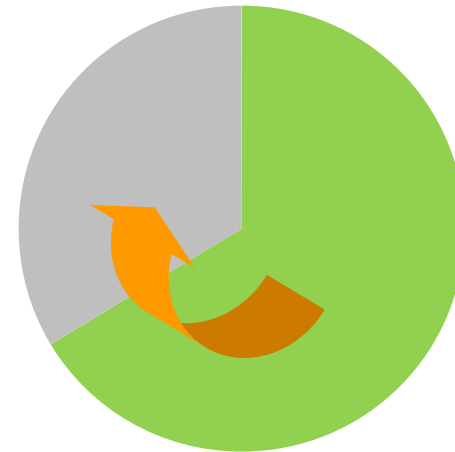
- Expand in to the west of Kansai
- Develop areas in tie-ups with JA



Cultivation of existing areas

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

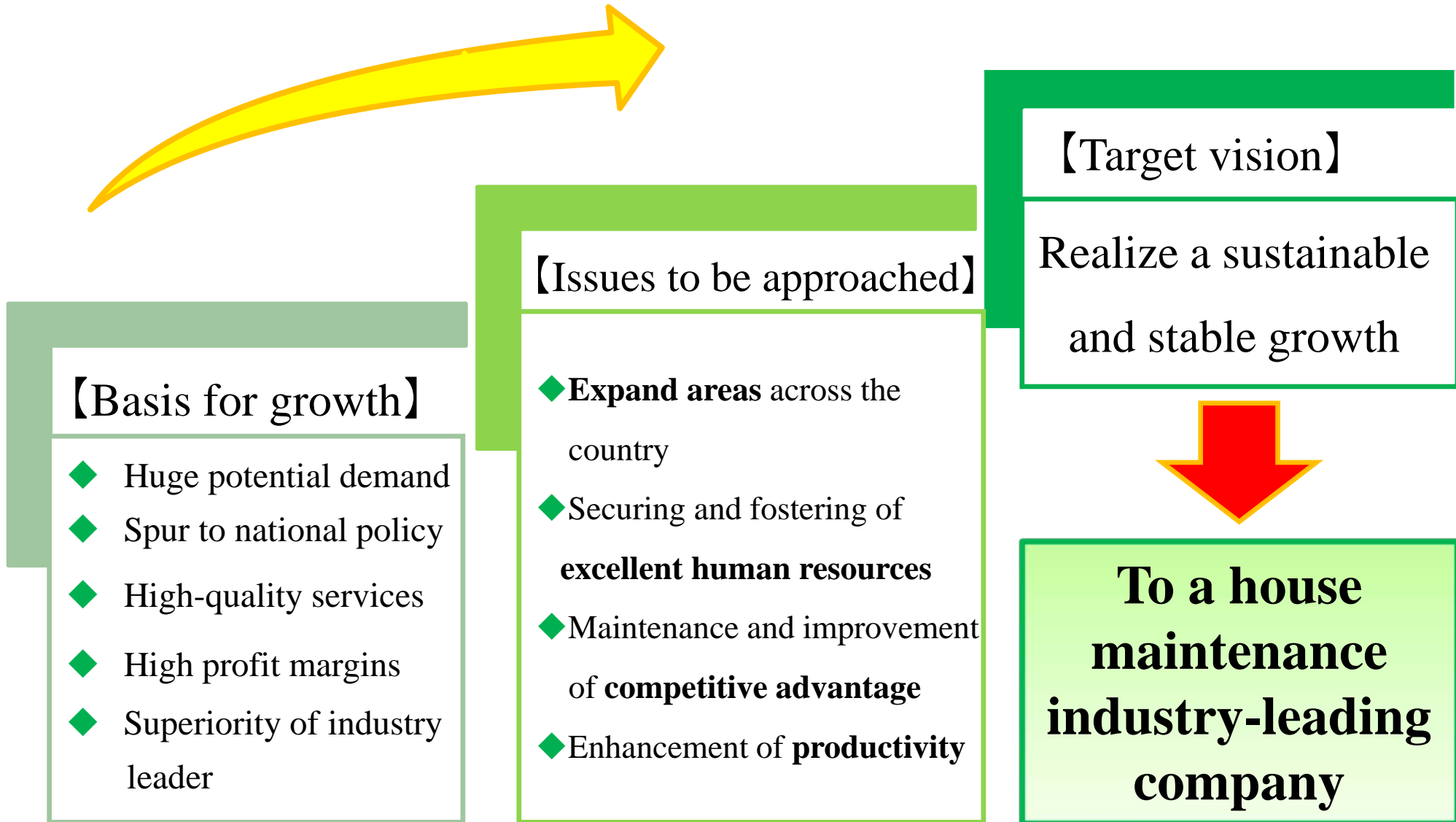
Pct. of tie-ups with JA within the existing areas



