

2021 Full-Year Results

From June 1, 2021 to May 31, 2022



ERI Holdings Co., Ltd.

July 12, 2022

ERI

Evaluation, Rating, Inspection

Holdings

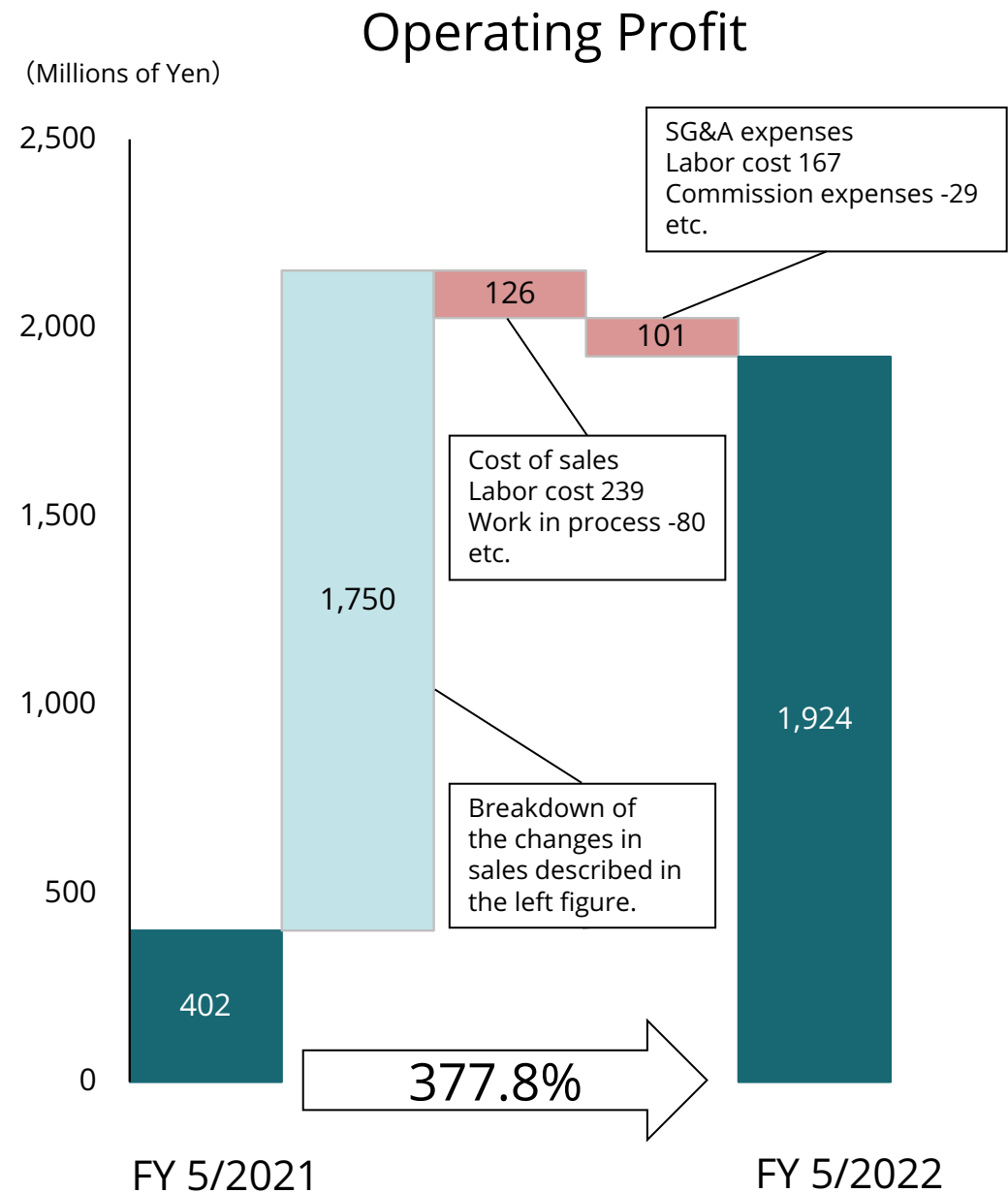
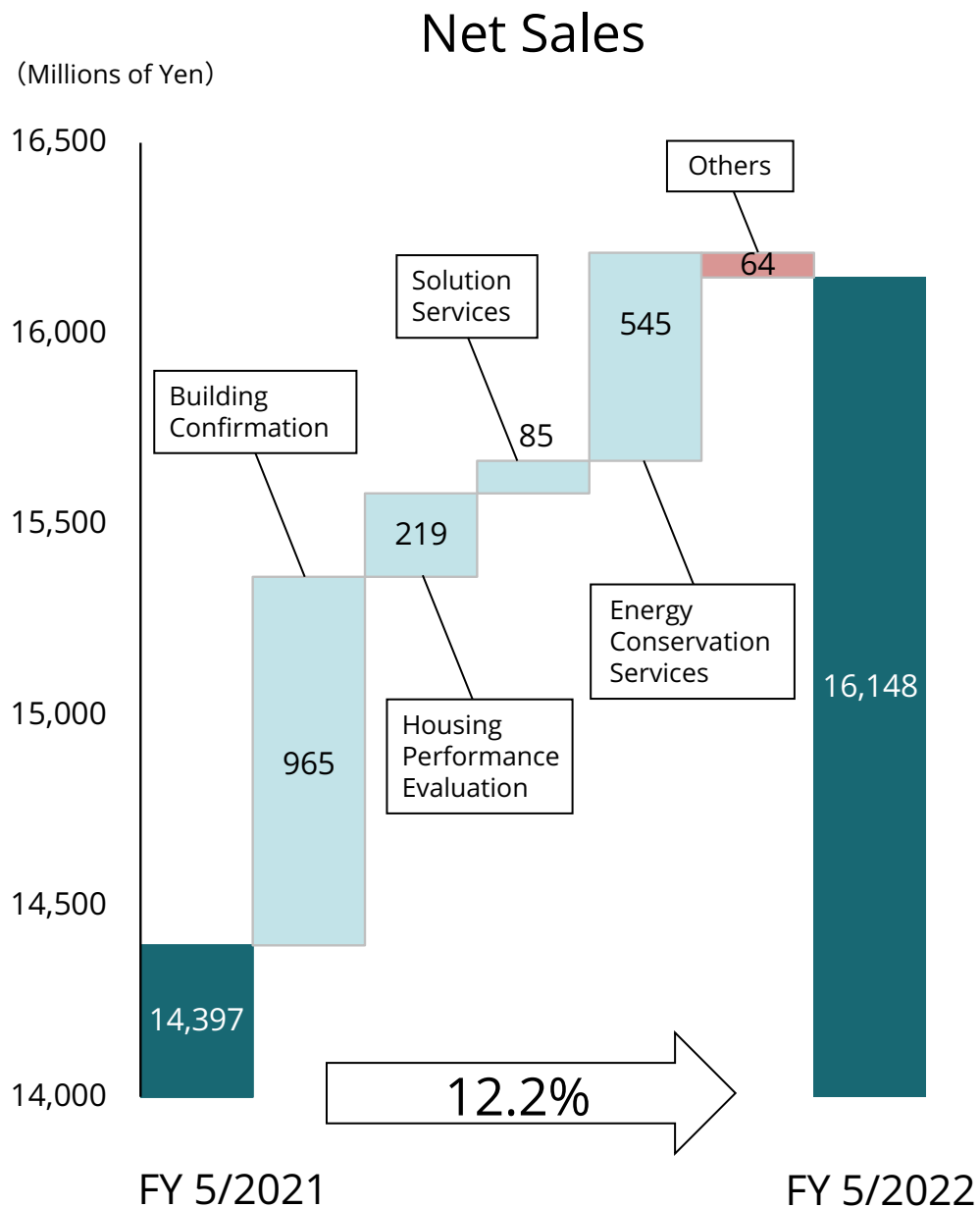
V-shape recovery to record high financial results

