

Financial Results for the Second Quarter

From June 1, 2019 to November 30, 2019



ERI Holdings Co., Ltd.

January 15, 2020

This release contains forward-looking statements about ERI Holdings Co., Ltd.'s future plans, strategies, beliefs and performance that are not historical facts. Such statements are based on the company's assumptions and risks, uncertainties and assumptions that, without limitation, relate to economic conditions. Accordingly, ERI Holdings Co., Ltd. wishes to caution readers that actual results may differ materially from those projected in this release and ERI Holdings Co., Ltd. bear no responsibility for any negative impact caused by the use of this release.

ERI

Evaluation, Rating, Inspection

Holdings

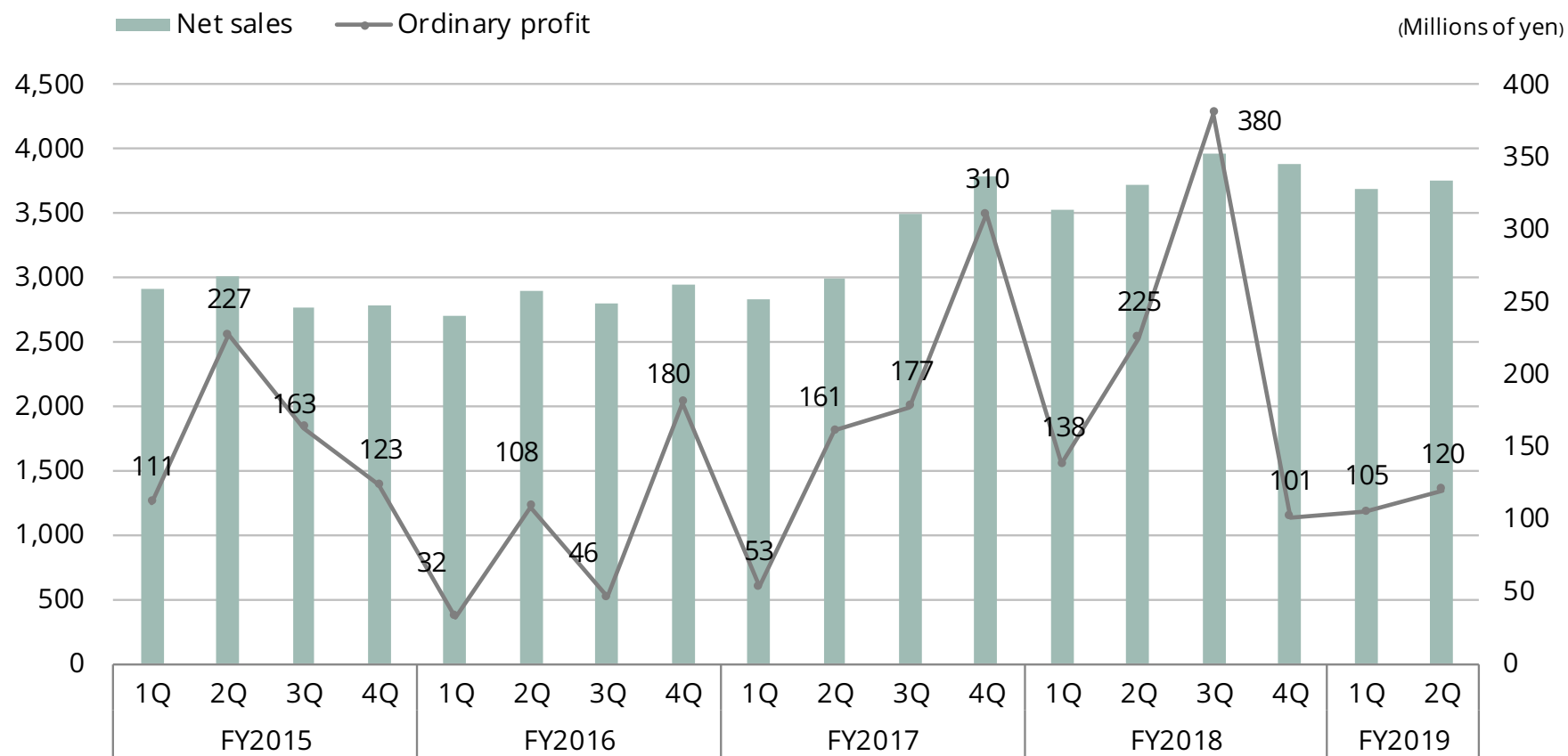
Increase in revenue and decrease in earnings year-on-year

- Second quarter results was on track to the consolidated financial forecast disclosed July 2019
- New housing starts decreased mostly due to continuing slowdown in new housing starts for rent
- In Building Confirmation and Inspection services, revenue decreased largely due to continued shrinking of new housing starts for rent
- In Housing Performance Evaluation and its related services, revenue increased due to steady new housing starts for owner-occupation and sale
- Brisk due diligence service drove a revenue of Solution Services
- In other segments, revenue was almost flat
- Increase in upfront investment and head office relocation put pressure on operating profit

