

We protect Japanese houses from termites



**Asante Incorporated**

# Company Introduction



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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	77 locations (Branches: 14, Sales Offices: 63)
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 FY3/19)
Net Sales	14.5 billion yen (FY3/19)
Number of Employees	1,022 (including contract staff) (End of FY3/19)



## 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



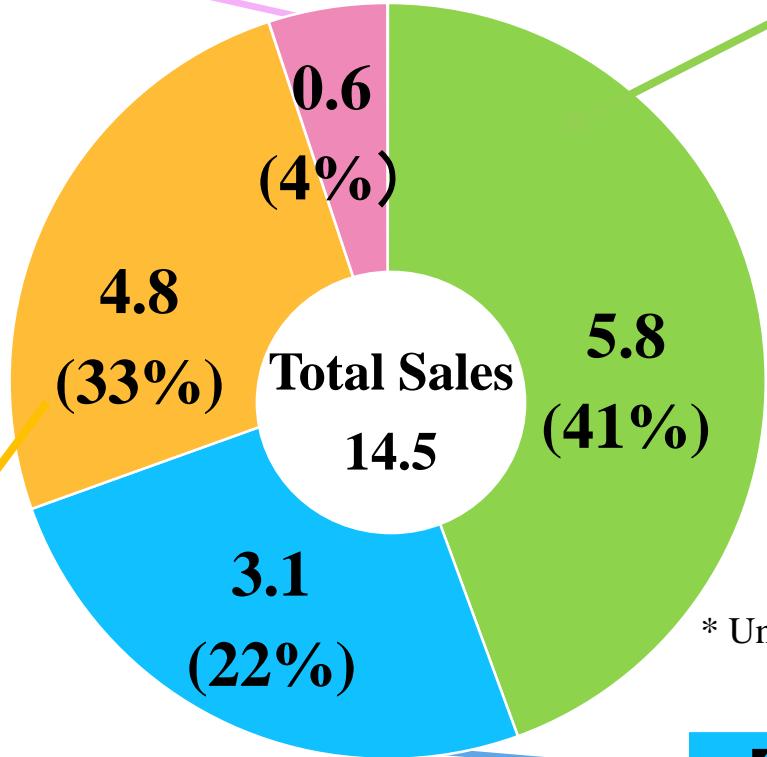
Target	Product (Service)	Details
Existing wooden houses	<b>Termite Control</b>	Prevention and extermination of termites
	<b>Anti-humidity Measures</b>	Prevention of rot, mold and termites
	<b>Anti-earthquake Measures</b>	Prevention of deterioration and repair of the basic concrete Reinforcement for the wood junction
	Maintain Measures	Housing renovation, new building construction, Seismic retrofit
	Maintenance Measures	Construction of photovoltaic power system
Hotels Offices Restaurants	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 (FY3/19)