- Business has kept on recovery trend and earned record high profit.
- Both new housing starts and GFA of new build non-housing have increased on a year-on-year comparison.
- All the segments turned around to increase in revenue and earnings on a year-on-year comparison.
- Building Confirmation and Inspection and Housing Performance Evaluation services have been roaring by a recovery of housing sector business stimulated by a rebound from COVID-19 and a decarbonization subsidy.
- Solution services and others have been expanding by bounce back of building stock related services and steadily increasing energy-saving related services.
- In addition, promotion of e-filing and remote operations, as a countermeasure for COVID-19 stress, and slimmed-down headcount align with moderation of seasonal fluctuation in demand have successfully made our business noticeably profitable.

Consolidated financial results

(Millions of yen)	Previous fiscal year (Jun. 2020– May. 2021)	Reporting fiscal year (Jun. 2021– May. 2022)	Change	
			Amounts	Ratio
Net Sales	14,397	16,148	1,750	12.2%
Operating Profit	402	1,924	1,521	377.8%
Operating Profit Ratio	2.8%	11.9%	-	-
Ordinary Profit	474	1,986	1,511	318.8%
Ordinary Profit Ratio	3.3%	12.3%	-	-
Profit Attributable to Owners of Parent	264	1,228	963	363.9%
Profit per Share (Yen)	33.95	156.83	122.88	361.9%

Change in net sales and operating profit

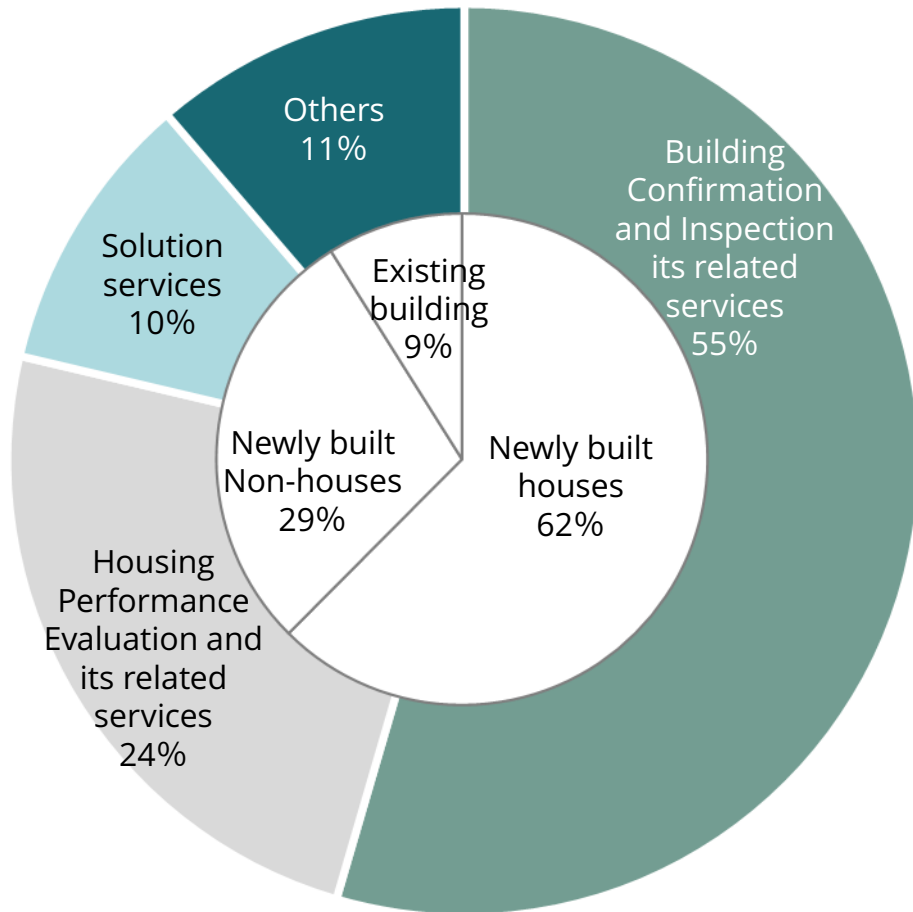


Consolidated financial results by segment

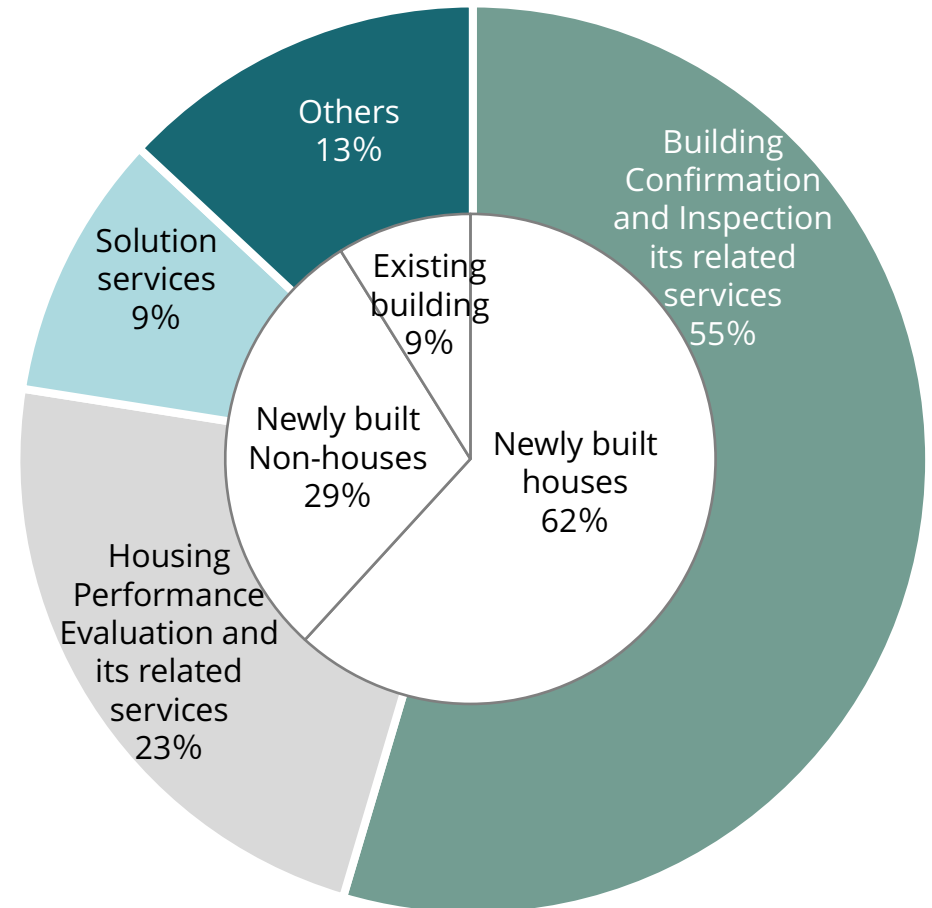
(Millions of yen)	Previous fiscal year (Jun. 2020– May. 2021)	Reporting fiscal year (Jun. 2021– May. 2022)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection and its related services	7,849 [54.5%]	8,815 [54.6%]	965	12.3%	1,089	772
Housing Performance Evaluation and its related services	3,479 [24.2%]	3,698 [22.9%]	219	6.3%	388	295
Solution Services	1,442 [10.0%]	1,527 [9.5%]	85	5.9%	149	67
Others	1,626 [11.3%]	2,106 [13.0%]	480	29.5%	363	386
Net Sales Total	14,397 [100.0%]	16,148 [100.0%]	1,750	12.2%	1,990	1,522

