



Financial Results for the Fiscal Year Ended in September 2018

CANDEAL Co., Ltd.

TSE Mothers :1446

November 27, 2018

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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.

1. Full-year Results

Increase in sales and profits

Achieved record-high net sales, operating income, and net income!

2. Future Development

Expansion of services for building lifecycle support services
Establish a foundation for sustainable growth



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

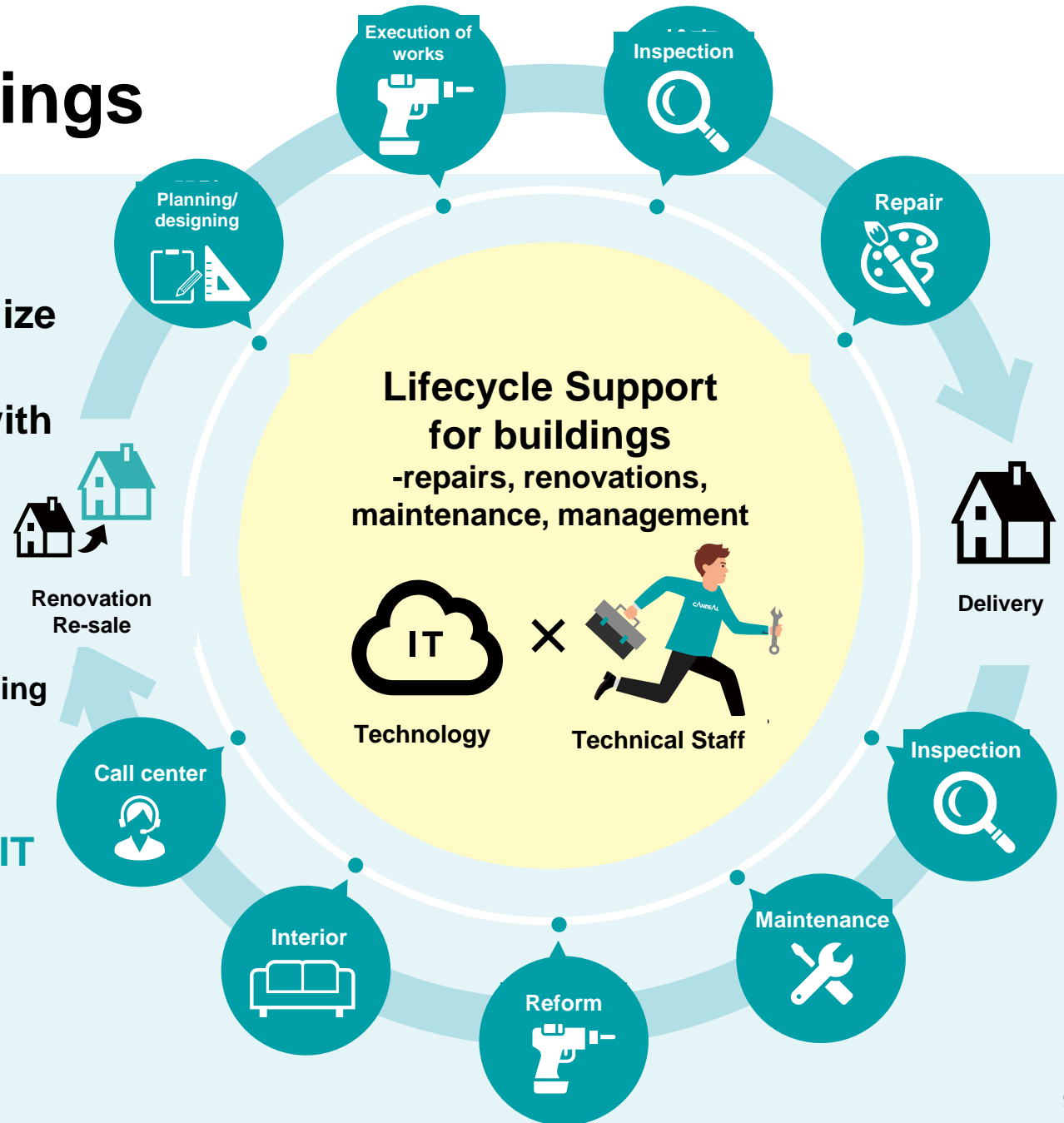
Lifecycle Support for buildings

■ Rather than building construction, we specialize in **repairs, renovations, maintenance, management** and other services associated with existing buildings.

■ **Continuous and accumulation-type business model**

Offer the full range of continuous services required by a building

■ Our goal is to combine the **human skills** with **IT technologies** in order to be a company that is indispensable in the building lifecycle support



Establish a firm position in the industry through expanding business scale

No.1 in the Industry

Repair service

Number of client companies: **20,112**

Industry leader

After-sales periodic inspection service

Cumulative number of units under management: **300,973**

No. 1 in units sold

Repairing material sales

Number of items sold
1,343,026 units/year



Number of locations: **56** locations nationwide

In-house engineers: **1,056**/ partner companies: **About 430**^{*1}

Call centers supporting the network of engineers: Approx. **120** staffs at **3** locations

*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.

*The above figures are as of the end of September 2018.

Business Model

CANDEAL's BtoBtoC business model offers services in a range of fields from residential housing to commercial facilities

Our services (Revenue Model)

Repair service (One-time-fee)

Construction services for living environments (Subscription)

Construction services for the commercial environment (One-time-fee)

Merchandise sales

Customer

Housing Market
(New and Existing)

House Manufacturer/Power Builder
Building materials manufacturer/
Developer/Real Estate Agents/
General End-users

Commercial Facilities Market
(Commercial Facilities and Hotels)

Store interiors/chain stores
Commercial general contractor

General
End-
user



FY9/18 Results

Summary of Consolidated Business Results



(Million yen)

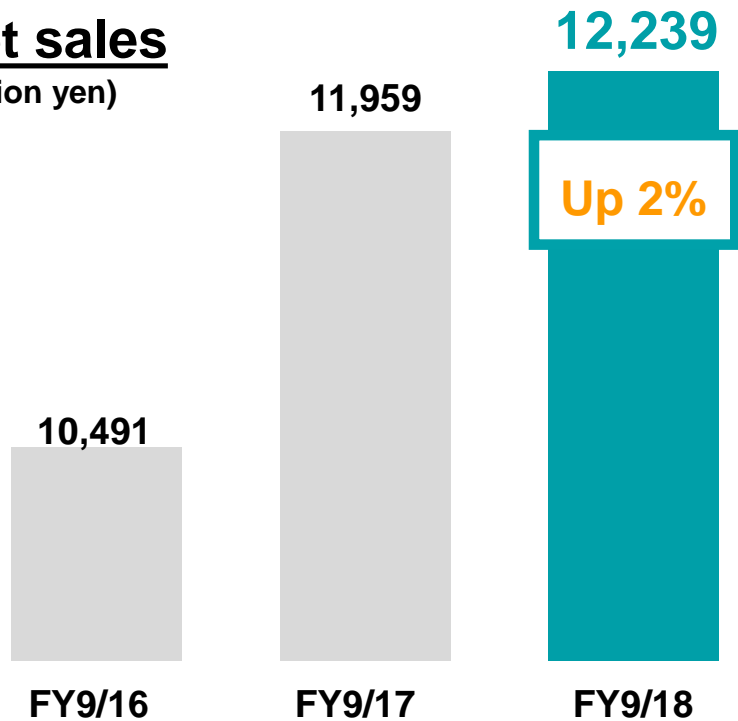
	FY9/17 Result	Profit ratio	FY9/18 Result	Profit ratio	YoY change
Net sales	11,959		12,239		102.3%
Gross profit	4,293	35.9%	4,369	35.7%	101.8%
Operating income	334	2.8%	403	3.3%	120.7%
Ordinary income	285	2.4%	345	2.8%	120.7%
Net income	112	0.9%	171	1.4%	152.7%
Net income before amortization of goodwill	304	2.5%	363	3.0%	119.3%

