



Financial Results for Q2 of the Fiscal Year Ending in September 2019

CANDEAL Co., Ltd.

TSE Mothers :1446

May 15, 2019

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1

Highlights



Building Lifecycle Support Company

Group is a...

As a provider of reliable **repair, renovation, maintenance and management services**, we **eliminate sources of problems and dissatisfaction** that create stress for people who use buildings.

Repair service, our main business since the founding, **is an eco-friendly business model**.

1. Second Quarter

Sales up by 7.8% YoY, and **ordinary income up by 42.3%**, showing strong performance. Sales of services for the **commercial environment** up by 18.2%, and **repair** sales up by 7.5%.

2. Full-year Forecast

Sales to up by 10.3% and **ordinary income to up by 27.5% YoY**. Forecast **record-high profits**.

Put emphasis on **interim and year-end dividends, shareholder benefits, and shareholder returns**.

3. Future Development

Establish a sustainable growth base through the enhancement of **alliances and service menus**.



What is CANDEAL?

CANDEAL Core of the Group's business

We aim to eliminate various stresses associated with buildings, as well as the stress of people,

CANDEAL Core of the Group's business

To provide peace of mind and
comfort.

CANDEAL Group is a...

Building Lifecycle Support Company

Through repairs, renovations, maintenance and management of buildings,
we eliminate sources of problems and dissatisfaction that create stress for people who
use buildings

Outline of the Service

Our services include repairs, renovations, maintenance and management of buildings

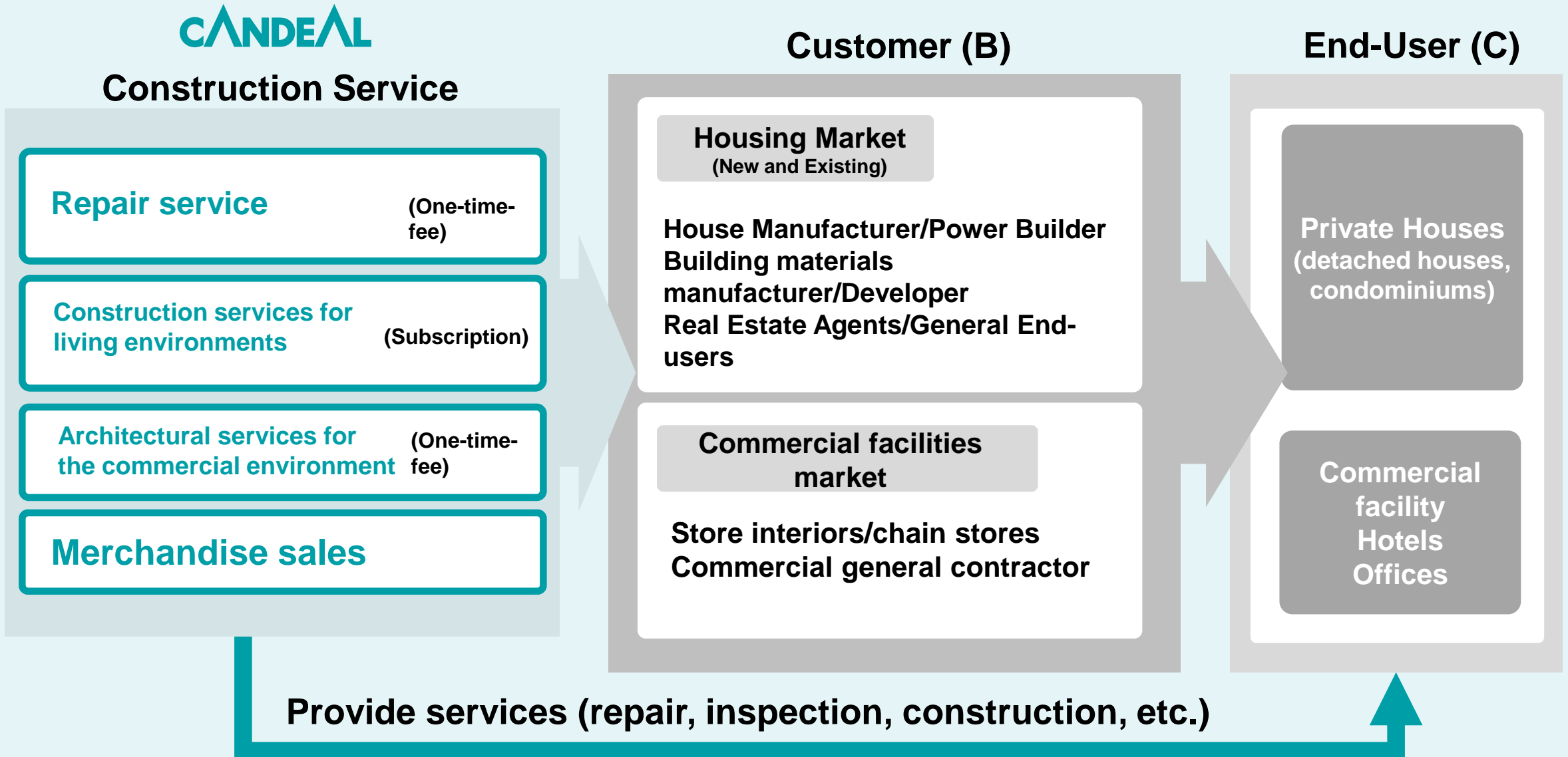
Target of the Service

We can provide services to various types of buildings, including houses (detached houses, condominiums), commercial facilities, hotels and offices.

Business Model

**BtoBtoC Business Model
Dispatch engineers to work sites to provide services through orders from house manufacturers, general contractors, etc.**

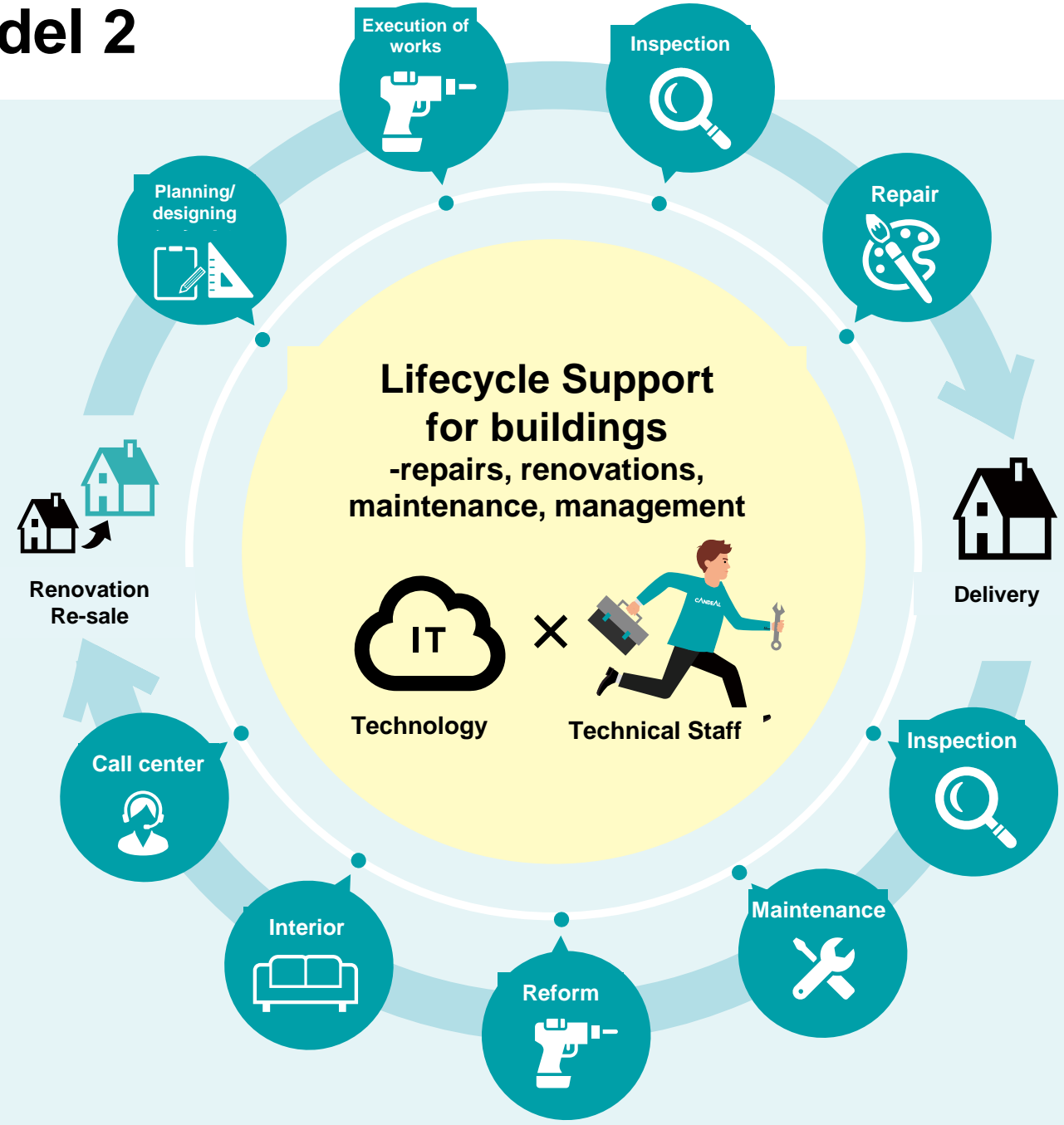
BtoBtoC model 【Construction services】 are classified into 4 categories.



Dismantling and re-construction.
Extends a building lifecycle

Support for rising demand for vacant houses

Aging, Replacement Renovation



Supports finishing of buildings under construction

Retain customers through after-sales service

2 Founding Story (Group History)

Our founding was triggered by:
Mr. Hayashi said "I'm in trouble!"