Sales breakdown | Consolidated

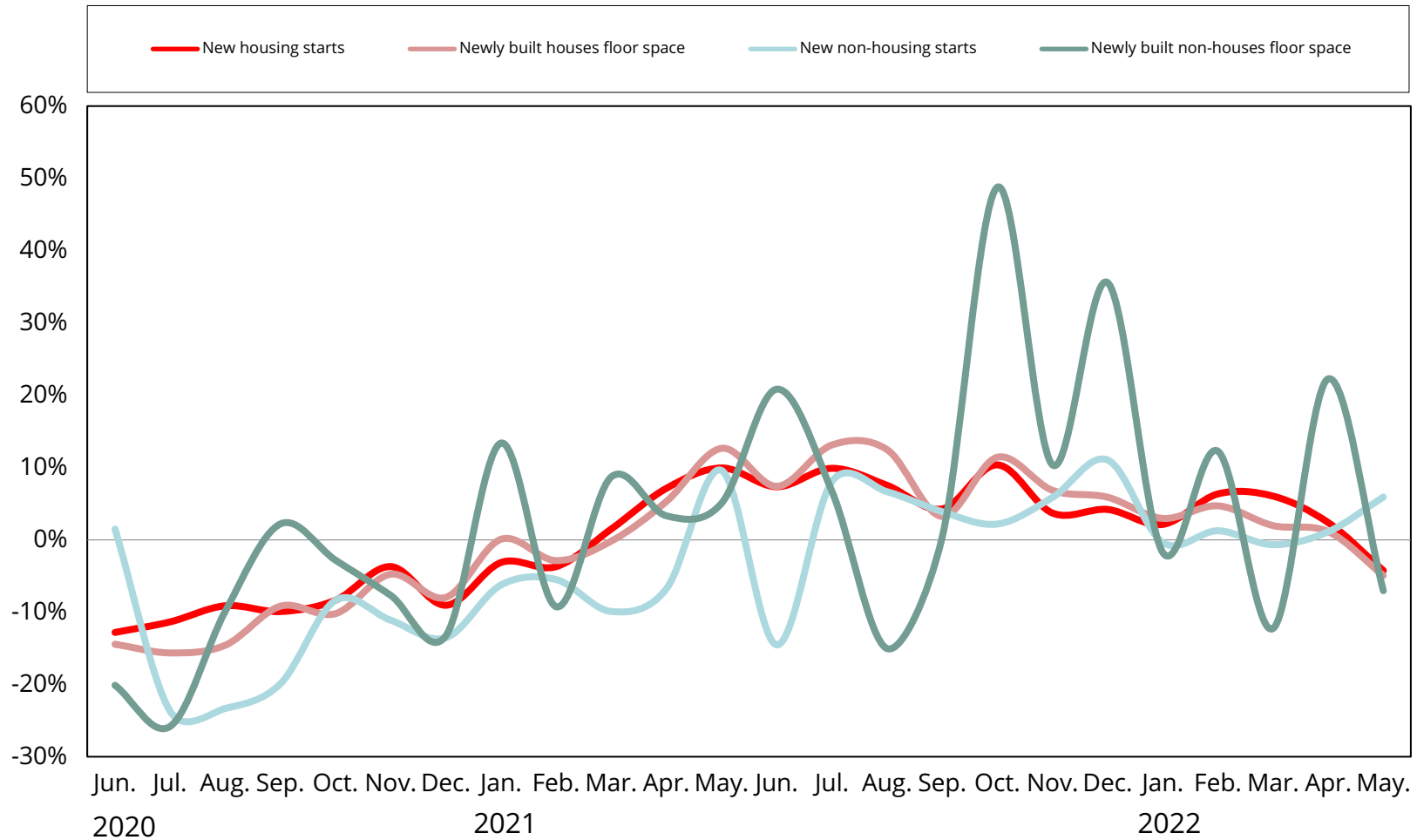
FY 5/2021



FY 5/2022

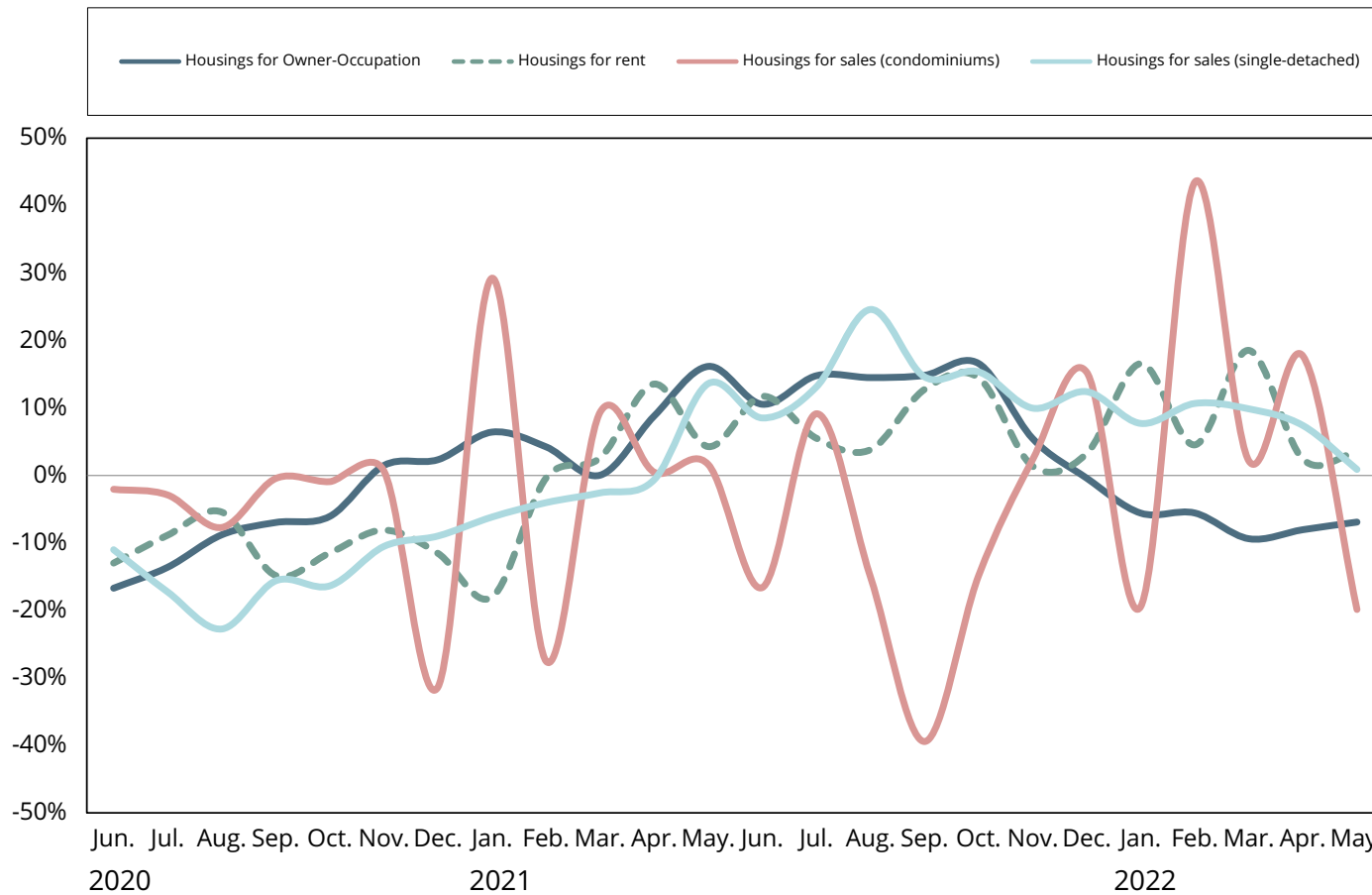


Changes in Housing/Non-housing starts (year-on-year rate)



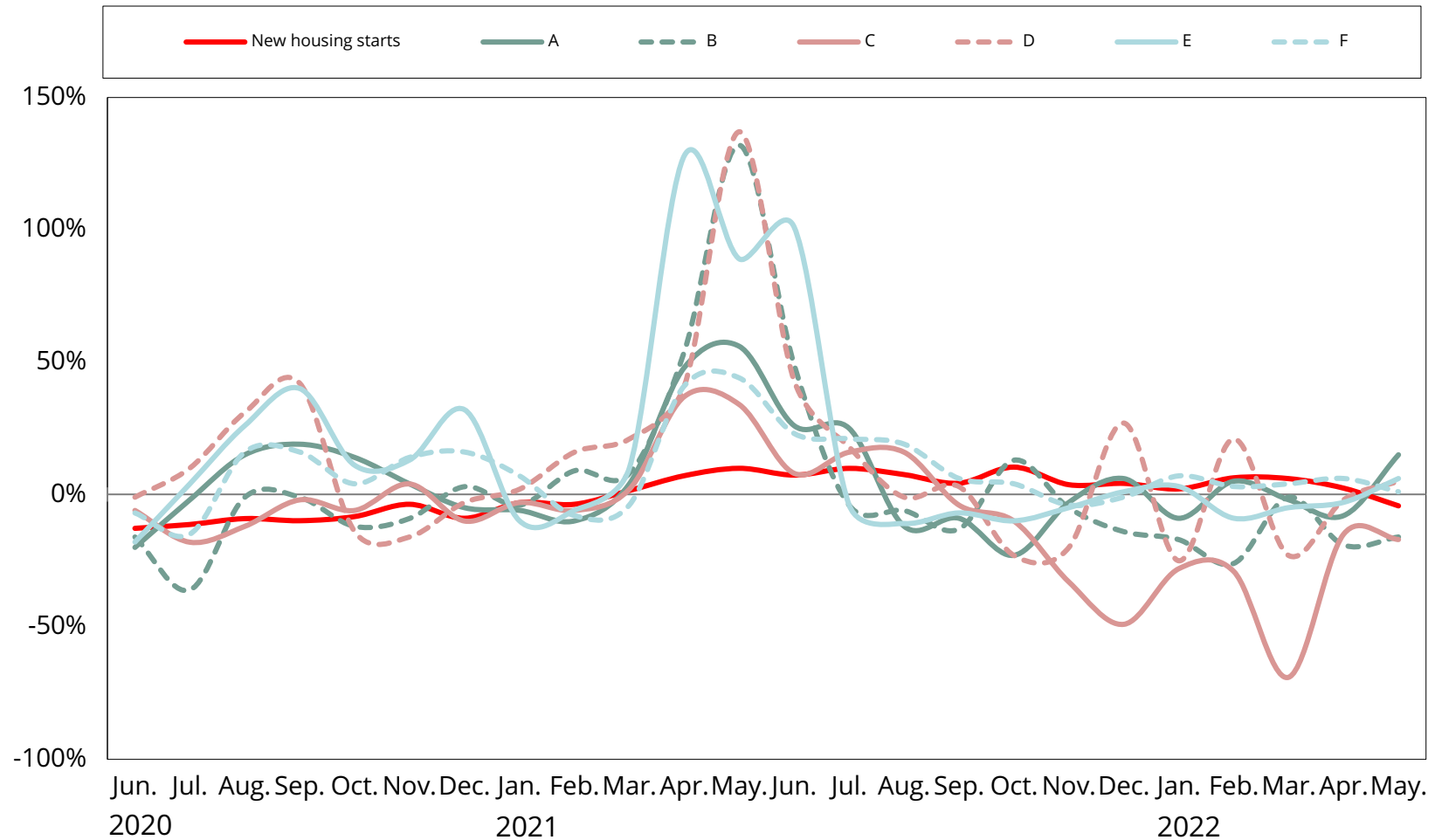
Changes in new housing starts by categories of housing (year-on-year rate)

Changes in the cumulative total (from June 2021 to May 2022)



New housing starts	5.0%
Housings for Owner-Occupation	3.6%
Housings for rent	8.1%
Housings for sales (condo-miniums)	▲5.2%
Housings for sales (single-detached)	11.0%

Changes in new orders of detached houses by Major house builders



* New housing starts are on the basis of the number of houses , and the results of major house builders are on the basis of amounts of money which was disclose on each company's website.