Consolidated financial results

(Millions of yen)	FY2018 2Q (Jun. 2018 – Nov. 2018)	FY2019 2Q (Jun. 2019– Nov. 2019)	Change	
			Amounts	Ratio
Net Sales	7,241	7,438	196	2.7%
Operating Profit	348	167	▲180	▲51.9%
Operating Profit Ratio	4.8%	2.3%	-	-
Ordinary Profit	364	226	▲138	▲37.9%
Ordinary Profit Ratio	5.0%	3.0%	-	-
Profit Attributable to Owners of Parent	232	125	▲106	▲45.9%
Profit per Share (Yen)	30.53	16.47	▲14.06	▲46.1%

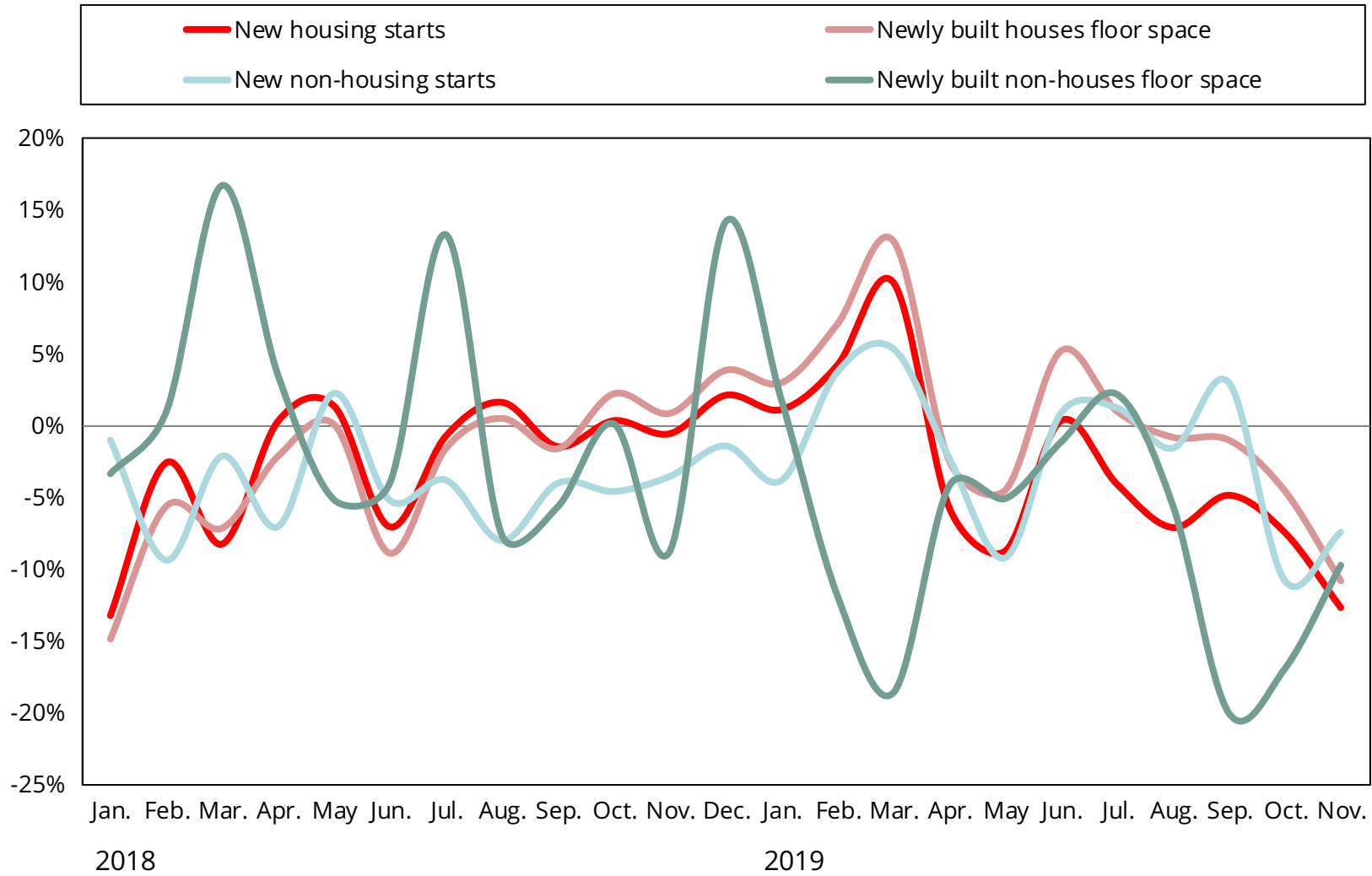
Changes of quarterly results | Consolidated