FY9/18 Results



Net sales

(Million yen)

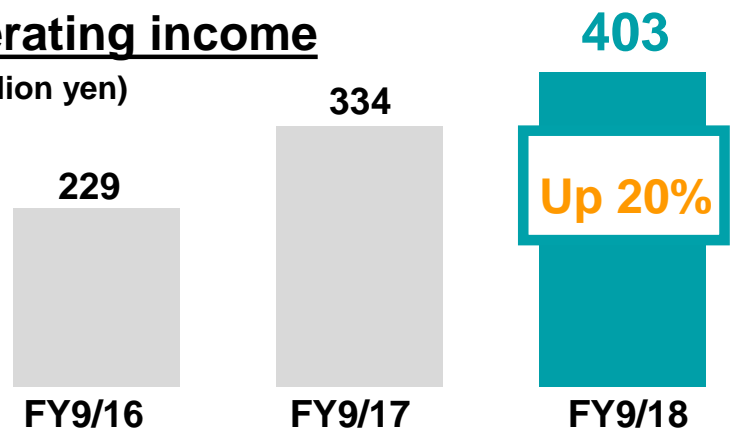


Increase in sales and profits

Achieved record-high net sales and operating income

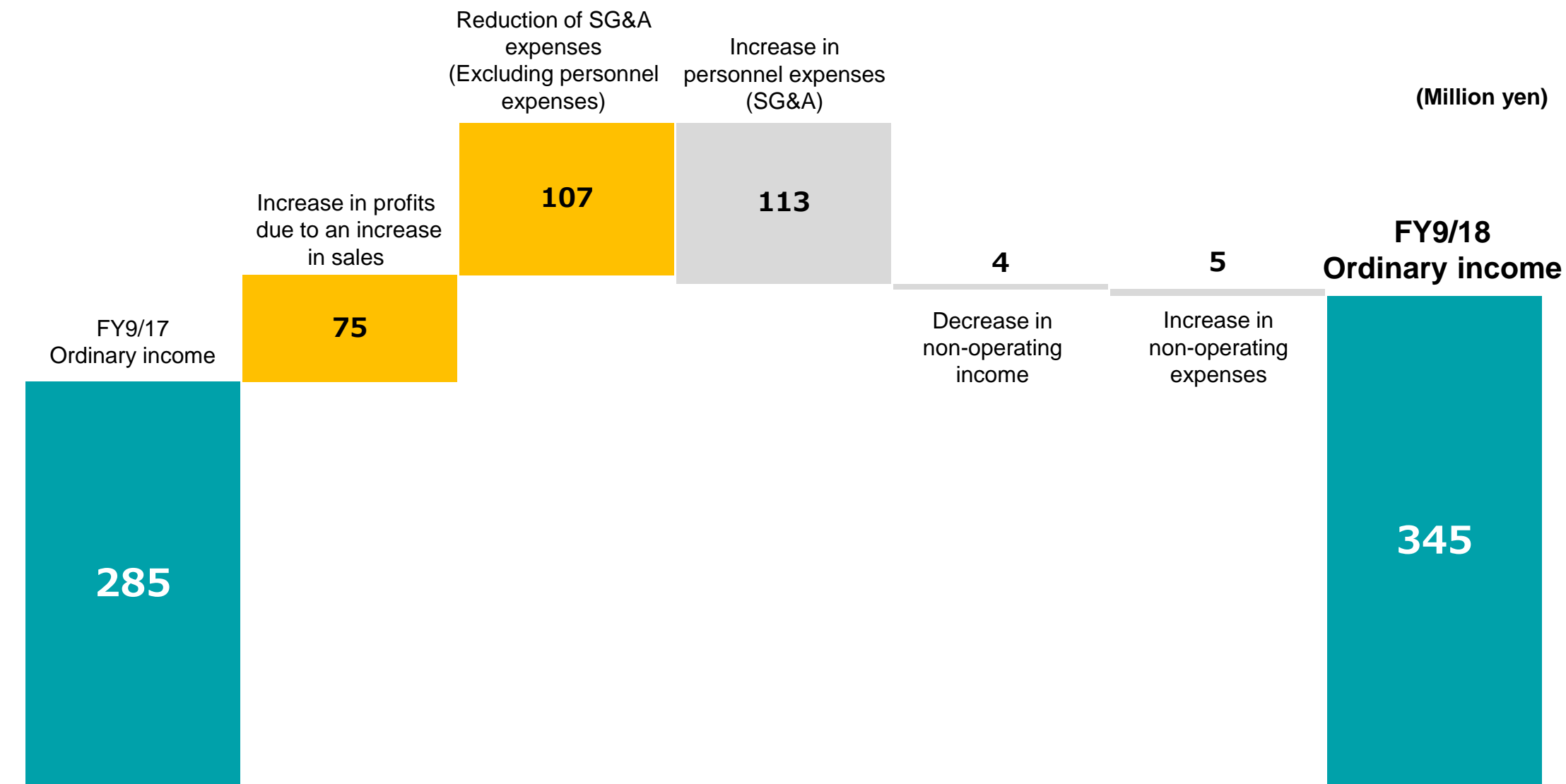
Operating income

(Million yen)



Analysis of Changes in Consolidated Ordinary Income

(Million yen)



Sales by Service Category



(Million yen)

	FY9/17 Result	Composition ratio	FY9/18 Result	Composition ratio	YoY change
Repair service	4,653	38.9%	4,670	38.2%	100.4%
Repair for detached houses	3,446	28.8%	3,576	29.2%	103.8%
Repair for condominiums	1,206	10.1%	1,093	8.9%	90.6%
Construction services for living environments	3,562	29.8%	3,320	27.1%	93.2%
Inspection	839	7.0%	929	7.6%	110.7%
Maintenance, construction, etc.	1,720	14.4%	1,890	15.4%	109.9%
Refit	1,003	8.4%	500	4.1%	49.9%
Construction services for the commercial environment	2,875	24.0%	3,471	28.4%	120.7%
Merchandise sales	867	7.3%	776	6.3%	89.5%
Total	11,959	100.0%	12,239	100.0%	102.3%

Status of Repair Service

Repair service for detached houses



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

Repair service for condominiums



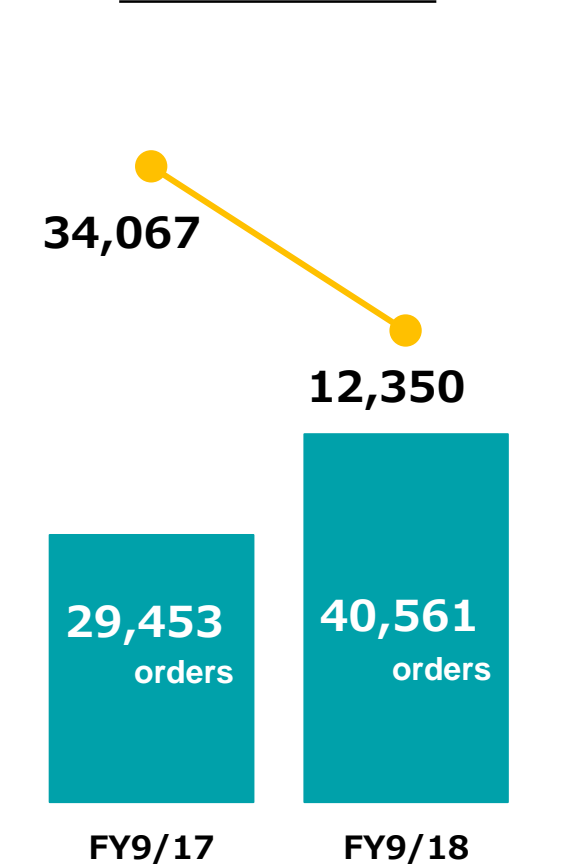
■ Total number of employees
● Productivity per employee (yen)

