

We protect Japanese houses from termites



Asante Incorporated

Company Introduction

November 2021

【TSE First Section Securities Code 6073】



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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	80 locations (Branches: 14, Sales Offices: 66)
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 FY3/21)
Net Sales	13.8 billion yen (FY3/21)
Number of Employees	1,049 (including contract staff) (End of FY3/21)
Group Companies	Heartful Home Co., Ltd. (Consolidated : Investment Ratio 100%) Human Green Service Co., Ltd. (Non-consolidated)



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**



Initiatives for Environmental Issues



We are working to protect the environment through our business

Relevant SDGs

- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND

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

Our business

Housing Life Master Plan (National Plan) (By MLIT, March 2021)

Reduction of waste generated by rebuilding houses and of CO2 emissions generated by producing new construction materials
⇒ Protecting the environment

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 the value of existing wooden houses



Business Contents



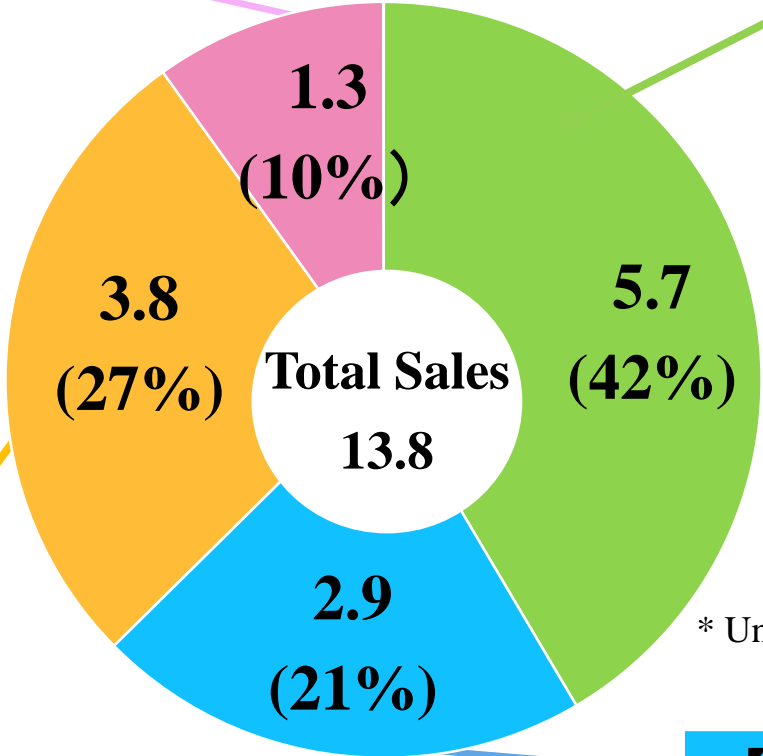
Target	Product (Service)	Details
Existing wooden houses	Termite Control	Prevention and extermination of termites
	Anti-humidity Measures	Prevention of rot, mold and termites
	Anti-earthquake Measures	Repair of the basic concrete Reinforcement for the wood junction
	Maintain Measures	Housing renovation, 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 (FY3/21)



【 Other 】

- Pest Control
- Housing Renovation
- Others



【Termite Control】

* Unit: Billion yen

【 Anti-earthquake Measures 】

Repair Housing Foundations

Housing Reinforcement

【 Anti-humidity Measures 】

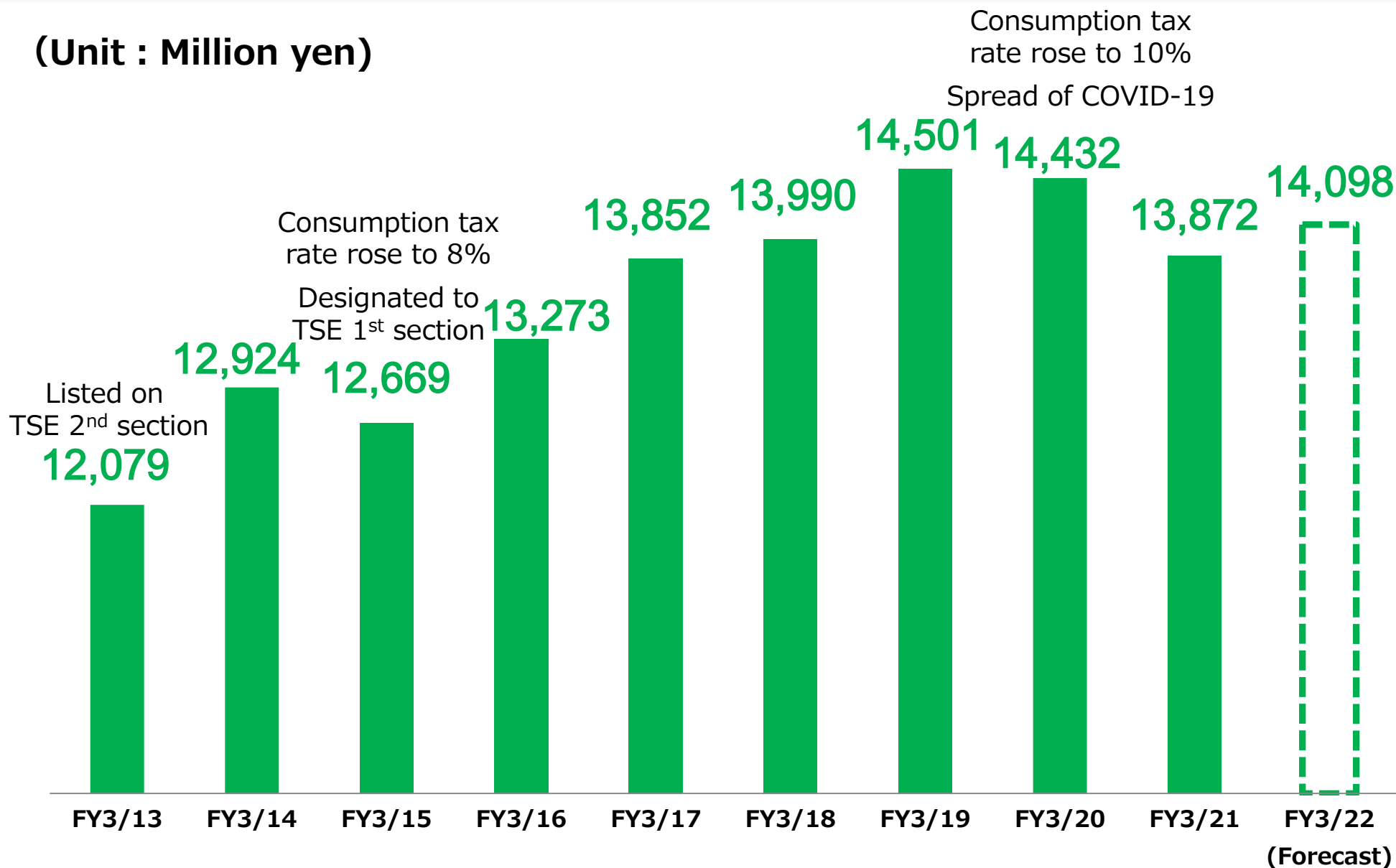
Underfloor Ventilation Fans

Humidity Adjusting Materials

Change of Net Sales



(Unit : Million yen)



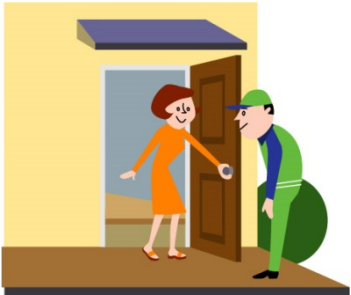
*We adopted consolidated accounting from the second quarter of the fiscal year ended March 2021.

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.

* Some construction, such as housing renovation, is outsourced as needed.