**【 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



# 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



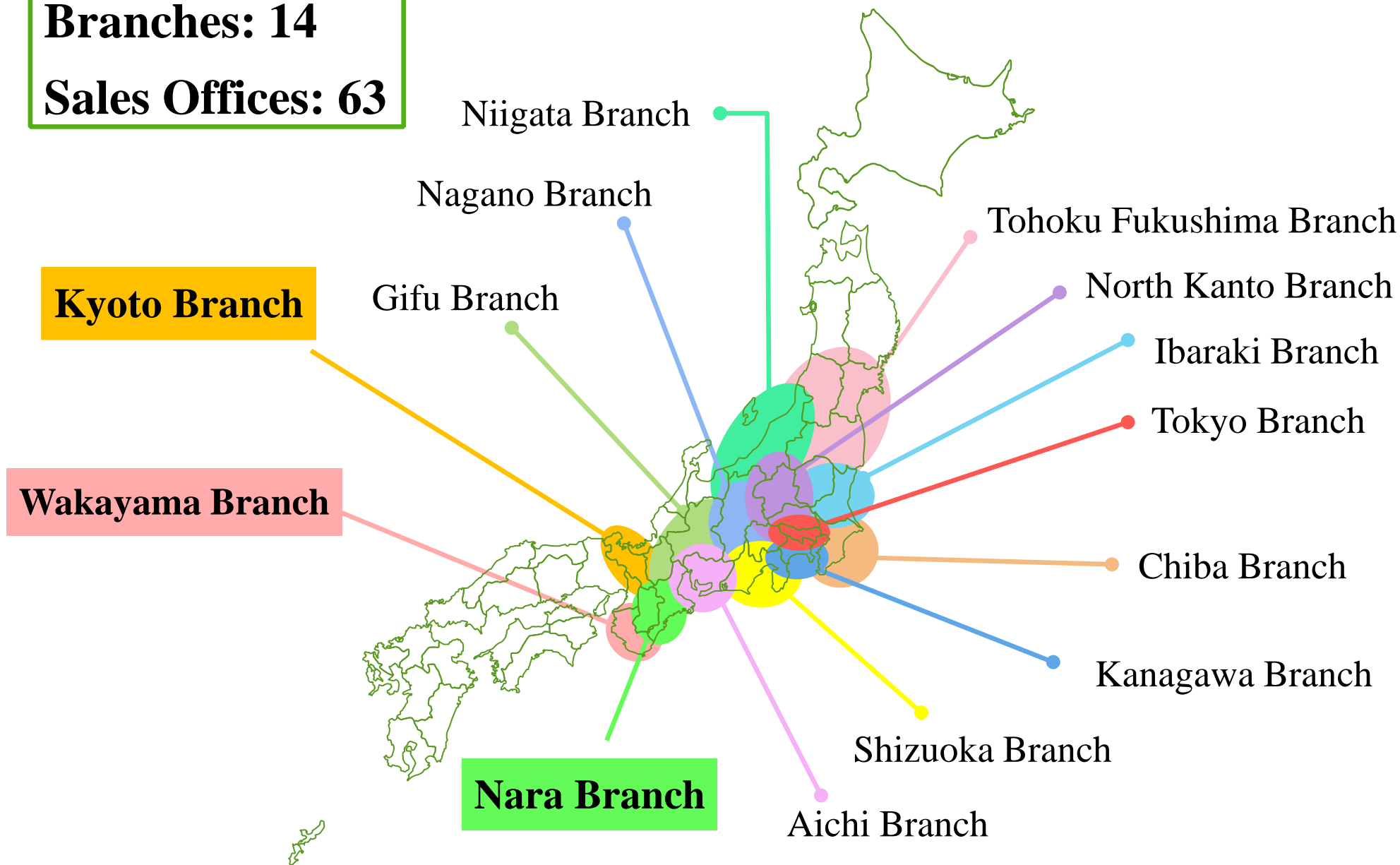
- Working under the real floor



# Marketing Areas



**Branches: 14**  
**Sales Offices: 63**





# Strengths 1 ( Overall Strength )



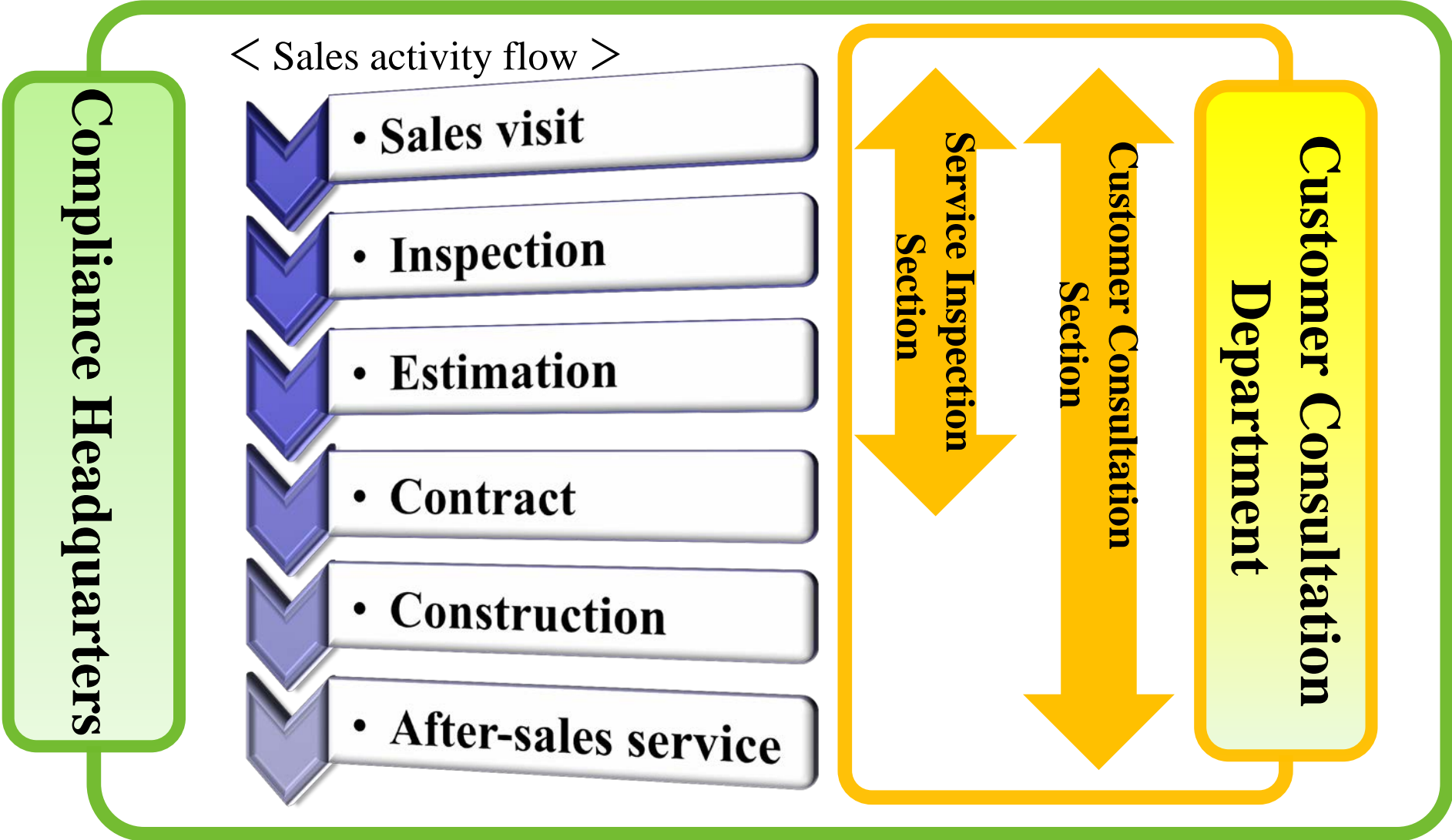
**Strengths are related to each business processes**

	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	
<b>Thorough Compliance System</b>	●	●	●	●	●
Customers First	●		●	●	
Accumulated Technical Skills		●	●	●	●
<b>Enrichment of Educational Systems</b>	●	●		●	
<b>Operating Efficiency</b>	●		●		●
<b>Sound Finance</b>	●				●

