



Financial Results for Q2 of the Fiscal Year Ending in September 2021

CANDEAL CO., Ltd.

TSE1 :1446

May 13, 2021

Quarterly Executive Summary

FY9/21 Q2 Summary of Consolidated Results

Business Forecasts for FY9/21

Future Business Development

<p>What is the CANDEAL Group?</p>	<p>CANDEAL Group provides services related to each phase of the building's life cycle (repairs, refurbishments, maintenance, and management)</p> <p>Business model: B2B2C</p>
<p>Performance Highlights</p>	<ul style="list-style-type: none"> • Consolidated results: Lower sales and profits. Net sales 5,926 million yen (89.6% YoY), Operating income 168 million yen (52.0% YoY) • The main reason was a decrease in orders for mainstay repair services and construction services for commercial environments due to the continued impact of COVID-19. • Sales of construction services for living environments remained at 99% YoY. • Strengthened sales of new antiviral and antibacterial services, but there was a significant delay in progress of this service.
<p>Initiatives</p>	<ul style="list-style-type: none"> • Promote recruitment of sales agents and franchisees

FY9/21 Q2

Summary of Consolidated Results

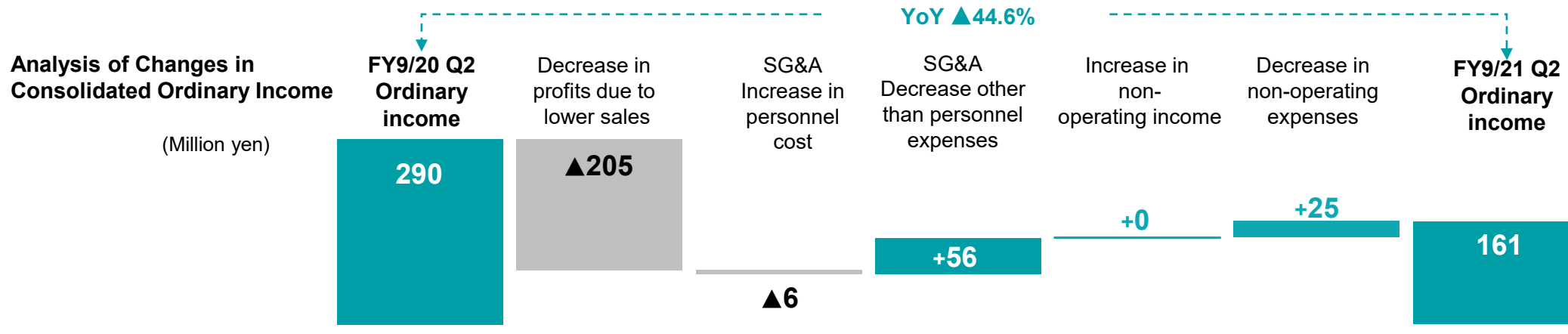
FY9/21 Q2 Summary of Consolidated Results

Due to the remaining effects of COVID-19, sales and each profit declined.

(Million yen)	FY20.Q2 Results		FY21.Q2 Results		YoY	
		Profit ratio		Profit ratio		
Net sales	6,617		5,926		▲690	89.6%
Gross profit	2,428	36.7%	2,222	37.5%	▲205	91.5%
SG&A	2,104	—	2,054	—	▲49	97.6%
Operating income	324	4.9%	168	2.8%	▲155	52.0%
Ordinary income	290	4.4%	161	2.7%	▲129	55.4%
Net income	148	2.2%	61	1.0%	▲86	41.7%
Net income before amortization of goodwill	244	3.7%	157	2.7%	▲86	64.6%

FY9/21 Q2 Summary of Consolidated Results

(Million yen)	YoY	Situation and Major Factors
Net sales	▲690 89.6%	<ul style="list-style-type: none"> • The number of orders received for repair services and construction services for commercial environments declined due to the deteriorating market for new residential construction and new commercial facilities as a result of the ongoing effects of COVID-19. • In construction services for living environments, services for detached houses (occupied) remained steady.
Operating income	▲155 52.0%	<ul style="list-style-type: none"> • Decrease in gross profit due to decrease in sales (-205 million yen YoY) • Planning to close an office center in Okinawa in Q3 with a view to improving operational efficiency by introducing a core business system. Closure-related expenses were recorded in Q2. (personnel expenses +600 million yen YoY) • Expenses related to advertising for antiviral services, R&D expenses, and ancillary insurance development expenses increased. (+3,200 million yen YoY) • Decrease in SG&A expenses other than personnel expenses due to reduction efforts such as curbing transportation costs by continuing remote work, reviewing expenses, and consolidating and eliminating offices. (-5,600 million yen YoY)



Sales by Service

Repair services and construction services for the commercial environment were significantly affected by the market stagnation caused by COVID-19.

Construction services for the living environment remained at 99.5% YoY, reflecting an increase in the number of orders for refit services and response to periodic inspections, which had been postponed due to COVID-19.

(Million yen)	FY9/20 Q2 Results		FY9/21 Q2 Results		YoY	
		Profit ratio		Profit ratio		
Repair service	2,616	39.5%	2,169	36.6%	▲446	82.9%
Construction services for living environments	1,624	24.5%	1,615	27.3%	▲8	99.5%
Construction services for commercial environments	1,955	29.6%	1,673	28.2%	▲282	85.6%
Merchandise sales	420	6.4%	352	5.9%	▲68	83.6%
Antiviral and antibacterial services	—	—	116	2.0%	—	—
Total	6,617		5,926		▲690	89.6%

Status of Repair Service

The whole construction industry stagnated due to the continued impact of COVID-19.

For detached houses

Both the number of orders (86.7% YoY) and the unit price (96.6% YoY) fell YoY due to a decrease in new construction starts for detached houses*1 and the impact of COVID-19.

In sales activities, we aim to recover the number of orders by increasing the number of meetings with customers via online and other methods.