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

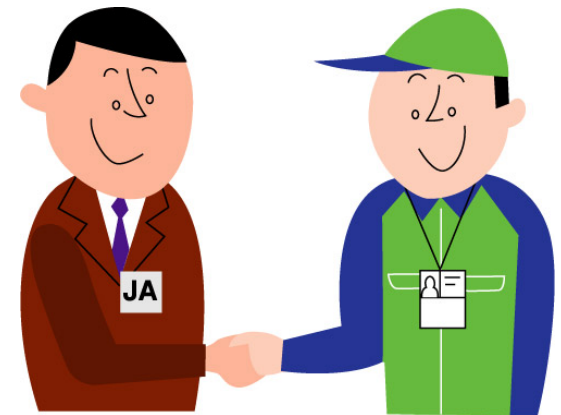
Wide-ranging alliance with JA



- 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



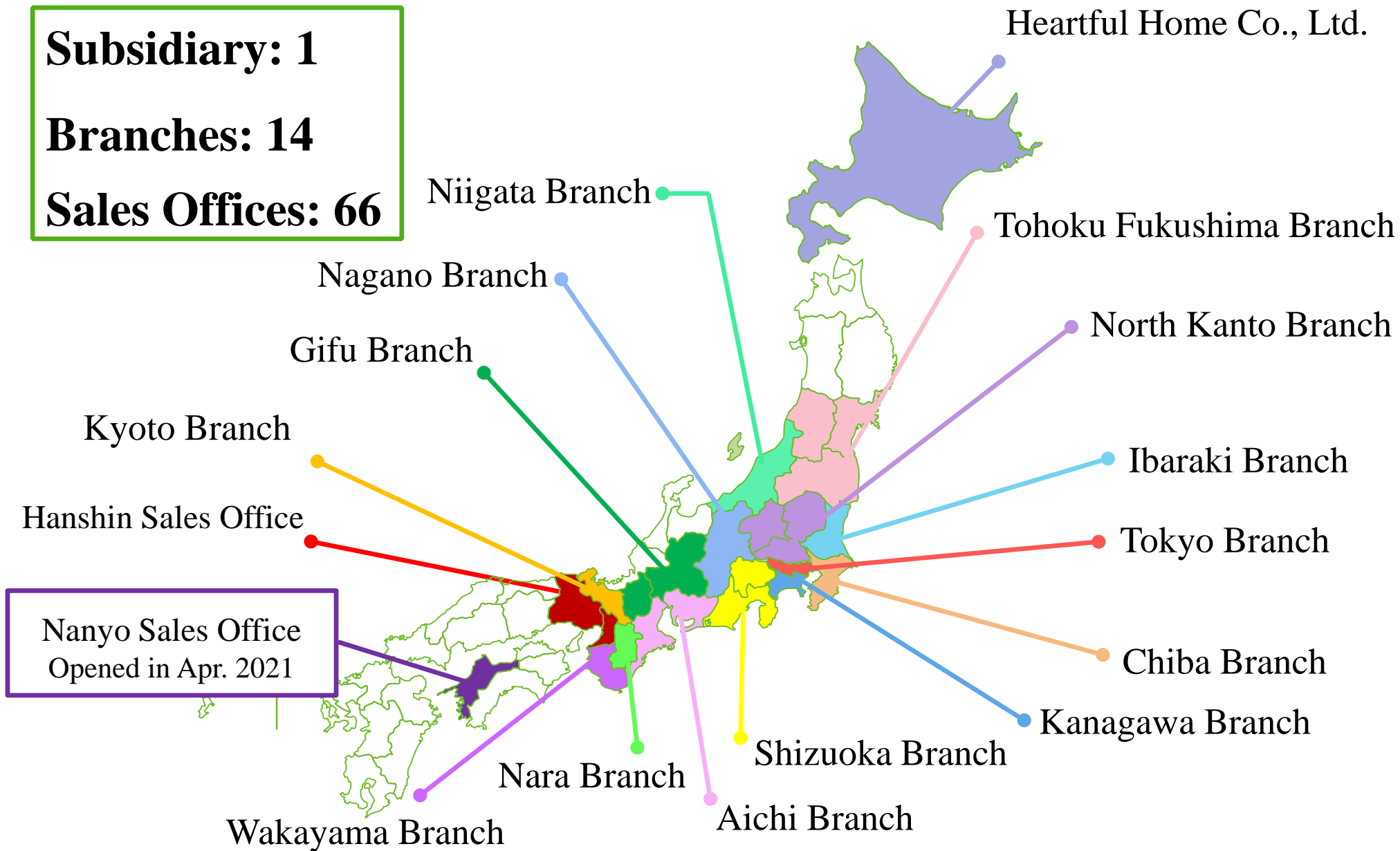
- Working under the real floor



Marketing Area Development



Subsidiary: 1
Branches: 14
Sales Offices: 66



Nanyo Sales Office
Opened in Apr. 2021

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	To Maintain High Profit Ratio
Enrichment of Educational Systems	●	●		●	
Accumulated Technical Skills		●	●	●	●
Operating Efficiency	●		●		●
Thorough Compliance System	●	●	●	●	●
Sound Finance	●				●

Strengths 2 (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



* These photos were taken before the spread of COVID-19

Strengths 3 (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 4 (Thorough Compliance System)



The Compliance Headquarters oversees the entire company from a cross-sectional perspective

Company structure

- Establishment of a systematic compliance management system
- Formulated its own "Asante Compliance Program"
- Establishment of Internal Reporting Desk

Commitment to Customers

- Implementation of "Thank You Calls" to check the appropriateness of contracts
- Respond to complaints and questions from customers.
- Immediately share and collaborate with relevant departments on any comments received

Commitment to Employees

- Conducting compliance training at the beginning of employment and on a regular basis

Supervision by
Compliance Headquarters

+

Auditing by
the Board of Directors



Improving customer satisfaction
Enhancing trust and competitiveness

Strengths 5 (Sound Finance)



High Safety and Profitability

- Financial safety is solid
- Acquisition of treasury stock in the FY3/21

	(Non-Consolidated) FY3/19	(Non-Consolidated) FY3/20	(Consolidated) FY3/21	YoY Change
Equity-to-asset ratio	78.0%	81.0%	80.9%	-0.1pt
Interest-bearing debt dependency	4.5%	4.1%	4.5%	+0.4pt
Operating income ratio	15.8%	15.5%	11.6%	-4.0pt
ROA	14.8%	14.6%	11.8%	-2.8pt
ROE	12.5%	12.2%	9.1%	-3.1pt
EPS (yen)	122.81	128.06	89.52	-38.54
BPS (yen)	1,016.16	1,087.20	1,064.09	-23.11
Payout ratio	44.0%	46.9%	67.0%	+20.2pt
Net assets to dividend ratio	5.5%	5.7%	5.6%	-0.1pt

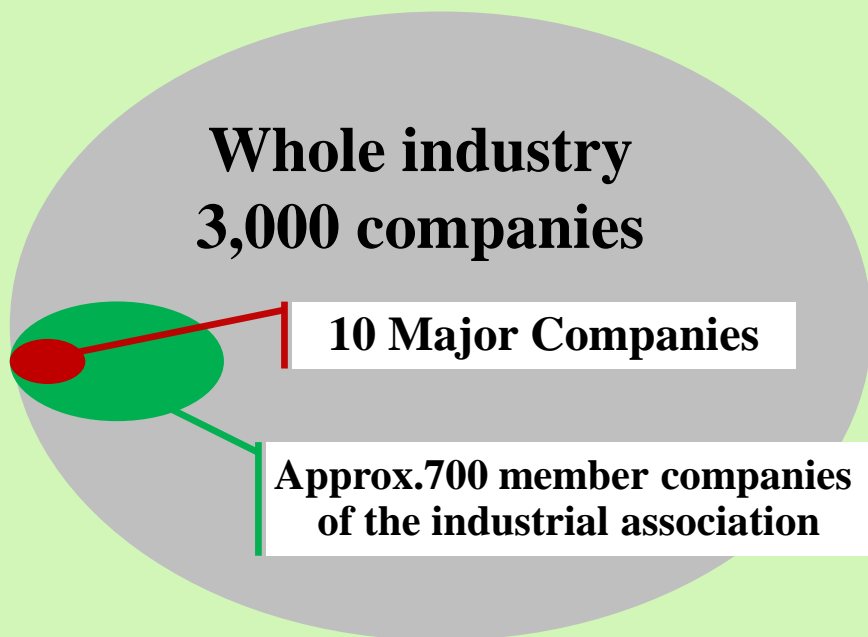
- The calculations of ROA, ROE, and net assets to dividend ratio for the FY3/21 are based on year-end total assets, year-end shareholders' equity, and year-end consolidated net assets per share, respectively, since it is the first year of consolidation.

