

# Financial Results for the Third Quarter

From June 1, 2019 to February 29, 2020



ERI Holdings Co., Ltd.

March 30, 2020

# ERI

Evaluation, Rating, Inspection

# Holdings

## Decrease in revenue and earnings year-on-year

- Third quarter results was almost on track for the consolidated financial forecast disclosed July 2019
- New housing starts decreased mostly due to the slowdown of new housing starts for owner-occupation and sales condominiums after the consumption tax hike on October 1, 2019
- In Building Confirmation and Inspection services, revenue decreased due to the shrink of new building starts of stores and factories
- In Housing Performance Evaluation and its related services, revenue increased due to steady to start constructing housings for sale (single-detached)
- In Solution Services, revenue increased due to the acquisition of Kozo Sogo Research and Development Inc.
- In other segments, revenue decreased largely due to the reactionary fall of temporary structural verification sales rise in the previous fiscal year
- The impact of coronavirus (COVID-19) on our business was minimal so far

# Consolidated financial results

(Millions of yen)	3Q Previous fiscal year (Jun. 2018 – Feb. 2019)	3Q Reporting fiscal year (Jun. 2019– Feb. 2020)	Change	
			Amounts	Ratio
Net Sales	11,200	<b>11,102</b>	▲97	▲0.9%
Operating Profit	725	<b>320</b>	▲405	▲55.9%
Operating Profit Ratio	6.5%	<b>2.9%</b>	-	-
Ordinary Profit	744	<b>382</b>	▲361	▲48.6%
Ordinary Profit Ratio	6.6%	<b>3.4%</b>	-	-
Profit Attributable to Owners of Parent	482	<b>211</b>	▲271	▲56.2%
Profit per Share (Yen)	63.56	<b>27.62</b>	▲35.94	▲56.5%

# Consolidated financial results by segment

(Millions of yen)	3Q Previous fiscal year (Jun. 2018 – Feb. 2019)	3Q Reporting fiscal year (Jun. 2019– Feb. 2020)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	5,842 [52.2%]	<b>5,703</b> [51.4%]	▲138	▲2.4%	271	▲307
Housing Performance Evaluation and its related services	2,757 [24.6%]	<b>2,894</b> [26.1%]	137	5.0%	148	52
Solution Services	858 [7.7%]	<b>978</b> [8.8%]	119	13.9%	70	27
Others	1,741 [15.5%]	<b>1,525</b> [13.7%]	▲215	▲12.4%	▲121	▲177
Net Sales Total	11,200 [100.0%]	<b>11,102</b> [100.0%]	▲97	▲0.9%	367	▲405

# Main operating figures | Consolidated

		3Q Previous fiscal year (Jun. 2018 – Feb. 2019)		3Q Reporting fiscal year (Jun. 2019 – Feb. 2020)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		59,377	2,650	<b>58,132</b>	<b>2,450</b>	▲1,245	▲200
Final Inspections		52,868	2,221	<b>54,859</b>	<b>2,260</b>	1,991	39
Housing Design Performance Evaluations	Detached Houses	26,799	750	<b>28,338</b>	<b>752</b>	1,539	2
	Collective Houses	15,000	179	<b>20,008</b>	<b>201</b>	5,008	22
Housing Construction Performance Evaluations	Detached Houses	20,723	1,234	<b>24,390</b>	<b>1,375</b>	3,667	141
	Collective Houses	18,587	282	<b>15,429</b>	<b>240</b>	▲3,158	▲42

# Key service figures | Consolidated

		3Q Previous fiscal year (Jun. 2018 – Feb. 2019)		3Q Reporting fiscal year (Jun. 2019 – Feb. 2020)		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)		4,102	1,199	<b>3,727</b>	<b>1,088</b>	▲375	▲111
Technical Assessments for Long-life Quality Housings		22,112	317	<b>21,757</b>	<b>298</b>	▲355	▲19
Inspections for Housing Defect Liability Insurance		30,739	295	<b>30,335</b>	<b>279</b>	▲404	▲16
Evaluation for Compliance with Energy Consumption Performance of Buildings		780	143	<b>724</b>	<b>140</b>	▲56	▲3
BELS Certifications	Non-housings	158	31	<b>130</b>	<b>26</b>	▲28	▲5
	Housings	3,929	74	<b>4,294</b>	<b>79</b>	365	5