- Repair service

Restore aesthetics without replacing parts.
Low-cost and short-time delivery



1995

Established Japan's first **specialized repair company!**

2000-

Repair services were established in the construction industry

2005-

Commenced the industry's first **After-sales Periodic Inspection service!**

19 bases, 414 employees

2008-

Offer services for the commercial environment

44 bases, 573 employees

Listed on TSE Mothers

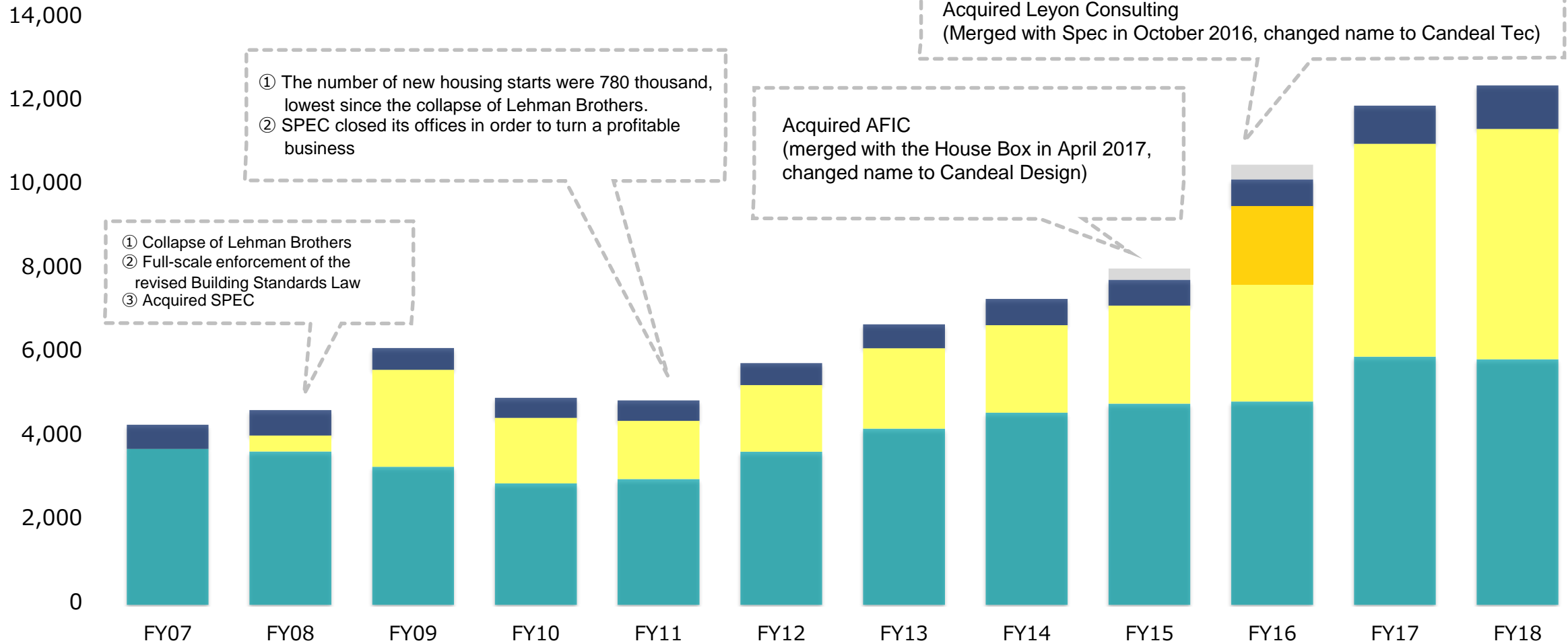
2018-

56 bases
1,453 employees

Acquired 4 companies under the M&A strategy

Grow our performance through Strategic M&A

(Million yen)



① The number of new housing starts were 780 thousand, lowest since the collapse of Lehman Brothers.
 ② SPEC closed its offices in order to turn a profitable business

Acquired Leyon Consulting (Merged with Spec in October 2016, changed name to Candéal Tec)

Acquired AFIC (merged with the House Box in April 2017, changed name to Candéal Design)

① Collapse of Lehman Brothers
 ② Full-scale enforcement of the revised Building Standards Law
 ③ Acquired SPEC

Burn Repair Co., Ltd.
 Construction services for living environments: For detached houses (repair, inspection, call center, etc.)

SPEC Co., Ltd.
 (Candéal Tec Co., Ltd.)
 Architectural services for the commercial environment (Interior installation, furniture assembly, lifting, etc.)

Rayon Consulting Co., Ltd.
 (Candéal Tec Co., Ltd.)
 Construction services for living environments: For condominiums (repairs, inspections, residential services, etc.)

House Box Co., Ltd.
 (Candéal Design Co., Ltd.)
 Merchandise sales (maintenance merchandise)

AFIC Co., Ltd.
 (Candéal Design Co., Ltd.)
 Merchandise sales (interior products) Construction services for living environments (Interior Design/Planning/Design)

※ This graph is a simple monthly sum of the sales of each company from the time of consolidation in accordance with the fiscal year-end of Burn Repair Co., Ltd.
 ※ Our consolidated financial results are from August 7, 2014, to March 31, 2015, April 1, 2015, to September 30, 2015, and October 1, 2015, to September 30, 2016, which differ from our consolidated financial results.
 ※ House Box Co., Ltd. was consolidated in December 2002, SPEC Co., Ltd. in July 2008, Affect Co., Ltd. in March 2015, and Leyon Consulting Co., Ltd. in November 2015.



Business Results for FY9/19 Q2

Summary of Consolidated Business Results

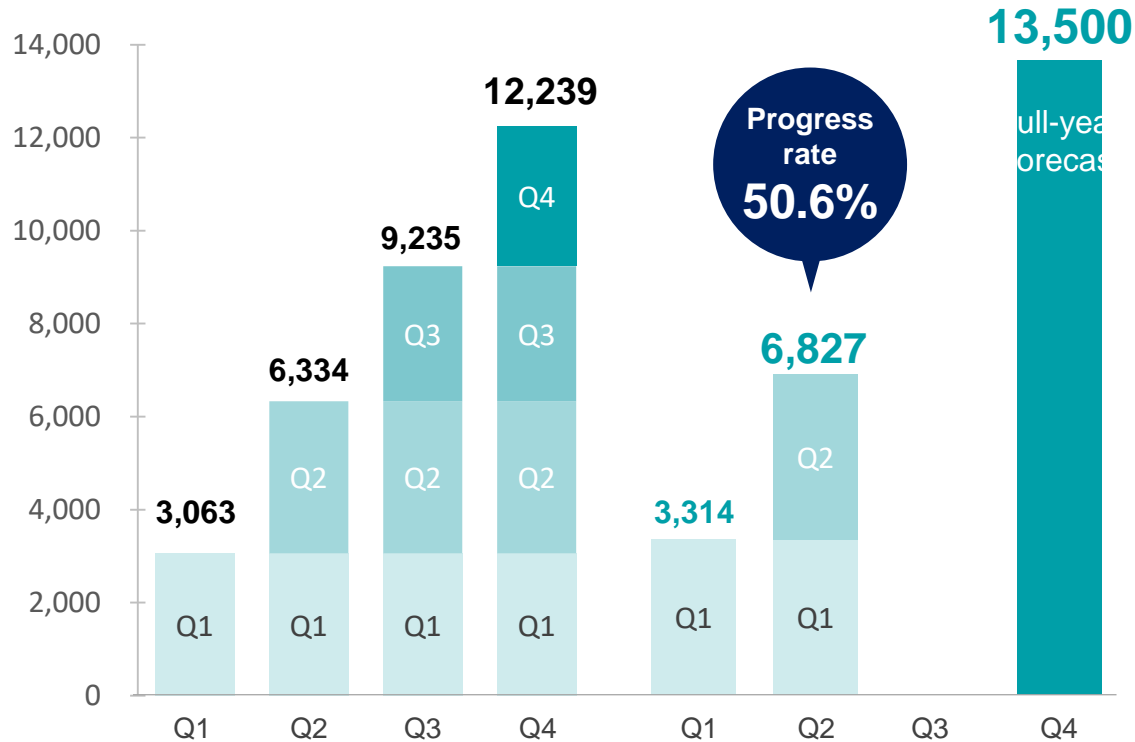
(Million yen)

	FY9/18 1H	Profit ratio	FY9/19 1H	Profit ratio	YoY change
Net sales	6,334		6,827		107.8%
Gross profit	2,291	36.2%	2,446	35.8%	106.8%
Operating income	278	4.4%	353	5.2%	126.9%
Ordinary income	248	3.9%	353	5.2%	142.3%
Net income	155	2.5%	197	2.9%	126.3%
Net income before amortization of goodwill	252	4.0%	293	4.3%	116.3%

Net sales

FY18

FY19

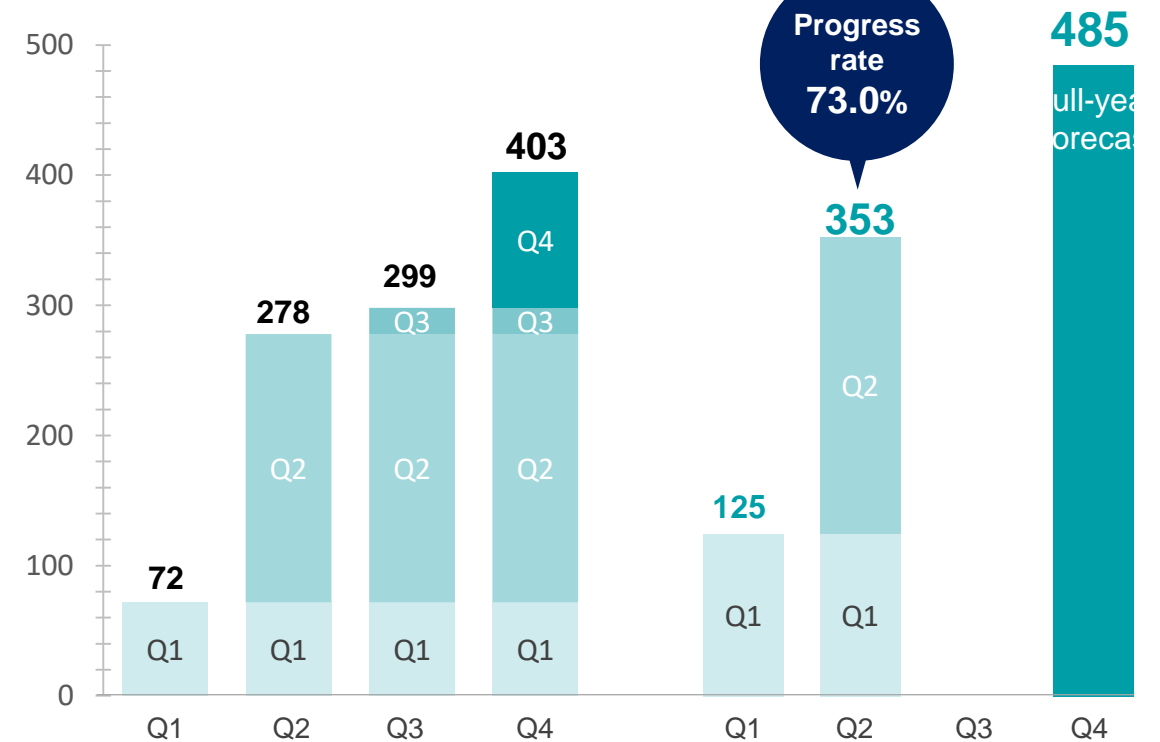


Operating income

(Million yen)