Industry 1 (Characteristics)



Termite Control Industry Characteristics

- High composition ratio of small and medium sized enterprises
- Decrease in number of industry workers

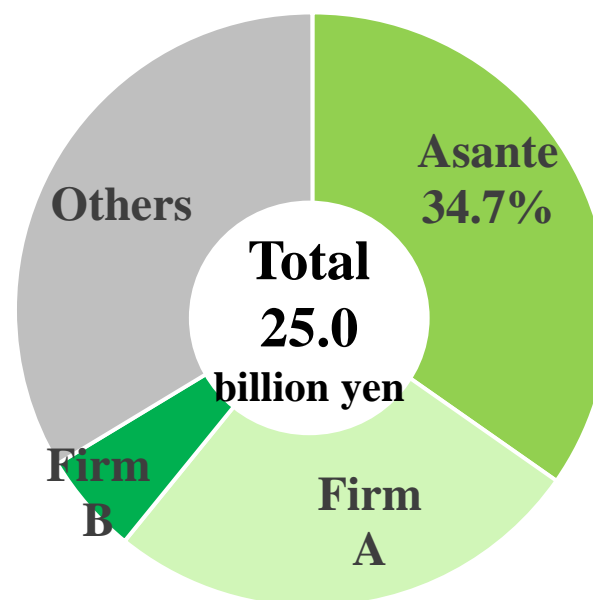


* The Japan Termite Control Association recognize that the total number of companies is 4 times the number of member companies

Total Sales of 10 Major Companies

- Companies below 9th place have annual turnover of less than 1 billion yen

FY2020 Sales of Top 10 Companies

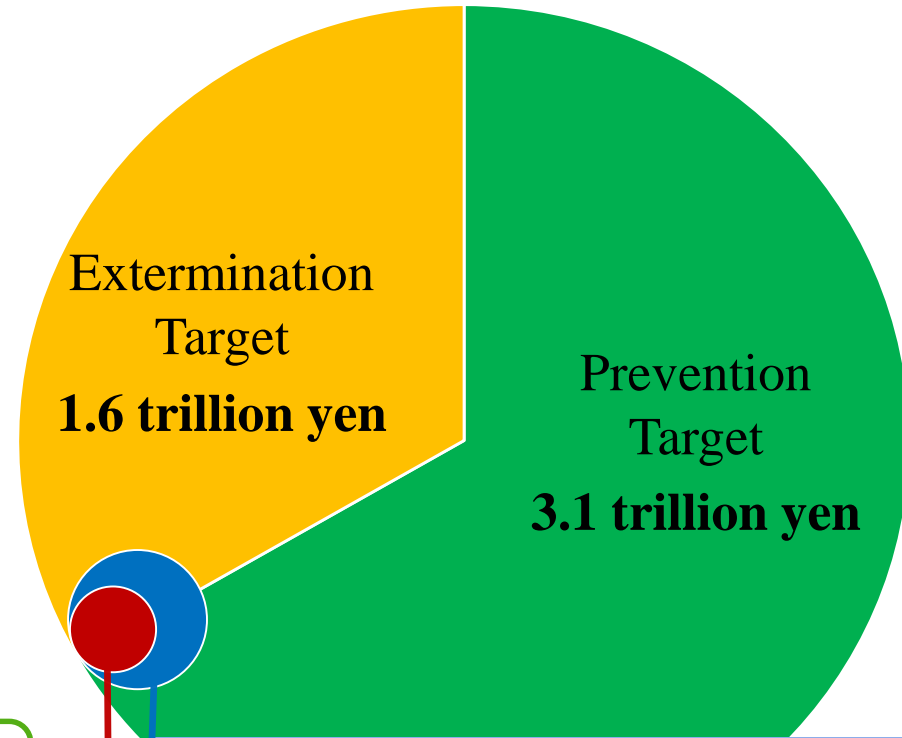


*Estimated by our company

*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
48.3 billion yen (Termite control only)*2

Estimate by our company
 of the total sales of top 10
 companies in the industry
25.0 billion yen
 (including underfloor ventilation systems)

*1 MIC ...Ministry of Internal Affairs and Communications

*2 Reference: Yano Research Institute Ltd.

“2021 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 2021 Issue)

*The PCT Top 100 List is based on 2020 revenues

- Total sales of the top 100 companies are approx. \$8.8 billion
(YOY increase of approx. \$0.5 billion)
- Top 4 companies or their affiliated entities are listed on the Stock Exchange
- **Total TCO sales of the top 100 companies are approx. \$1.7 billion
(our company's estimate)**



Compared to Japan, enormous demand is apparent

External Environment 1 (Trend of the National Policy)

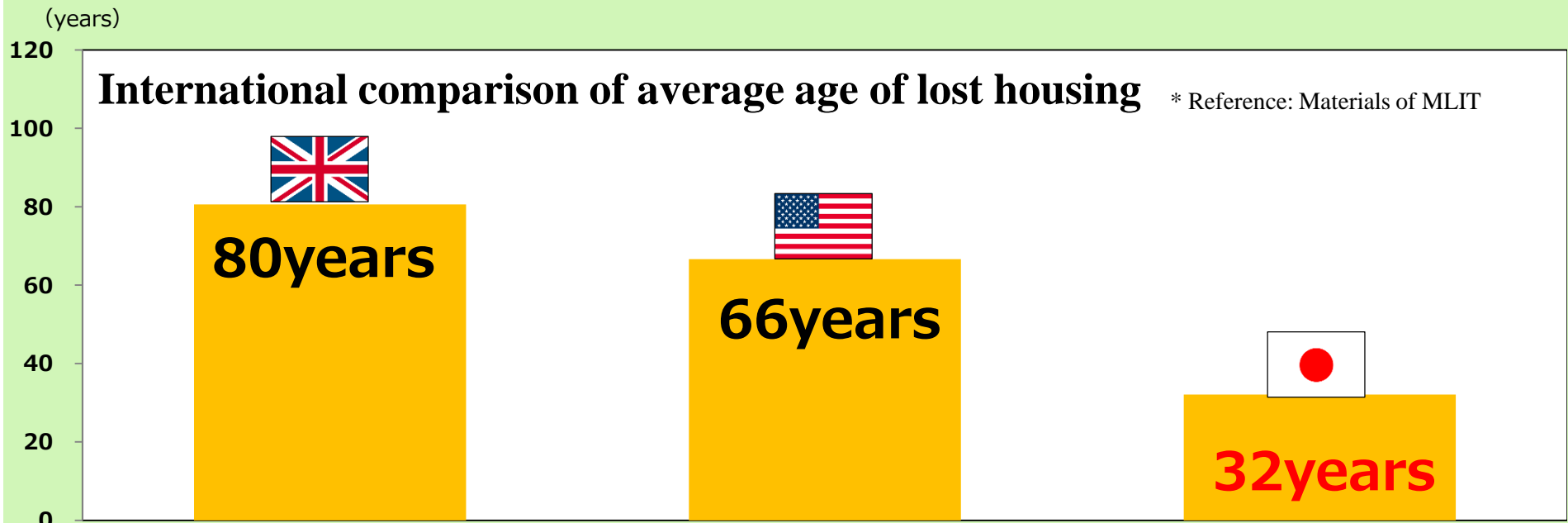
■ The direction of government's efforts to housing (Housing Life Master Plan)