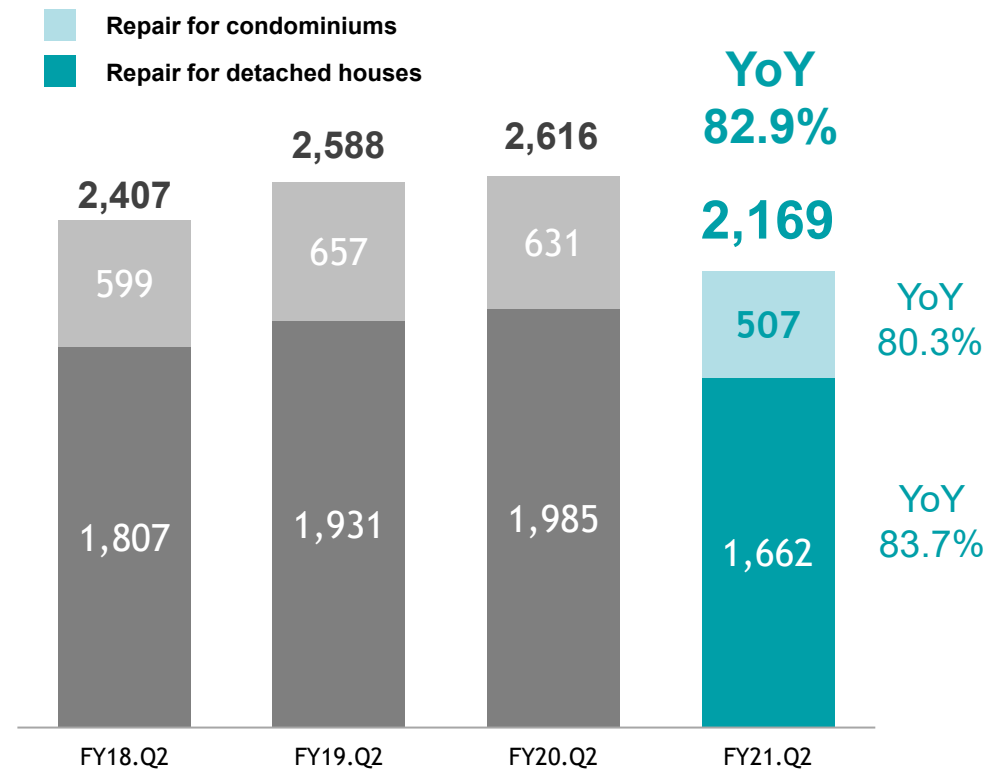
For condominiums

Total man-hours decreased (78.1% YoY) due to a decrease in the number of new condominium construction starts*1.

On the other hand, productivity increased (102.9% YoY) through focusing on acquiring high-priced projects to improve profitability.

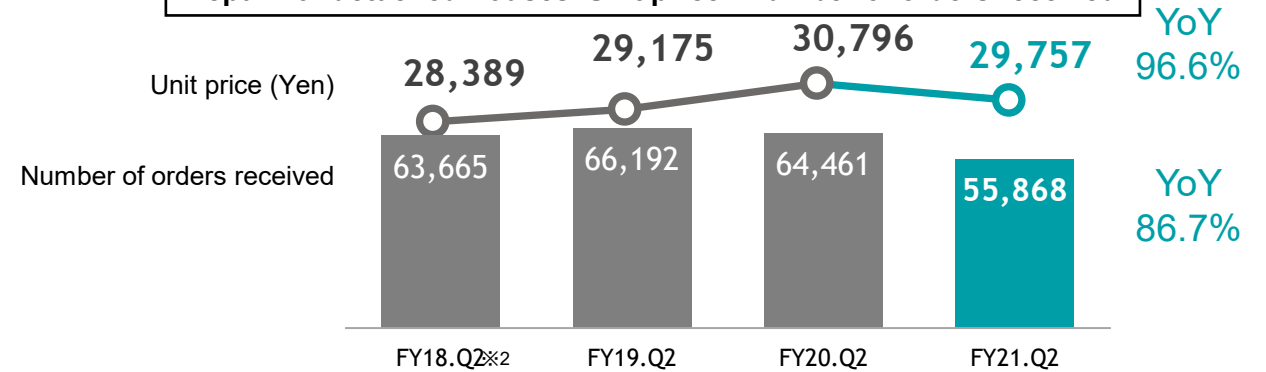
We aim to recover from Q3 onward by improving sales efficiency and use partner companies to strengthen construction capabilities.

Changes in sales (Million yen)