# 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

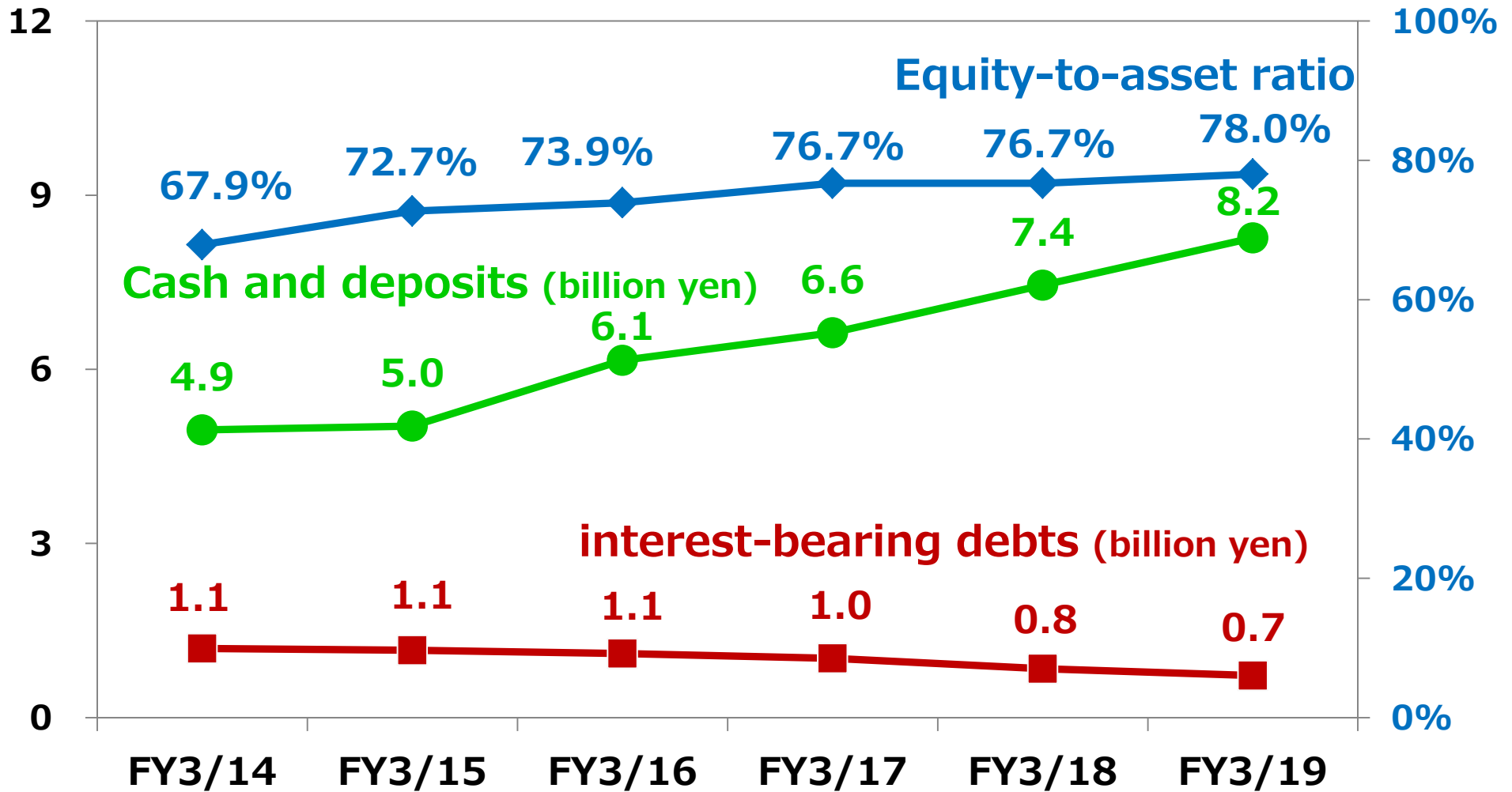


**Achieved differentiation from other companies and realized high operating efficiency**

# Strengths 5 ( Sound Finance )



## High Safety and Rapid Response to Investment

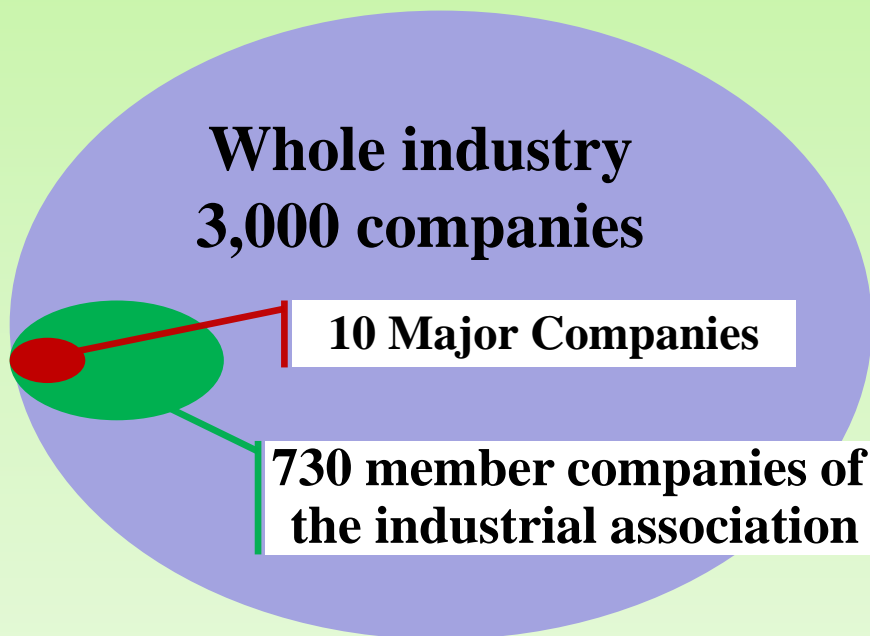


# Industry 1 ( Characteristics )



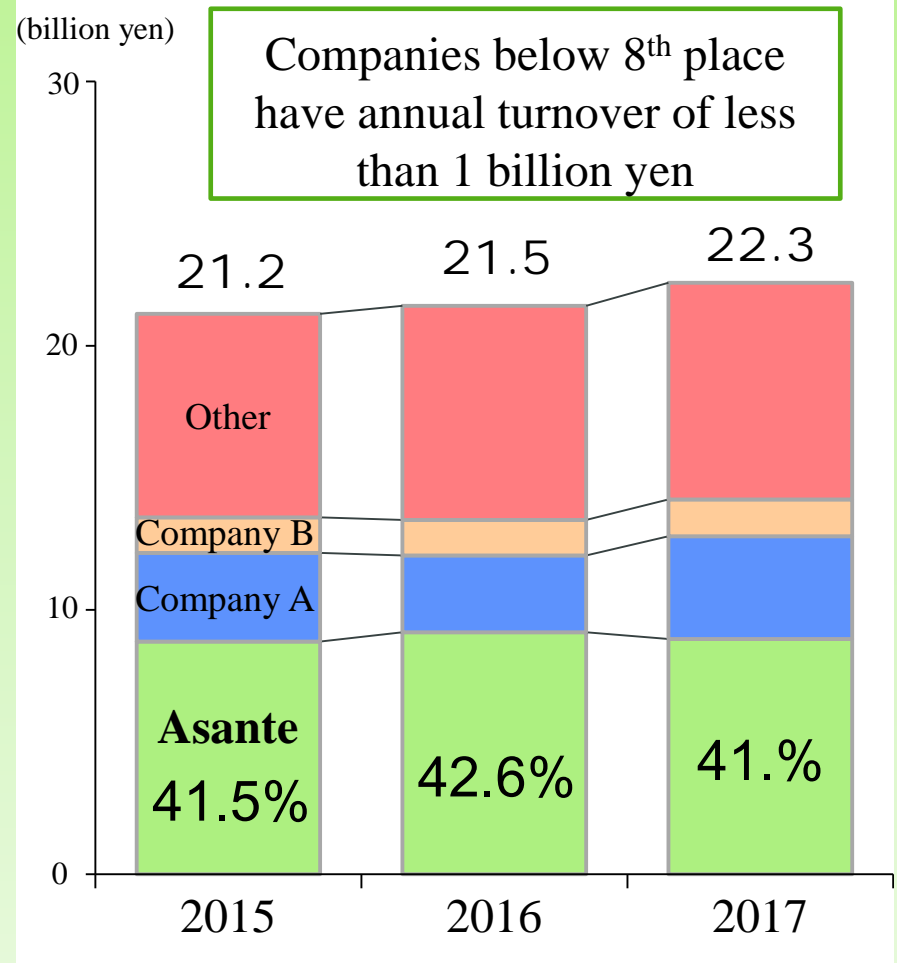
## Termite Control Industry Characteristics

- 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 ( Potential Demand of Termite Control for New Customers )

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

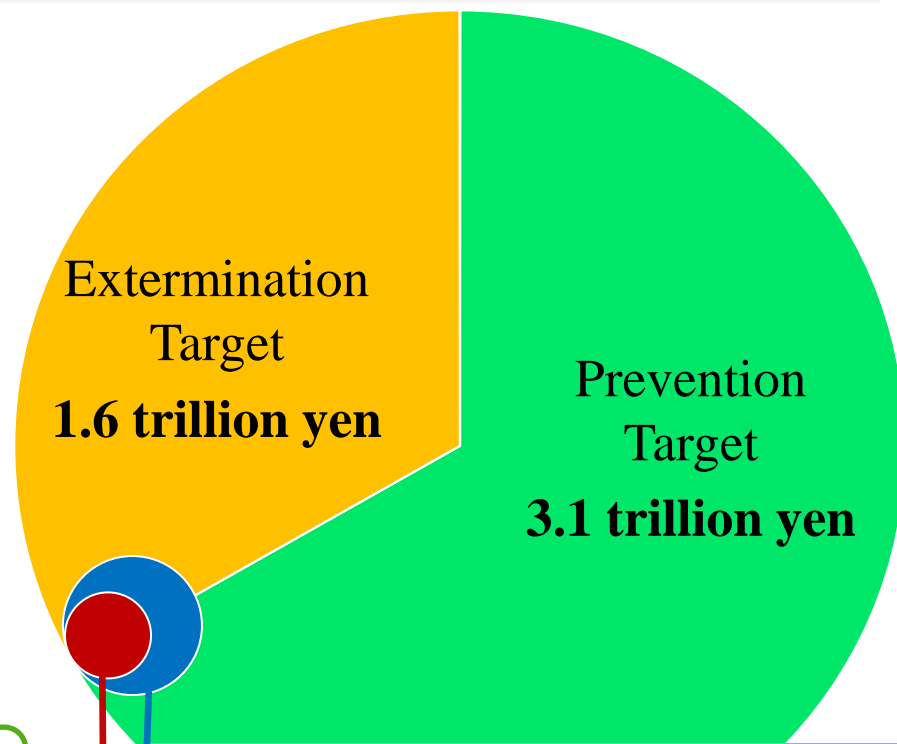
(Statistics Bureau, MIC\*1, “2013 Statistical Survey on Housing and Land”)

■ **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.