◆ 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)

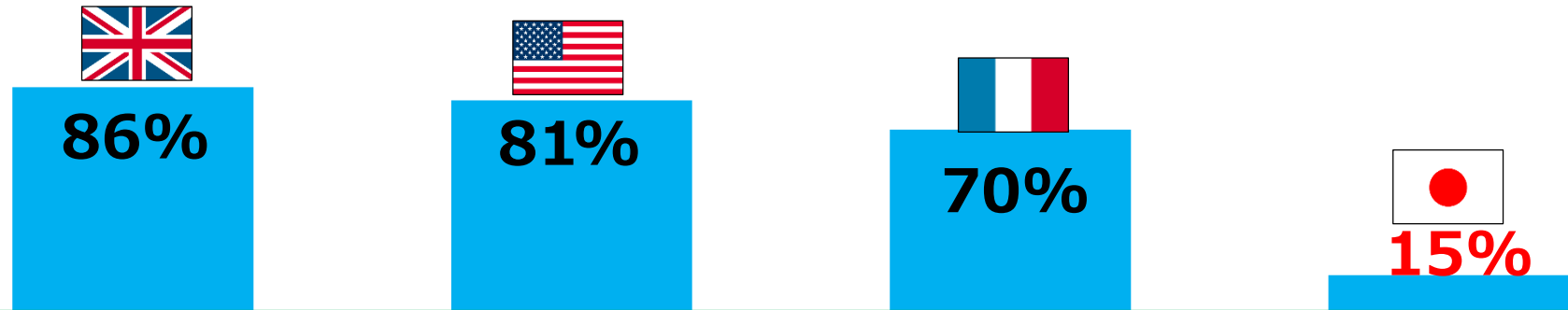
◆ Extension of lifetime of existing housing stock



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 2021)

	As of 2018 or 2019	Goal by 2030
Expansion of the existing housing market and renovation market	12 trillion yen	14 trillion yen
Percentage of houses with clearly indicated information on housing performance in the distribution of existing houses	15%	50%
Number of certified excellent long-term housing stock	113 million	Approx. 250 million

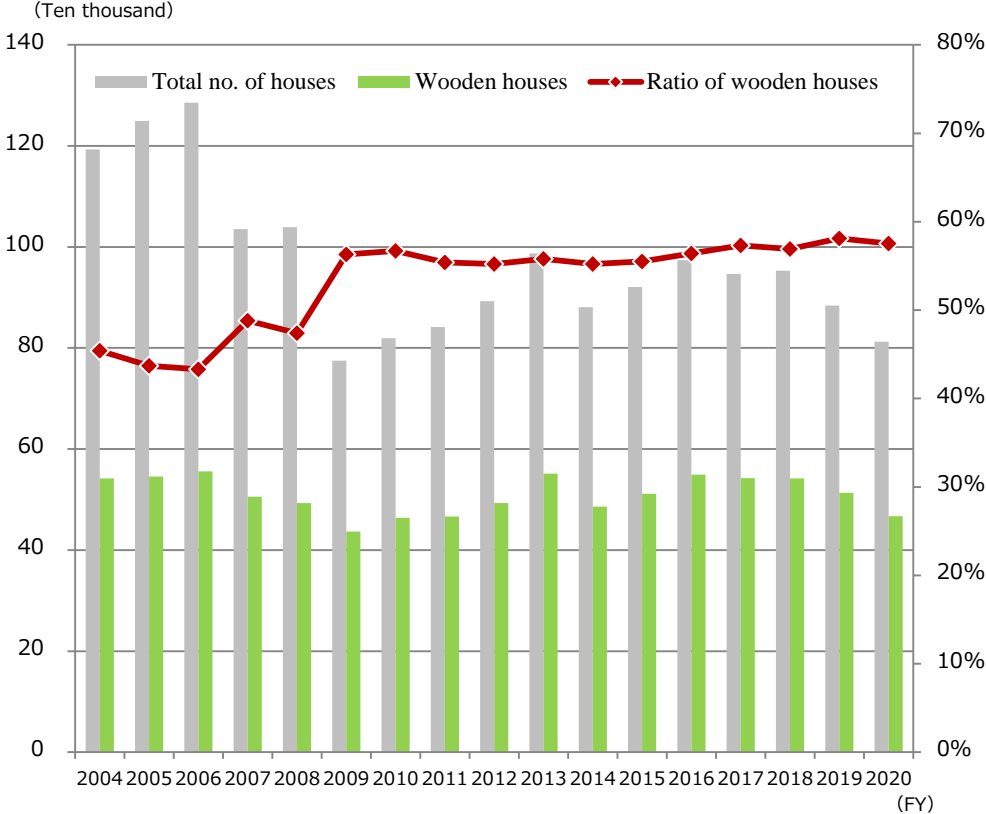
Long term goal
20 trillion yen

Trends of Wooden Houses



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

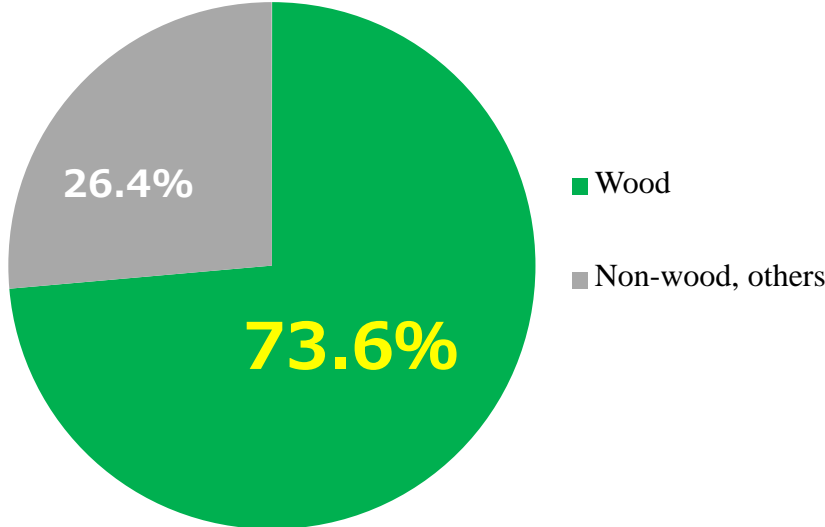
* Reference: Materials of MLIT



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.