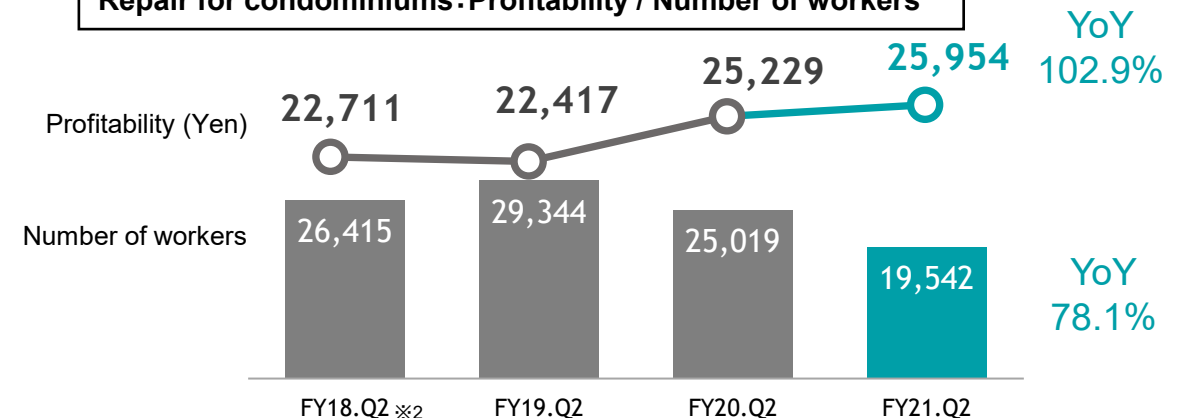


Major KPI

Repair for detached houses: Unit price / Number of orders received



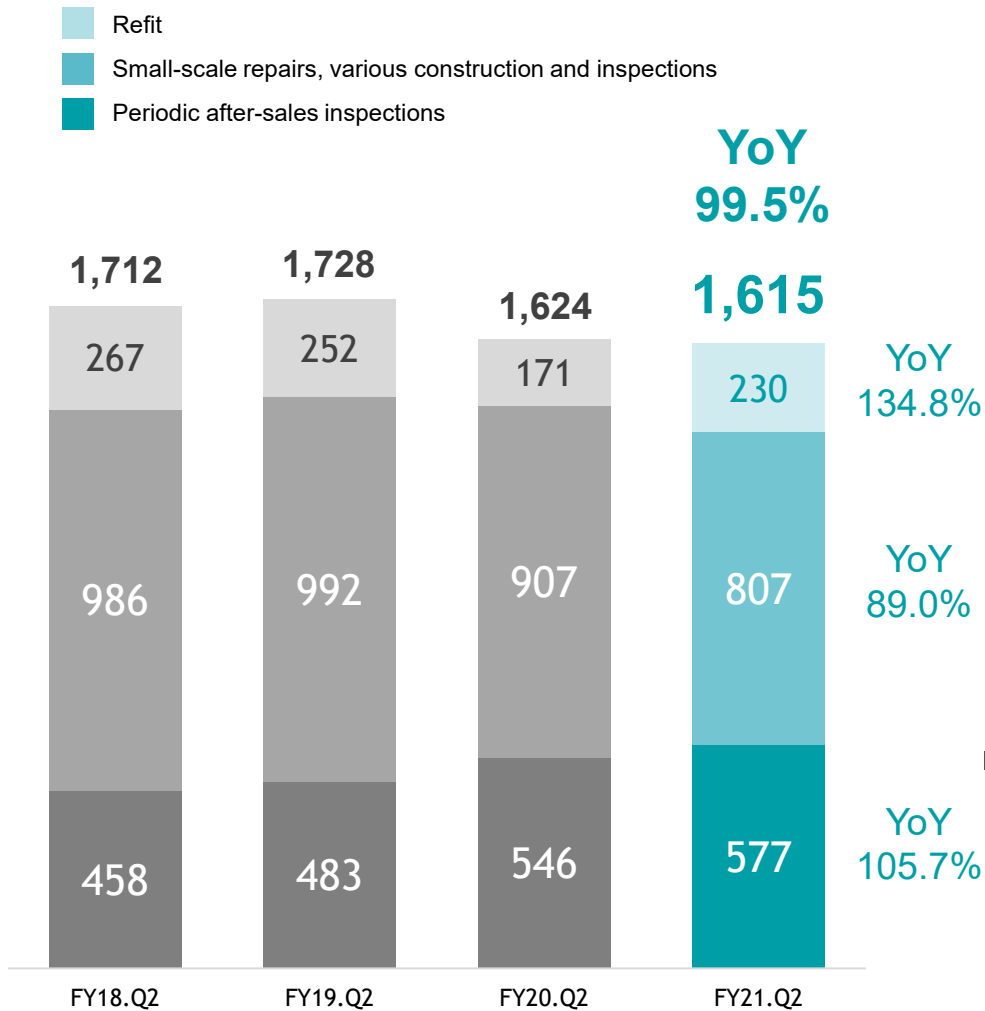
Repair for condominiums: Profitability / Number of workers



※1 YoY comparison considering construction term of detached houses (6 months averaging from start to completion): 85.7% YoY
 ※2 YoY comparison considering construction term of condominiums (12 months averaging from start to completion): 87.0% YoY (Source: Ministry of Land, Infrastructure, Transport and Tourism)

Status of Construction Services for Living Environments

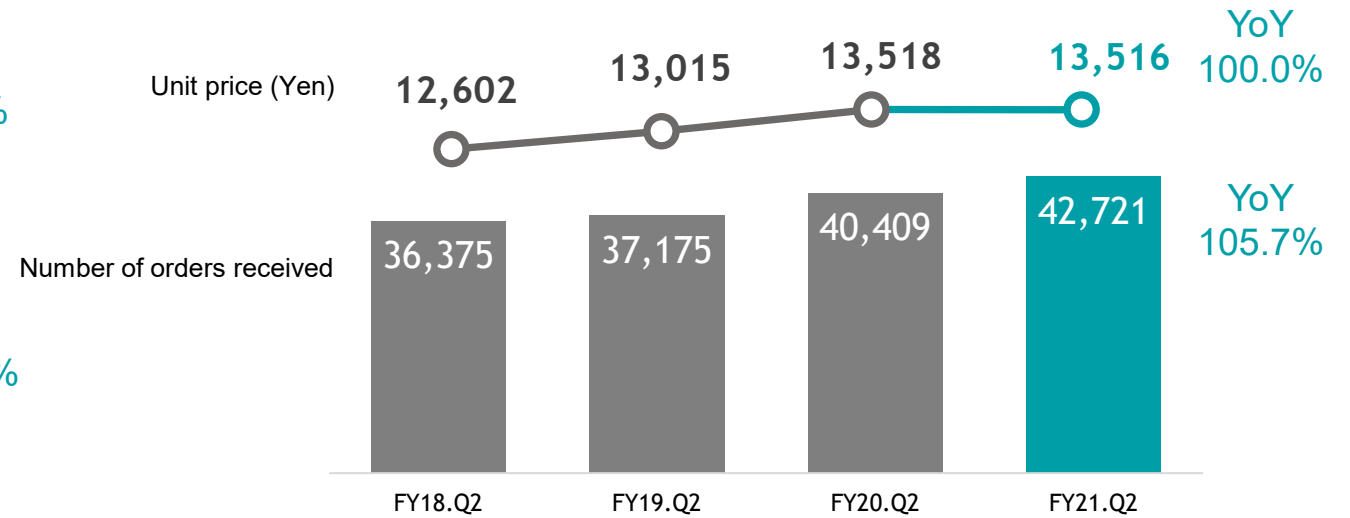
Changes in Sales (Million yen)



Sales of construction services for living environments as a whole remained at 99.5% YoY. This result was mainly attributable to an increase in refit projects and periodic inspections, which had been postponed due to COVID-19 and, despite a decline in the number of inspections and small-scale repairs for condominiums.