Status of Construction Services for Housing Environments

Periodic after-sales inspections



Refit service



Other



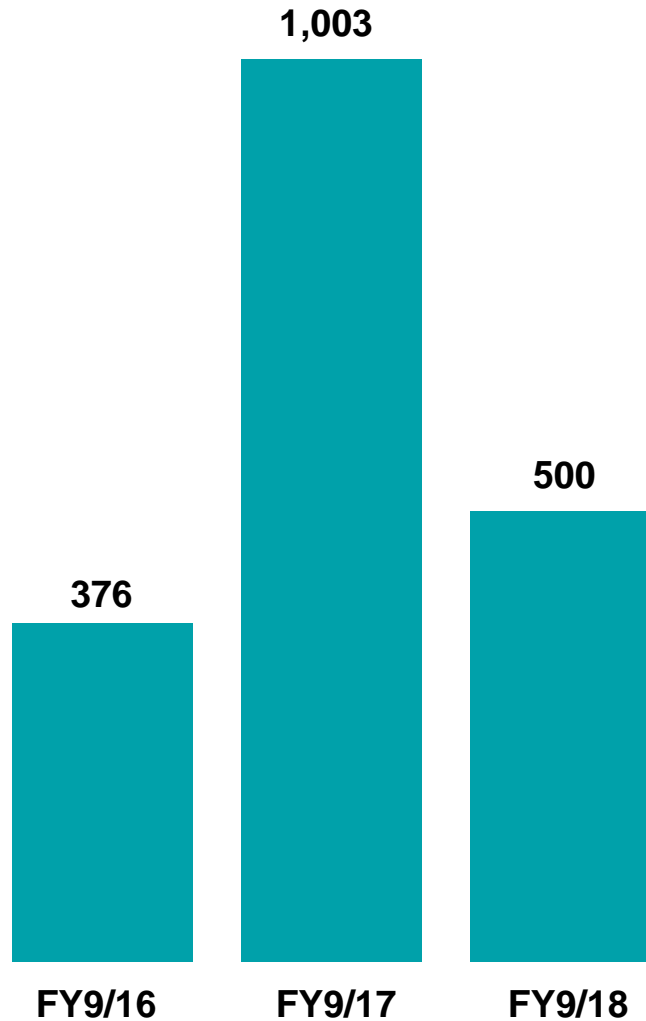
■ Number of orders received
 ● Unit price of orders received (yen)

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

■ Total number of employees
 ● Productivity per employee (yen)

Overview of Refit Service

Changes in Sales (Million yen)



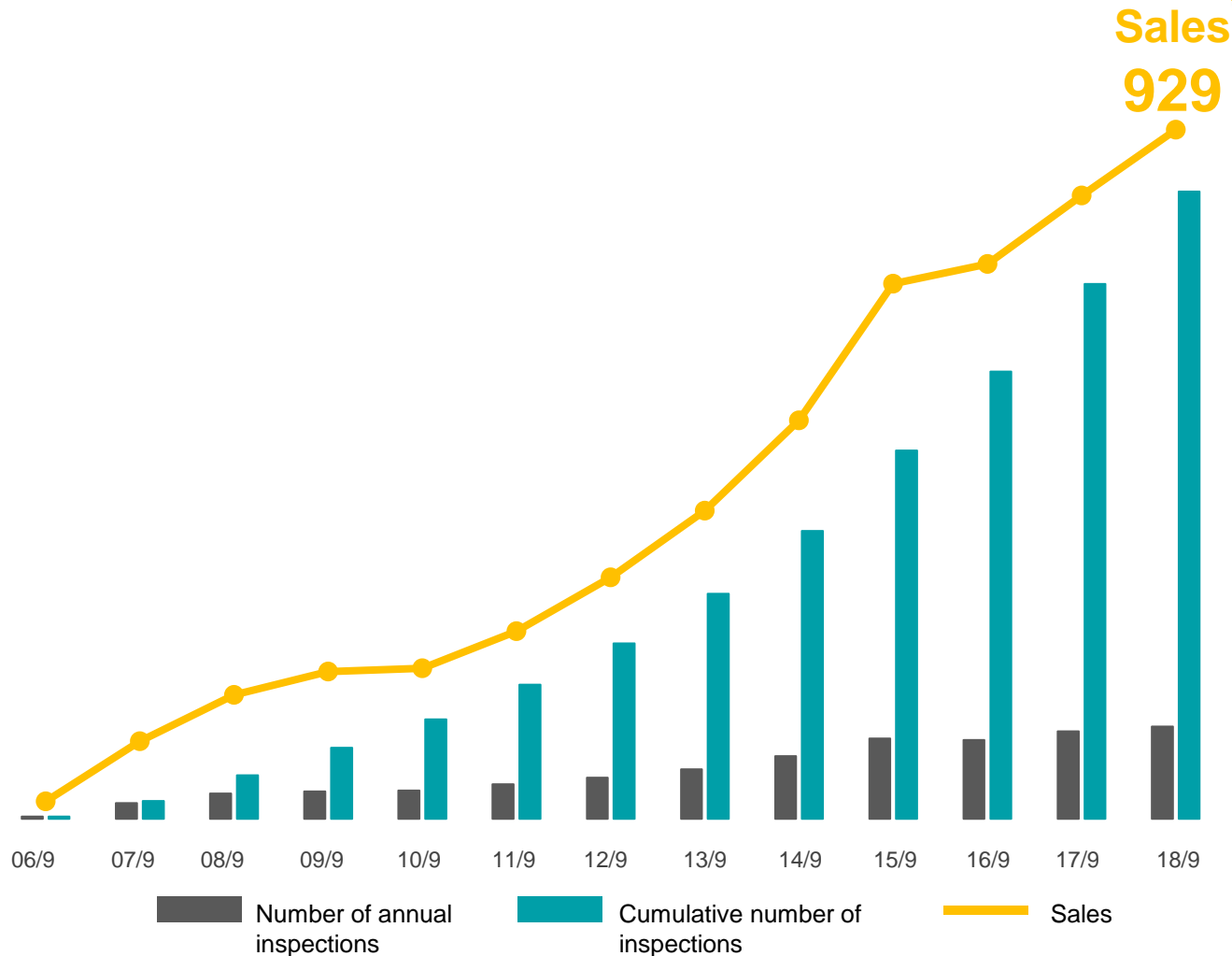
Difficult to estimate orders
as this service is for recall products

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.

Periodic After-Sales Inspection Results

Sales (Million yen)



Last 12 years
CAGR
35.78%

Number of annual inspections

74,663



YoY change
105%

Cumulative number of inspections

506,708



YoY change
117%

Around the door
Counting

Cumulative number of units under management

300,973 units



YoY change
114%

FY9/18 Top 10 Clients

	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	●	●		●
Daiwa House Industry Co., Ltd.	●	●		●
Dai Nippon Printing Co., Ltd		●		
A Factory Co., Ltd.	●		●	
Handy Crown Co., Ltd.				●
Daito Trust Construction Co., Ltd.	●	●		
YKK AP Co., Ltd.	●	●	●	●



FY9/19

Business Forecasts

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%

FY9/19 Dividend Forecast

End of 2Q: 5 yen

Year-end : 5 yen



Annual dividend 10 yen

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	103.8%	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	93.2%	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%
Architectural services for the commercial environment	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%