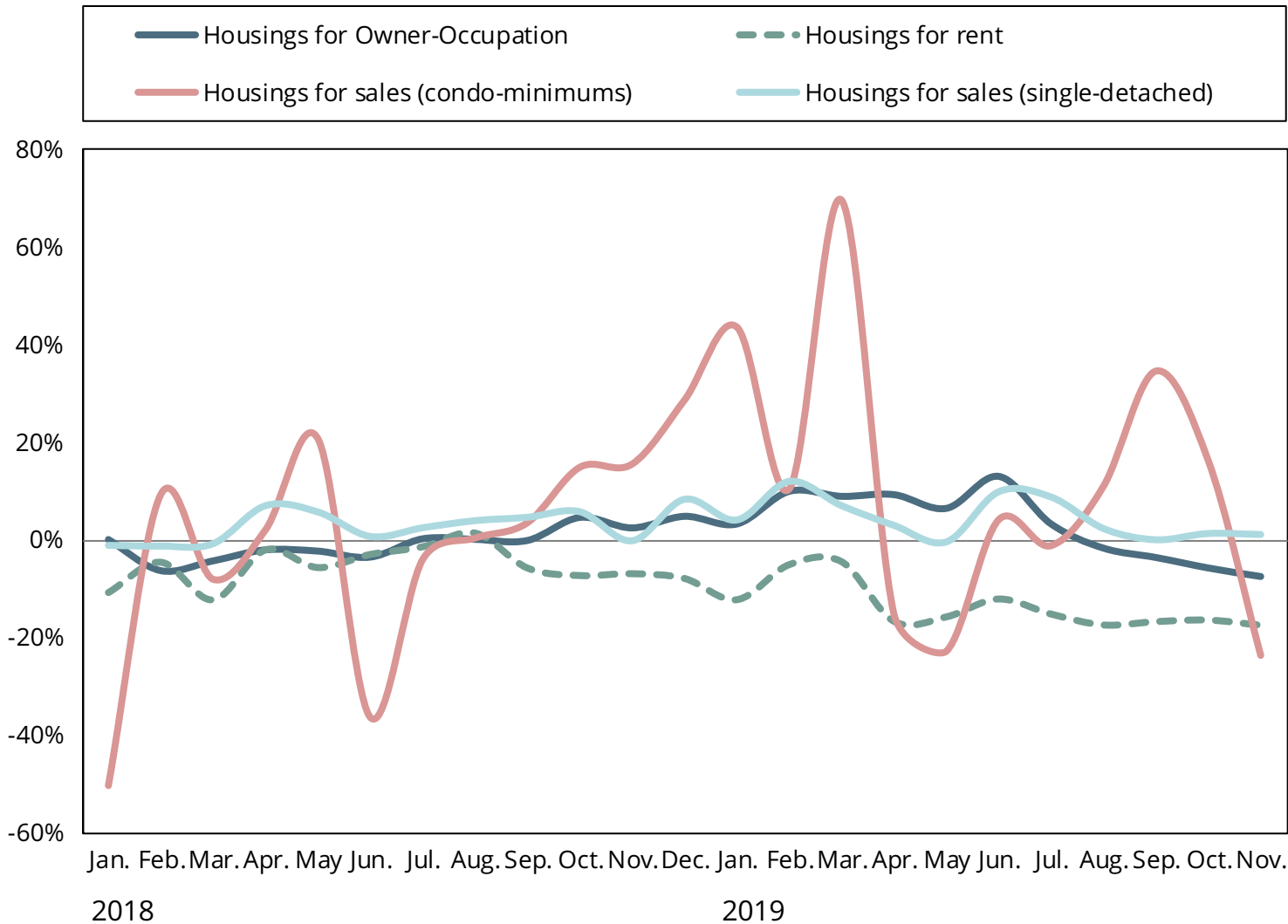
Consolidated financial results by segment

(Millions of yen)	FY2018 2Q (Jun. 2018 – Nov. 2018)	FY2019 2Q (Jun. 2019– Nov. 2019)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	3,899 [53.9%]	3,843 [51.7%]	▲56	▲1.4%	156	▲207
Housing Performance Evaluation and its related services	1,800 [24.9%]	1,926 [25.9%]	126	7.0%	78	29
Solution Services	517 [7.1%]	647 [8.7%]	129	25.1%	74	55
Others	1,023 [14.1%]	1,020 [13.7%]	▲2	▲0.3%	▲109	▲58
Net Sales Total	7,241 [100.0%]	7,438 [100.0%]	196	2.7%	199	▲180