Major KPI

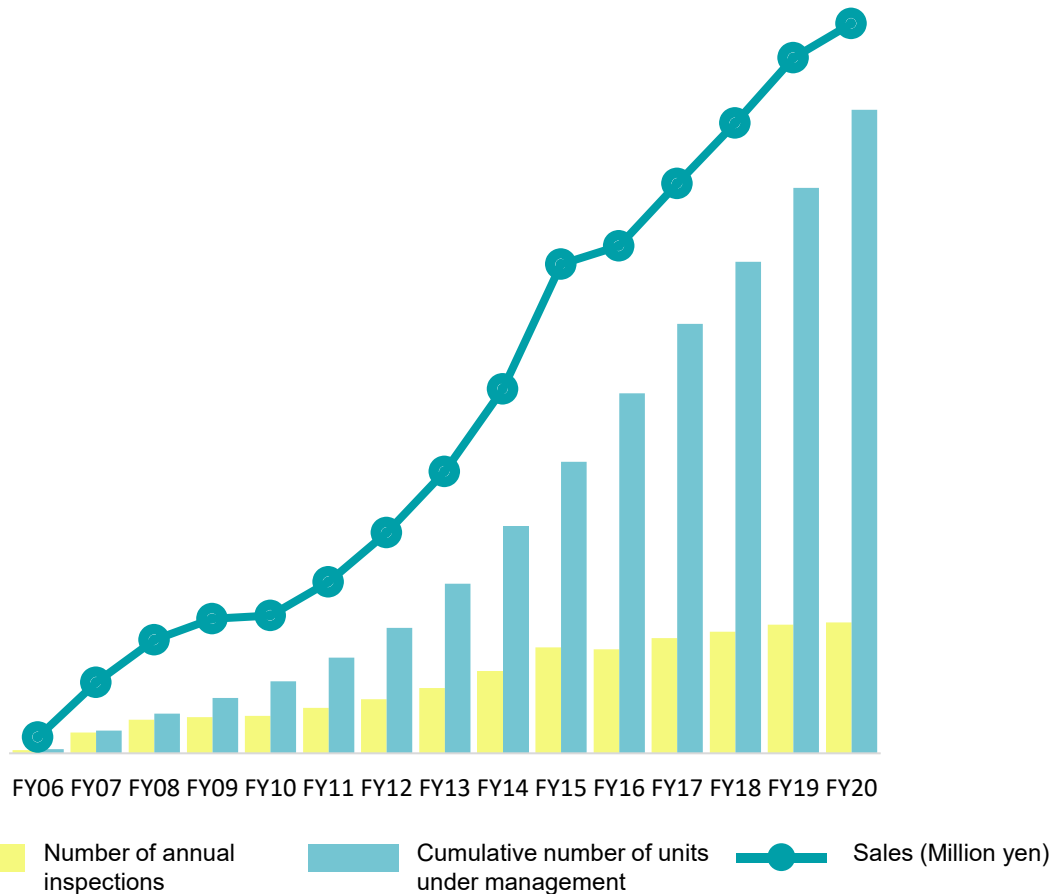
Periodic after-sales inspections: Unit price / Number of orders received



Changes in after-sales periodic inspections and cumulative number of units under management

Industry leader

Last 14 years CAGR 31.3% FY20 Sales **1,076** million yen



Cumulative number of units under management FY21.Q2 **417,282** units **105.7%** from end of previous term

The cumulative number of units under management remained steady at 105.7% compared to the end of the previous fiscal year.

Future Initiatives

Amid declining new construction starts, we will strengthen profitability in the stock housing domain, which consists of existing housing

① Support services to maintain relationships between homebuilders and owners (Owners' club*1, etc.)

*1: Platform for housing owners providing information, housing maintenance services, and lifestyle convenience services to improve living quality

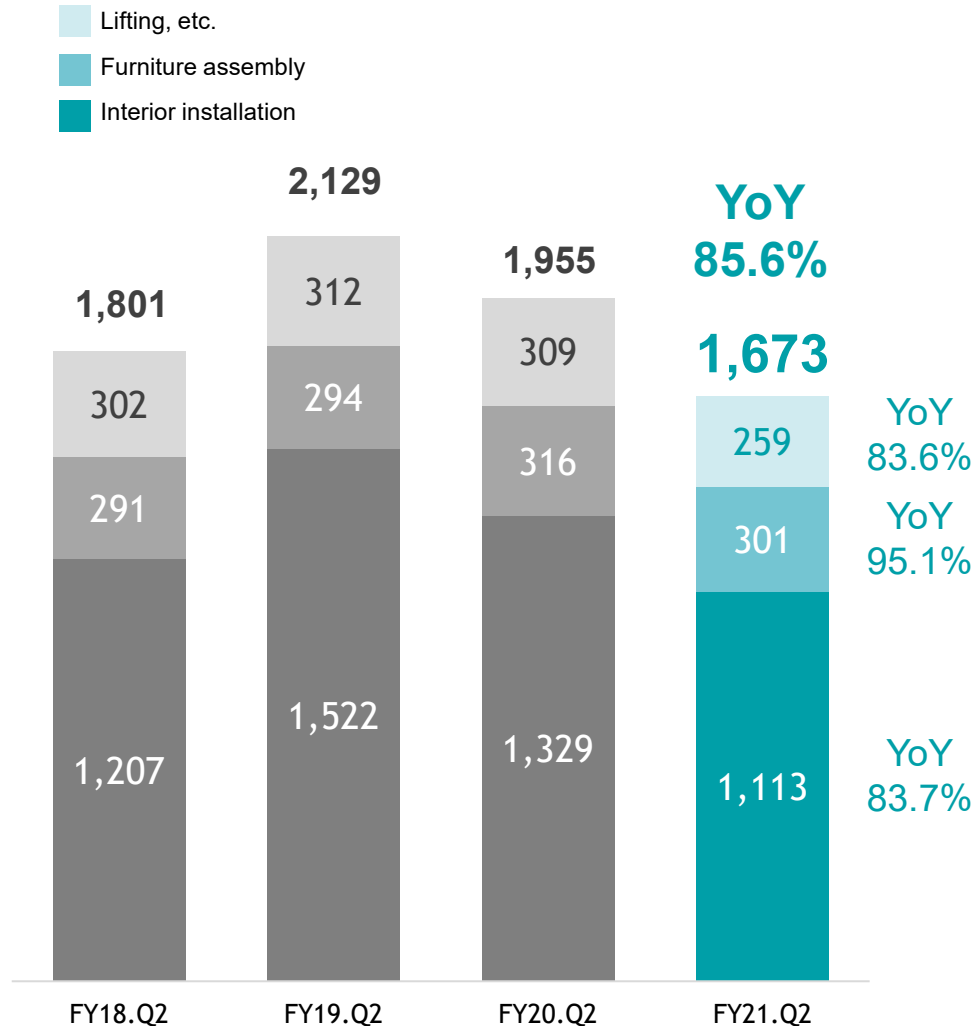
② Strengthen acquisition of inspection orders for houses that have been in existence for five or ten years

③ Acquiring maintenance orders after inspections

Status of Construction Services for Commercial Environment

Changes in sales

(Million yen)



Greater-than-anticipated impact of COVID-19 led to a sharp decline in interior construction projects at hotels, stores, and offices.

We had been working to acquire office interior construction and store withdrawal work, but there were fewer restoration projects than expected, and this has not yet compensated for the decline in the number of orders received.

Activities will be implemented from Q3 onward to capture demand such as the resumption of projects that had been postponed due to COVID-19.

Sales by project size (YoY)

(Million yen)

	FY20.Q2 Results	FY21.Q2 Results	YoY
Large 10 million yen or more	267	196	▲71 73.5%
Medium Less than 5 to 10 million yen	167	92	▲75 55.2%
Small Less than 5 million yen	893	823	▲69 92.2%
Total	1,329	1,113	▲216 83.7%

Promotion of antiviral and antibacterial services

Supporting the creation of hygienic environments so that people can use buildings safely and with peace of mind
Helping companies that have been hit hard by the effect of COVID-19 to recover quickly

We will expand our product lineup and promote sales of services and products that increase added value with building construction.