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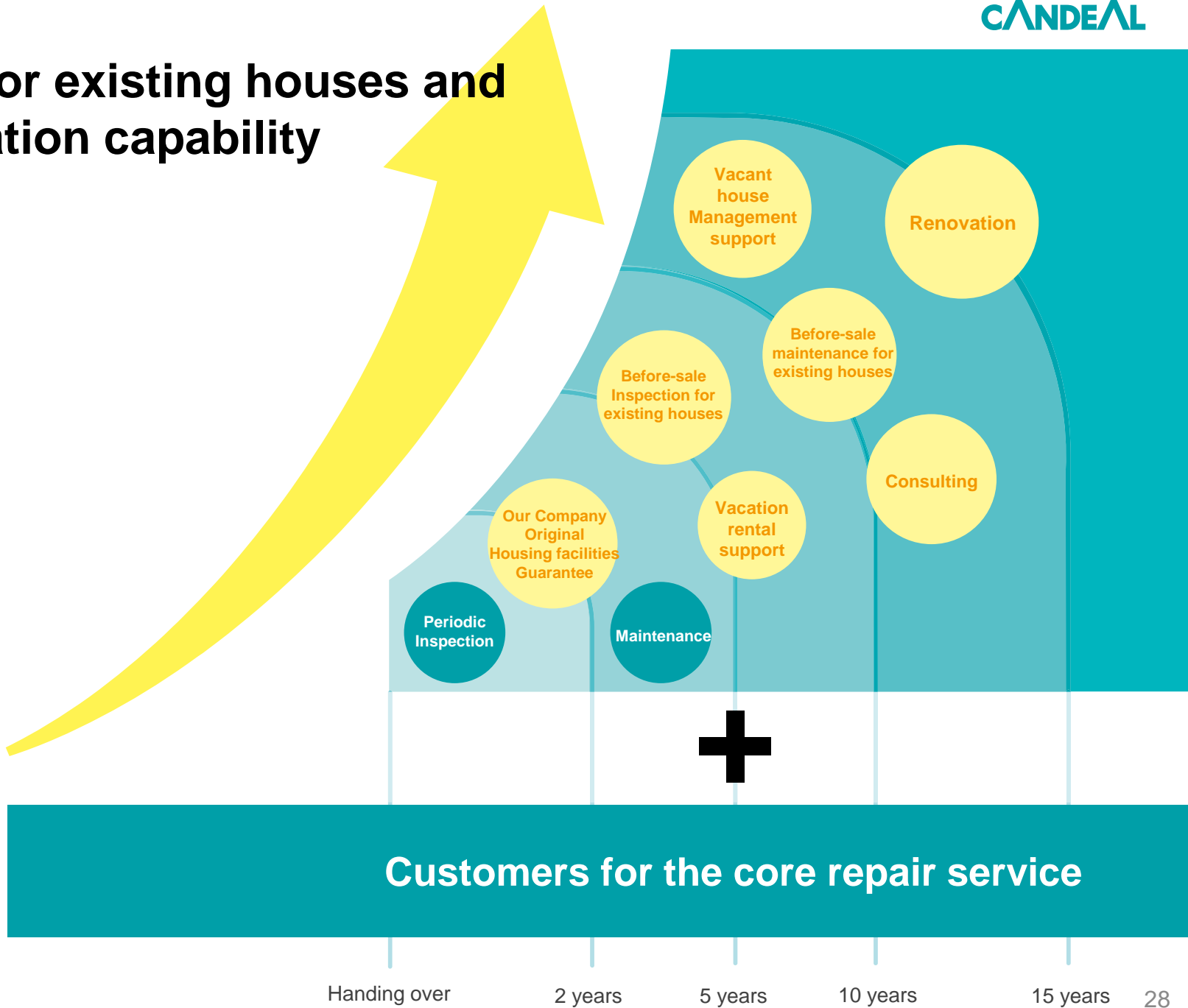
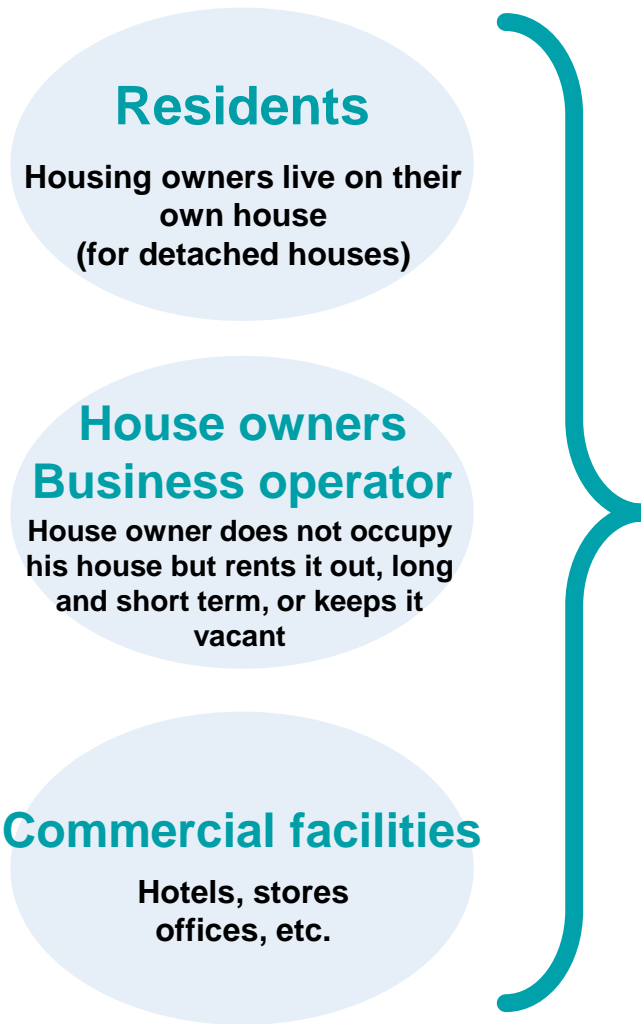
Growth Strategy

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**
- 3. Enhancing profit margin (higher capacity utilization and cost reduction)**

Expand the service menu for existing houses and strengthen asset accumulation capability



Growth Strategy 1

**Expand the number of new customers
for the core repair service**

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)**

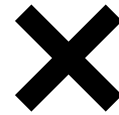
**Vacation rental facility
management company
(for Inbound Demand)**