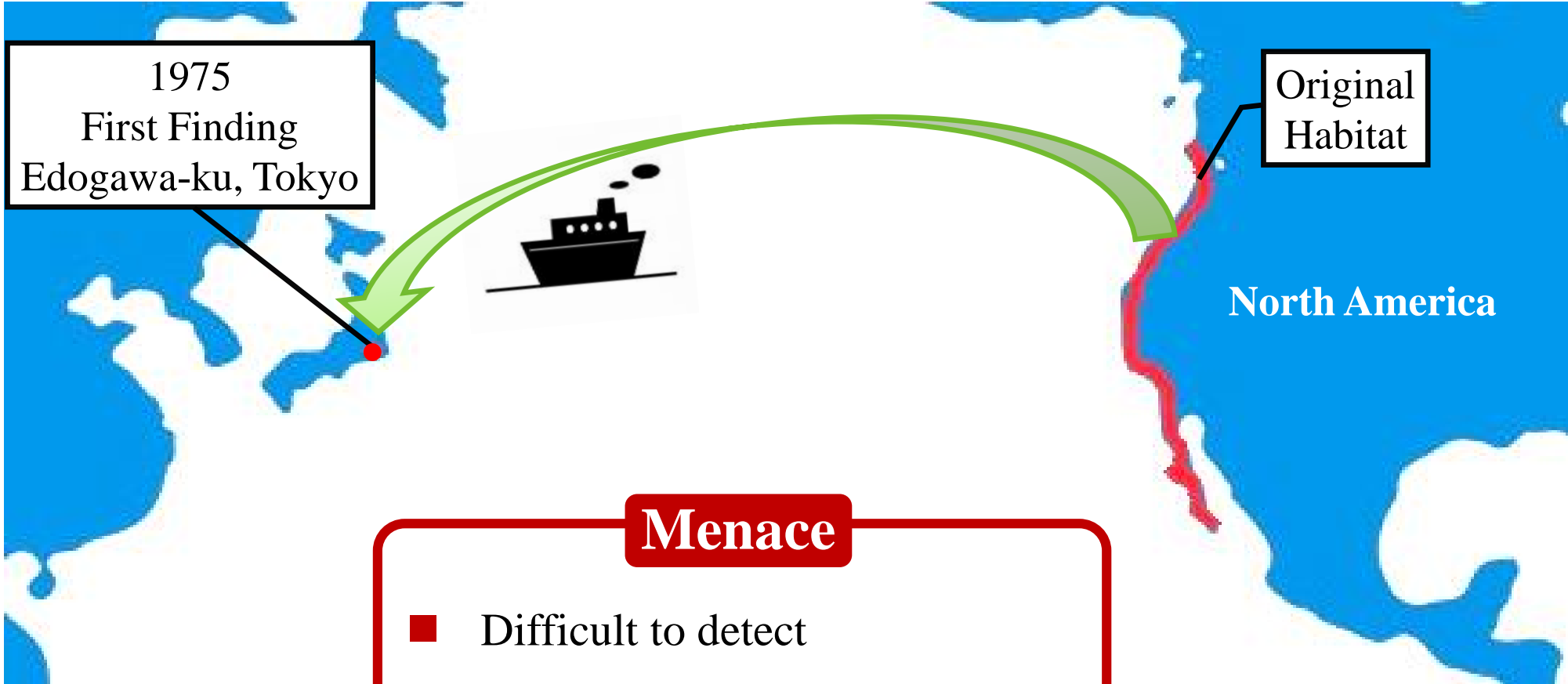
Distribution of Major Termite Types in Japan

-  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)



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

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



■ Without Termite Damage/Rot

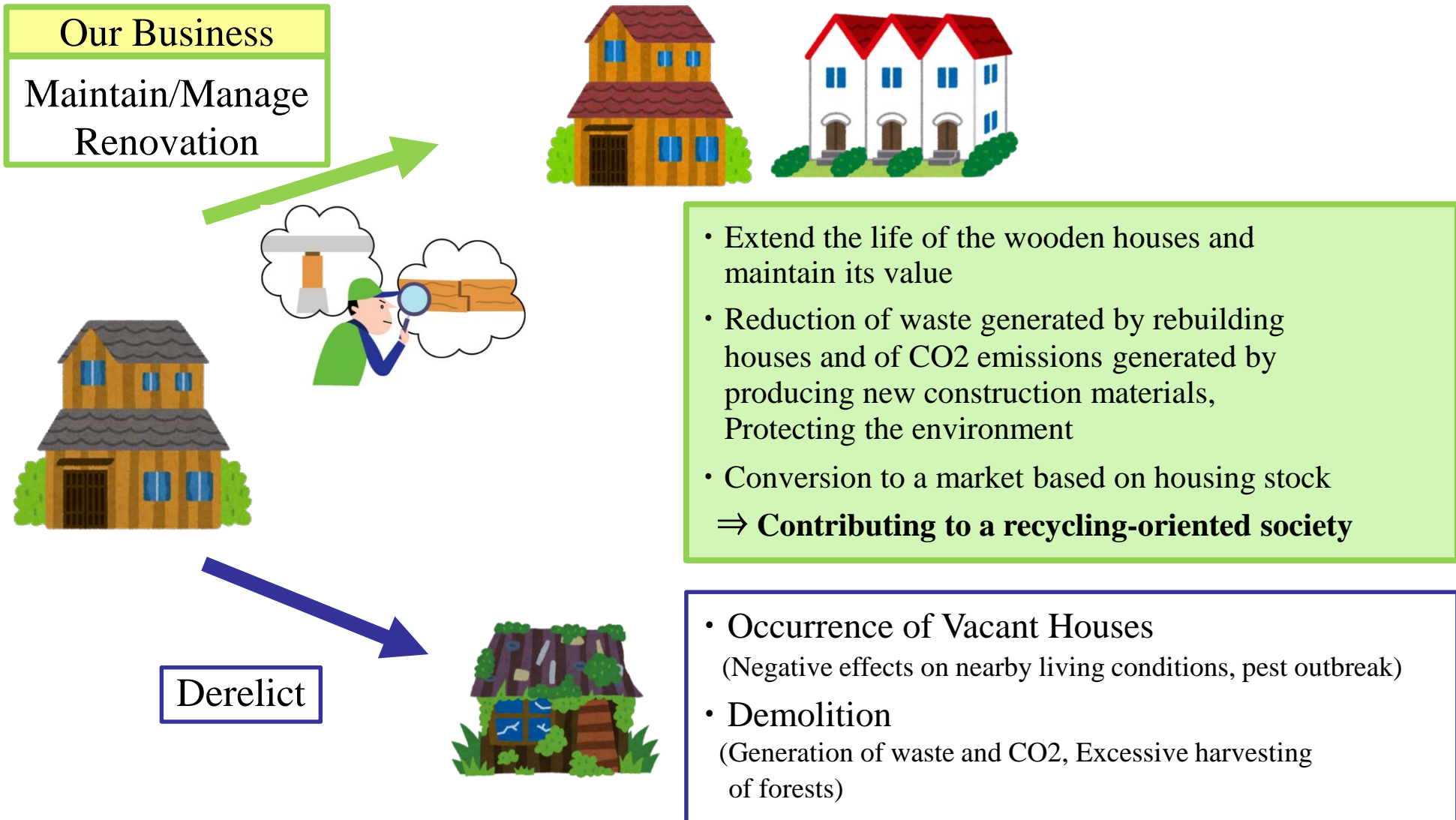
■ With Termite Damage/Rot

*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"

Termite 5 (Significance of our business)



Proper maintenance and management can contribute to environmental issues.



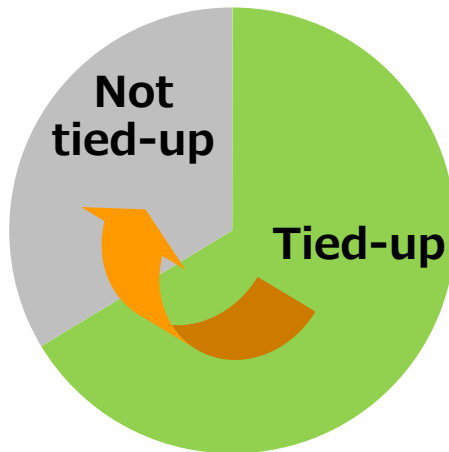
Growth Strategy 1 (Direction of the Area Development)