Antiviral and antibacterial coating

 **Air Refresh**



Hybrid air purifier

Kirala Air



Status of antiviral and antibacterial services

Orders for antiviral and antibacterial services were weak compared to the response, as many industries with strong demand for this service experienced sluggish performance
Amid the unclear outlook for the containment of COVID-19, we will strengthen sales activities based on the recognition that it is a necessary service for society.

Net sales for Q2: 116 million yen

Started recruiting franchised stores in January, following sales agents, in order to build a system to expand sales.



**Antiviral and antibacterial coating
Launch of automatic insurance service
(for residential and commercial environments)**



Advertising activities



FY9/21 Q2 Top 20 Clients



		Repair service	Construction services for living environments	Construction services for commercial environments	Merchandise sales	Antiviral and antibacterial services	Major activities	Rank as of Q1
1	Hajime Construction Co., Ltd	●	●		●		Inspection/repair Periodic Inspection/Maintenance after Inspection Sales of maintenance kits	1
2	IKEA JAPAN CO., LTD.			●			Furniture Assembly (All Stores)	2
3	Aim Create Co., Ltd.			●			Store interior work	4
4	SEKISUI CHEMICAL CO., LTD.	●	●				Repair/Interior work	3
5	Panasonic Corporation	●	●				Repair/Interior work	5
6	Handy Crown Co., Ltd.				●		Sale of repair products	6
7	KOTOBUKI SEATING CO., LTD.			●			Installation of furniture in the stadium	★
8	AI-KOUMUTEN Co., Ltd.	●	●			●	Repair/Periodic Inspection/Antiviral and Antibacterial Services	8
9	Asahi Kasei Homes Corporation	●	●		●		Repair/Interior work Sales of maintenance kits and repair products	7
10	ISETAN MITSUKOSHI PROPERTY DESIGN LTD.			●			Store interior work	9

Top 11th-20th

TACT HOME CO.,LTD. / SOGO DESIGN Co., Ltd. / IRISCHITOSE.CO.,Ltd. / DAIWA HOUSE INDUSTRY CO., LTD. / YOSHICHI MANNEQUIN CO.,LTD. / Sumitomo Realty & Development Co., Ltd. / Sekisui Famis Kinki Co.,Ltd. / YKK AP Inc. / Haseko Corporation / Jutakujuhokan Co., Ltd.

★ Newly top 10 clients for FY21 Q2

Policy of Construction Structure and Trends in the Number of In-House Skilled Workers and Partner Companies

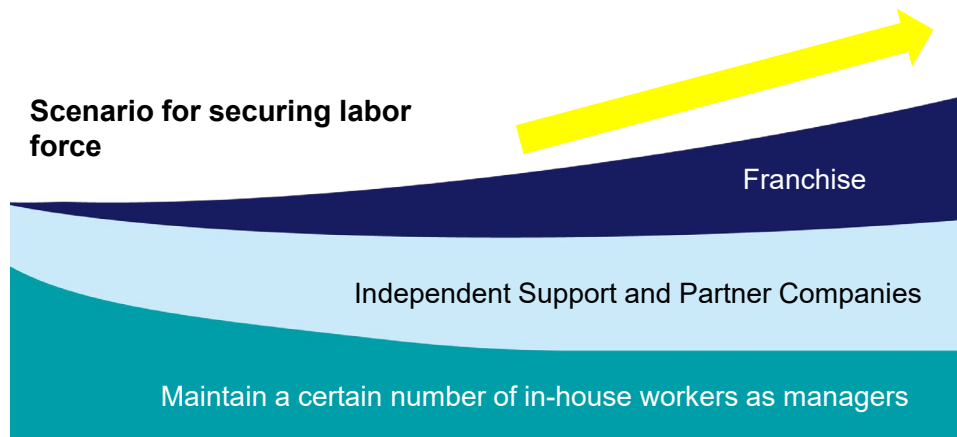
Policy

① Secure labor force and improve utilization rate

Support the independence of in-house skilled workers and strengthen the system of partner companies
Build a franchise system

② Improve profitability by converting labor costs to variable costs

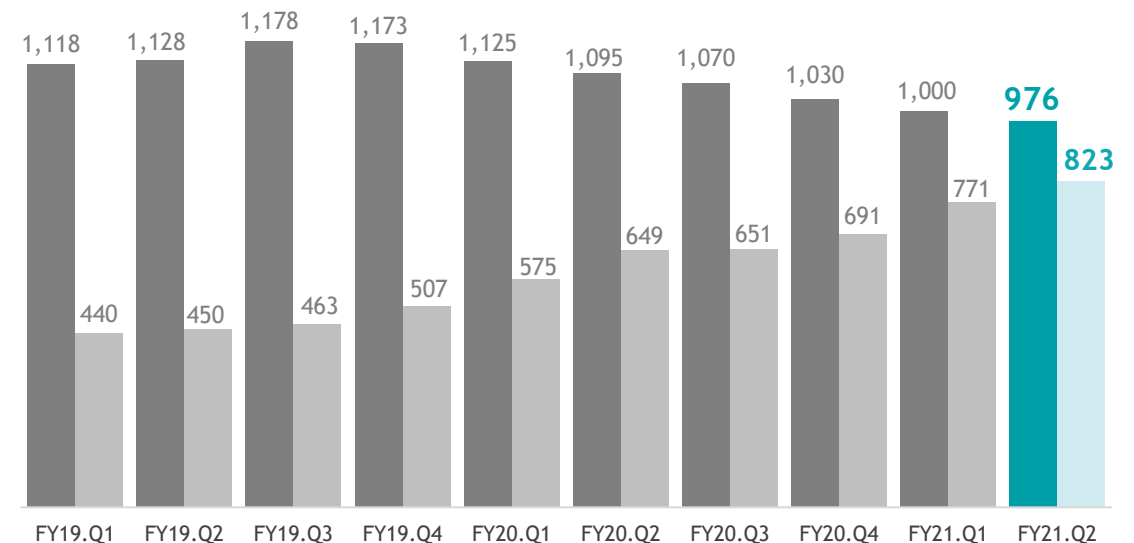
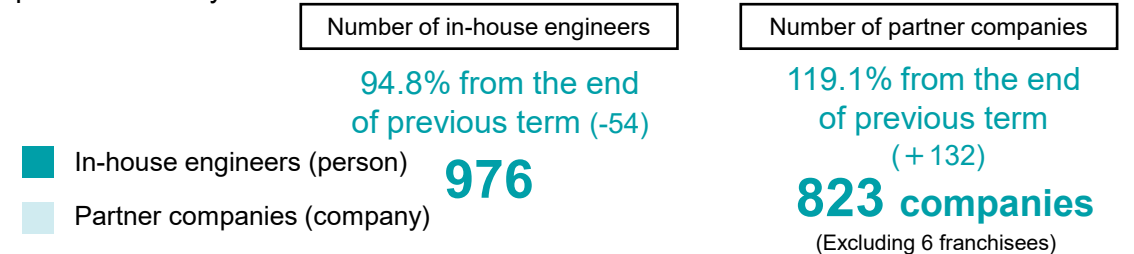
③ Develop in-house skilled workers as site managers to maintain service quality



Trends in number of in-house workers and partner companies

In line with the policy and due to the temporary suspension of hiring activities due to COVID-19, the number of in-house skilled workers in FY2021 Q2 was 94.8% compared to the end of the previous fiscal year.