**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

Growth Strategy 2

**Deepen its lineup of services for
maintenance and management**

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

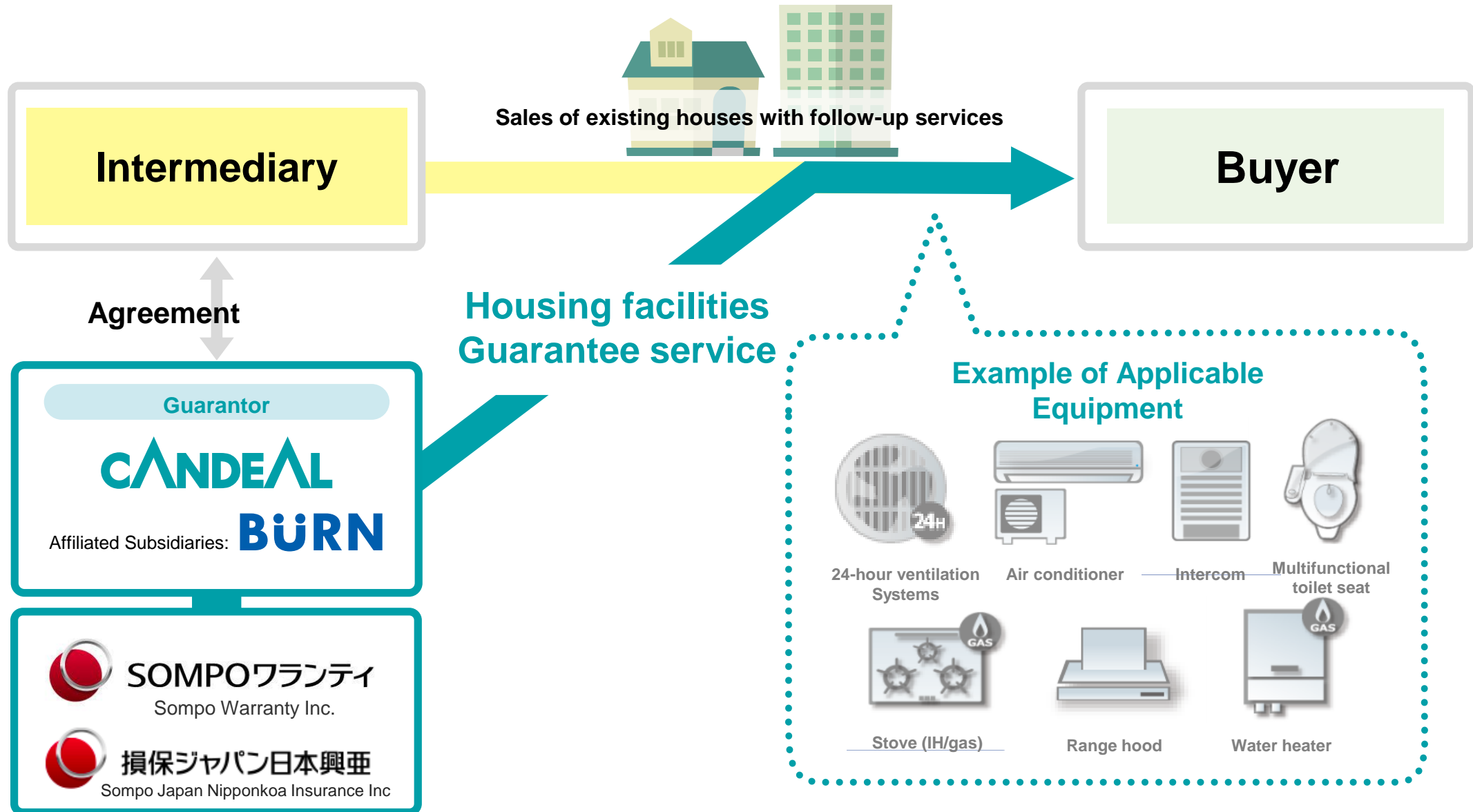
Affiliated Subsidiaries: **BURN**

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!

Warranty service scheme (example)



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**

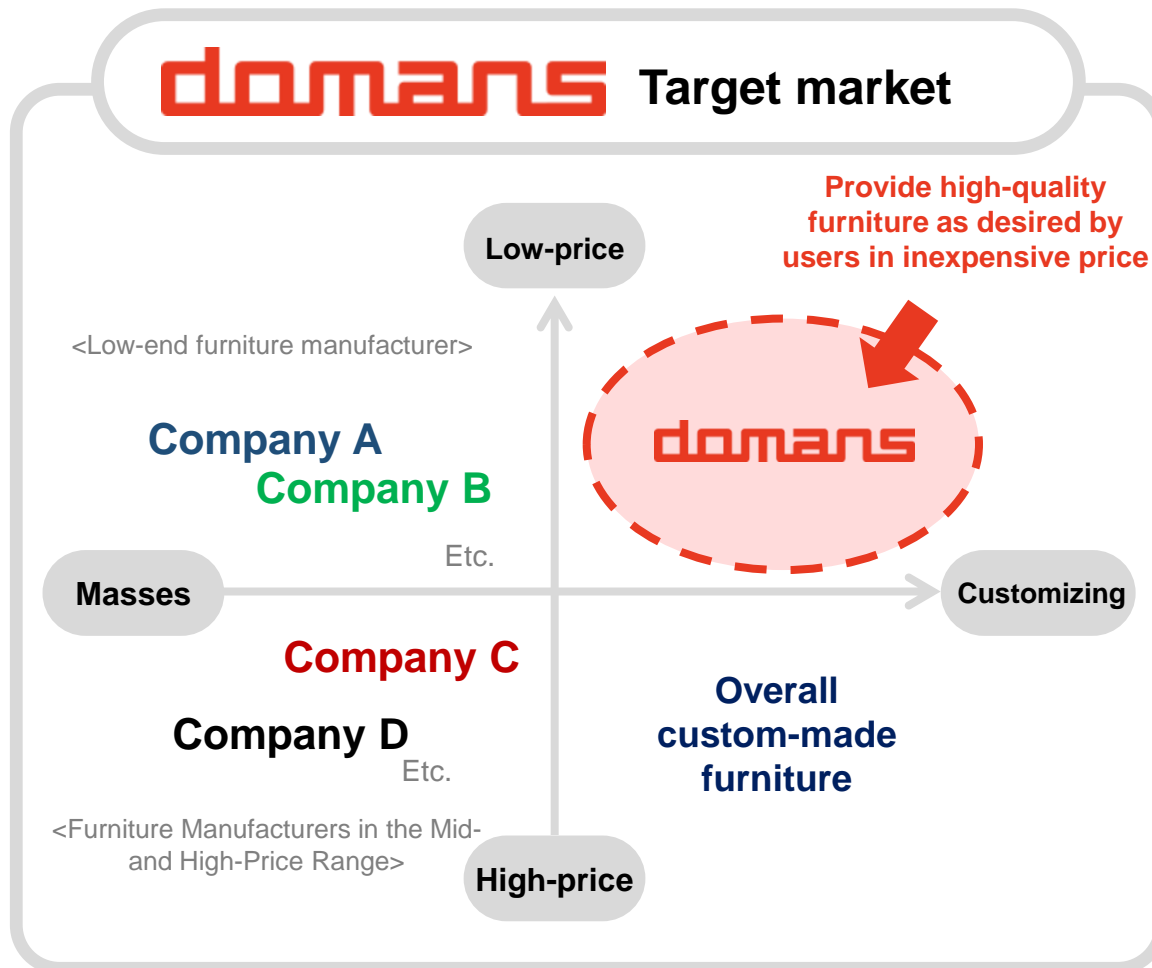
Enable nationwide sales and marketing activities

Affiliated subsidiary: Candéal Design Co., Ltd.

Systems & Manufacturing

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

Domans, which aims to create a new market in the furniture market Mobile app service is scheduled to be launched soon!



Features of Custom-made Furniture Services

Our proprietary system (app) offers

Simple, inexpensive, fast services

- Order just by planning
Automatically generate furniture production data
The system is independently developed.
- With this system (app),
Easy, high-quality orders for everyone
For furniture at low cost and quick delivery
You can provide.



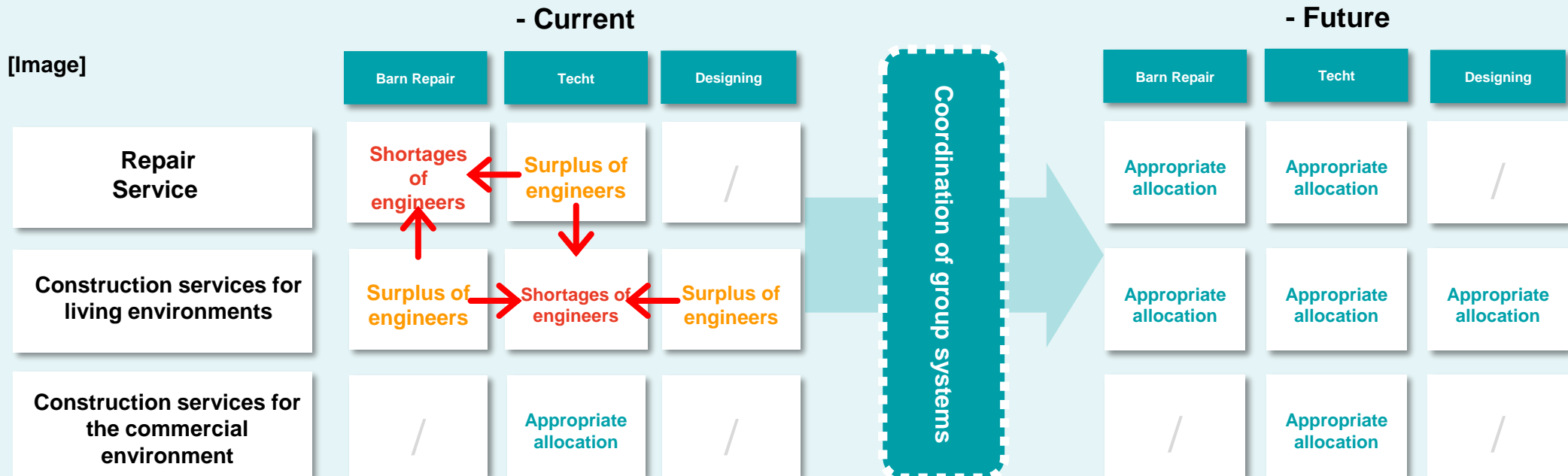
※ Image

Growth Strategy 3

Improve our profitability

(Improvement of utilization rate + Cost reduction)

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



Future Goal of the CANDEAL Group

Demand in the building market is increasing.