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



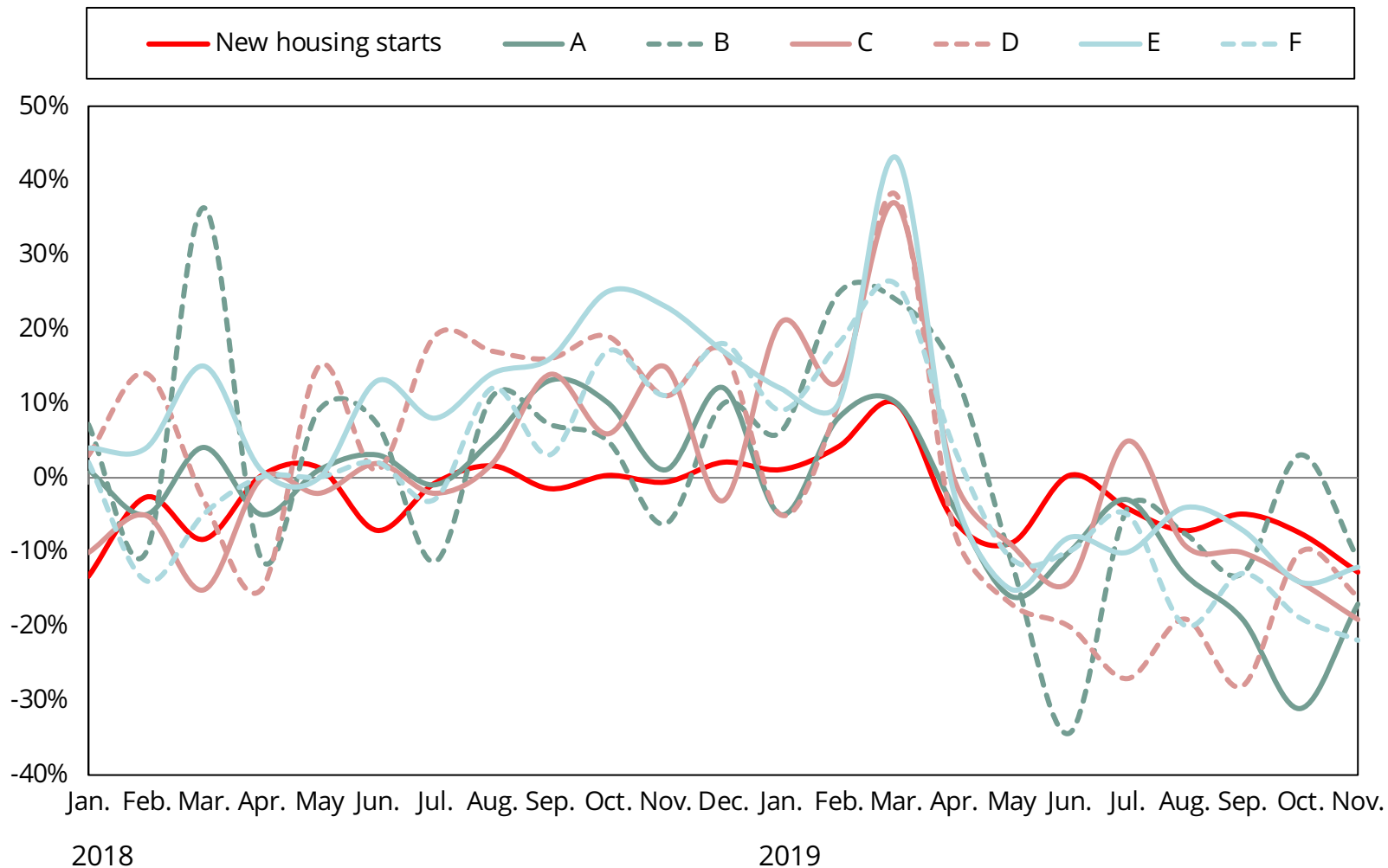
Changes in new housing starts by categories of housing (year-on-year rate)



Accumulated changes in the first half (from Jun. to Nov.)

New housing starts	▲6.0%
Housings for Owner-Occupation	▲0.3%
Housings for rent	▲16.0%
Housings for sales (condo-minimums)	6.1%
Housings for sales (single-detached)	3.9%

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 FY2019 2Q (Jun. 2019 ~ Nov. 2019)

Housing sector

	Detached Houses	Terrace Houses	Collective Houses	Total
New Housing Starts (Unit)	229,553	46,027	189,788	465,368
Year-on-Year	0.9%	▲15.8%	▲10.9%	▲6.0%
Proportion	49.3%	9.9%	40.8%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	26,152	2,422	10,163	38,736
Year-on-Year	0.6%	▲15.9%	▲4.2%	▲1.9%
Proportion	67.5%	6.3%	26.2%	100.0%

Market Trend

Stats of new construction starts in FY2019 2Q (Jun. 2019 ~ Nov. 2019) Non-housing sector

	Offices	Stores	Factories	Warehouses	Medical and Welfare	Others (educational, lodging and etc.)	Total
New Housing Starts (Unit)	5,443	3,336	4,011	7,439	4,161	13,280	37,670
Year-on-Year	2.4%	▲13.5%	▲9.9%	1.7%	1.7%	▲2.1%	▲2.4%
Proportion	14.4%	8.9%	10.6%	19.7%	11.0%	35.3%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	2,482	2,019	4,438	4,685	2,675	5,853	22,152
Year-on-Year	▲7.3%	▲29.0%	▲16.9%	5.3%	11.4%	▲9.5%	▲8.4%
Proportion	11.2%	9.1%	20.0%	21.1%	12.1%	26.4%	100.0%

Main operating figures | Consolidated

		FY2018 2Q (Jun. 2018 – Nov. 2018)		FY2019 2Q (Jun. 2019 – Nov. 2019)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		40,068	1,831	39,852	1,673	▲216	▲158
Final Inspections		34,573	1,426	36,248	1,464	1,675	38
Housing Design Performance Evaluations	Detached Houses	17,626	500	18,972	511	1,346	11
	Collective Houses	11,082	129	12,659	130	1,577	1
Housing Construction Performance Evaluations	Detached Houses	13,531	816	16,273	923	2,742	107
	Collective Houses	7,946	130	9,323	137	1,377	7

Key service figures | Consolidated

		FY2018 2Q (Jun. 2018 – Nov. 2018)		FY2019 2Q (Jun. 2019 – Nov. 2019)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations for medium to large size buildings (over 500 sqm)		2,911	841	2,591	749	▲320	▲92
Technical Assessments for Long-life Quality Housings		15,262	225	15,010	210	▲252	▲15
Inspections for Housing Defect Liability Insurance		21,014	203	21,034	192	20	▲11
Evaluation for Compliance with Energy Consumption Performance of Buildings		543	98	477	90	▲66	▲8
BELS Certifications	Non-housings	87	15	61	10	▲26	▲5
	Housings	3,217	56	3,272	56	55	0

* "Building Confirmations for medium to large size buildings (over 500 sqm)" includes the numbers of plan change.