Among partner companies, sales were steady at 119.1% compared to the end of the previous fiscal year.



Business Forecasts for FY9/21

Business Forecasts

We have made business forecasts based on our anticipation that COVID-19 will converge and economic activities will gradually recover.

As for COVID-19, while there are encouraging signs that vaccination has begun, a third State of Emergency was declared due to the increase of mutant strains of the virus in Japan and abroad.

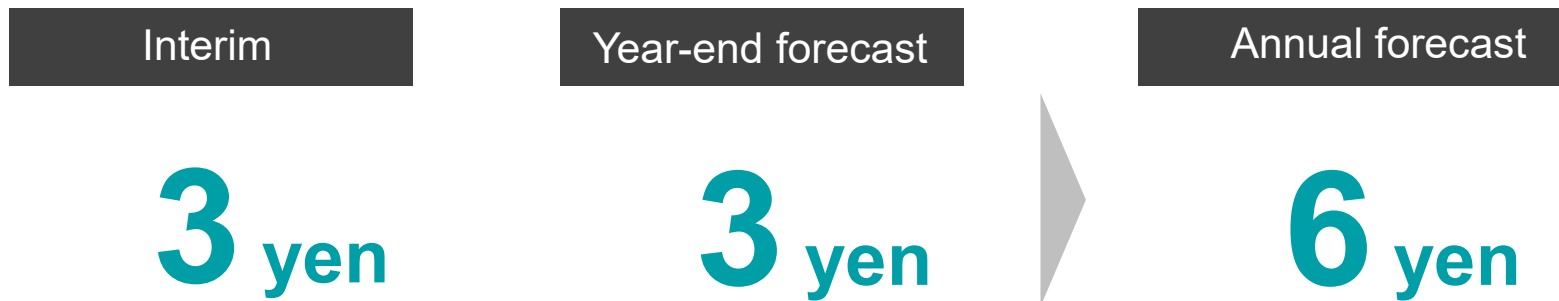
Under such circumstances, future trends in the market environment are also uncertain, making it difficult to reasonably calculate the forecasts for the 2H at this time.

Therefore, we have withdrawn the consolidated business forecasts for the fiscal year ending September 2021, which was announced on November 13, 2020. We will announce the forecast again when it becomes possible to calculate it.

Shareholder Returns (FY9/21)

The dividend forecast and shareholder benefit program remain unchanged at this time.

Dividend



Shareholder benefit program

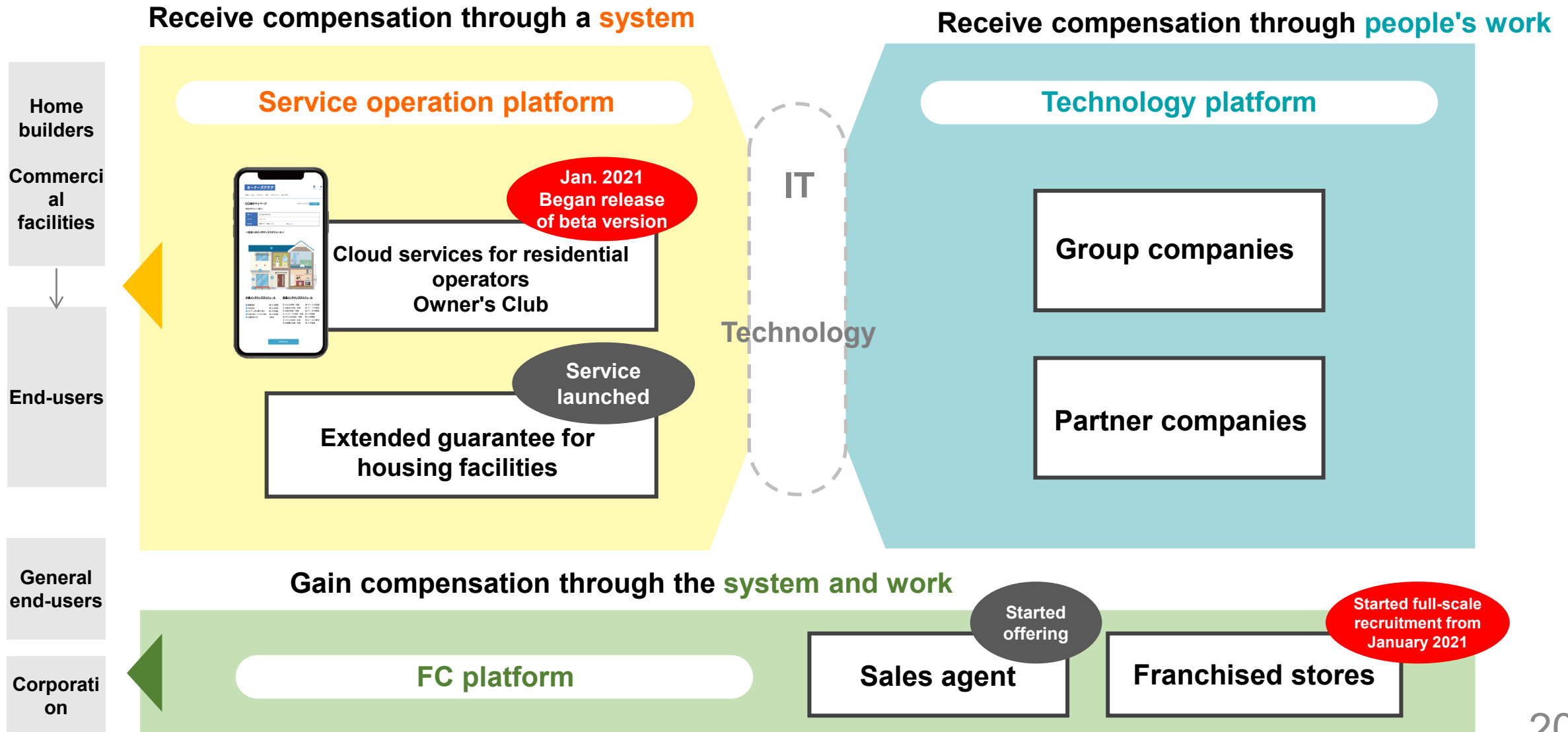
Each subject shareholder is presented with a QUO card in the following amount depending on the shares held

Number of shares held	Shareholder benefit program
200 shares or more, less than 2,000 shares	QUO Card worth 3,000 yen
2,000 shares or more, less than 6,000 shares	QUO Card worth 4,000 yen
6,000 shares or more	QUO Card worth 5,000 yen

*There are no plans to change the shareholder benefit program at this time, but it may change depending on future operating results.