Growth Strategy 3



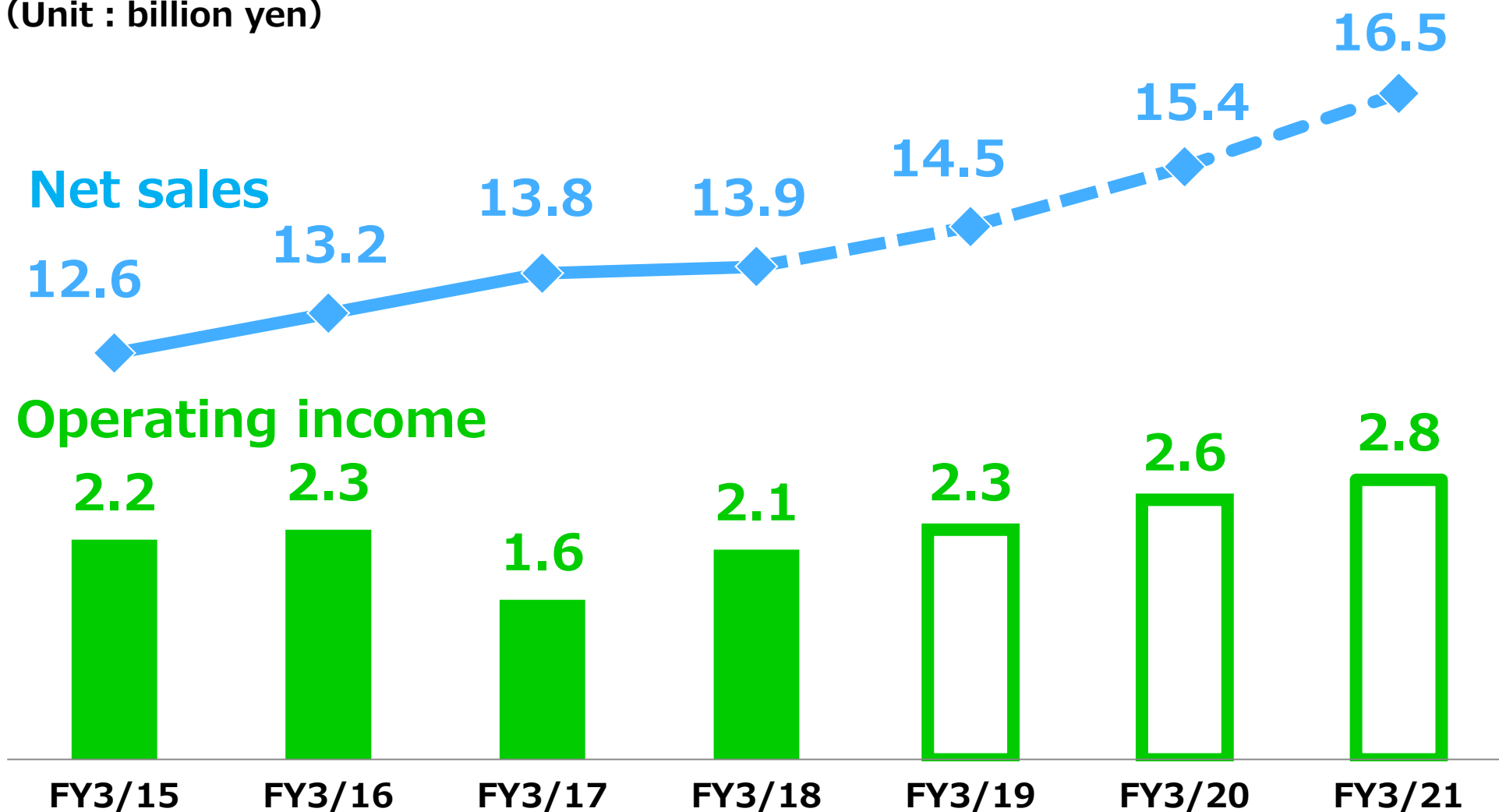
Sustainable growth with termite control-related services at the core



Results and Mid-term Business Plan



(Unit : billion yen)



Public Relations 1 (Detection Dog Team “Kunkuns”)

First-Time Initiative in Japan

・・・They “smell” to find termites or bedbugs



– Introduced from the US – Noah (introduced in 2006, retired in 2016), Kira・Samson (introduced in 2010)

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



Project on Shinto Shrines and Buddhist Temples

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



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



Sponsorship

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



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