Emergence of secondary market in buildings and residential houses!

Maintenance
Management
Cleaning

Repair
Exchange

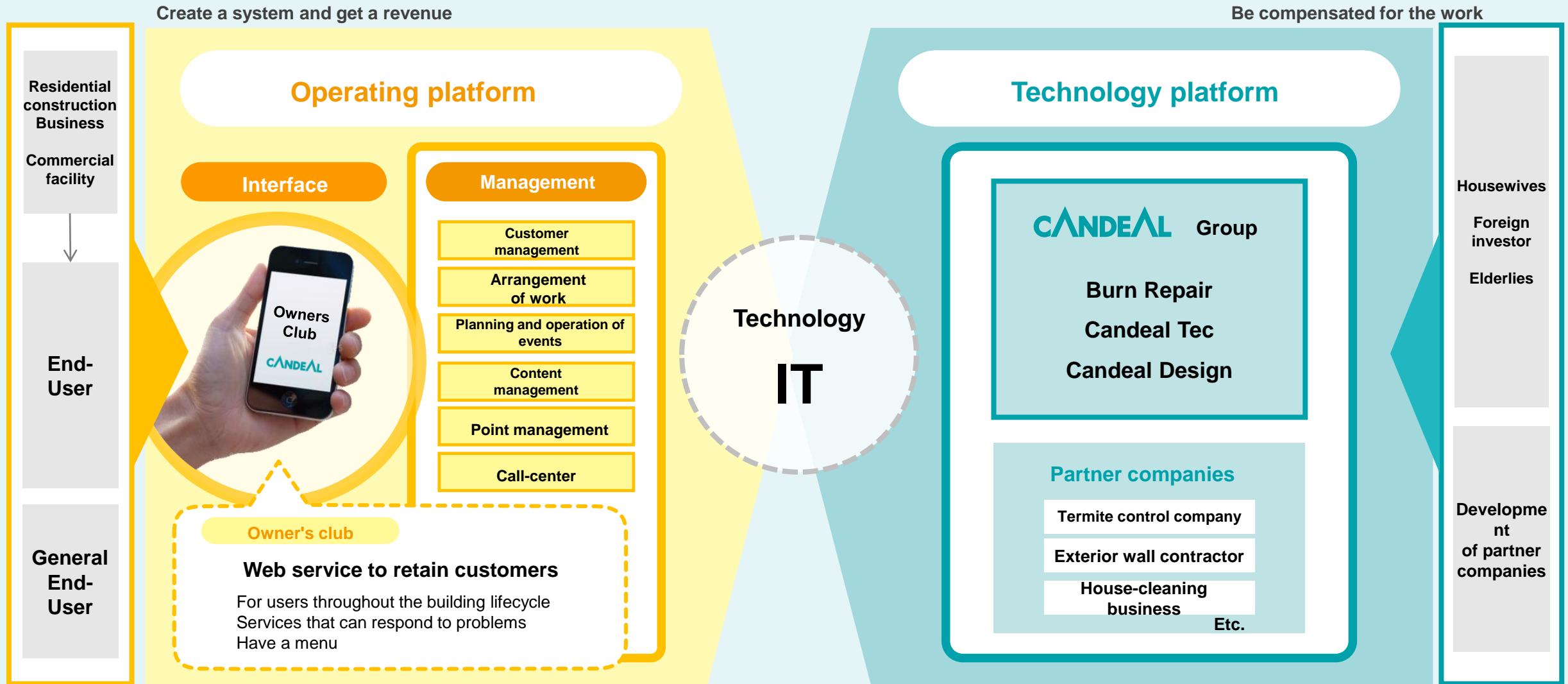
Evolution of the Sharing Economy



Insurance
Guarantee

Automation

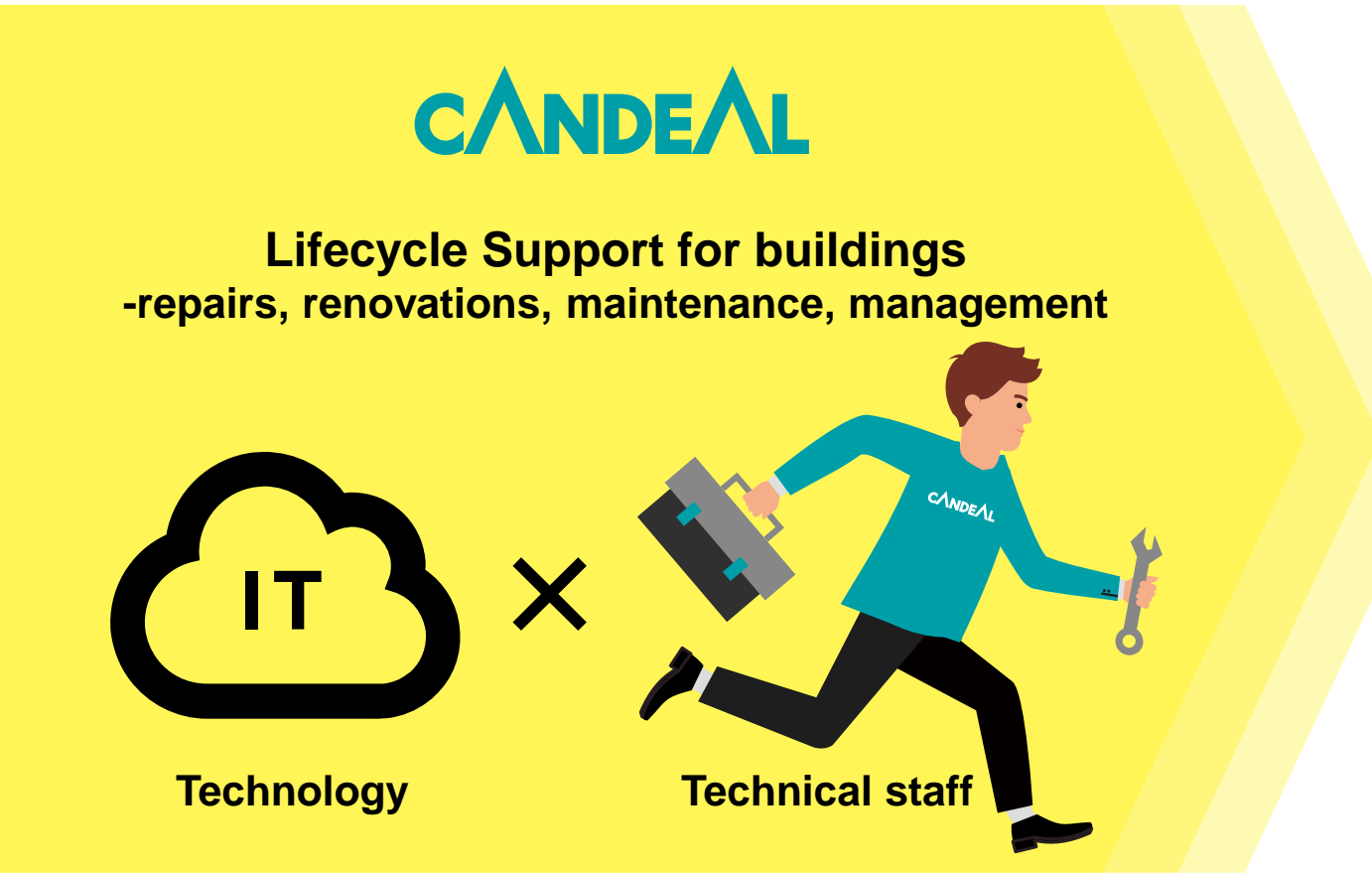
Establishment of a platform for building lifecycle support



※ 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

Appendix-1

Business overview

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.