Future Business Development

In addition to the existing technology platform business (labor-intensive business), the planned operation of "earn by system" services and FC platform started operation



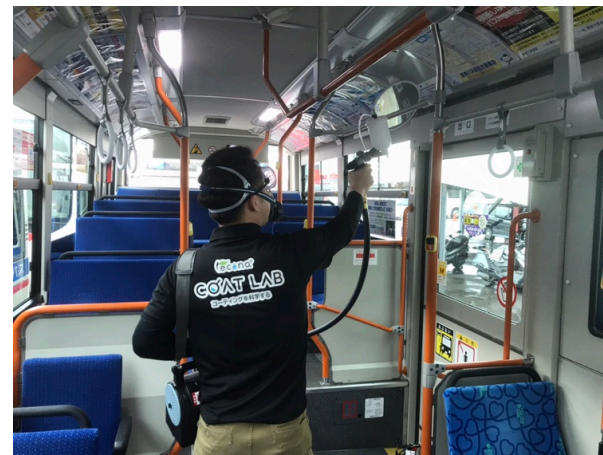
Established a franchise system. Started full-scale recruitment in January 2021

Recruitment of franchisees



- Launched dedicated website
- Began posting on "Entre," a specialist site for franchises

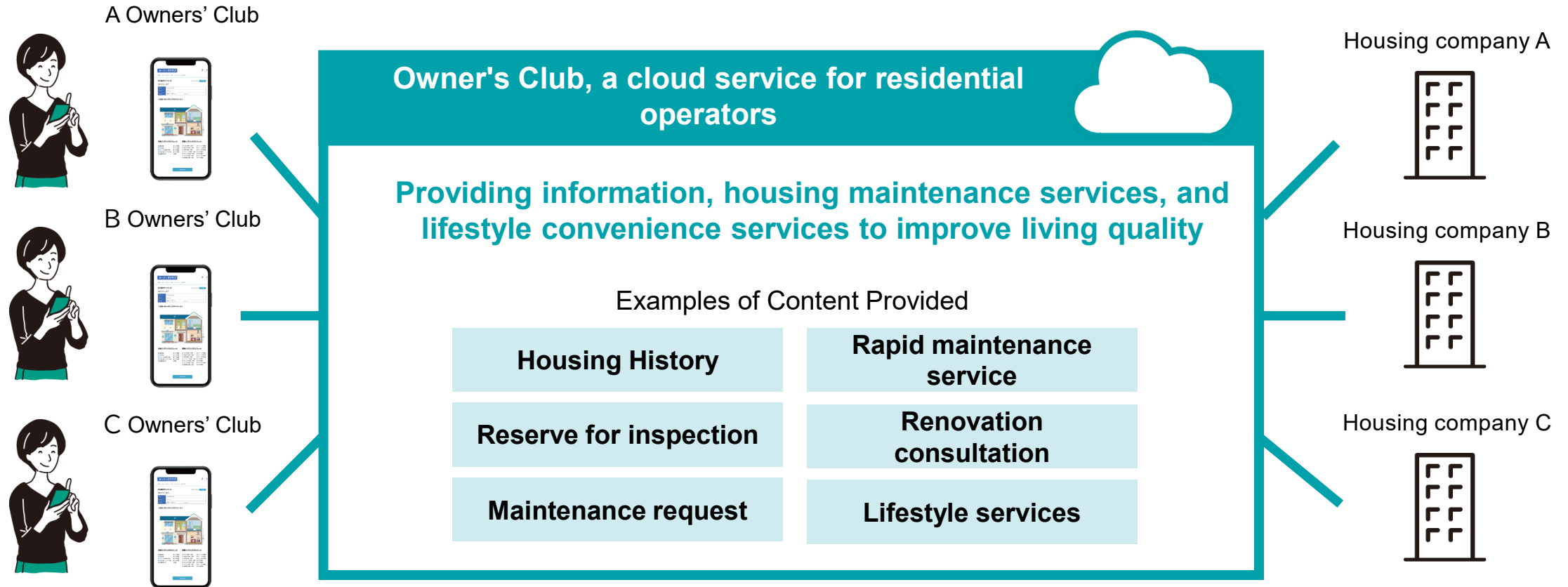
Franchise store name "Recona Coat Lab"