Cultivation of existing areas

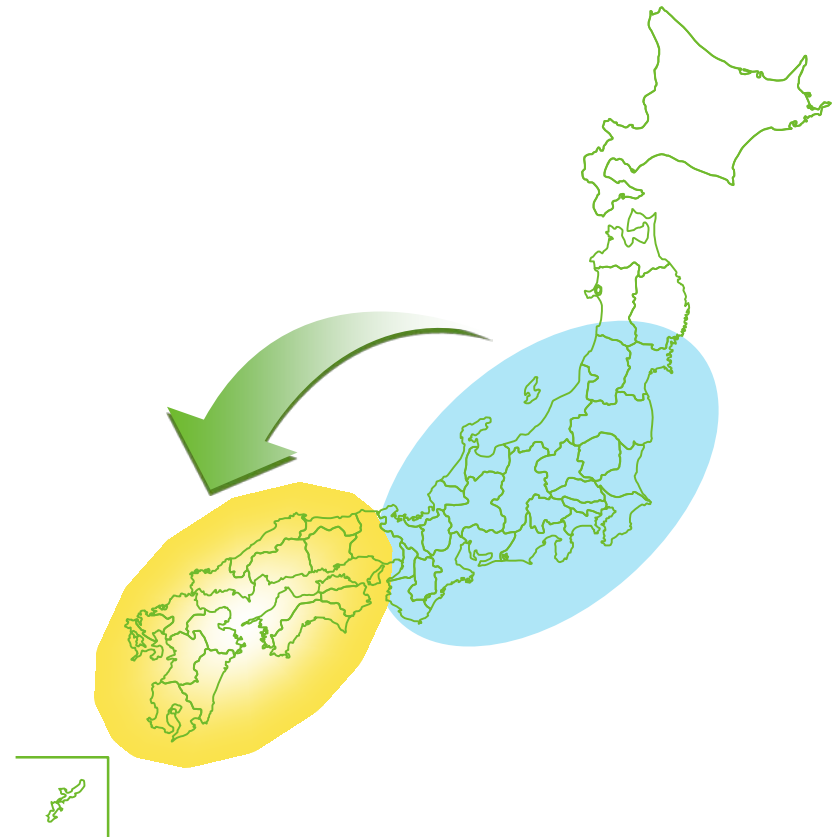
- There is still room for development
- Rise in profit margin due to improvement in operating efficiency

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



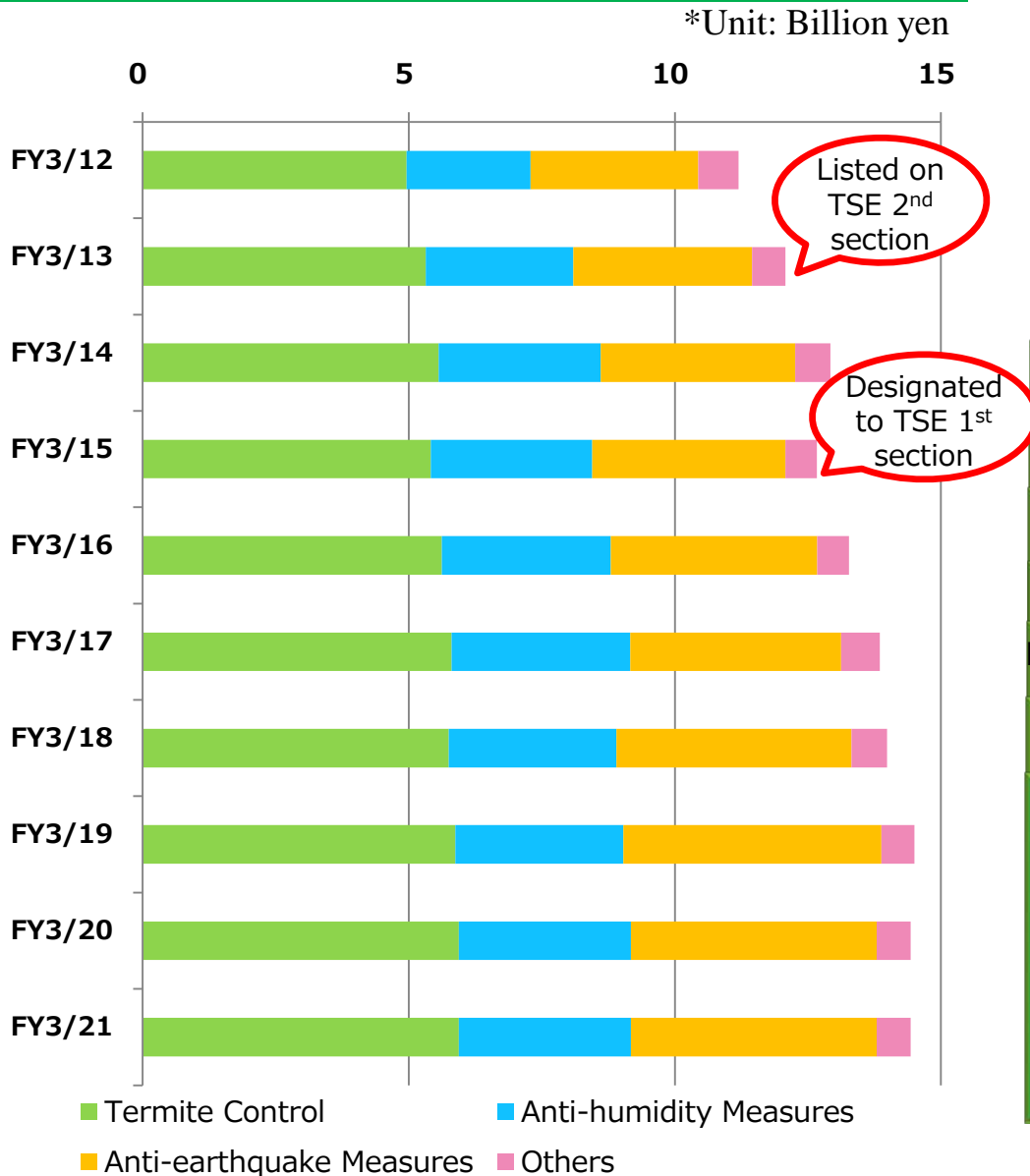
Expansion of new areas

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



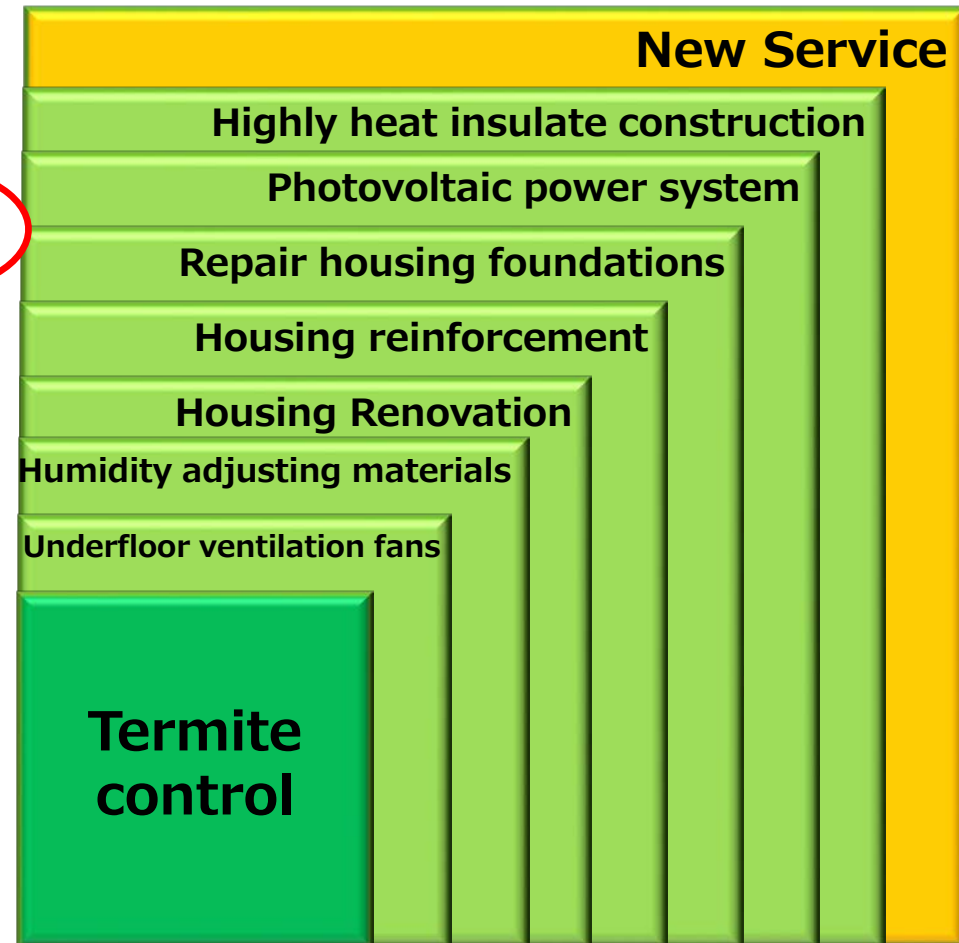
Growth Strategy 2 (Direction of the Service Field Expansion)