FY18

FY19



***In Q3, both sales and profits are relatively lower than in the other quarters due to the characteristics of the business**

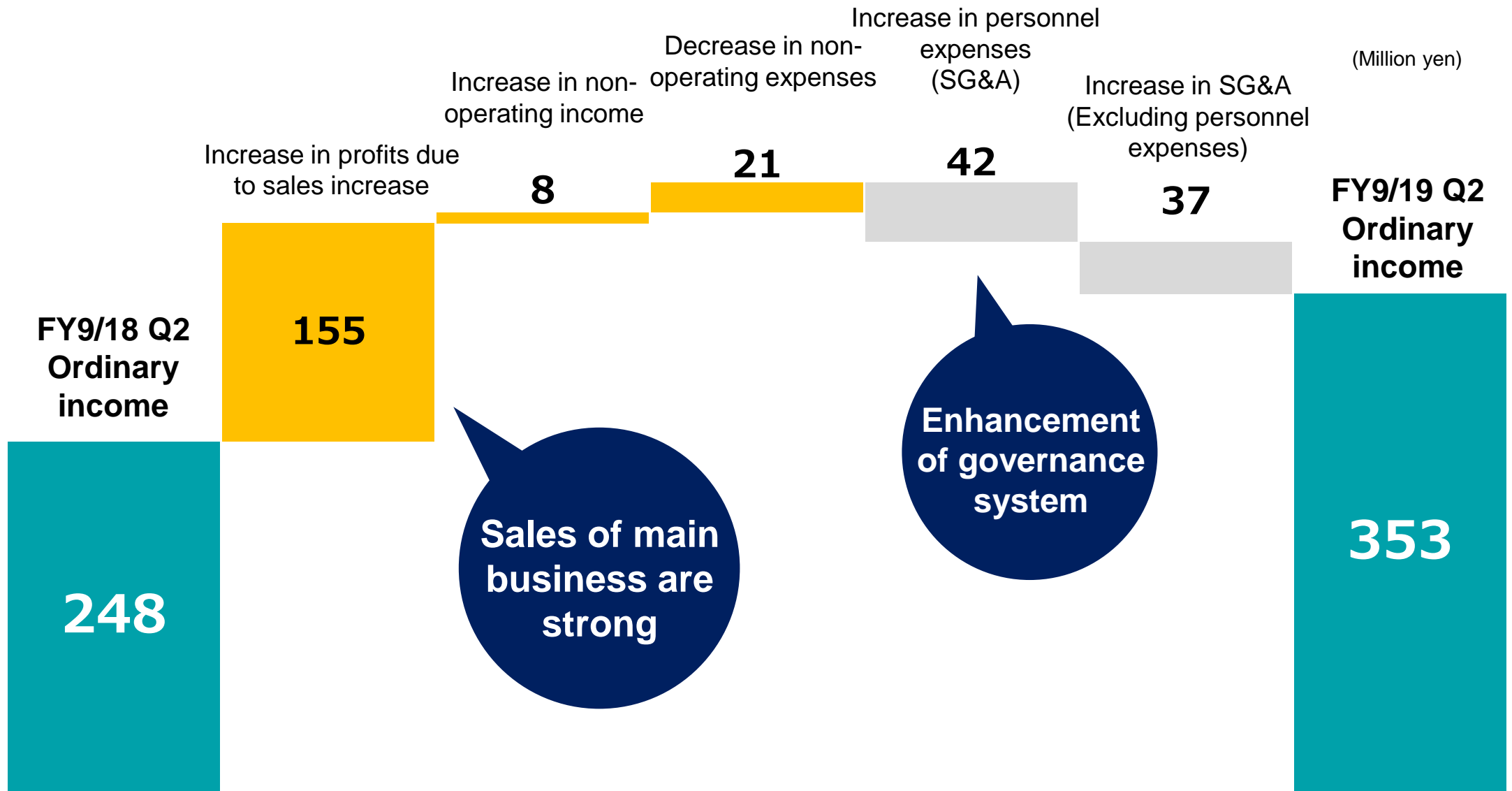
<Factors>

- Our Q3 period (April-June) does not include a construction peak period (construction peak period: March, September, December)
- This period is positioned as a period for strengthening the development of new graduates, and SG&A expenses increased due to the hiring of new graduates and training for them. In addition, it takes time for them to come to work and contribute to sales.

*Figures for Q1 FY9/18 are for reference because we have not yet listed and have not been reviewed by the auditing firm.

3

Analysis of Changes in Consolidated Ordinary Income



3 FY9/19 Q2 Composition of Group sales

FY9/19 Q2

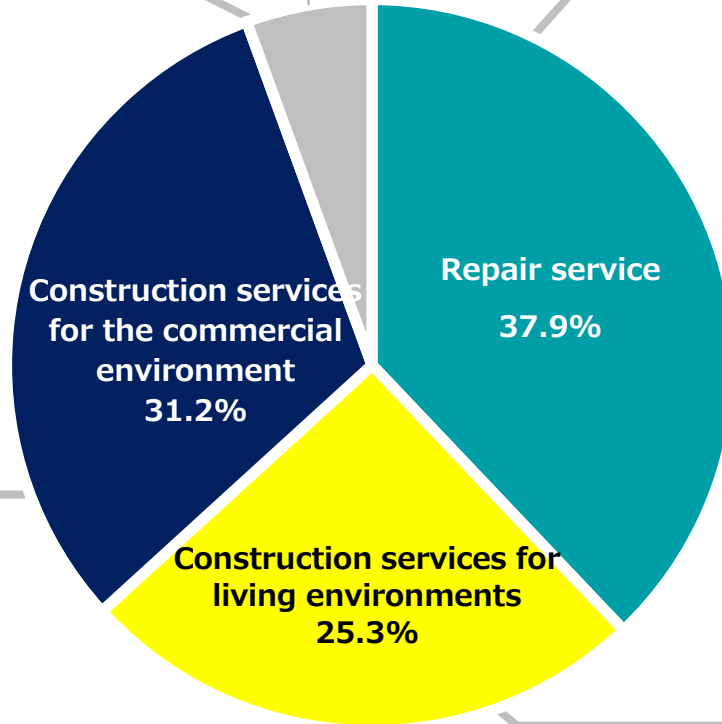
Cumulative sales: 6,827 million yen Composition ratio by service

Merchandise sales



Merchandise sales 5.6%

Repair service



Construction services for the commercial environment



Construction services for living environments



3 Reference Figures: Number of Clients, etc.

Industry
No.1

Repair service

Number of client companies

FY9/18

20,112 companies



FY9/19 Q2

20,673 companies

102.8%

Vs. previous year-end

(+561 companies)

Industry
leader

Periodic after-sales inspections

Cumulative number of units under management

FY9/18

300,973 units



FY9/19 Q2

323,589 units

107.5%

Vs. previous year-end

(+22,616 units)

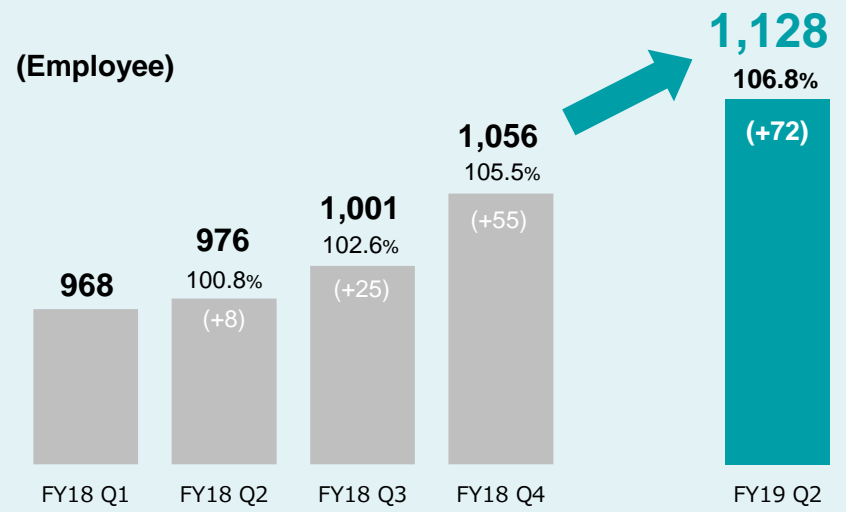
3 Platform to Support Growth of Service

Number of in-house engineers

(Number of directly employed persons)



Vs. previous year-end
106.8%
(+72)



Partner companies

FY9/19 Q2

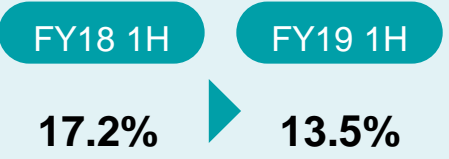
About **450** companies ^{※1}

Vs. previous year-end
104.7%
(+20)

*1 The number of partner companies is the sum of the three companies: Burn Repair Co., Ltd., Candéal Tec Co., Ltd., and Candéal Design Co., Ltd

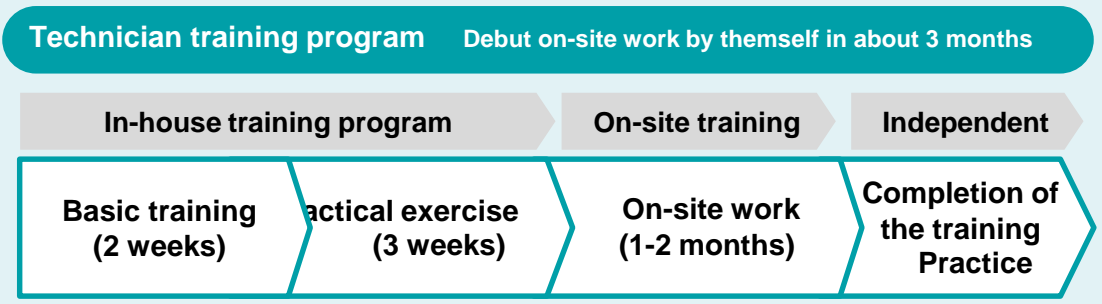
Turnover of engineers

Improved by **3.7%**



Technician training program

Unique education program manual and teaching materials for human resources development. Focusing not only on developing technical skills but also on software aspects, such as **appearance, communication skills, manners**, etc.