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)

\*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”



## 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)

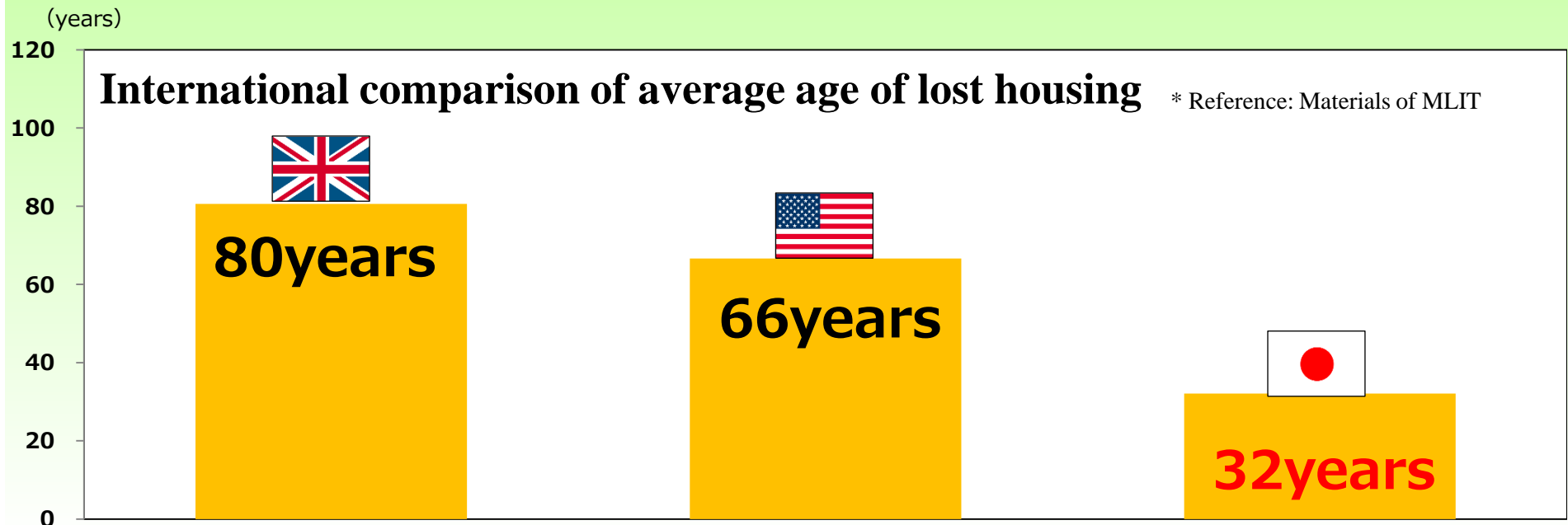
\*The PCT Top 100 List is based on 2017 revenues

# 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)

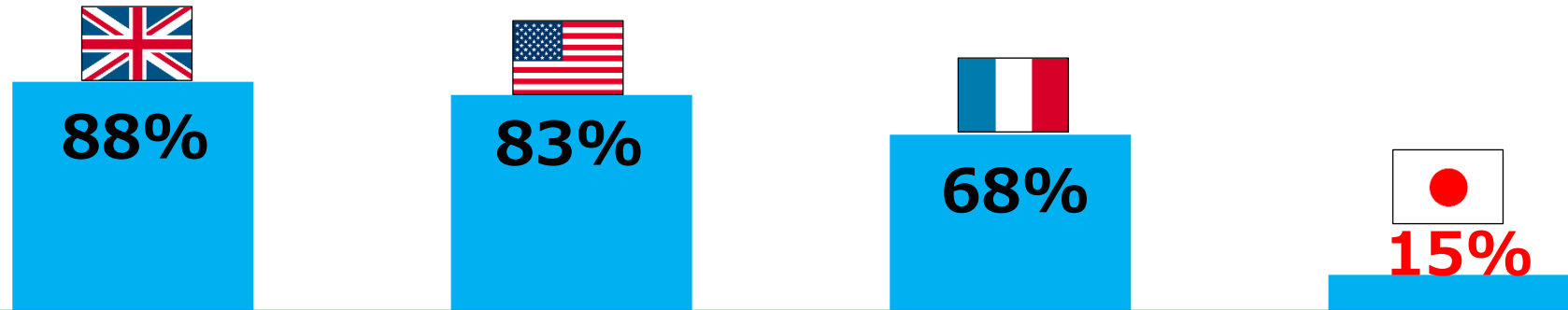
## ◆ Extension of lifetime of existing housing stock