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**

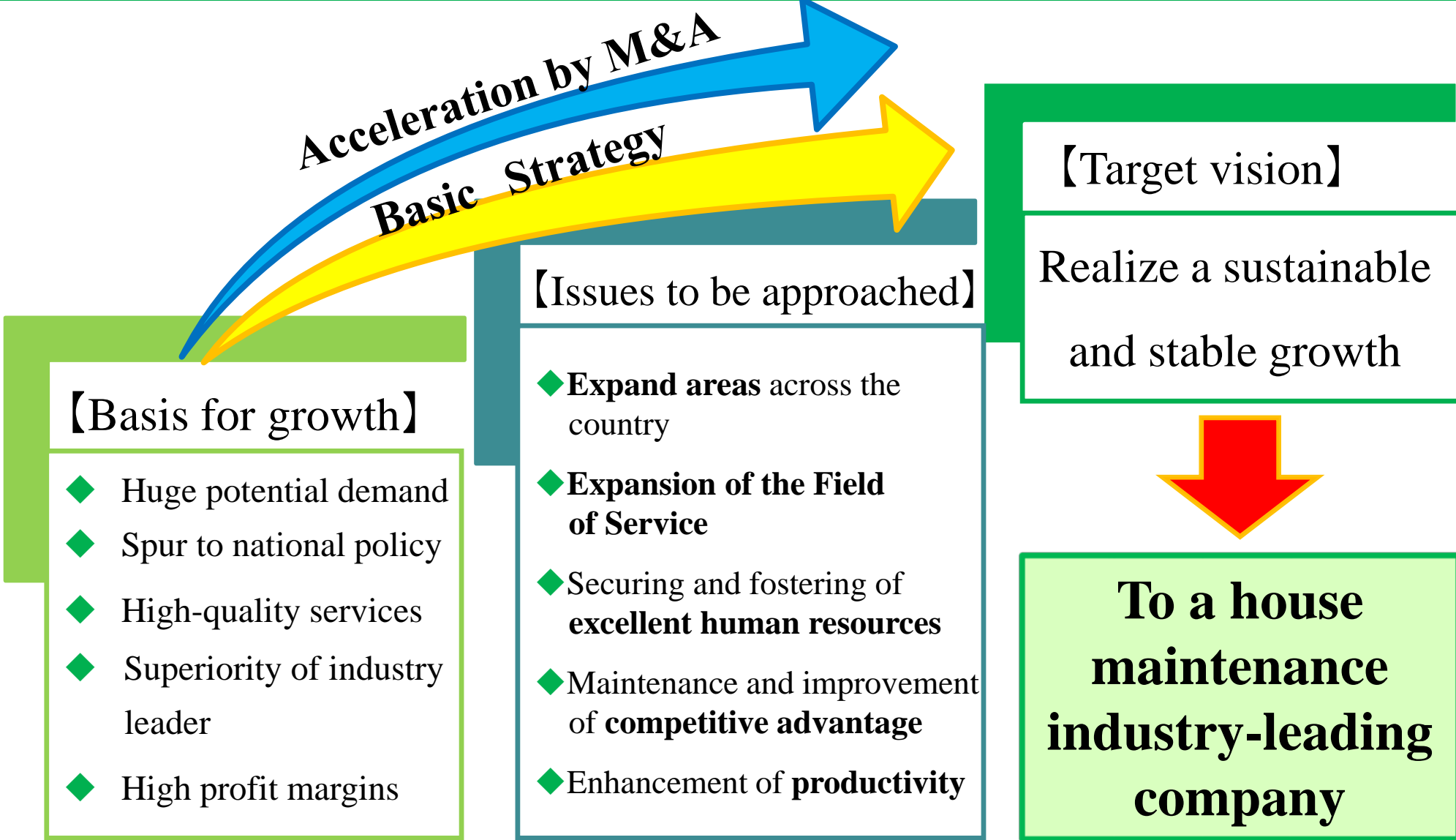
July 1, 2020
Heartful Home Co., Ltd.

Asante Inc.

Growth Strategy 4 (Future Image)



Sustainable growth with termite control-related services at the core



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

First-Time Initiative in Japan

They “smell” to find termites or bedbugs



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

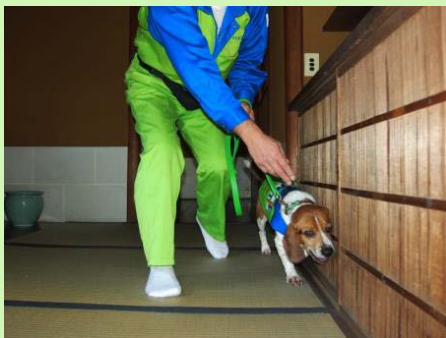


Project on Shinto Shrines and Buddhist Temples

- Pass our cultural heritage to the next generation
- Draw attention to the importance of 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 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 20, 2021



Termite
Warning



TV commercial Leaflets & web advertisements



株式会社 アサンテ 東証一部 上場 No.1 即日対応 0120-557-419

アサンテが選ばれる理由 羽アリ(シロアリ)の被害・対策 相談から施工までの流れ お客様の声

シロアリ駆除ならあなたの街のアサンテにお任せ。

その羽アリ、シロアリですよ!

一部のシロアリが黒褐色の羽アリになる時期です。

創業50周年 全国シェア No.1 東証一部上場

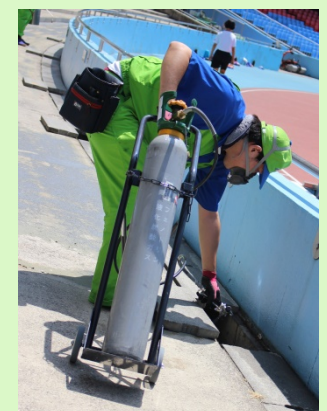
シロアリの発見・駆除をするなら今!!

業者選びで悩んだらまずはアサンテにご相談ください

雨上がりの晴れた日に羽アリを見たら、すぐ近くにシロアリが生息している可能性があります!