Stats of new construction starts in FY 5/2021 (June 2021 ~ May 2022)

Housing sector

	Detached Houses	Terrace Houses	Collective Houses	Total
New Housing Starts (Unit)	427,533	70,485	366,679	864,697
Year-on-Year	6.0%	6.0%	3.7%	5.0%
Proportion	49.4%	8.2%	42.4%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	48,109	3,693	19,140	70,943
Year-on-Year	5.5%	6.3%	5.3%	5.5%
Proportion	67.8%	5.2%	27.0%	100.0%

Market trend

Stats of new construction starts in FY 5/2021 (June 2021 ~ May 2022)

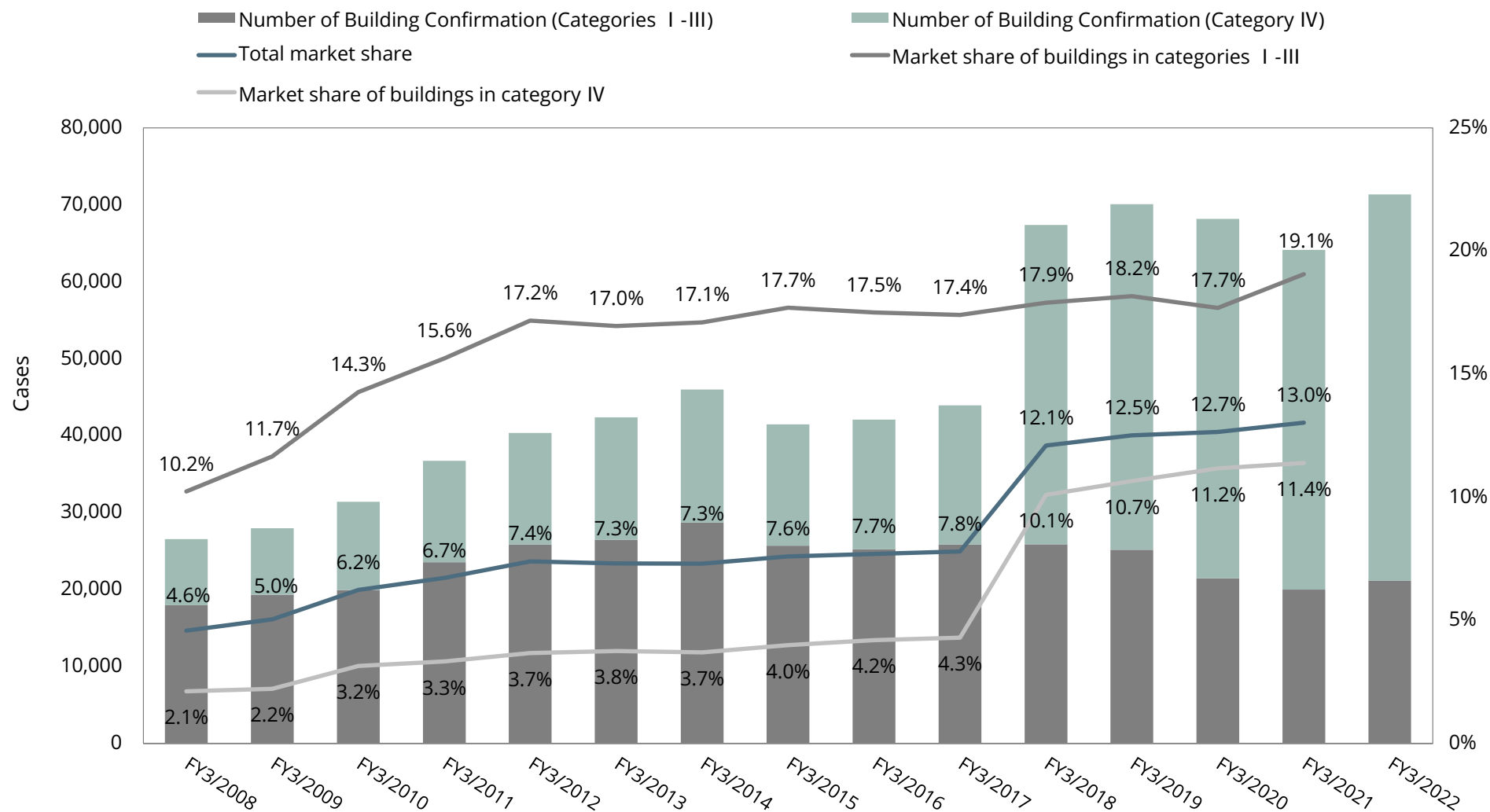
Non-housing sector

	Offices	Stores	Factories	Warehouses	Medical and Welfare	Others (educational, lodging and etc.)	Total
New Housing Starts (Unit)	9,905	5,569	6,977	12,459	6,240	21,381	62,531
Year-on-Year	2.9%	8.6%	14.5%	▲10.2%	▲9.8%	8.9%	2.0%
Proportion	15.8%	8.9%	11.2%	19.9%	10.0%	34.2%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	6,497	4,113	7,740	13,614	4,313	8,001	44,278
Year-on-Year	21.9%	▲3.0%	31.4%	15.9%	▲1.6%	▲8.6%	9.8%
Proportion	14.7%	9.3%	17.5%	30.7%	9.7%	18.1%	100.0%

Main operating figures | Consolidated

		Previous fiscal year (Jun. 2020 – May. 2021)		Reporting fiscal year (Jun. 2021 – May. 2022)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		69,408	3,178	79,977	3,720	10,569	542
Final Inspections		70,191	3,048	73,143	3,247	2,952	199
Housing Design Performance Evaluations	Detached Houses	30,624	952	34,603	1,055	3,979	103
	Collective Houses	23,742	257	24,643	286	901	29
Housing Construction Performance Evaluations	Detached Houses	29,181	1,576	27,674	1,560	▲1,507	▲16
	Collective Houses	21,680	319	18,158	285	▲3,522	▲34