3 Sales by Service

(Million yen)

	FY9/18 1H	Composition ratio	FY9/19 1H	Composition ratio	YoY change
Repair service	2,407	38.0%	2,588	37.9%	107.5%
Construction services for living environments	1,712	27.0%	1,728	25.3%	100.9%
Architectural services for commercial environments	1,801	28.4%	2,129	31.2%	118.2%
Merchandise sales	413	6.5%	380	5.6%	92.0%
Total	6,334		6,827		107.8%

3 Status of Repair Service

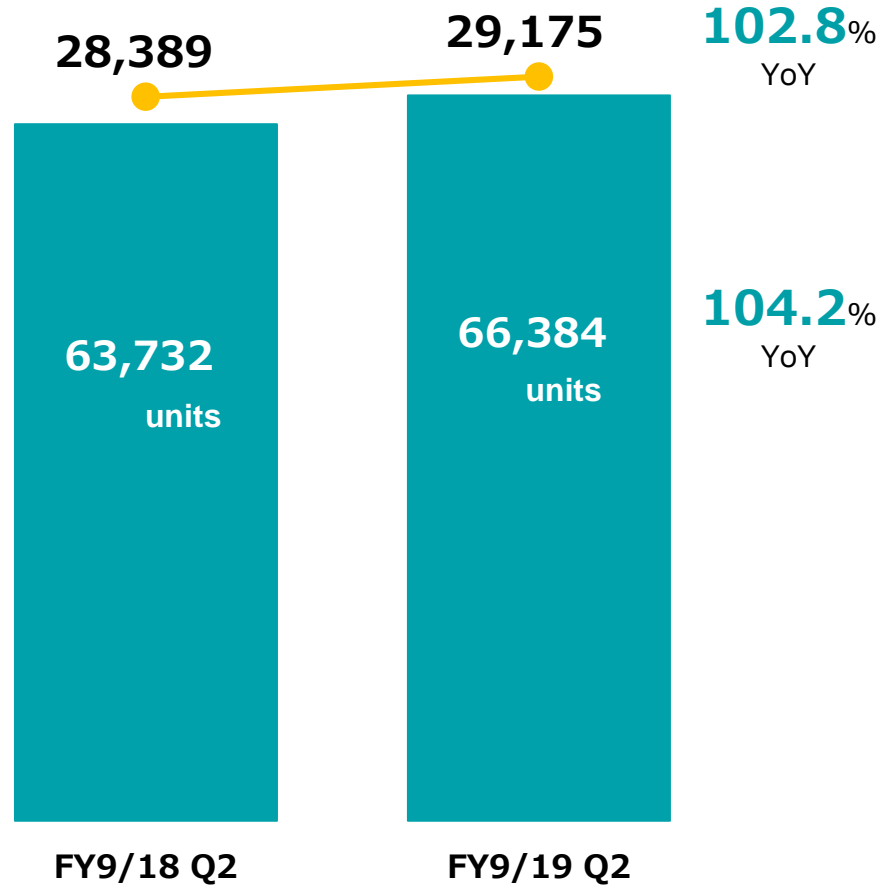
(Million yen)

	FY9/18 Q2 Result	Composition ratio	FY9/19 Q2 Result	Composition ratio	YoY change
Repair service	2,407	38.0%	2,588	37.9%	107.5%
Repair for detached houses	1,807	28.5%	1,931	28.3%	106.8%
Repair for condominiums	599	9.5%	657	9.6%	109.6%

3

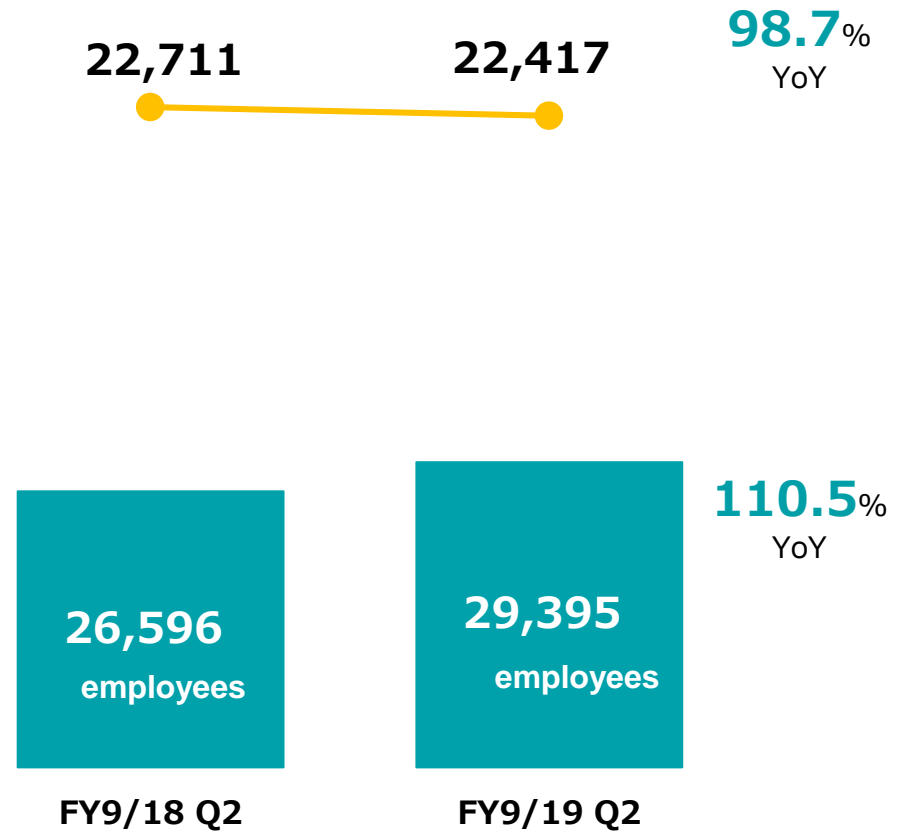
Status of Repair Service

Repair service for detached houses



■ Number of orders received
 ● Unit price of orders received (yen)

Repair service for condominiums



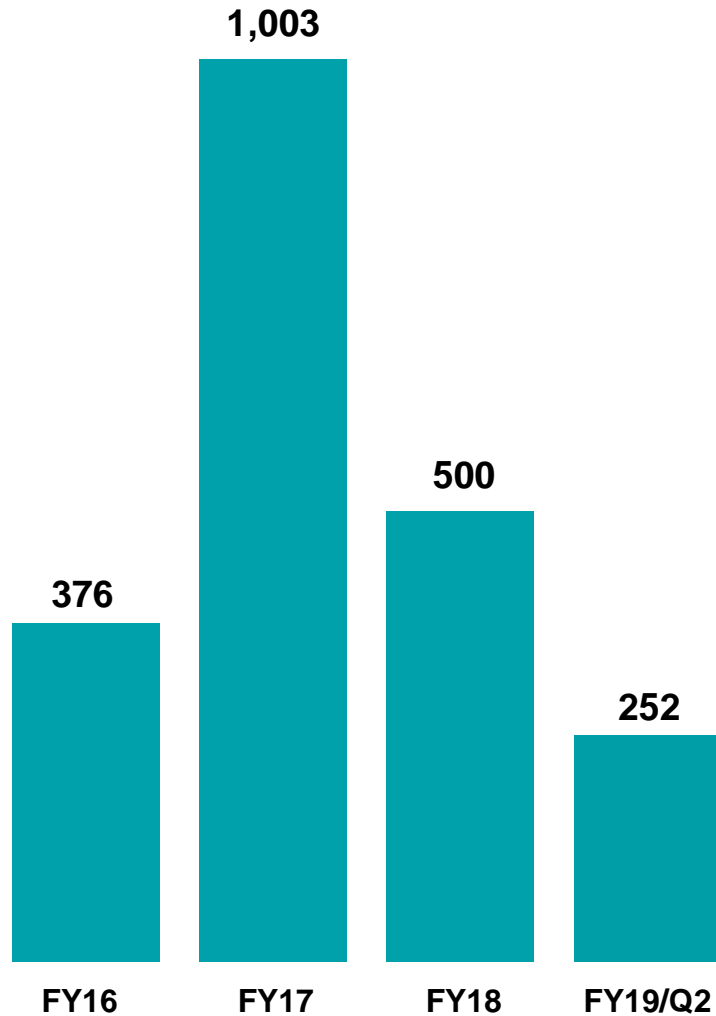
■ Number of workers
 ● Productivity per worker (yen)

(Million yen)

	FY9/18 Q2 Result	Composition ratio	FY9/19 Q2 Result	Composition ratio	YoY change
Construction services for living environments	1,712	27.0%	1,728	25.3%	100.9%
Inspection	458	7.2%	483	7.1%	105.5%
Maintenance, construction, etc.	986	15.6%	992	14.5%	100.6%
Refit	267	4.2%	252	3.7%	94.2%

3 Characteristics of Refit Service

Changes in Sales (Million yen)



Difficult to estimate orders as this service is for recall products

Only the CANDEAL Group can offer recall service for centralized interior finishing materials in nationwide

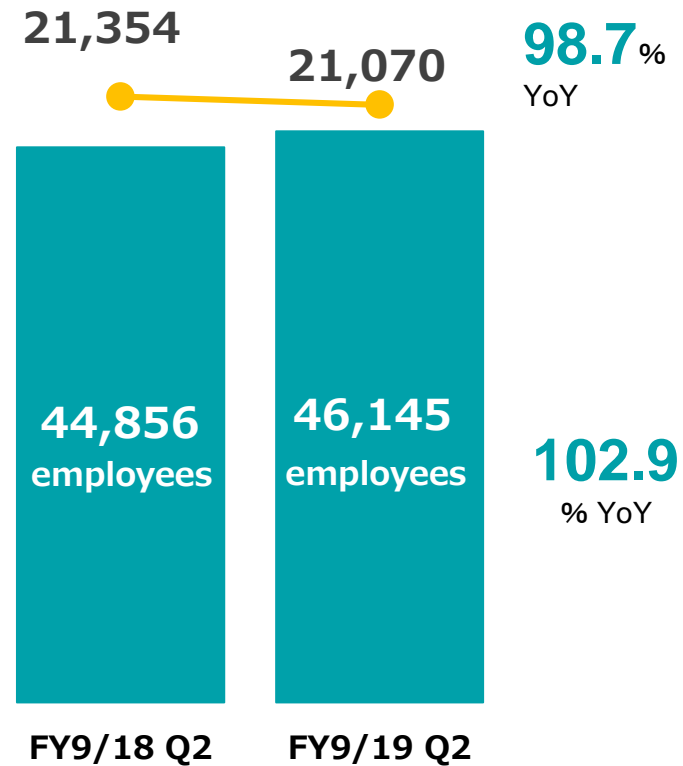
Flexible approach as required for accomplishing our social mission and customer support.