Sponsorship

- Signed a sponsorship deal with Kawasaki Frontale (2021 Meiji Yasuda Life Insurance J1 League)



© KAWASAKI FRONTALE CO.,LTD

Dividend (Results and Forecasts)

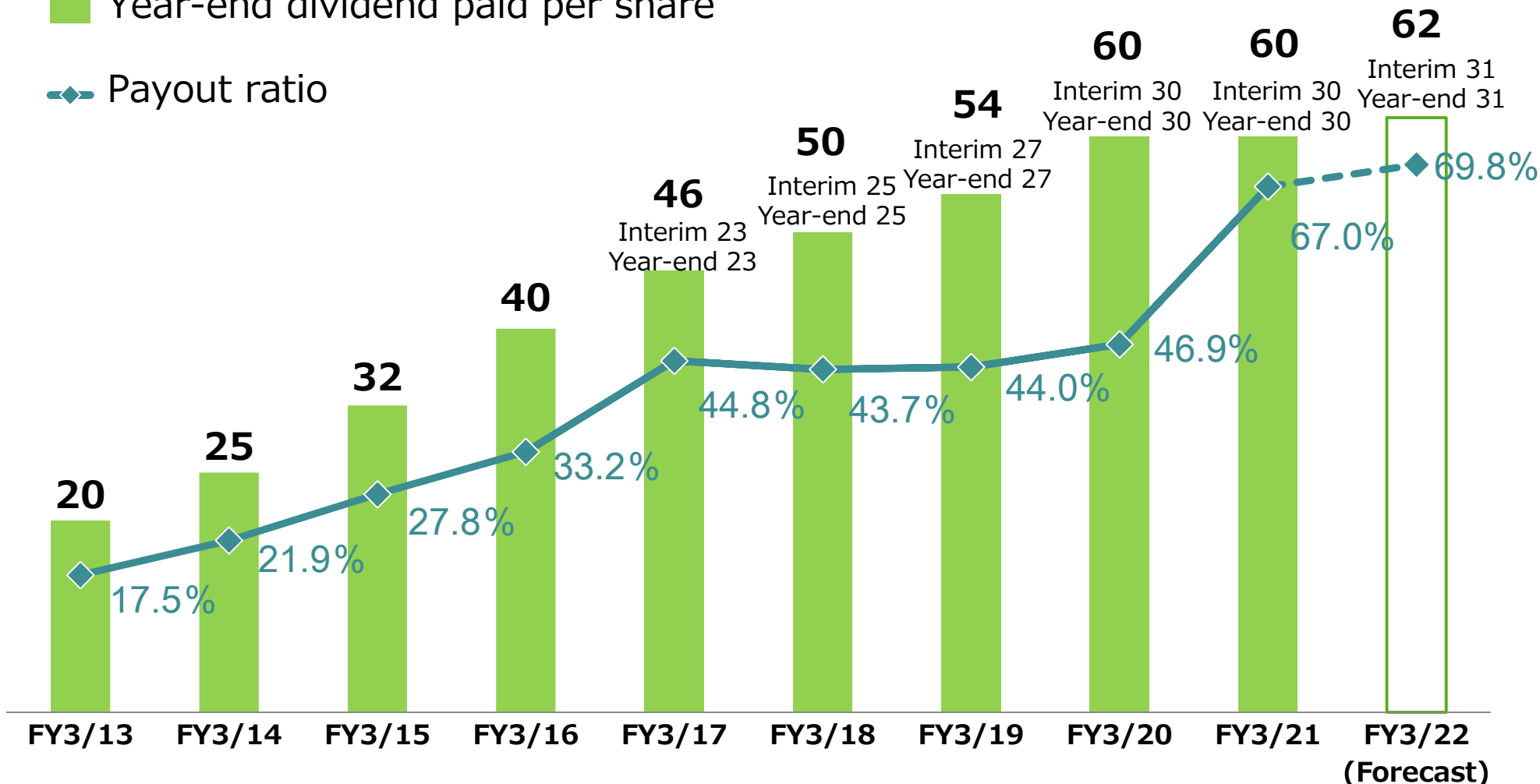


Since listing, we have focused on shareholder returns

(Unit : Yen)

■ Year-end dividend paid per share

◆ Payout ratio



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

Stock Information (Special Benefit for Shareholders / Dividend yield)

◆ Special Benefit for Shareholders

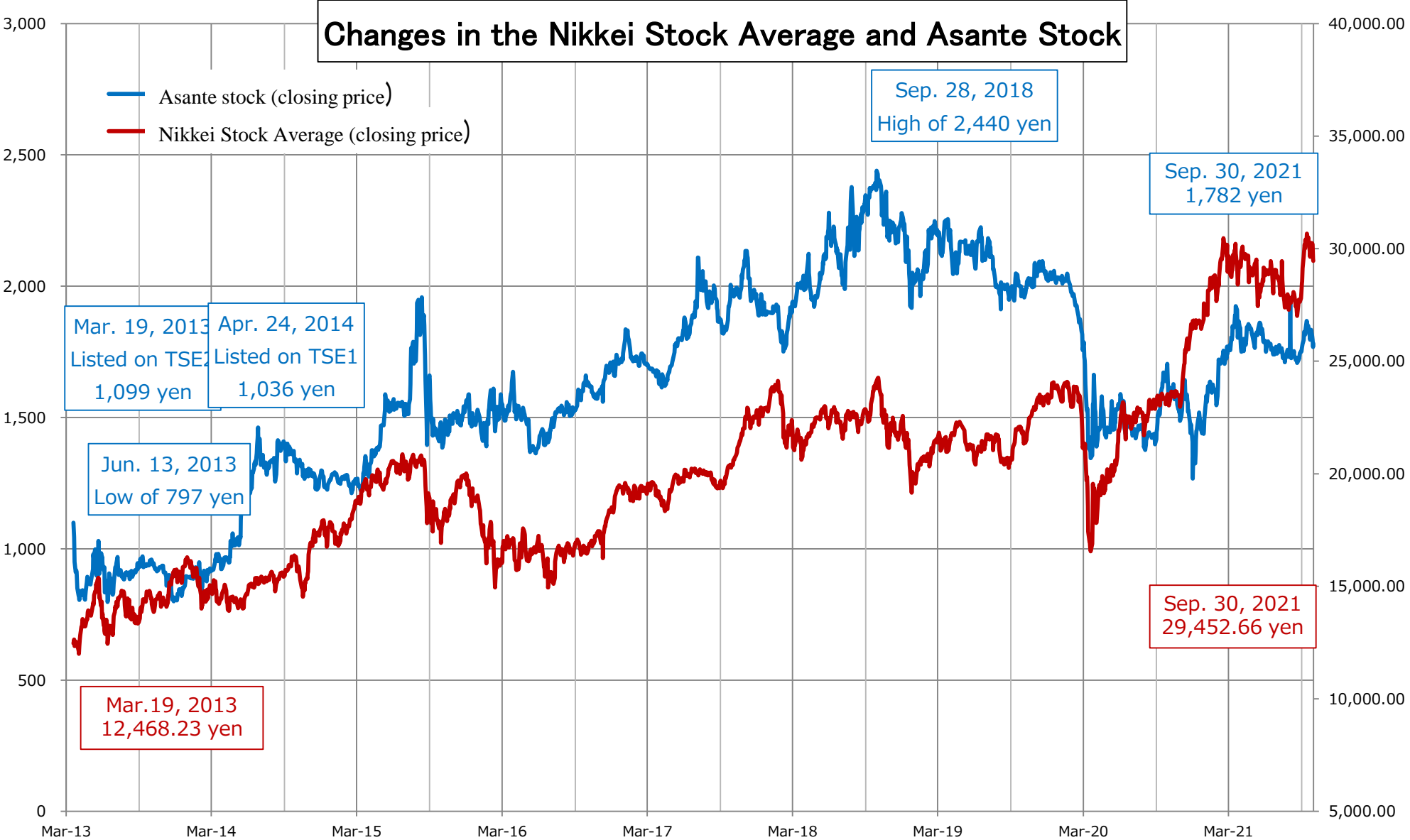
- Eligible shareholders : For shareholders with 1 or more share unit(s)
at the end of March or September
- Special Benefit : Gift of a 1,000 yen Mitsubishi UFJ NICOS gift card
- Delivery Period : Planned to be sent in June and December of every year

◆ Dividend yield

Stock price (closing price as of September 30, 2021)	1,782 yen
Trading unit	100 shares
Annual dividend (forecast) (Interim: 31 yen, year-end: 31 yen)	62 yen
Annual dividend yield (forecast)	3.5 %
Special Benefit for Shareholders (1,000 yen gift card/ twice a year)	2,000 yen
【Ref.】 Annual dividend yield of 「Dividend + Shareholder benefit」*	4.6 %

*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 9, 2021)

Asante Inc.