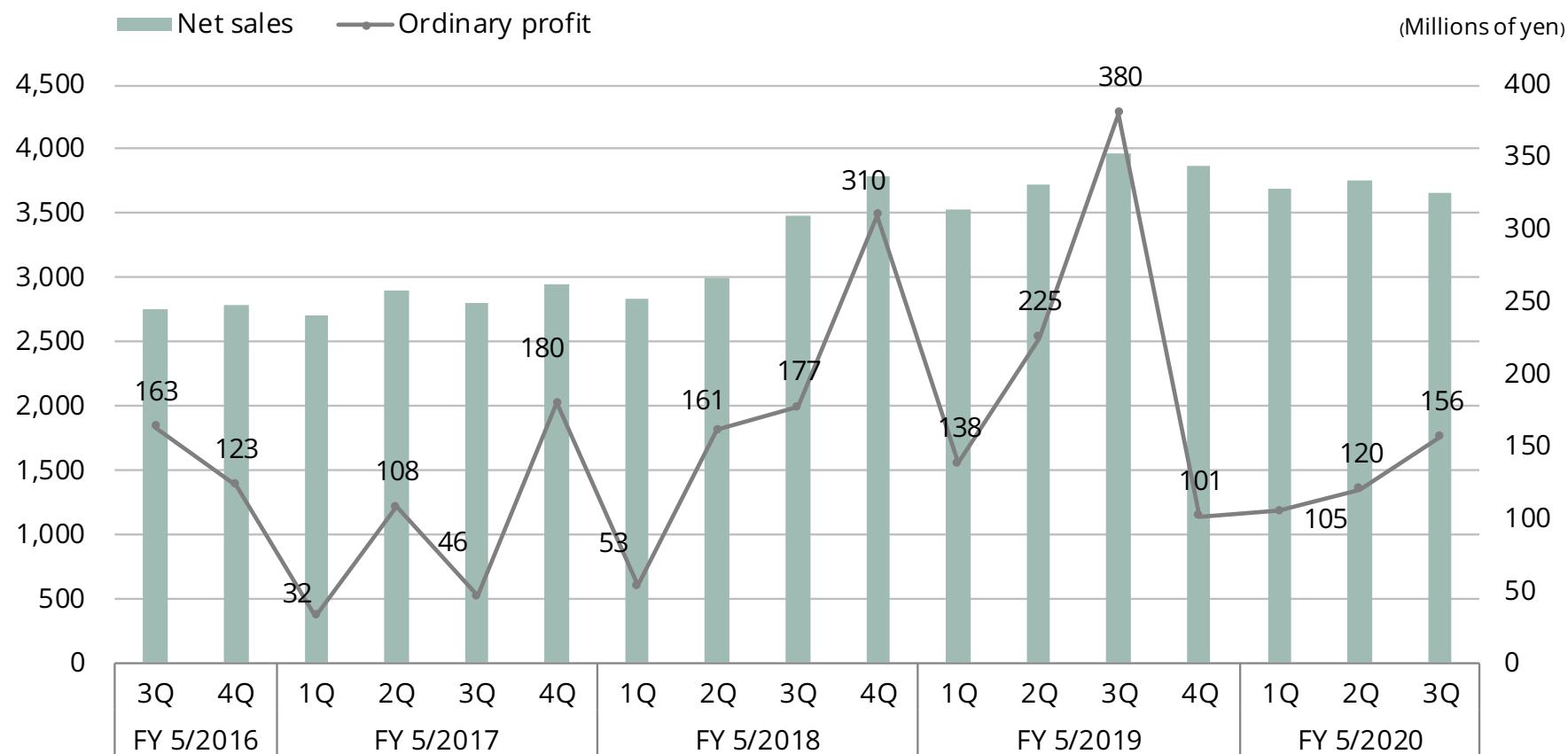
\* "Building Confirmations for medium to large size buildings (over 500 sqm)" includes the numbers of plan change.

\* "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.

# Changes of quarterly results | Consolidated



# Forecasts for FY 5/2020

(Millions of yen)	FY 5/2019 (Jun. 2018 – May 2019)	FY 5/2020 (Jun. 2019 – May 2020)	Change	
			Amounts	Ratio
Net Sales	15,076	<b>15,119</b>	42	0.3%
Operating Profit	820	<b>495</b>	▲324	▲39.6%
Operating Profit Ratio	5.4%	<b>3.3%</b>	-	-
Ordinary Profit	845	<b>530</b>	▲314	▲37.2%
Ordinary Profit Ratio	5.6%	<b>3.5%</b>	-	-
Profit Attributable to Owners of Parent	523	<b>286</b>	▲236	▲45.2%
Profit per Share (Yen)	68.94	<b>37.72</b>	▲31.22	▲45.3%



## Our action against the coronavirus (COVID-19)

- Promote staggered working hours and work from home
- Admit employees exempted from work due to response to closure of school
- Ensure employees stay at home if they have fever or mild flu-like symptoms
- Implement wearing face masks at face-to-face service
- Minimize nonessential business trip and promote video conference
- Postpone or cancel of events such as seminar for clients, IR seminar and periodic refresher courses for licensed architects

## Coronavirus' outbreak impact on our business

### MLIT's requests

- Request for smooth Final Inspection, Feb. 27, 2020

Delaying in delivery of imported housing equipment occurred due to coronavirus problem. Designated Confirmation and Inspection Bodies should act Final Inspection flexibly for incomplete houses on this issue

Final Inspection service has been smooth so far and the impact on our business results was minimal. But we should carefully watch possible impact still lie ahead.

- Request for action on periodic refresher courses for licensed architects against COVID-19 , Feb. 27, 2020

Periodic refresher courses for licensed architects should cancel until end of April 2020

The impact on our business results was minimal.

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