Number of Building Confirmation and market share

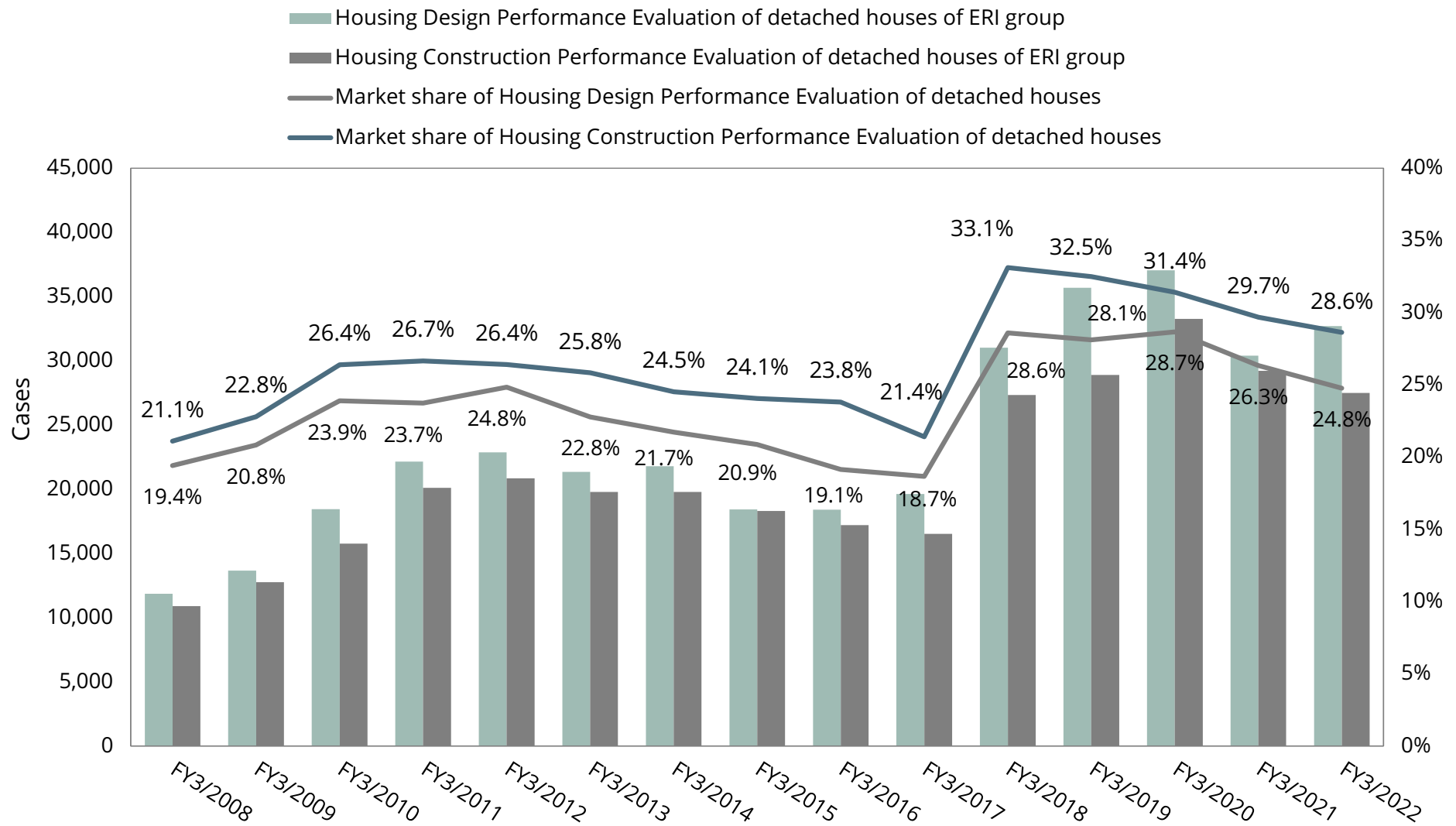


* Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is fully included from FY 3/2018 data.

* Sakoken Co., Ltd. Consolidated in Sep. 2020 is fully included from FY 3/2021 data.

* FY 3/2022 national data has not been published by MLIT yet and our share is unknown.

Number of Housing Design Performance and market share



* Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is fully included from FY 3/2018 data.

* Sakoken Co., Ltd. Consolidated in Sep. 2020 is fully included from FY 3/2021 data.

Key service figures | Consolidated

		Previous fiscal year (Jun. 2020 – May. 2021)		Reporting fiscal year (Jun. 2021 – May. 2022)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Evaluation for Building Energy Standards (incl. 300 ~ 2,000 sqm)		1,712 (81)	266	4,965 (3,115)	587	3,253 (3,034)	321
BELS Certifications	Housings	6,794	125	11,215	248	4,421	123
	Non-housings	213	47	343	74	130	27
Inspections for Housing Defect Liability Insurance		38,033	340	33,581	374	▲4,452	34
Technical Assessments for Long-life Quality Housings		24,227	344	22,401	360	▲1,826	16

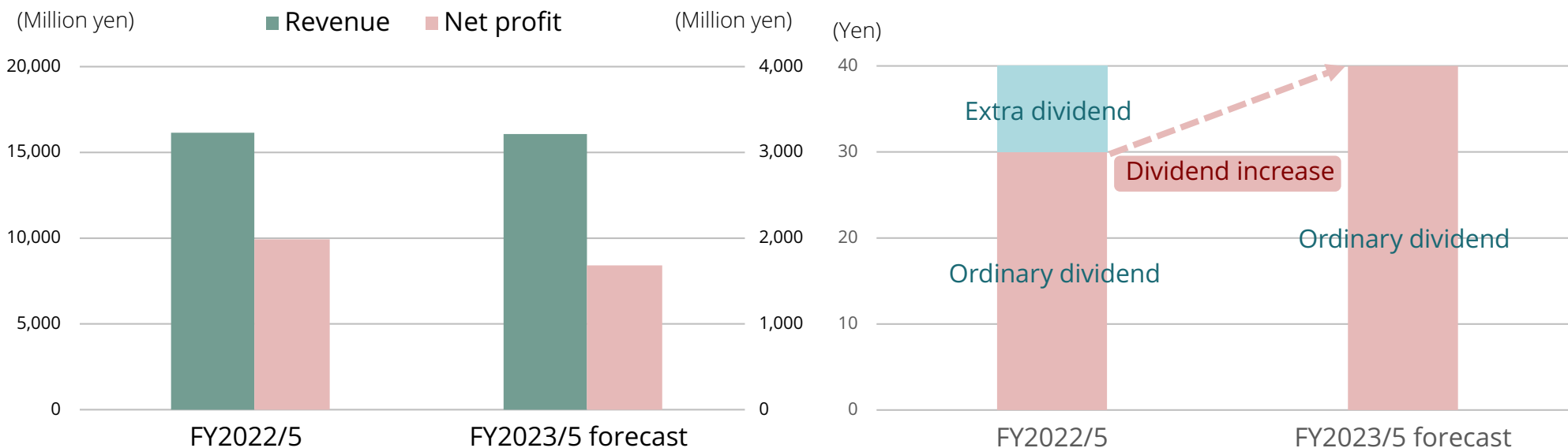
* "Technical Assessments for Long-life Quality Housings" represents the cases and amounts of "conformance certificate", which include the cases and amounts of extension and renovation. The numbers of plan change are included. From February 20, 2022, the numbers of integrated application combined with "Housing Performance Evaluations" are excluded.

* Counting rules of "Inspections for Housing Defect Liability Insurance" are as follows. 1) Include Defect Insurance but exclude inspection for insurance firm and Housing Performance Certification, 2) Include insurance brokerage, and 3) Include the data of all housing defect liability insurance companies.

* From FY 5/2020 report, "Evaluation for Compliance with Energy Consumption Performance of Buildings" includes the numbers of plan change.

Summary of the forecasts

- About sales condition, calm down of strong bounce back from COVID-19 depression in housing sector and expired Green Housing subsidy would be the major factors of sales decrease.
- About cost forecast, we need advance investment in human resource against significant increase in workload anticipated by coming crucial regulation reforms in 2025.
- All in all, both sales and earnings will decline, however, we will keep double-digit profitability that was greatly improved in the last fiscal year.
- In accordance with improved profitability, we raised an annual ordinary dividend forecast to ¥40 from ¥30 of the last fiscal year.



Forecasts for FY 5/2023

(Millions of yen)	FY 5/2022 (Jun. 2021 – May. 2022)	FY 5/2023 (Jun. 2022 – May. 2023)	Change	
			Amounts	Ratio
Net Sales	16,148	16,069	▲79	▲0.5%
Operating Profit	1,924	1,673	▲251	▲13.1%
Operating Profit Ratio	11.9%	10.4%	-	-
Ordinary Profit	1,986	1,682	▲303	▲15.3%
Ordinary Profit Ratio	12.3%	10.5%	-	-
Profit Attributable to Owners of Parent	1,228	1,106	▲121	▲9.9%
Profit per Share (Yen)	156.83	141.26	▲15.57	▲9.9%

New medium-term management plan

Loyally grounded in sustainability-oriented policy, pursuing sustainable growing by core business reinforcement and business field expansion

Sustainability oriented

Action on sustainability policy

Seven Principles



Social contribution



ESG

Our business role for safety and security of housings and buildings is an important part of implementing social sustainability policy. Public benefit-oriented policy is our corporate philosophy and business opportunity.