# 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
<b>Total</b>	<b>11</b>	<b>20</b>

# External Environment 3 ( Trends of Wooden Houses )



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

\* Reference: Materials of MLIT

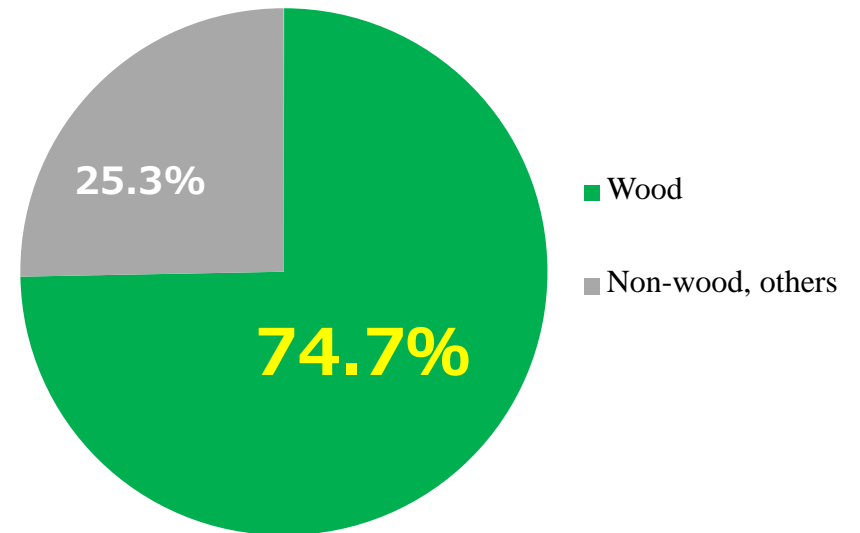


## Intentions regarding wooden houses

\* Reference : "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**

# 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

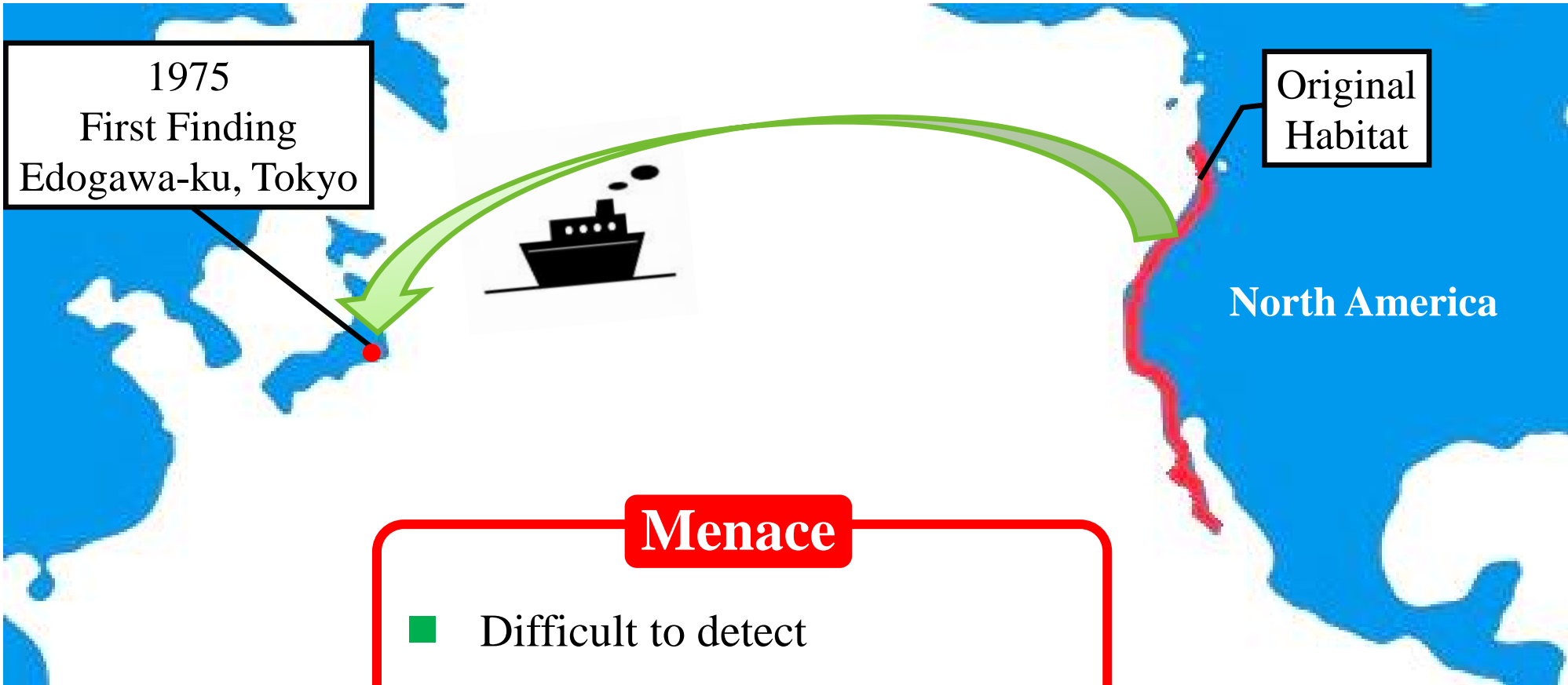
-  Japanese subterranean termite area
-  Formosan/Japanese subterranean termite mixed area
-  Formosan subterranean termite northern limit
-  Dry-wood termite northern limit
-  Spots Western dry-wood termites discovered



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 )



**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

■ 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.



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

Addition of two new dogs this spring to Kun Kun's<sup>®</sup>

## Asante's Detection Dog Team “Kunkuns”



## 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



## 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

6<sup>th</sup> 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 19, 2019



Termite  
Warning





## Sponsorship

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



© KAWASAKI FRONTALE CO.,LTD

## TV commercial Leaflets & web advertisements



ASANTE 東証一部 全国売上 No.1 即日対応 0120-152-146

株式会社 アサンテ

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。

シロアリは床下に潜んでいるかもしれません。 気になったらアサンテにご相談下さい!

**即日対応** もいたします!

**全国売上 No.1** 東証一部上場

土日 祝日 も承りますので、ご連絡ください。 お勧めの方へ、夕方以降の調査も承ります。

シロアリに駆除へ一旦侵入されると、家の被害は急激に拡大してしまいます。 被害を最小限にとどめるために、早めの床下調査をおすすめします。

シロアリ防除トップ 東洋経済(会社四季報) 2019年2集より

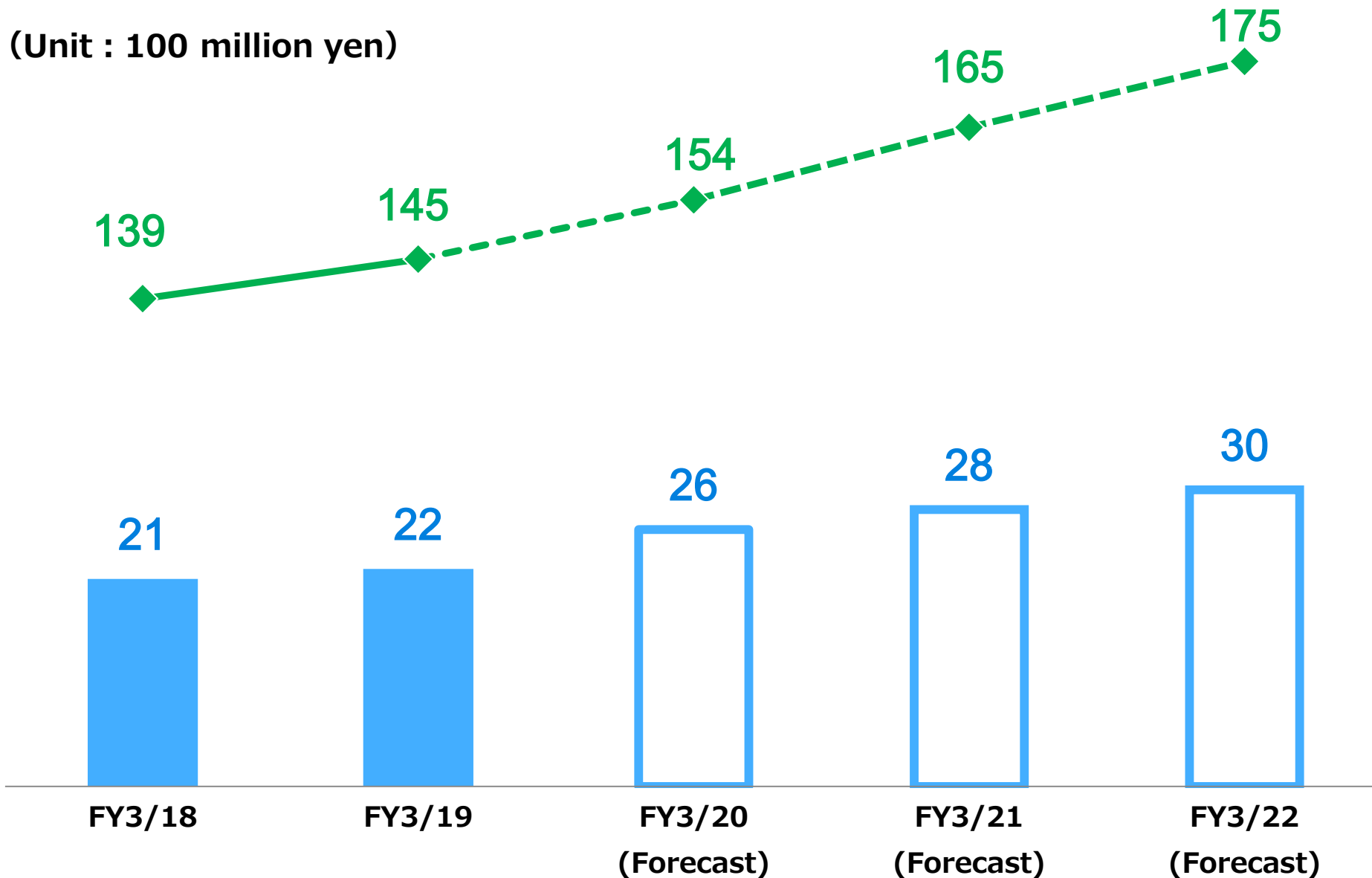
シロアリの 発見・駆除 をするなら今!! 少しでも気になることは 見積前に!!

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!