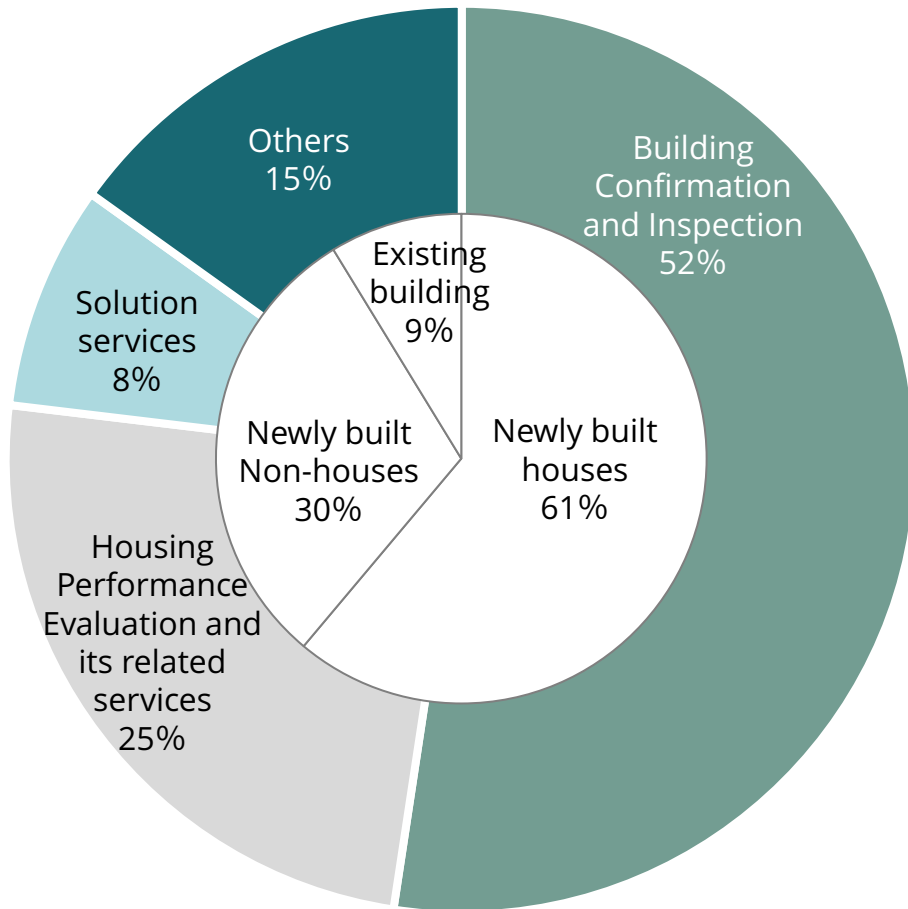
* "Technical Assessments for Long-life Quality Housings" represents the numbers and amounts of conformance certificate, which includes the numbers and amounts of extension and renovation. The numbers of plan change is included.

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

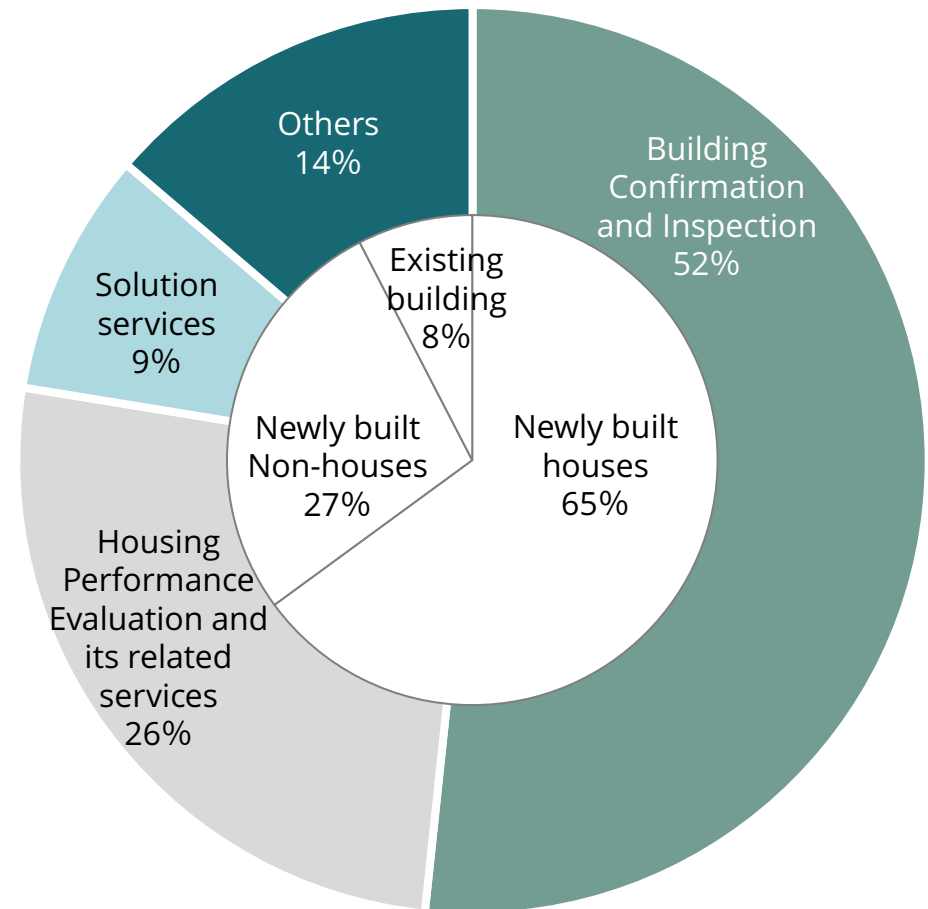
* "Evaluation for Compliance with Energy Consumption Performance of Buildings" excludes the numbers of plan change.