Status of Construction Services for Living Environments

Periodic after-sales inspection



Maintenance, construction, etc.



Refit service



■ Number of orders received

● Unit price of orders received (yen)

■ Number of workers

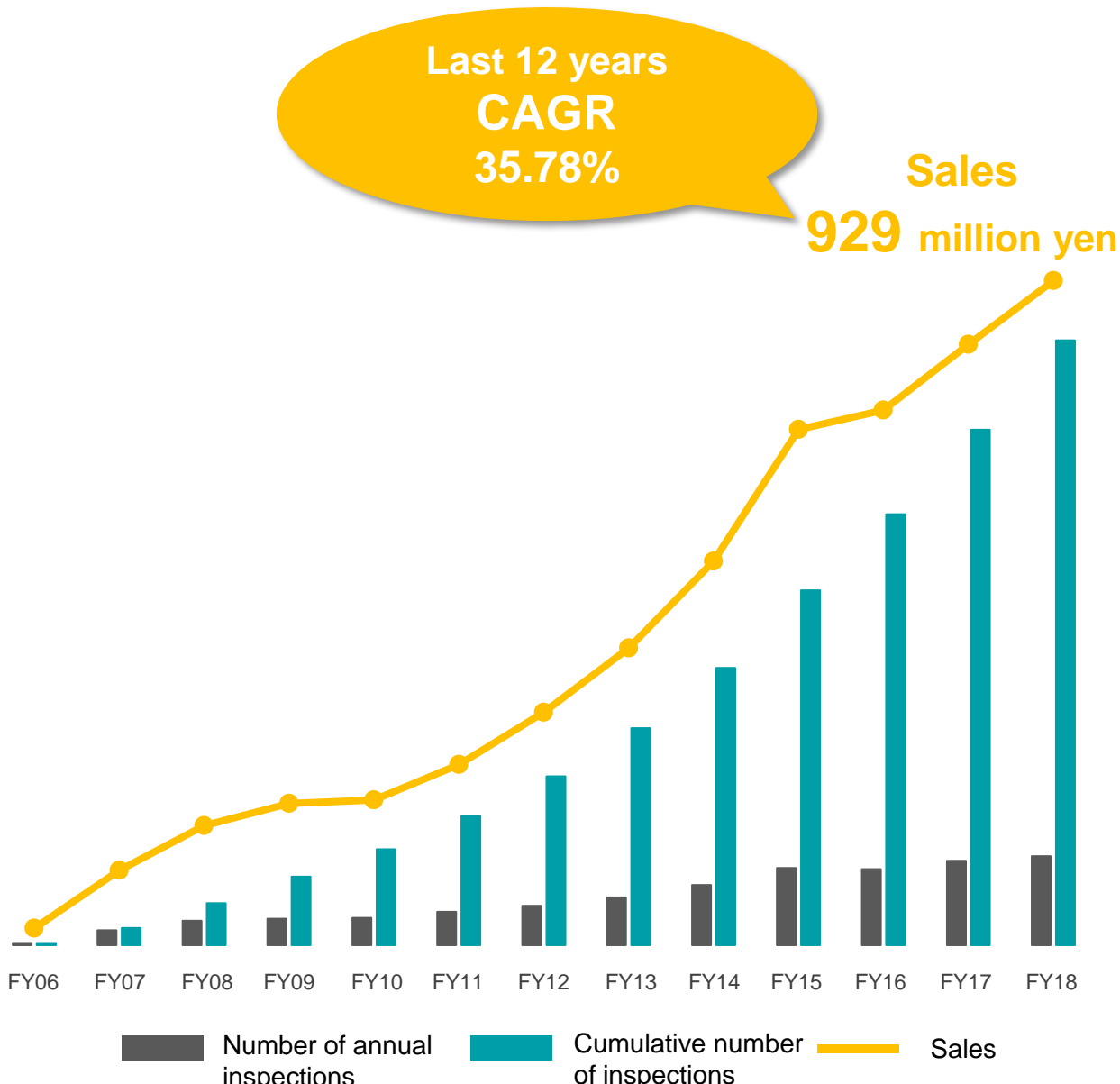
● Productivity per worker (yen)

■ Number of orders received

● Unit price of orders received (yen)

3

Periodic After-Sales Inspection Results



Number of inspections (1H)

FY9/18 Q2	36,970	YoY
FY9/19 Q2	37,690	

Cumulative number of inspections

FY9/18	506,708	107.4% YoY
FY9/19 Q2	544,398	

Cumulative number of units under management

FY9/18	300,973 un its	107.5% YoY
FY9/19 Q2	323,589 un its	

Around the door Counting

Status of Construction Services for Commercial Environments and Merchandise Sales

(Million yen)

	FY9/18 1H	Composition ratio	FY9/19 1H	Composition ratio	YoY change
Construction services for the commercial environment	1,801	28.4%	2,129	31.2%	118.2%
Commercial Facilities and Hotel Interior	791	12.5%	1,059	15.5%	134.0%
Office Interior	416	6.6%	462	6.8%	111.3%
Furniture assembly	291	4.6%	294	4.3%	101.2%
Lifting, etc.	302	4.8%	312	4.6%	103.2%
Merchandise sales	413	6.5%	380	5.6%	92.0%

	Repair Service	Construction services for living environments	Construction services for the commercial environment	Merchandise sales
Hajime Construction Co., Ltd	●	●		●
IKEA JAPAN CO., LTD.			●	
Aim Create Co., Ltd.			●	
Asahi Kasei Homes Corporation	●	●		
★ Yoshichu Mannequin Co. Ltd.			●	
★ ALMETAX MANUFACTURING CO., LTD.	●	●		
A Factory Co., Ltd.			●	
Obayashi Corporation	●	●	●	
NOMURA Co., Ltd			●	
Handy Crown Co., Ltd.				●

Top 11th-20th

Daiwa House Industry Co., Ltd. / TACT HOME CO.,LTD. / YKK AP Inc. / CS Corporation Co., Ltd.

Daito Trust Construction Co., Ltd. / Dai Nippon Printing Co., Ltd / TNP Co., Ltd. / Sumitomo Realty & Development Co., Ltd.

Haseko Corporation / HASEKO NAVIE CORPORATION

★ First client companies ranked among the top 10 in Q2

4

FY9/19

Business Forecasts

(Million yen)

	FY9/17 Result	FY9/18 Result	YoY change	FY9/19 Forecast	YoY change
Net sales	11,959	12,239	102.3%	13,500	110.3%
Operating income	334	403	120.7%	485	120.1%
Ordinary income	285	345	120.7%	440	127.5%
Net income	112	171	152.7%	218	127.2%
Net income before amortization of goodwill	304	363	119.3%	410	112.8%

Sales Forecasts by Service Category

(Million yen)

	FY9/17 Result	FY9/18 Result	YoY change	FY9/19 Forecast	YoY change
Repair service	4,653	4,670	100.4%	5,140	110.1%
Repair for detached houses	3,446	3,576		3,886	108.7%
Repair for condominiums	1,206	1,093	90.6%	1,254	114.7%
Construction services for living environments	3,562	3,320		3,494	105.2%
Inspection	839	929	110.7%	1,038	111.7%
Maintenance, construction, etc.	1,720	1,890	109.9%	2,194	116.1%
Refit	1,003	500	49.9%	261	52.2/9
Construction services for commercial environments	2,875	3,471	120.7%	4,025	116.0%
Merchandise sales	867	776	89.5%	839	108.0%
Total	11,959	12,239	102.3%	13,500	110.3%

4 Shareholder Return Policy (FY9/19)

Annual dividend



Shareholder Benefit Program

For eligible shareholders, we present QUO Card according to the shares held.

Number of shares held	Shareholder Benefit Program
100 to less than 1,000 shares	QUO Card worth 3,000 yen
1,000 to less than 3,000 shares	QUO Card worth 4,000 yen
More than 3,000 shares	QUO Card worth 5,000 yen

*Eligible shareholders: Shareholders listed on the Shareholder Register as of September 30, 2019 will be eligible

5

Growth Strategy

Growth Strategy

Reinforce services to the existing housing market against the backdrop of our “nationwide construction service network” not available with competitors.

- 1. Increasing number of new customers for the CANDEAL’s core repair services service**
- 2. Reinforcing and expanding maintenance and management service menus for houses**
- 3. Reinforcing and expanding maintenance and construction service for commercial facilities**
- 3. Enhancing profit margin (higher capacity utilization and cost reduction)**

Develop customers for repair services in areas that were not covered in the past

Real estate broker for existing houses and rental housing

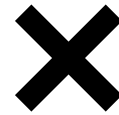
Real estate re-sell agency (after renovation)

Expand the reach to the existing housing market

Alliance with TEPCO HomeTech, Inc.

Strengthening sales capabilities for repair and installation services in the existing housing market

Entered into a tie-up with TEPCO HomeTech, Inc., which has a broad customer base



TEPCO HomeTech, Inc.