# Mid-term Profit and Loss Plan ( Rolling System )



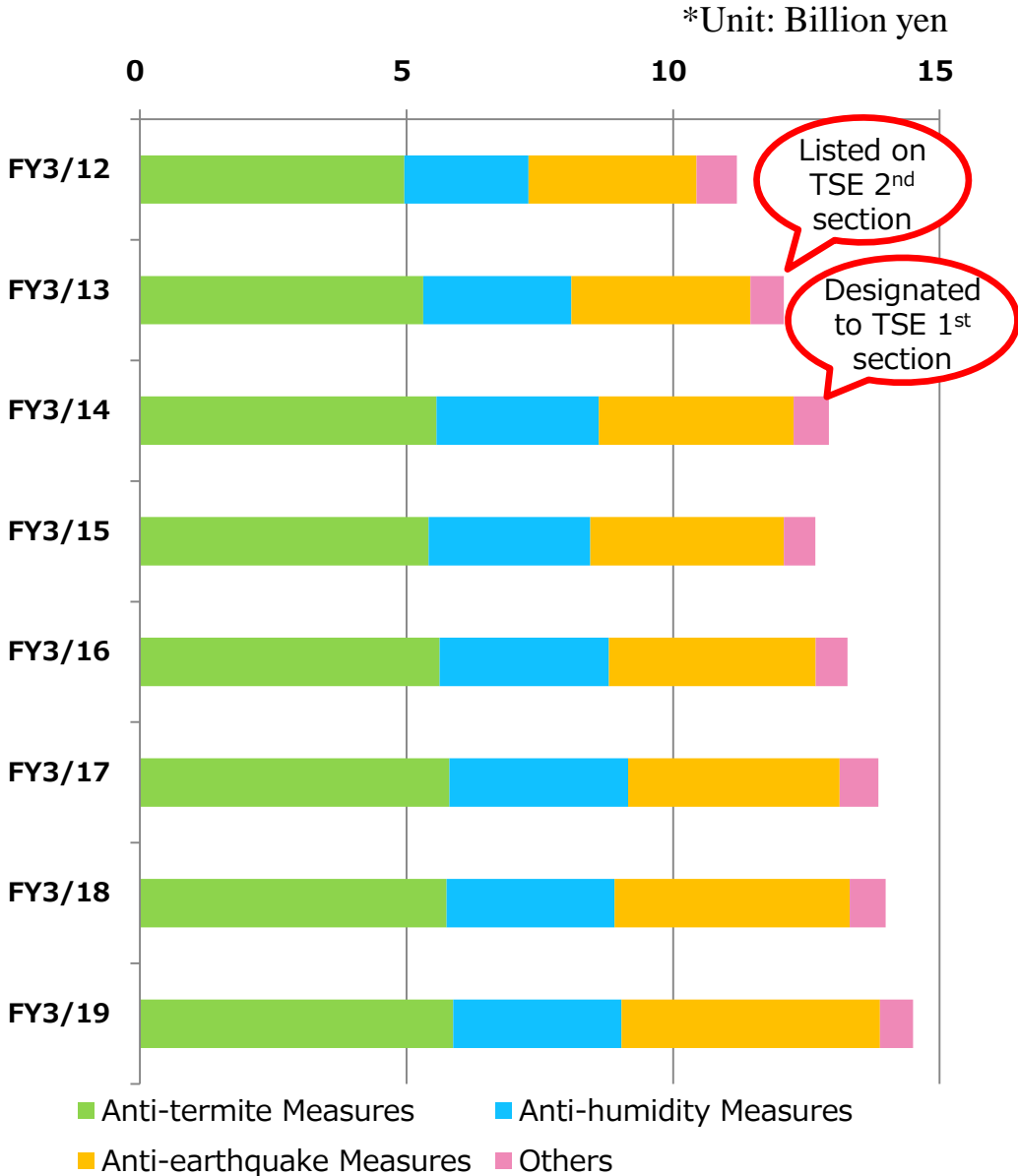
(Unit : 100 million yen)