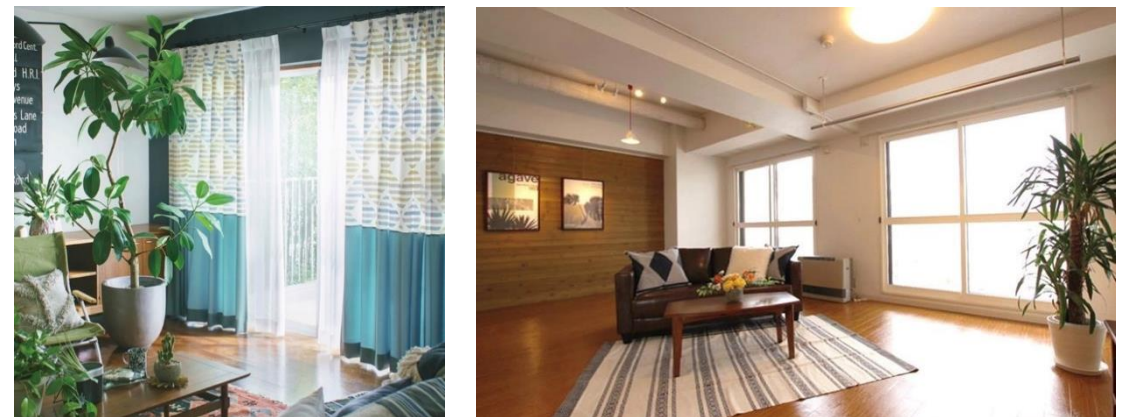
Repair materials

Sales of easy-to-use kits to general users



Interior products

Sales of interior products for after-sales service



Appendix-2

Strengths of the CANDEAL Group

Four Strengths Supporting Our Growth

1

Nationwide services network



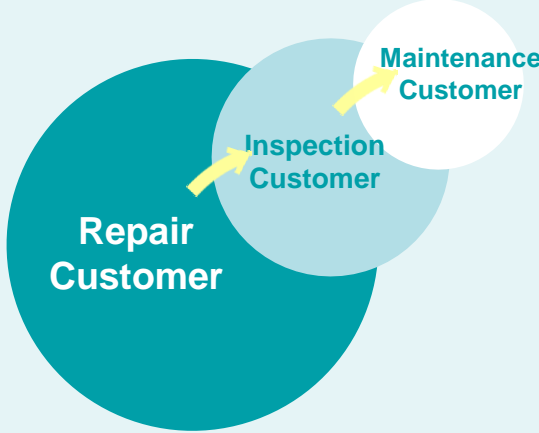
2

High-quality service engineers



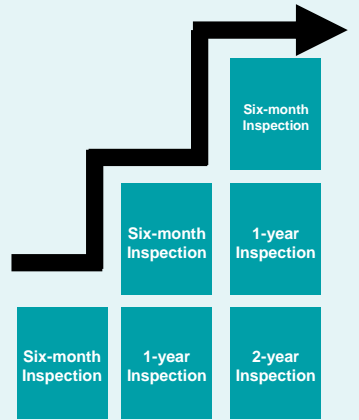
3

Large customer base nationwide



4

Subscription business model



Strengths: 1. Nationwide service network

We can provide services in all prefectures

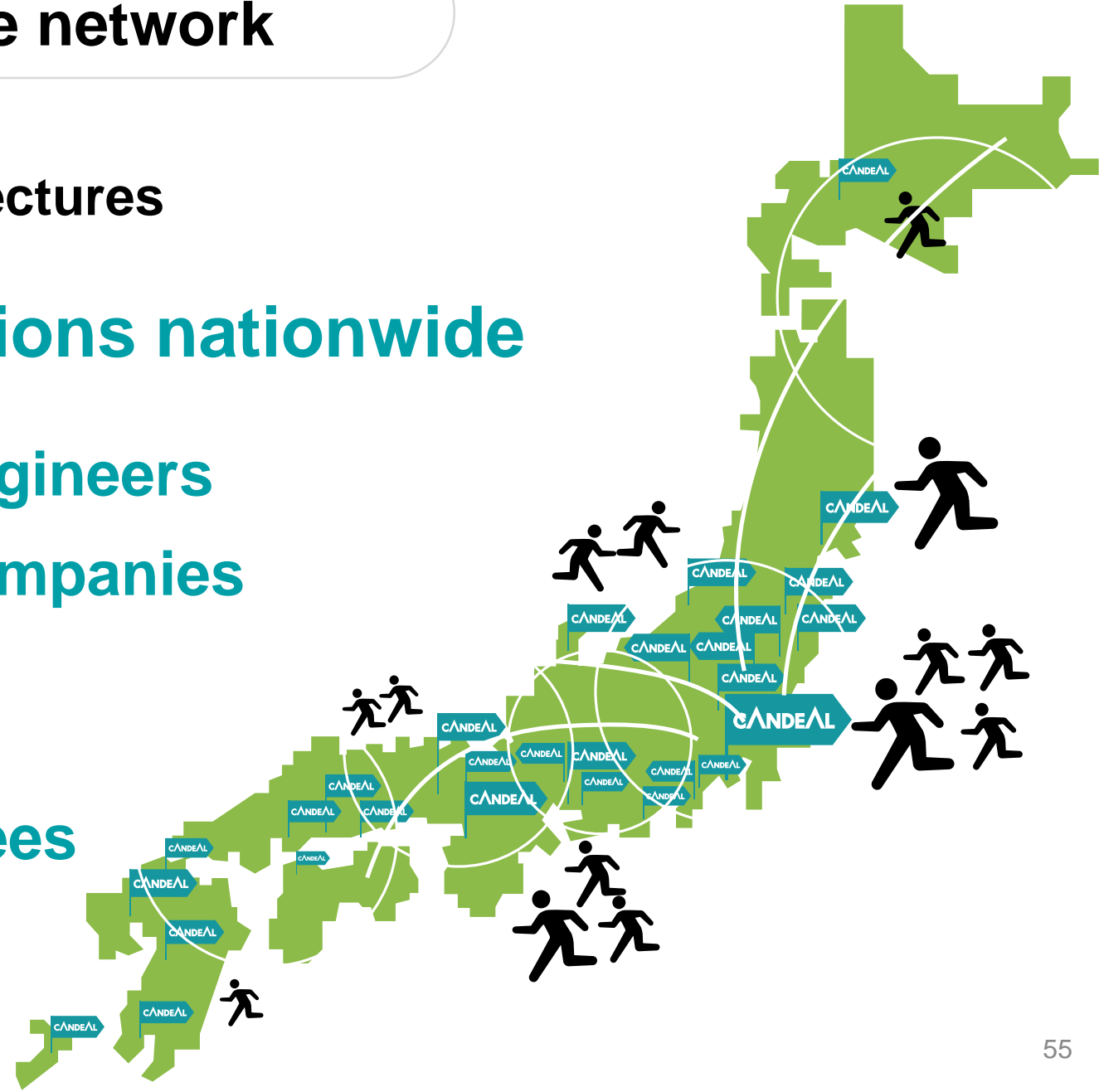
Service system extending to **56 locations nationwide**