Core business reinforcement

Challenges : adaptation to regulation reform, scarcity of resource, etc.

Human capital investment



Technical skills education



DX

Due to a significant workload increase by the coming crucial regulation reforms in 2025, we anticipate a big challenge against human resources in our sector. Advance investment in our human resource and promotion of DX can be our competitive edge in the marketplace.

Business field enhancement

Challenges : promotion of services for civil engineering, building stock, etc.

Human capital investment



M&A



i-construction

We will continue to challenge to expand our business toward civil and environmental engineering field. M&A can be a solution to enhance our human capital quickly and efficiently.

New medium-term management plan

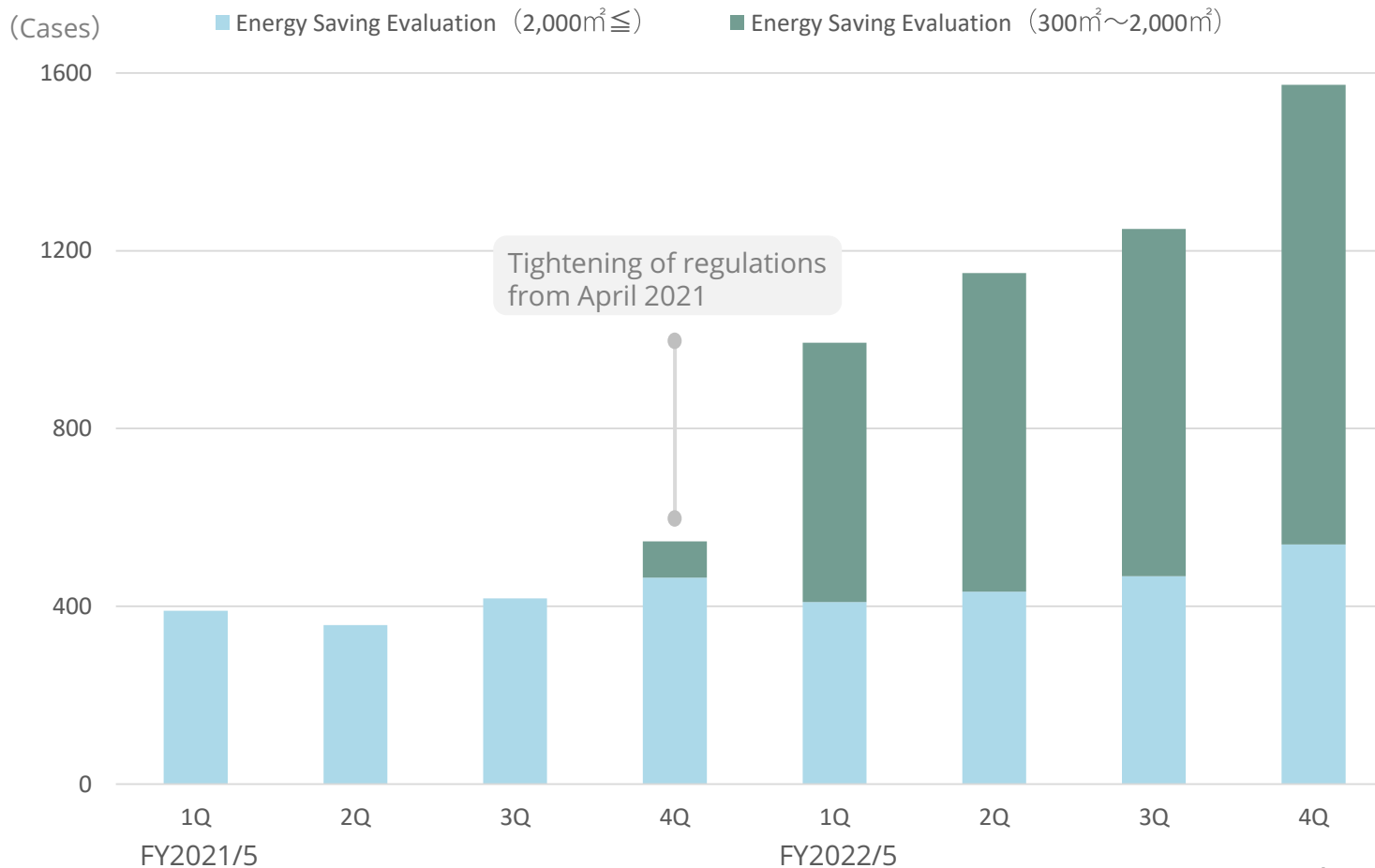
Numerical targets of the last fiscal year of the medium-term management plan

	Results of FY5/2022	Targets of FY5/2025
Net sale	16.14 billion yen	20.0 billion yen (incl. 2-3 bln yen M&A contribution)
Operating profit	1.92 billion yen	2.3 billion yen
Operating profit / Net sales	11.9%	11.5%
ROE	35.2%	20 - 30%
Dividend per share	40 yen	Stable dividend policy (target payout ratio : around 30%)

Update on Evaluation for Building Energy Standards

- From April 2021, new non-housings building of GFA 300m²~2,000m² must comply with Energy Saving Standards.
- Its second quarter sales increased **121% on a year-on year comparison.**

Change in Evaluation for Building Energy Standards



Sales of Evaluation for Building Energy Standards

FY2022/05

587 million yen



+121%

FY2021/05

266 million yen

“Act of partial revision on building energy saving promotion law for carbon-neutral initiative, etc.” issued June 17, 2022

1. Accelerate energy saving measures

- Bottom-up of energy saving performance and initiative for higher energy saving performance
- Promotion of energy saving renovation and renewable energy facilities

2. Promotion of wood use building

- Streamlining of fire regulations
- Streamlining of building structural regulations

3. Others

- Streamlining of Evaluation for Building Energy Standards procedure, etc.



◆ Revision on Building Standard Act

POINT Rigidification of structural review in Building Confirmation

◆ Revision on Building Energy Saving Promotion Law

POINT Completion of mandatory Building Energy Standards

Scale-down of exception of structural examination on Category-4 building※

〈Current regulation〉

Wooden building			
Floors	GFA		
	≤200m ²	200m ² ~ 500m ²	>500m ²
≦3	Category-2 building	Category-2 building	Category-2 building
2	Category-4 building※	Category-4 building※	Category-2 building
1	Category-4 building※	Category-4 building※	Category-2 building

〈Revised regulation〉

- Adding structural examination by Building Confirmation and Inspection Bodies

Potential number of buildings that additionally needs structural examination per year approx. 300,000*

※ Exemptions on Category-4 buildings : When licensed architect plan the building, examination of structural requirement, fire requirement, etc. are exempted.