Sales breakdown | Consolidated

FY2018



FY2019 2Q



Consolidated financial statements | Assets

(Millions of yen)	FY2018	FY2019 2Q	Change
Total assets	6,896	6,888	▲7
Total current assets	4,501	4,379	▲121
Cash and deposits	2,989	2,769	▲220
Accounts receivable – trade	790	802	12
Work in process	500	520	20
Total non-current assets	2,395	2,509	114
Property, plant and equipment	501	611	109
Total intangible assets	914	876	▲37
Goodwill	573	534	▲39
Total investments and other assets	979	1,021	41

Consolidated financial statements | Liabilities

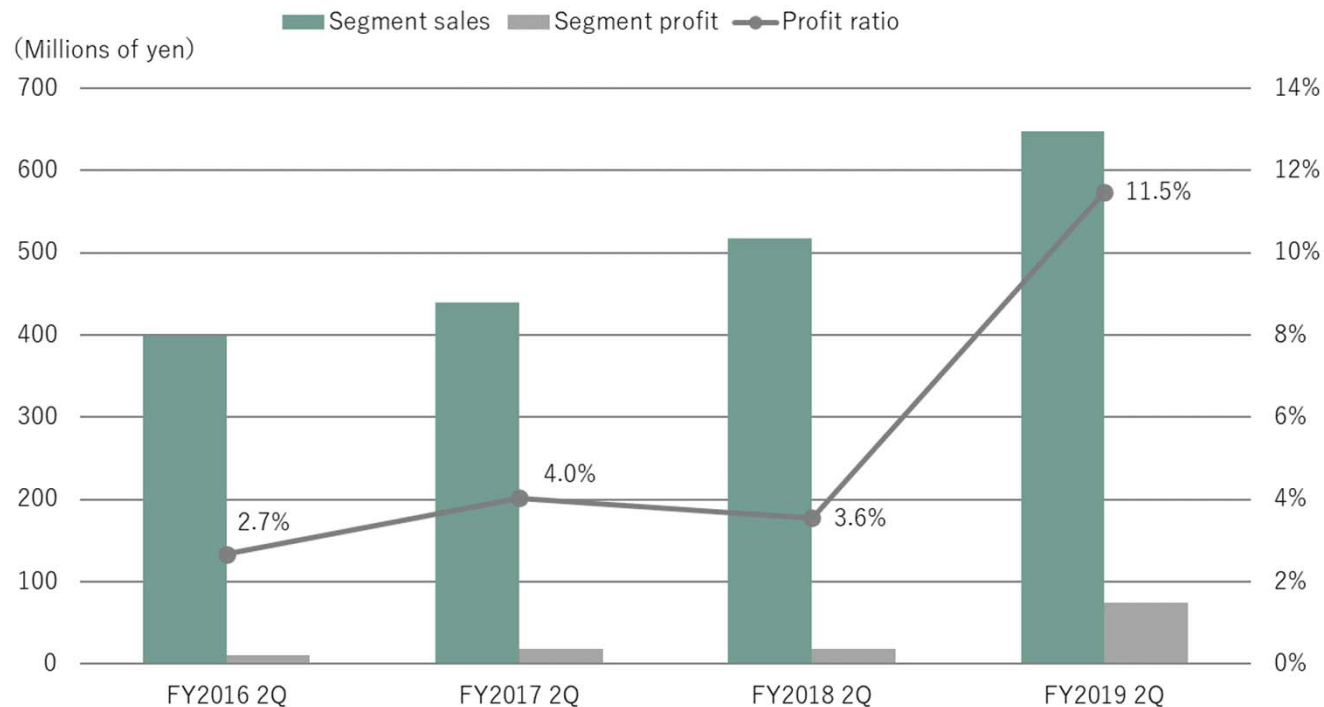
(Millions of yen)	FY2018	FY2019 2Q	Change
Total liabilities	4,334	4,246	▲88
Total current liabilities	2,664	2,678	13
Accrued expenses	842	758	▲83
Advances received	908	935	26
Total non-current liabilities	1,670	1,567	▲102
Total net assets	2,561	2,642	80
Total shareholders' equity	2,530	2,607	77
Retained earnings	1,760	1,768	8
Total liabilities and net assets	6,896	6,888	▲7

Forecasts for FY2019

(Millions of yen)	FY2018 (Jun. 2018 – May 2019)	FY2019 (Jun. 2019 – May 2020)	Change	
			Amounts	Ratio
Net Sales	15,076	15,119	42	0.3%
Operating Profit	820	495	▲324	▲39.6%
Operating Profit Ratio	5.4%	3.3%	-	-
Ordinary Profit	845	530	▲314	▲37.2%
Ordinary Profit Ratio	5.6%	3.5%	-	-
Profit Attributable to Owners of Parent	523	286	▲236	▲45.2%
Profit per Share (Yen)	68.94	37.72	▲31.22	▲45.3%