**Nationwide construction
network**

Repair service throughout the TEPCO service area
Small-scale renovation and maintenance services

Affiliated Subsidiary: **BÜRN**

**Provide comprehensive
energy-saving services**

Expanded the service area of TEPCO Maintenance to
Tokyo, Kanagawa, Chiba and Saitama in September 2018

Develop a service menu for buyers and sellers of existing houses

Real estate broker/reseller

Services for sellers

- **Pre-sales inspection**
- **Initiatives to sustain selling price**
(Repair, maintenance and minor reforms)
- **Inspection of housing equipment**



Services for buyers

- **After-sales follow-up**
(Periodic Inspection, consultation center and on-demand service)
- **Reform and renovation**
- **Housing equipment warranty**
- **Creating comfortable space/ order-made furniture**

Business alliance with Sompo Warranty Inc.

Began development of our original "Inspection & Warranty Service"
for housing equipment



SOMPOワランティ
Sompo Warranty Inc.

Insurance underwriter



損保ジャパン日本興亜

Sompo Japan Nipponkoa Insurance Inc.

Cumulative number of inspections: 506,708!

Nationwide construction network

**Offer inspections of facilities for existing
houses and after-sales inspections on a
nationwide scale**

Affiliated Subsidiaries: **BURN**

Largest provider of warranty products

**Member of the SOMPO Holdings Group
Providing Peace of Mind and Reliability throughout Japan
with firm capital strength**

Plans to announce detailed service menu in the near future!

Business alliance with Domans, Inc.

Entered into a business alliance with Domans, Inc., a leader in the new era
in the ordered furniture industry

Expand sales of newly developed mobile apps and provide furniture assembly
services



Sales & Construction

Furniture can be assembled nationwide.
(Assemble, install, and construct)

**Possess a nationwide customer
list in the construction industry**
Enable nationwide sales and marketing activities

Affiliated subsidiary: Candeal Design Co., Ltd.

Systems & Manufacturing

**Possess a system to provide
high-quality custom-made
furniture with inexpensive price**

Leverage the strengths of the nationwide construction network

① Construction (maintenance) operator alternative to building materials manufacturers' network

Building materials manufacturers are shifting to orders including construction as well as material sales. On the other hand, expectations are rising for new construction players who can handle all of the construction materials in a lump sum amid the downsizing of the conventional regional sales network due to the absence of successors. Our Group will respond to these expectations.

② Maintenance of guest rooms for accommodation • Development of management services

Periodic home inspections (subscription model) to the retail facility market.
Approach to companies of hotel management, equipment management, cleaning management, interior management, etc.

Improve utilization rate and reduce costs by improving efficiency by linking the group's systems

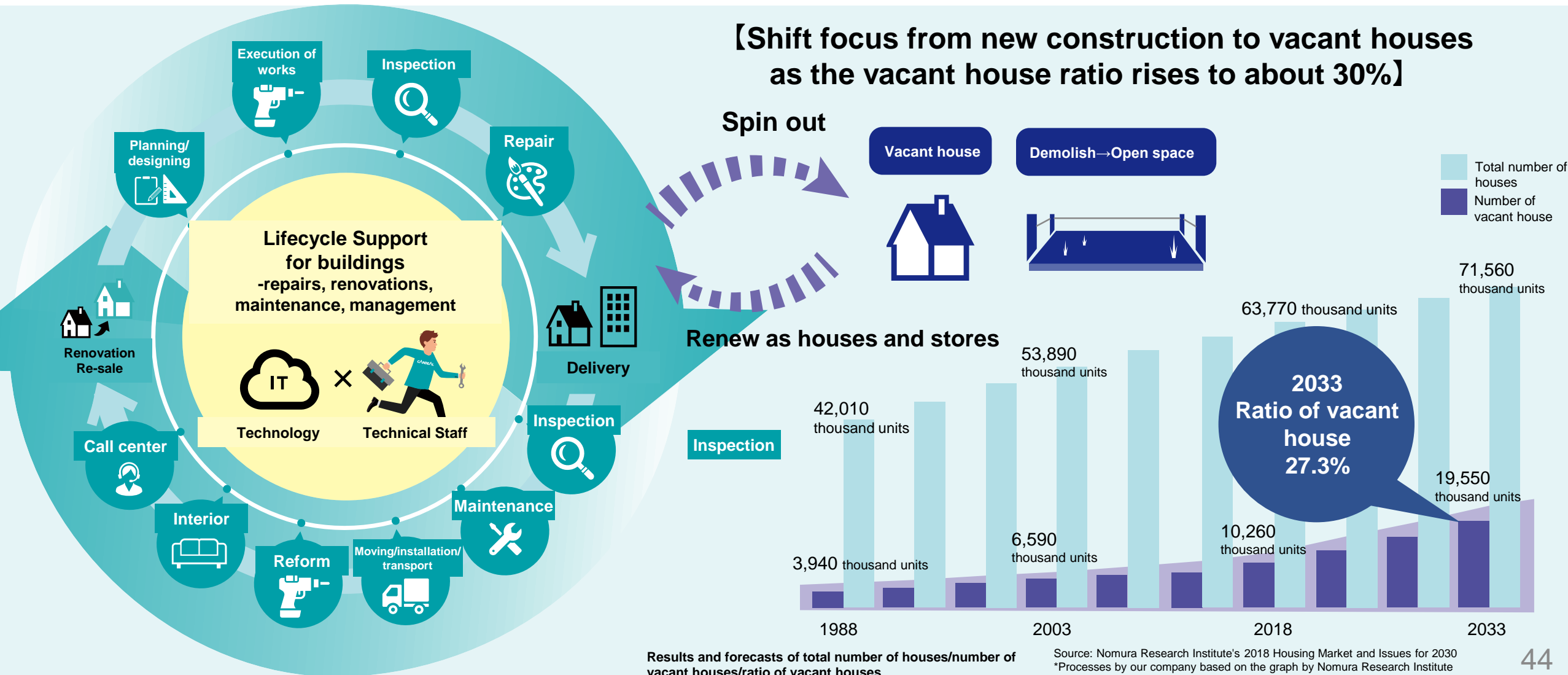


[Image]	- Current			Under development Plan to launch in the next term Coordination of group systems	- Future		
	Barn Repair	Techt	Designing		Barn Repair	Techt	Designing
Repair Service	Shortages of engineers	Surplus of engineers	/	Appropriate allocation	Appropriate allocation	/	
Construction services for living environments	Surplus of engineers	Shortages of engineers	Surplus of engineers	Appropriate allocation	Appropriate allocation	Appropriate allocation	
Construction services for the commercial environment	/	Appropriate allocation	/	/	Appropriate allocation	/	

Future Goal of the CANDEAL Group

“Lifecycle Support for buildings” as a core, Consider expansion into businesses targeting vacant houses expected to see an increase.

【Shift focus from new construction to vacant houses
as the vacant house ratio rises to about 30%】



Emergence of secondary market in buildings and residential houses!