# Growth Strategy 1

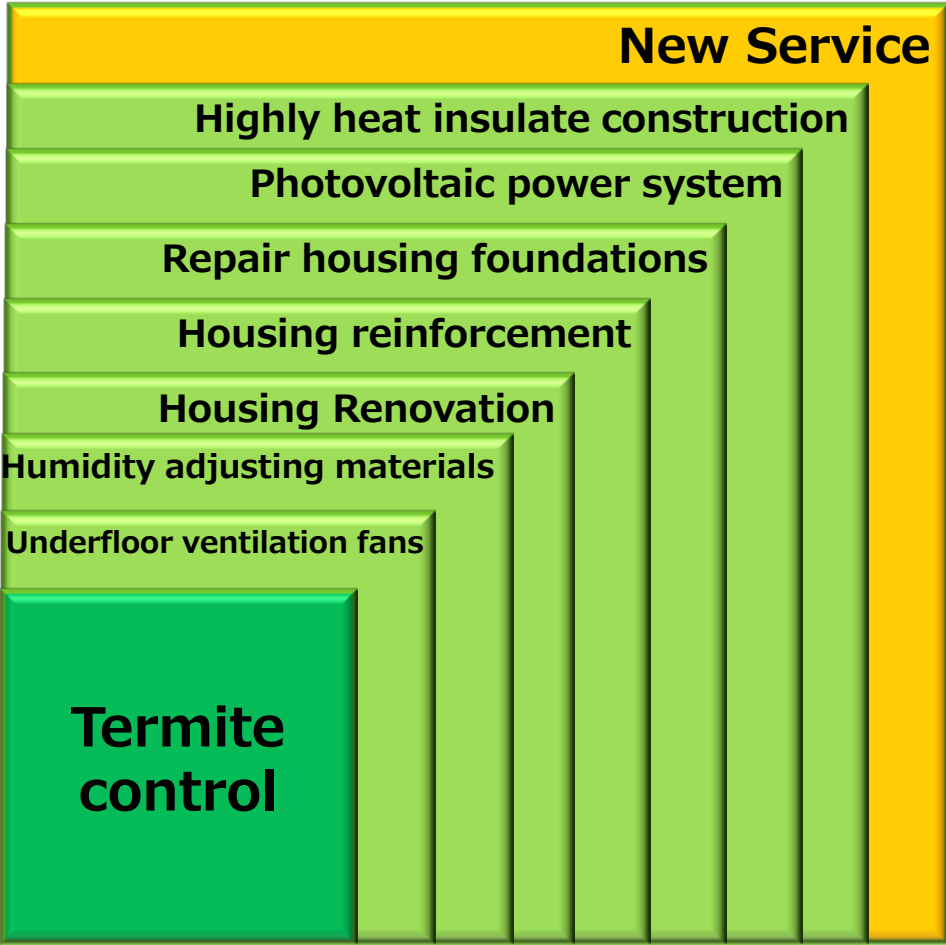


## Change of Net Sales by Service



## Expansion of the Field of Service

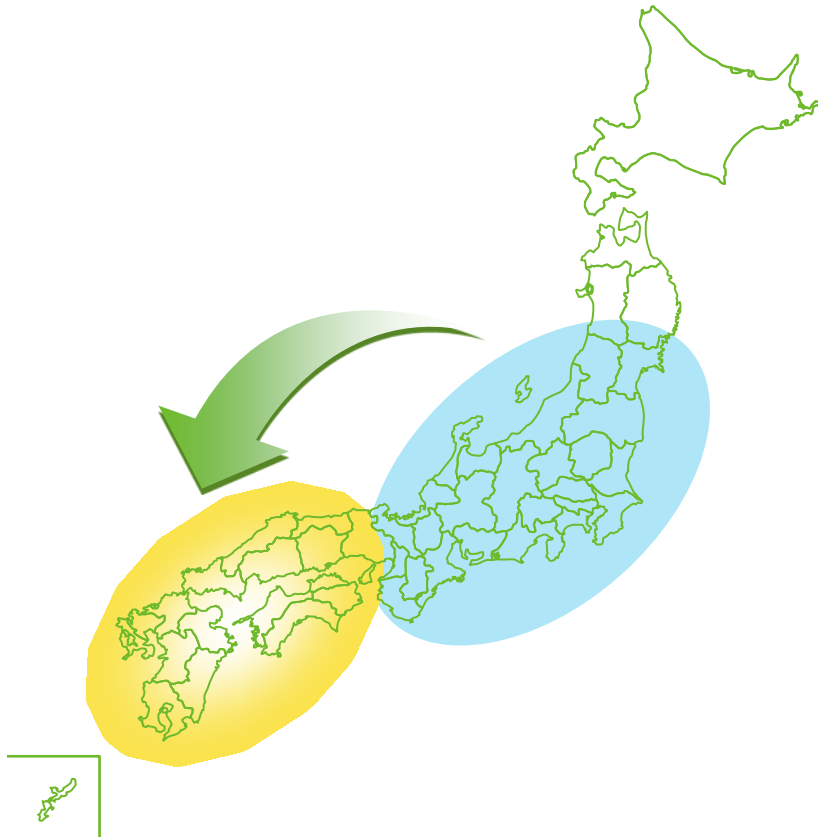
■ Lineup of house maintenance services





## Expansion of marketing areas

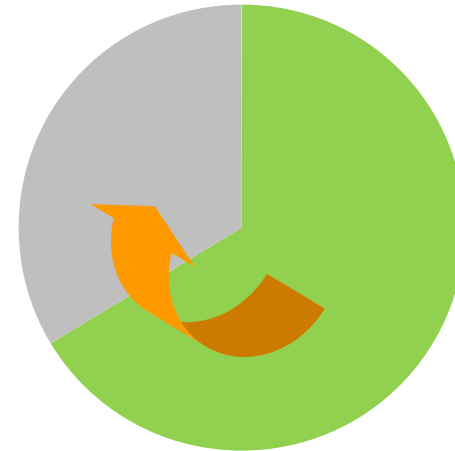
- Expand in to the west of Kansai
- Develop areas in tie-ups with JA



## Cultivation of existing areas

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

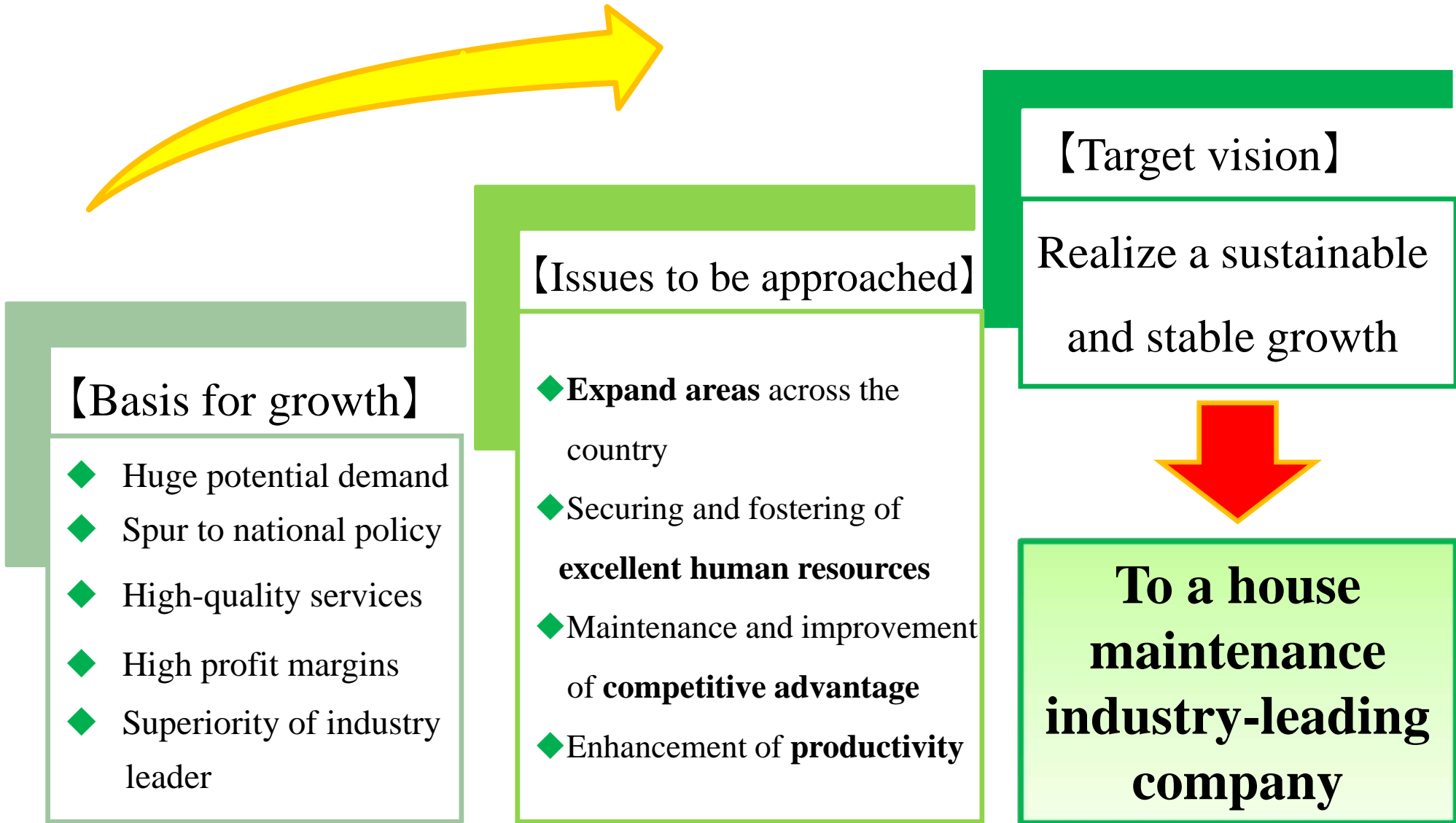
Pct. of tie-ups with JA within the existing areas