Action for New Growth Business (stock related service)

Changes in Sales/Profit of Solution Services



May. 2017: Building wall inspection by UAVs
(First inspection by UAVs for local government's property)

Apr. 2018: Revision in Building Lots and Buildings Transaction Business Act
(New regulation for brokerage of existing house)

Jun. 2018: Registered as Construction Consultancy (MLIT)
(Entered into inspection business of infrastructure stock)

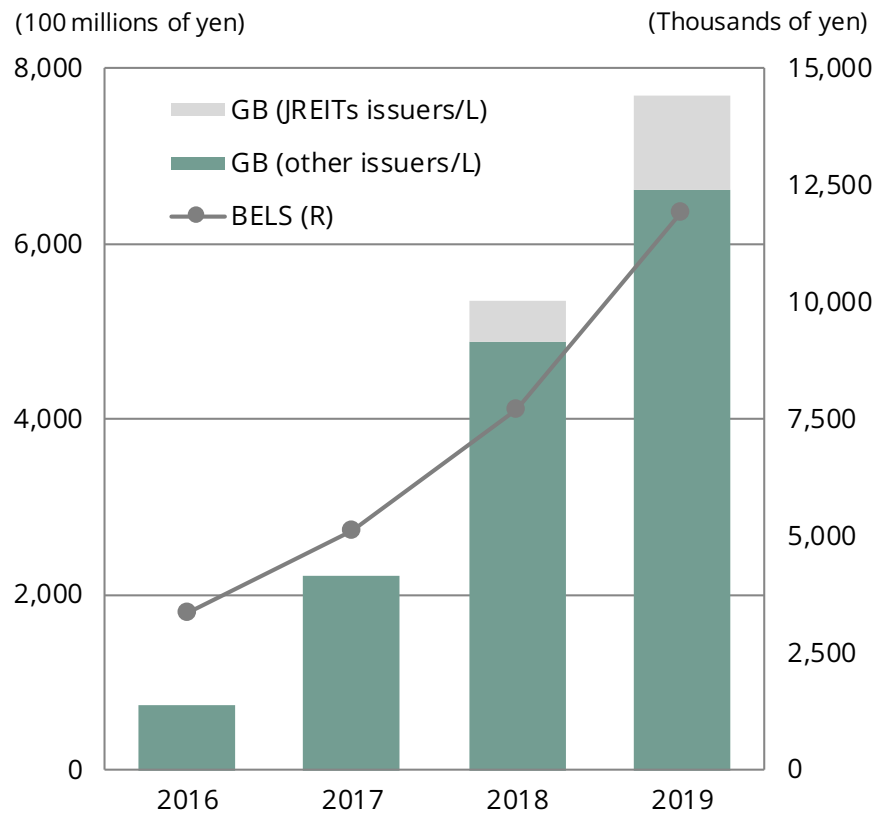
May. 2019: Acquisition of Kozo Sogo Research and Development Inc.
(Enhance non-destructive inspection service)

Expanding ESG Investment and Green Certifications

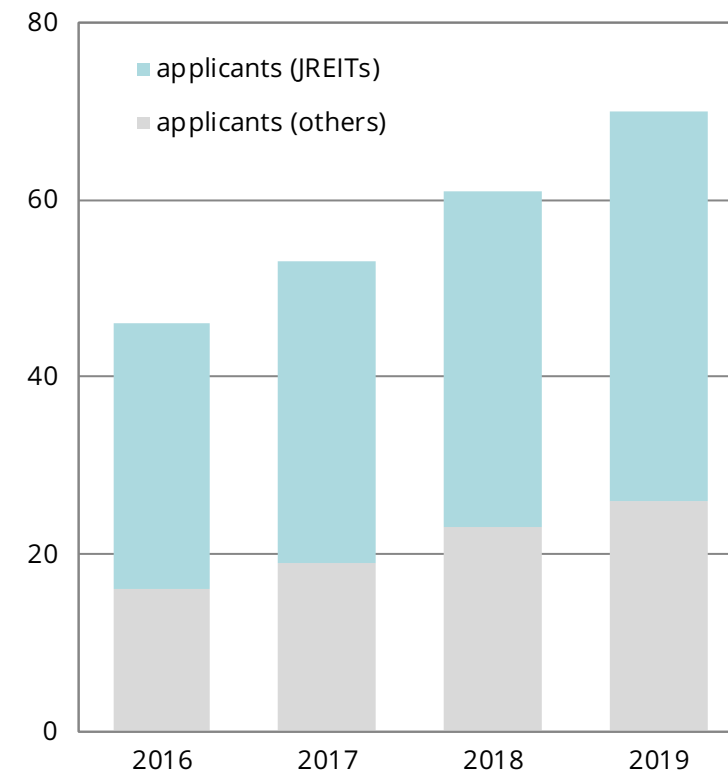
- Green Bond issue by J-REITs accelerated (18 REITs, total 156.1 billion yen)
- Increasing GRESB* applicant from Japan (70 entries including 44 REITs in 2019 survey)
- CASBEE and BELS are utilized for the requirements of GRESB/Green Bond framework

* GRESB : Global Real Estate Sustainability Benchmark

Domestic volume of Green Bond issue and JREITs related BELS sales (Japan ERI)