Maintenance
Management
Cleaning

Repair
Exchange

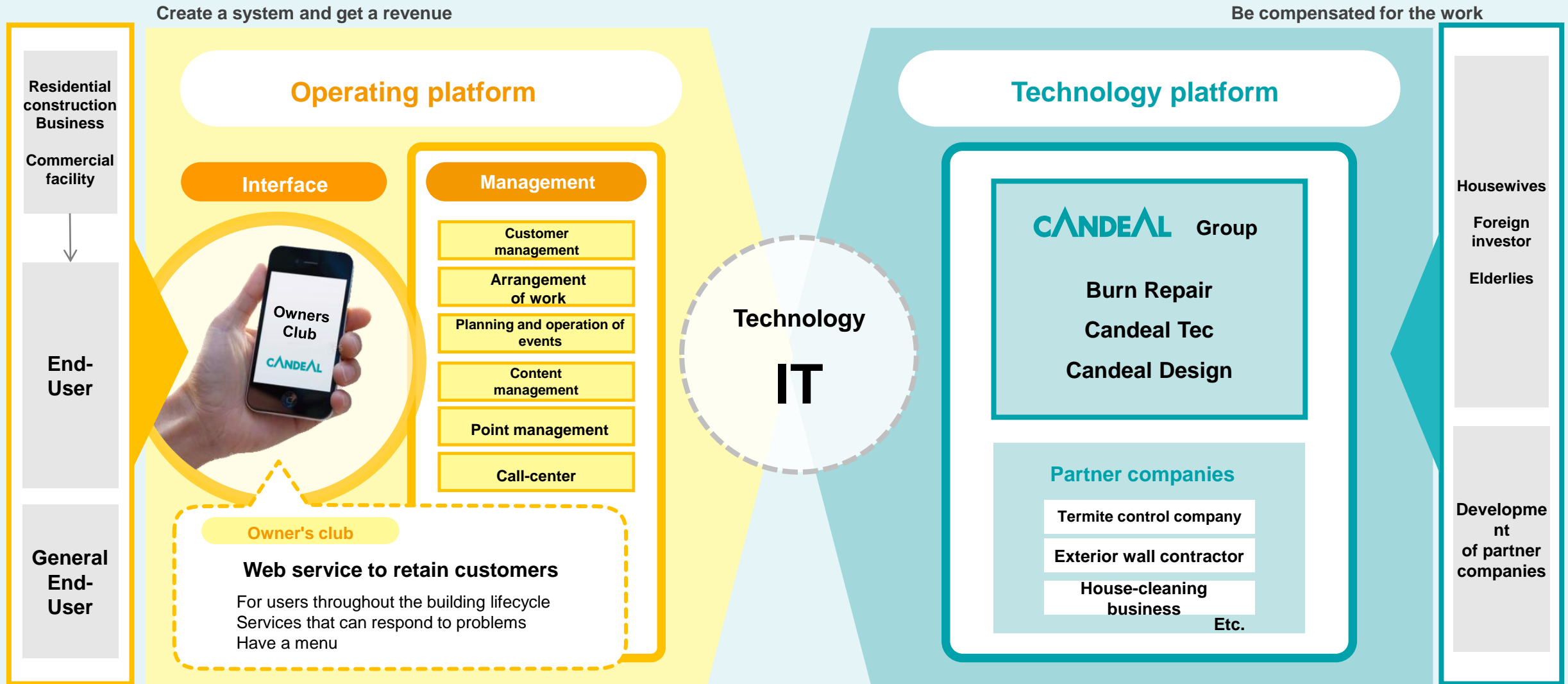
Evolution of the Sharing Economy



Insurance
Guarantee

Automation

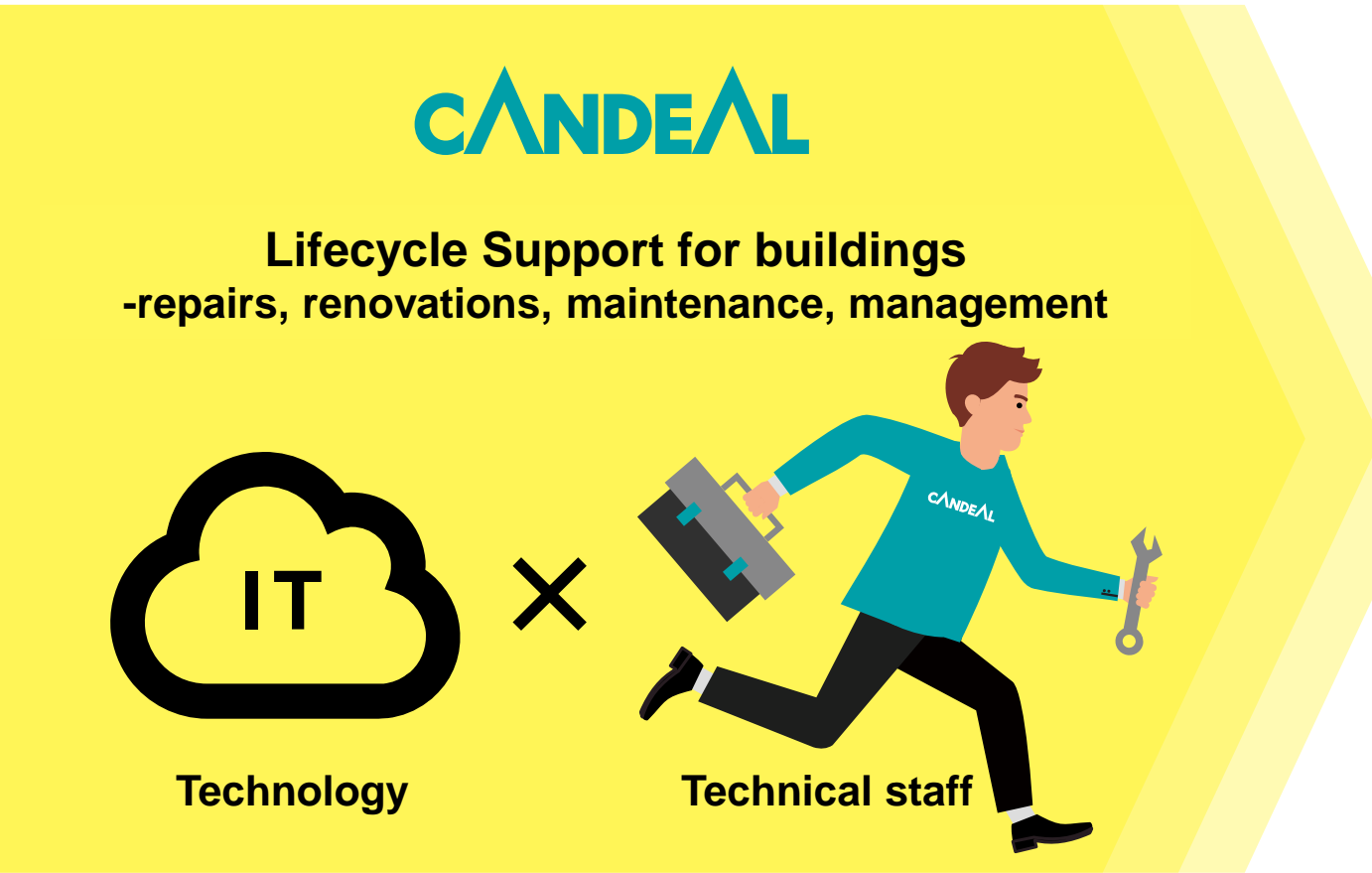
Establishment of a platform for building lifecycle support



※ The management platform is an image of the future.

Are the last point of contact in the building = “Last One-mile” human or technology?

CANDEAL resolves the last one-mile issues by fusing human (engineer) skills and IT technology.



**By multiplying two technologies,
Becoming a company that is indispensable in the building
lifecycle support**

"CANDEAL" in all buildings

CANDEAL

Manual & Technology



Appendix

Industry No.1

Repair service

- Service to repair the damages during housing construction and everyday life
- Providing services at pre-delivery period as the final stages of housing construction and the time of maintenance of existing houses
- Orders are mainly received by house manufacturers, power builders and renovation companies
- One-time-fee business associated with the occurrence of damages



Need for repair services

- It is not uncommon to cause scratches on the floor during the construction of a new house. Our repair service restores the floor by repair without replacement of parts.
- Compared to the replacement of parts, it is possible to reduce costs, shorten the time, and prevent other defects by repairing only the defective parts.



Cumulative number of units under management exceeded 300,000!

Construction services for living environments

- Services provided primarily at the timing of maintenance after delivery.
The core service is “Periodic after-sales inspection”
- Subscription business model for existing houses
- We mostly focus on this service



Characteristics of Construction services for living environments

- Provide after-sales support on behalf of construction companies after homes are delivered. A service lineup that supports the lifecycle of a building will lead to a comfortable living environment and an increase in the asset value of housing.

[Service lineup]

Periodic after-sales inspections

Inspections are conducted at six months, one year, two years and five years after delivery.

Maintenance

Maintenance services to maintain a comfortable living environment

Call-center

Call center specialized for construction as a point of contact for after-sales service

Renovation

Planning and designing to create comfortable living environment and increase asset value



Architectural services for the commercial environment

- Strengths in simultaneous construction work for multiple stores, including nationwide chain stores
- Assume assembly services for major Scandinavian furniture manufacturers operating around the world, at all stores in Japan
- In the future, we will introduce and develop a subscription model for housing after-sales

Commercial facility

Multi-store construction, including chain stores, Interior finish work at department stores

Office hotels

Interior finish work including the installation of fixtures and furniture

Furniture assembly

Assembly and installation of all furniture including major furniture manufacturers' products



Merchandise sales

- In the repair material sales, we offer repair and maintenance materials for professionals and general use at home centers and mass retailers nationwide, and e-commerce websites
- In the interior products sales, we offer lighting equipment and curtains with the interior advice service.