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**



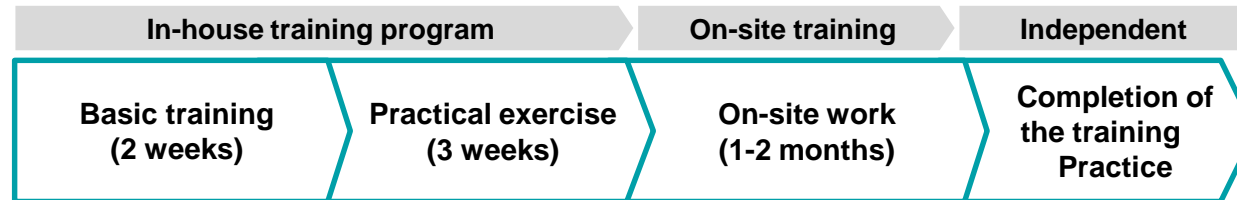
Strengths 2. High-quality service engineers

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

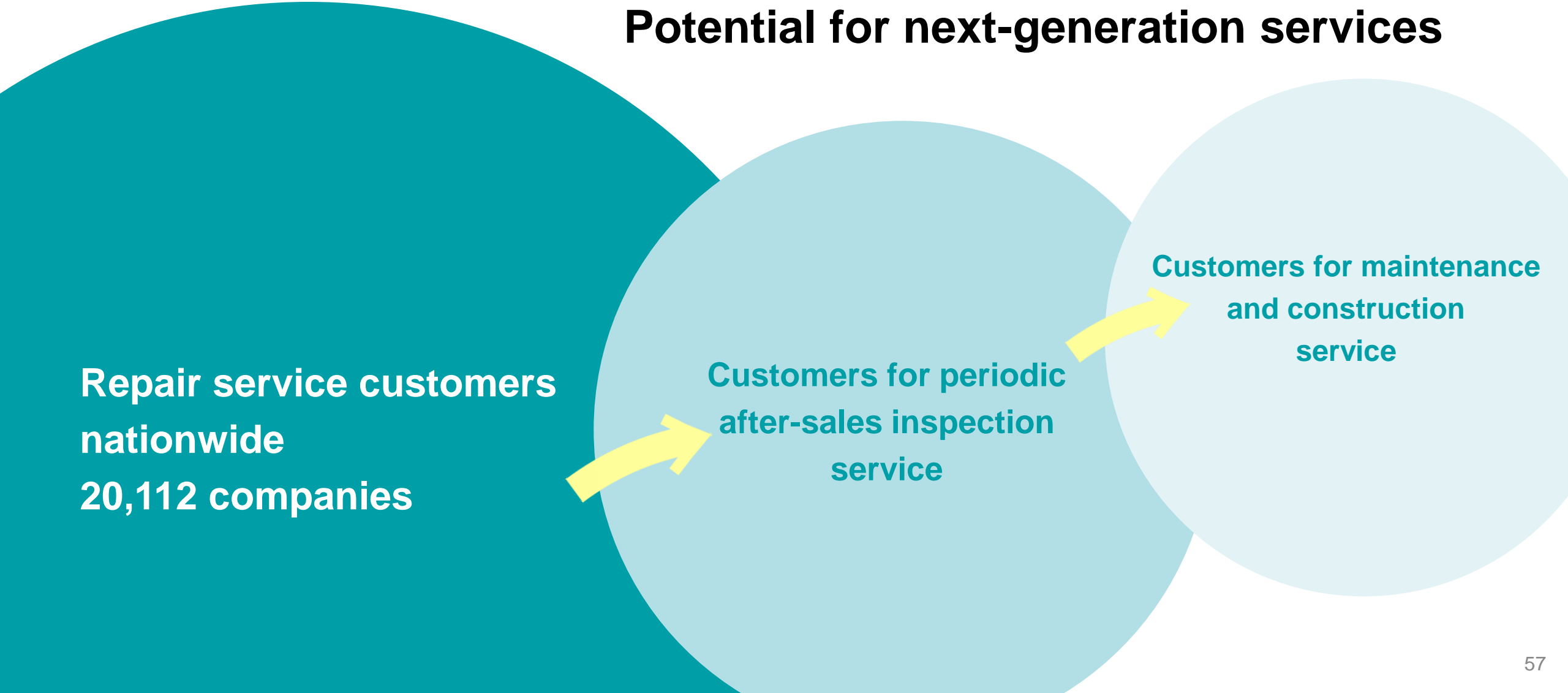


Emphasis on on-the-job training and on-site guidance
Quality control through on-site visits



Strengths 3. Large customer base nationwide

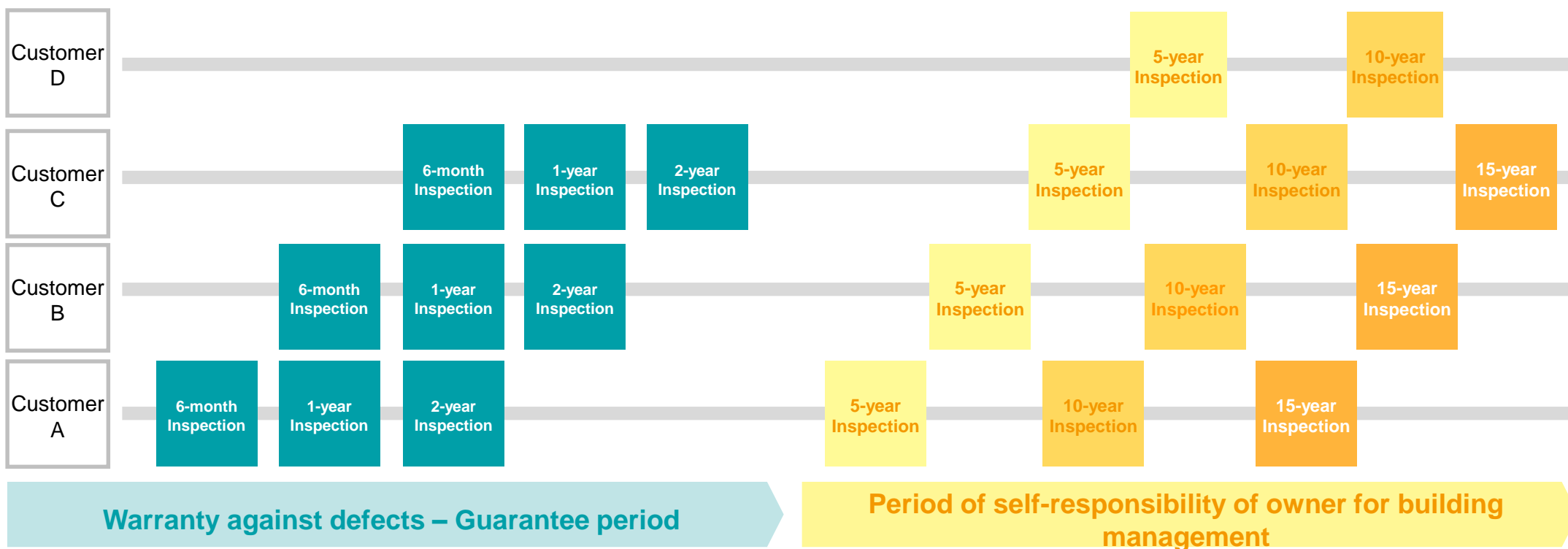
Potential for next-generation services



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



Disclaimer

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This document contains forward-looking statements, including forecasts, plans and targets related to the Company and the Group. These statements are based on certain assumptions and beliefs in light of the information currently available to the Company at the time of preparation of this document. These statements or assumptions are objectively inaccurate or may not be realized in the future, and therefore, actual results may differ materially from these forward-looking statements.