Change in number of GRESB applicants



Toward the Enhancement of Mandatory Energy Efficiency Standards

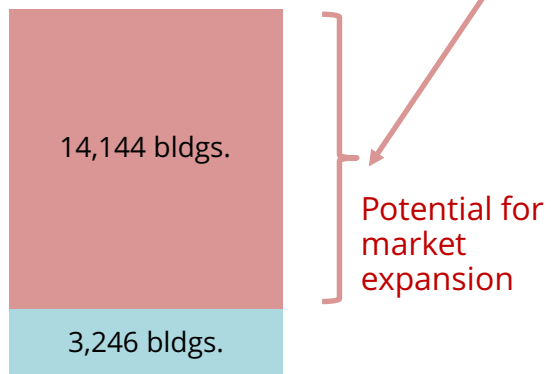
Current regulatory requirements		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance	Filing required
Medium scale floor area 2,000 sqm - 300 sqm	Filing required	

New requirements (Apr. 2021~)		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance	Filing required
Medium scale floor area 2,000 sqm - 300 sqm		



Apr. 2021 ~
Estimated volume of bldg. subject to mandatory energy efficiency standards

- Medium scale 2,000 sqm - 300 sqm
- Large scale ≥ 2,000 sqm

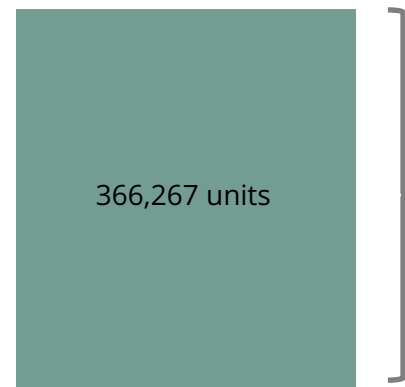


Potential for market expansion

*source: Number of bldgs. is FY2017 data from MLIT 2019 publication

Apr. 2021~
Estimated volume of unit required filing

- Large scale ≥ 2,000 sqm
- + Medium scale 2,000 sqm - 300 sqm



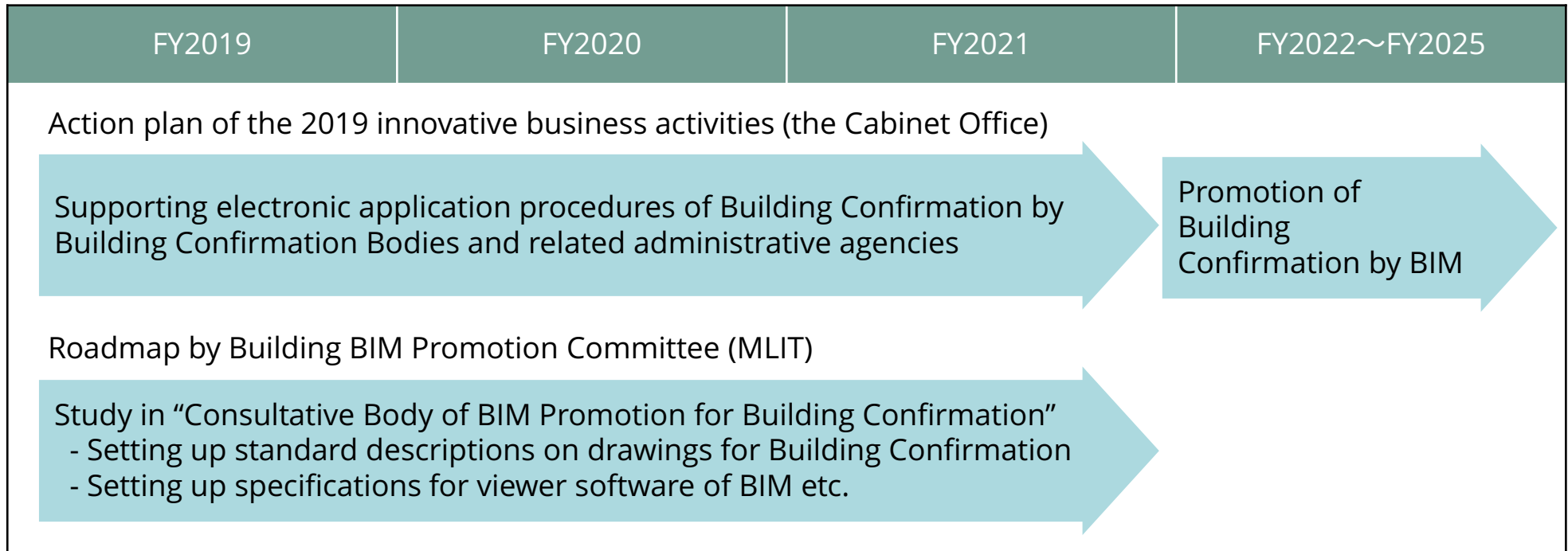
Easing of filing requirements subject to Housing Performance Evaluation/BELS and tightening of supervision

Most of mid/large scale housings are collective housings
Penetration rate of Housing Performance Evaluation in Collective houses is 20~25%
Penetration rate of BELS in Collective houses is roughly 1%

Expectation for expansion of Housing Performance Evaluation/BELS needs

*source: Number of units is FY2015 data from MLIT 2018 publication

Promotion of BIM utilization for Building Confirmation



Results and forecasts of Building Confirmation by BIM in ERI Group