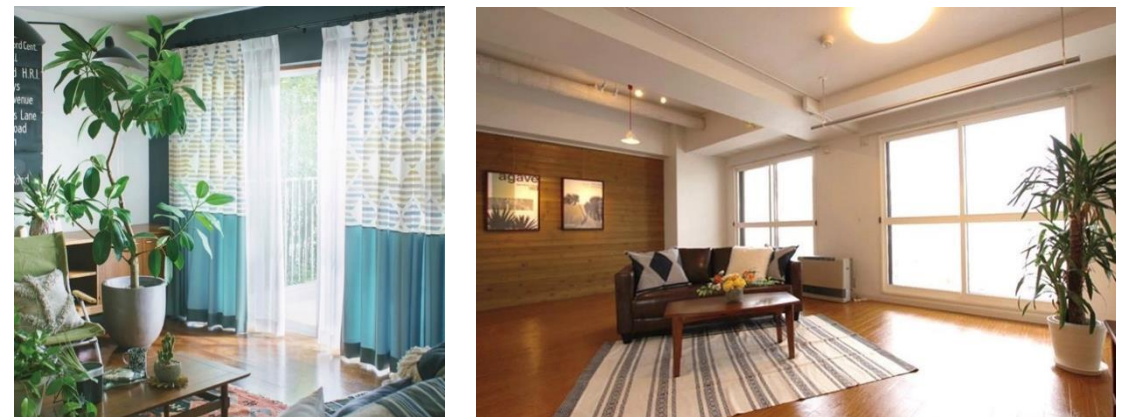
Repair materials

Sales of easy-to-use kits to general users



Interior products

Sales of interior products for after-sales service



Four Strengths Supporting Our Growth

1

Nationwide services network



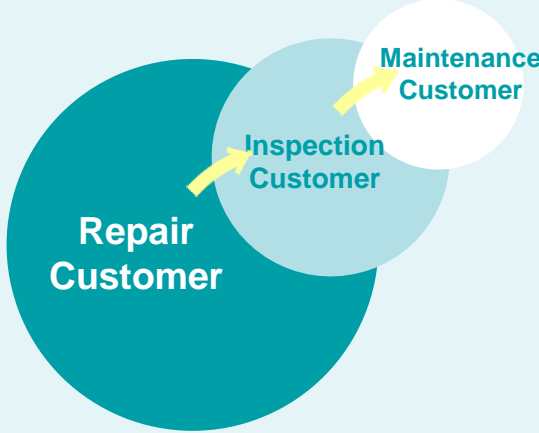
2

High-quality service engineers



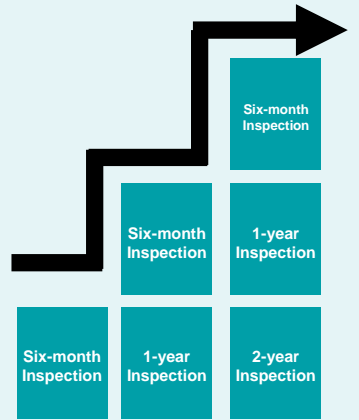
3

Large customer base nationwide



4

Subscription business model



Strengths: 1. Nationwide service network

We can provide services in all prefectures

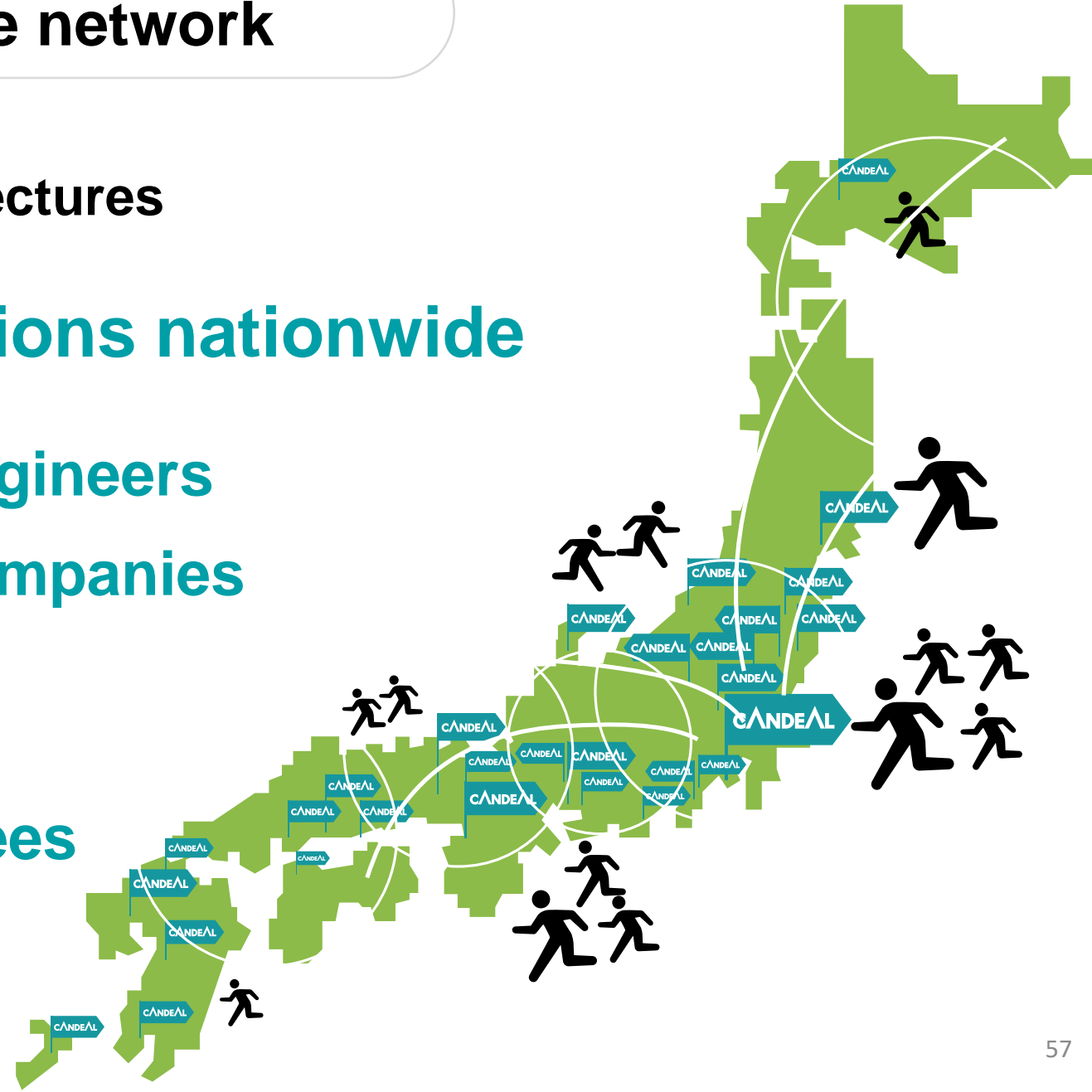
Service system extending to **56 locations nationwide**

Our engineers nationwide: **1,128 engineers**

Partner companies: **About 450 companies**

Call center to support the network of engineers

3 locations with about **130 employees**



Strengths 2. High-quality service engineers

We have original training programs, manuals, and teaching materials to develop human resources

Focus not only on technical capabilities, but also on education for intangible factors such as **personal appearance, language skills, and manners.**



Technician training program



Training tools

Manuals by project and work



Abundant video teaching materials



Exceed 500 times a year training

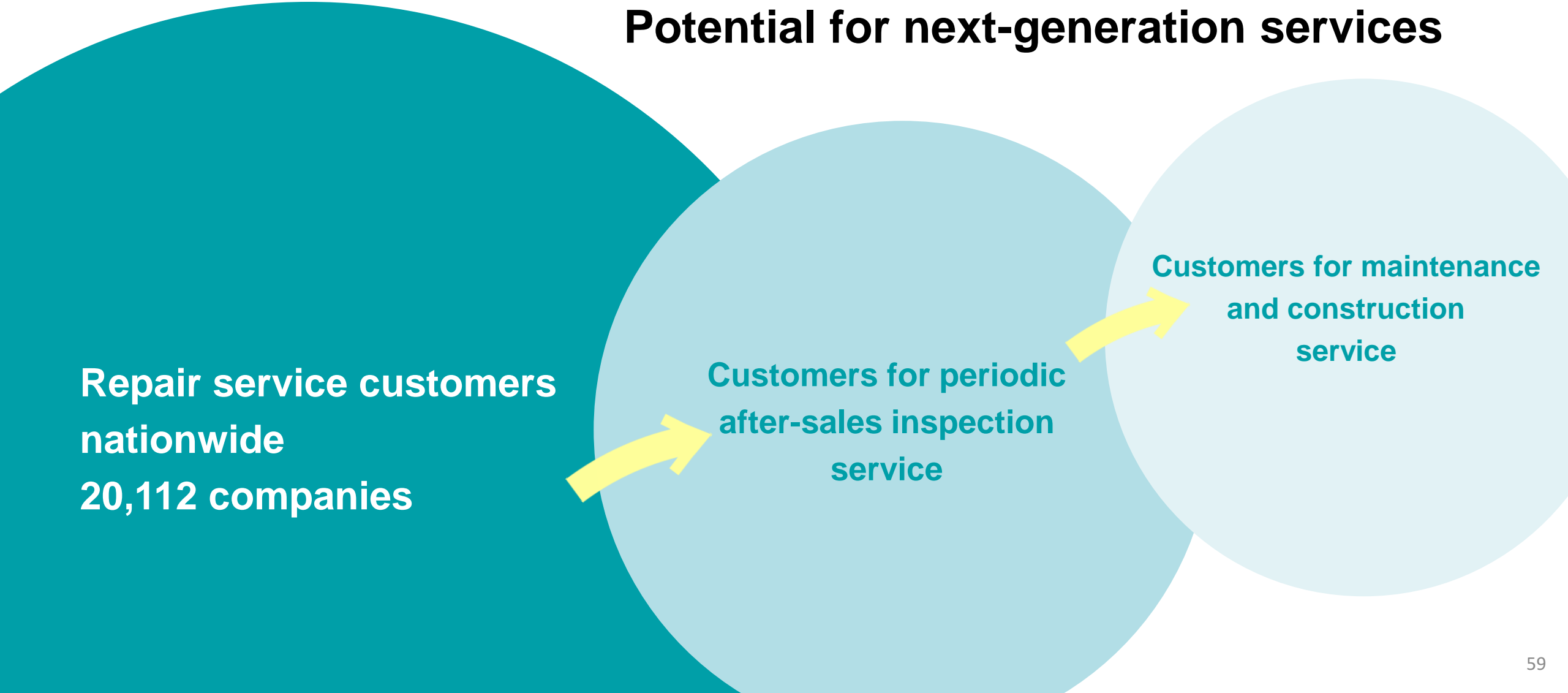


Emphasis on on-the-job training and on-site guidance
Quality control through on-site visits



Strengths 3. Large customer base nationwide

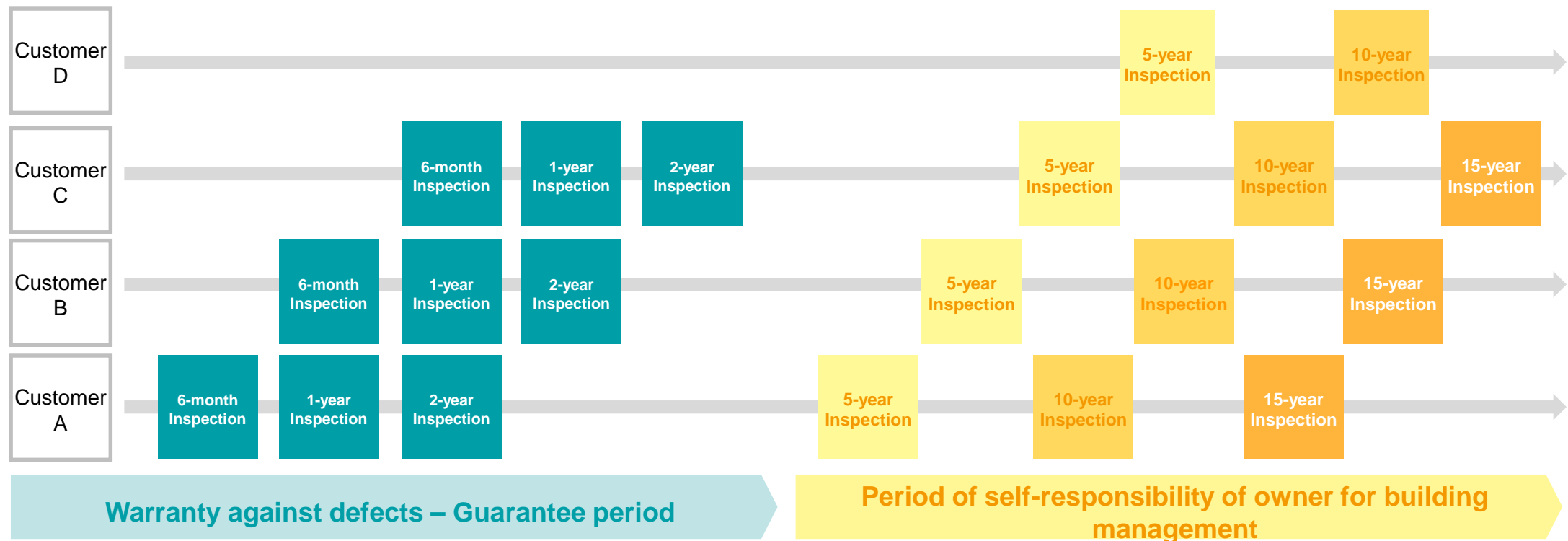
Potential for next-generation services



Strengths 4. Subscription business model

- Periodic after-sales inspection is a “Subscription type”, building a stock of annual inspection sales
- Basically, inspection is carried out three times in the first two years after delivery. Five-year, 10-year and 15-year inspections are also increasing.
- Specialize in minor reform services, costing less than ¥3 million. Establish a relationship of coexistence with house builders.

Image of Accumulation of After-Sales Periodic Inspections



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