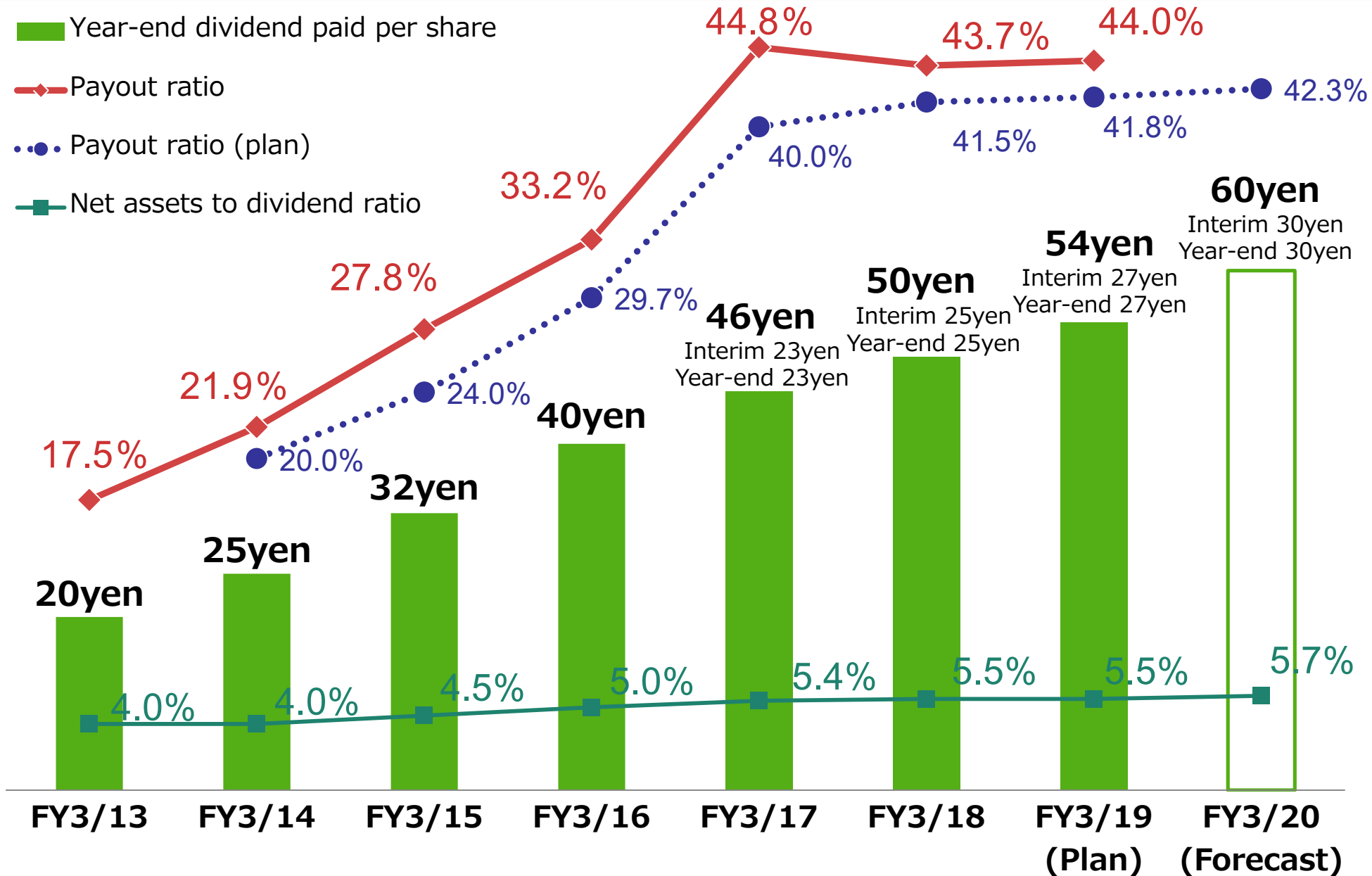
# Growth Strategy 3



**Sustainable growth with termite control-related services at the core**



# Planned Dividend and Forecasts





# Stock Information (Special Benefit for Shareholders / Dividend yield)

## ◆ Special Benefit for Shareholders

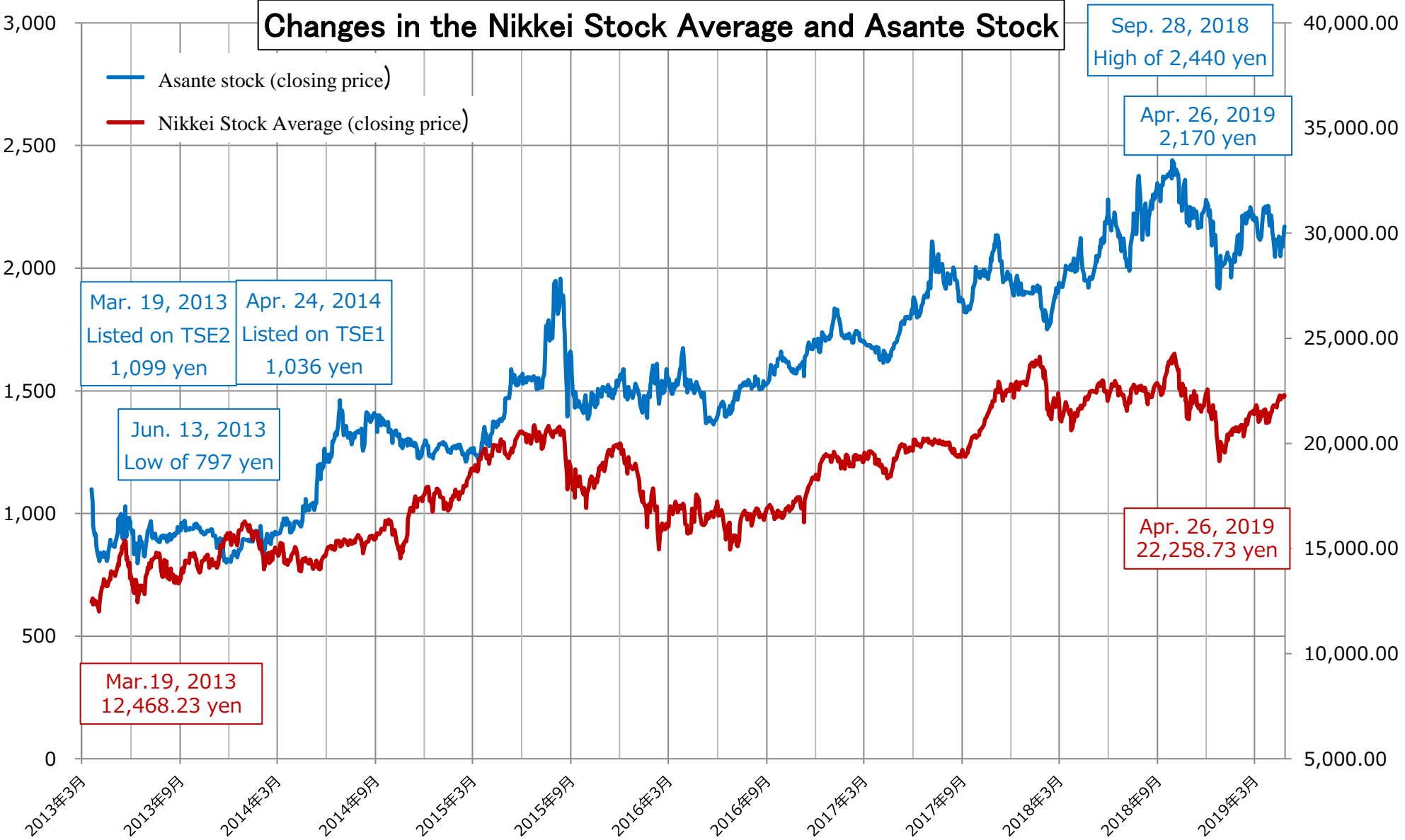
- Eligible shareholders : For shareholders with 1 or more share unit(s)  
at the end of March or September
- Special Benefit : Gift of a 1,000 yen Mitsubishi UFJ NICOS gift card
- Delivery Period : Planned to be sent in June and December of every year

## ◆ Dividend yield

Stock price (closing price as of April 26, 2019)	2,170 yen
Trading unit	100 shares
Annual dividend (forecast) (Interim: 30 yen, year-end: 30 yen)	60 yen
<b>Annual dividend yield (forecast)</b>	<b>2.8 %</b>
Special Benefit for Shareholders (1,000 yen gift card/ twice a year)	2,000 yen
<b>【Ref.】 Annual dividend yield of 「Dividend + Shareholder benefit」*</b>	<b>3.7 %</b>

\*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.