Initiatives: 2 Cloud services for residential operators

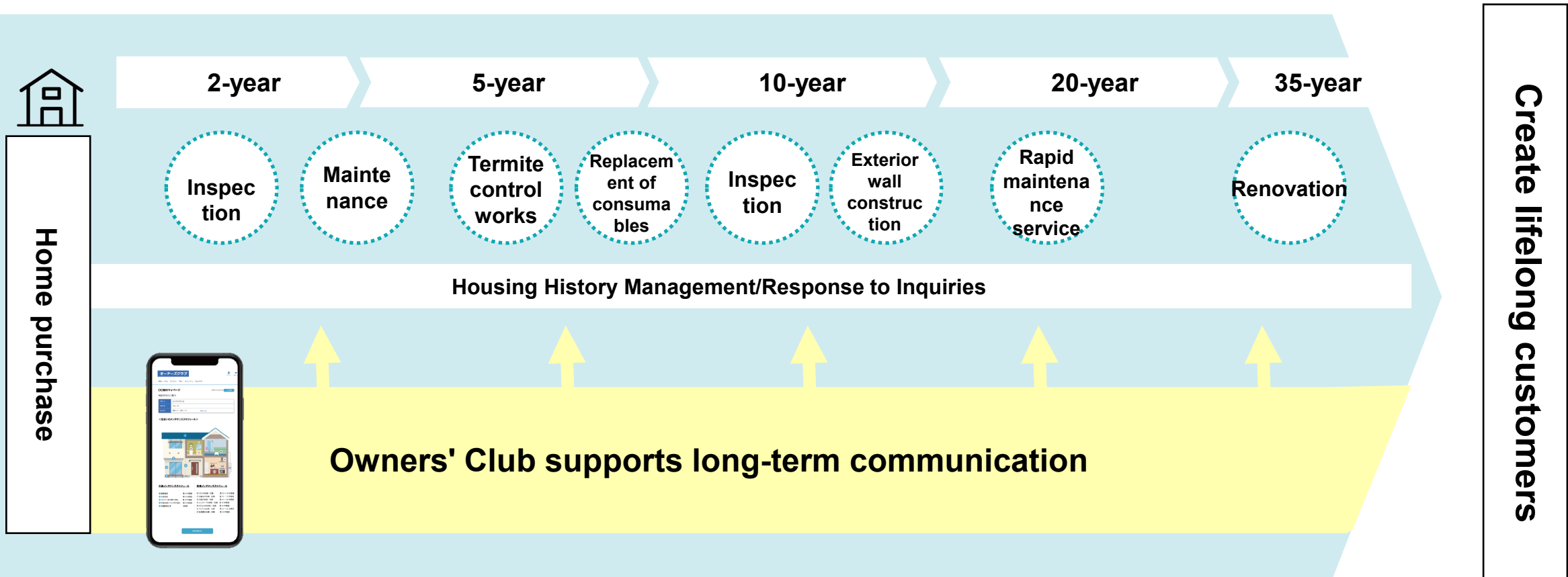
Promote the creation of "Owner's Club," a cloud service for residential operators
Currently, the beta version has been released and trials are underway.

Home owners



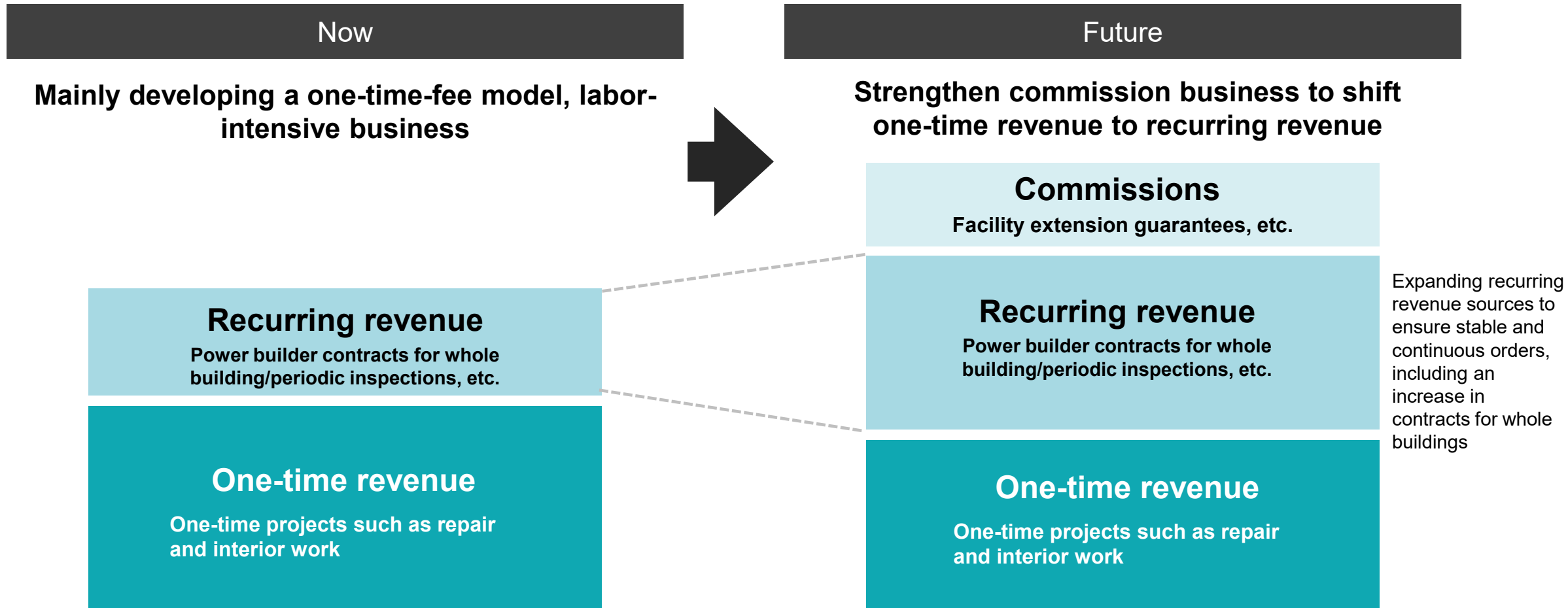
Our Group supports "lifelong customer development" by providing a tool to strengthen the relationship between housing businesses and home owners

Helping to realize "lifelong customers" by providing an owner's club and increasing contact with homeowners



*Diagram is for reference only.

Aiming to build a solid earnings base with "recurring revenue" and "commission business," which are less susceptible to social conditions and the environment



Appendix: Market Forecast

This is our current forecast of the future market environment. As the market environment is changing day by day, we will continue to be sensitive to future trends and update our forecasts to reflect them in our business operations.



		Results			Future Market Forecasts	
		FY9/20 Q1-Q2	FY9/20 Q3-Q4	FY9/21 Q1-Q2	FY9/21 Q3-Q4	Forecast for the next fiscal year (FY2022) and beyond
(Million yen)	market environment	↓	↓	↓	↓	→
	Net sales	2,616	2,046	2,169		
Repair service	market environment	↗	↓	→	→	↗
	Net sales	1,624	1,447	1,615		
Construction services for living environments	market environment	↓	↓	↓	↓	→
	Net sales	1,955	1,815	1,673		
Construction services for commercial environments	market environment	↓	↓	↓	↓	↗
	Net sales	420	337	352		
Merchandise sales	market environment	—	—	→	→	→
	Net sales	—	—	116		
Antiviral and antibacterial services	market environment	—	—	→	→	→
	Net sales	—	—	116		

*Figures for the 1H and 2H of FY9/20 and 1H of FY9/21 represents the market environment and sales at that time, and figures for 2H of FY9/21 and the next fiscal year and beyond represents the market environment forecast.
*All trends are compared to the previous half-year results.

Becoming a company that is indispensable in the building lifecycle support

"CANDEAL" in all buildings

The logo for CANDEAL is rendered in a bold, teal-colored, sans-serif typeface. The letters 'A' and 'E' are stylized with sharp, upward-pointing peaks, giving the logo a dynamic and modern appearance.

Manual & Technology

Disclaimer

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