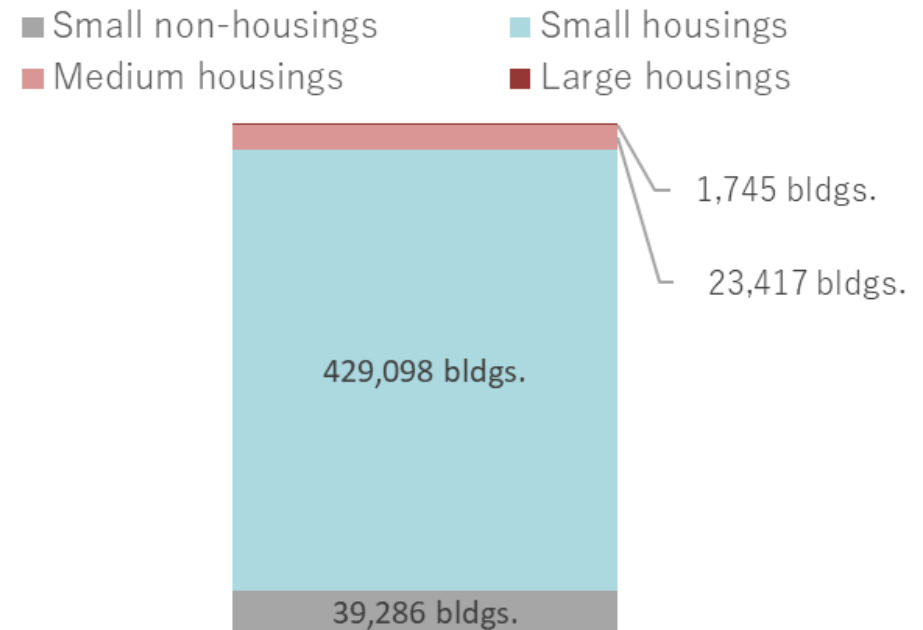
*Source: MLIT publication, 2022
Estimation by building starts number of FY2020 (R2.4~R3.3)

Topics | Revision on Building Energy Saving Promotion Law

All new buildings, including housings, must comply Energy Saving Standards from 2025

Revised requirement		
	Non-housing	Housing
Large scale GFA ≥2,000sqm	Mandatory compliance from 2019	Mandatory compliance from 2025
Medium scale GFA 300sqm-2,000sqm	Mandatory compliance from 2021	
Small scale GFA <300sqm		

**Expected volume of market expansion
493,000 bldgs. per year***



*Source: Number of bldgs. is FY3/2018 data from MLIT 2021 publication

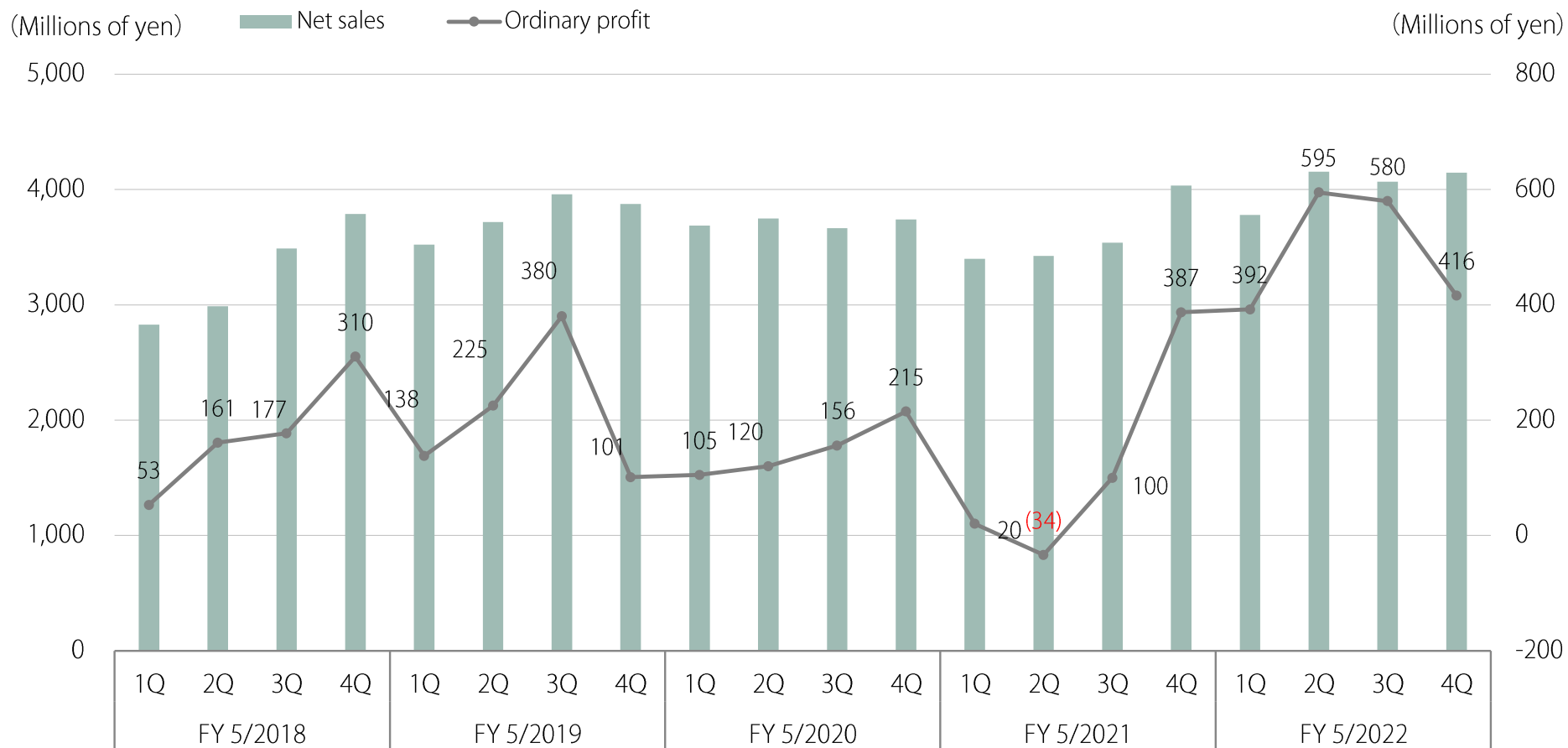
Consolidated financial statements | Assets

(Millions of yen)	Previous fiscal year (Jun. 2020 – May. 2021)	Reporting fiscal year (Jun. 2021 – May. 2022)	Change
Total assets	6,477	8,574	2,097
Total current assets	4,261	6,484	2,222
Cash and deposits	2,650	4,910	2,259
Accounts receivable – trade	902	-	▲902
Accounts receivable – trade and contract assets	-	1,061	1,061
Work in process	420	248	▲172
Total non-current assets	2,216	2,090	▲125
Property, plant and equipment	531	479	▲51
Total intangible assets	755	654	▲100
Goodwill	432	357	▲75
Total investments and other assets	929	956	26

Consolidated financial statements | Liabilities

(Millions of yen)	Previous fiscal year (Jun. 2020 – May. 2021)	Reporting fiscal year (Jun. 2021 – May. 2022)	Change
Total liabilities	3,453	4,549	1,096
Total current liabilities	2,361	3,354	993
Accrued expenses	784	1,153	369
Advances received	769	-	▲769
Contract liabilities	-	810	810
Total non-current liabilities	1,092	1,194	102
Total net assets	3,024	4,024	1,000
Total shareholders' equity	2,989	3,983	994
Retained earnings	1,954	2,948	994
Total liabilities and net assets	6,477	8,574	2,097

Changes of quarterly results | Consolidated



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