

# 2019 Full-Year Results

From June 1, 2019 to May 31, 2020



ERI Holdings Co., Ltd.

July 14, 2020

# ERI

Evaluation, Rating, Inspection

# Holdings

# Action against coronavirus (COVID-19)

Following the state of emergency declaration on April 7, 2020, we have set up Emergency Response Team which works together with other ERI group firms. We have been acting prudently in accordance with requests from Government and other public agencies, also blessed with our customers' understanding and cooperation.

## Policy

We will make every effort to ensure the safety of employees, their family and customers; and continue our business as a corporate group playing an important role and responsibility in supporting social infrastructure.

## Emergency response (ongoing)

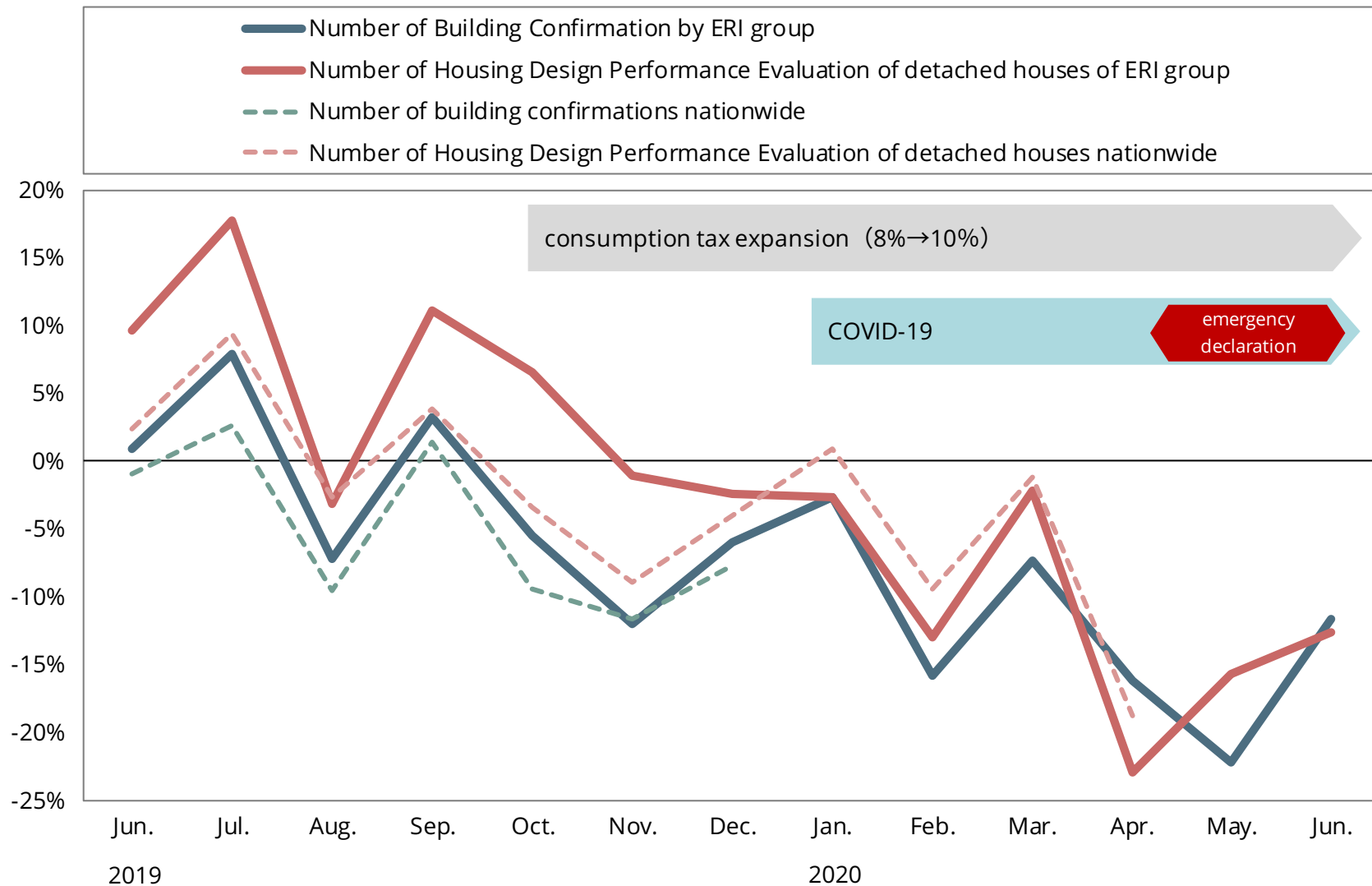
We promote infection prevention such as face masks, face shields, and droplet guards; and we effort to keep “three Cs” from overlapping such as reducing business trip and face-to-face operations by work from home, online meeting, staggered working hours and shortened opening hours.

## Medium-to-long term measures

We promote a reduction of nonessential cost and maintain liquidity with commitment line, in preparation for unforeseen lingering epidemic of COVID-19. Responding to new life/work-style trends, we promote a digital transformation which should enhance productivity by a remote business operation.

# Impact of coronavirus (COVID-19)

## Year-on-year changes of the number of main services



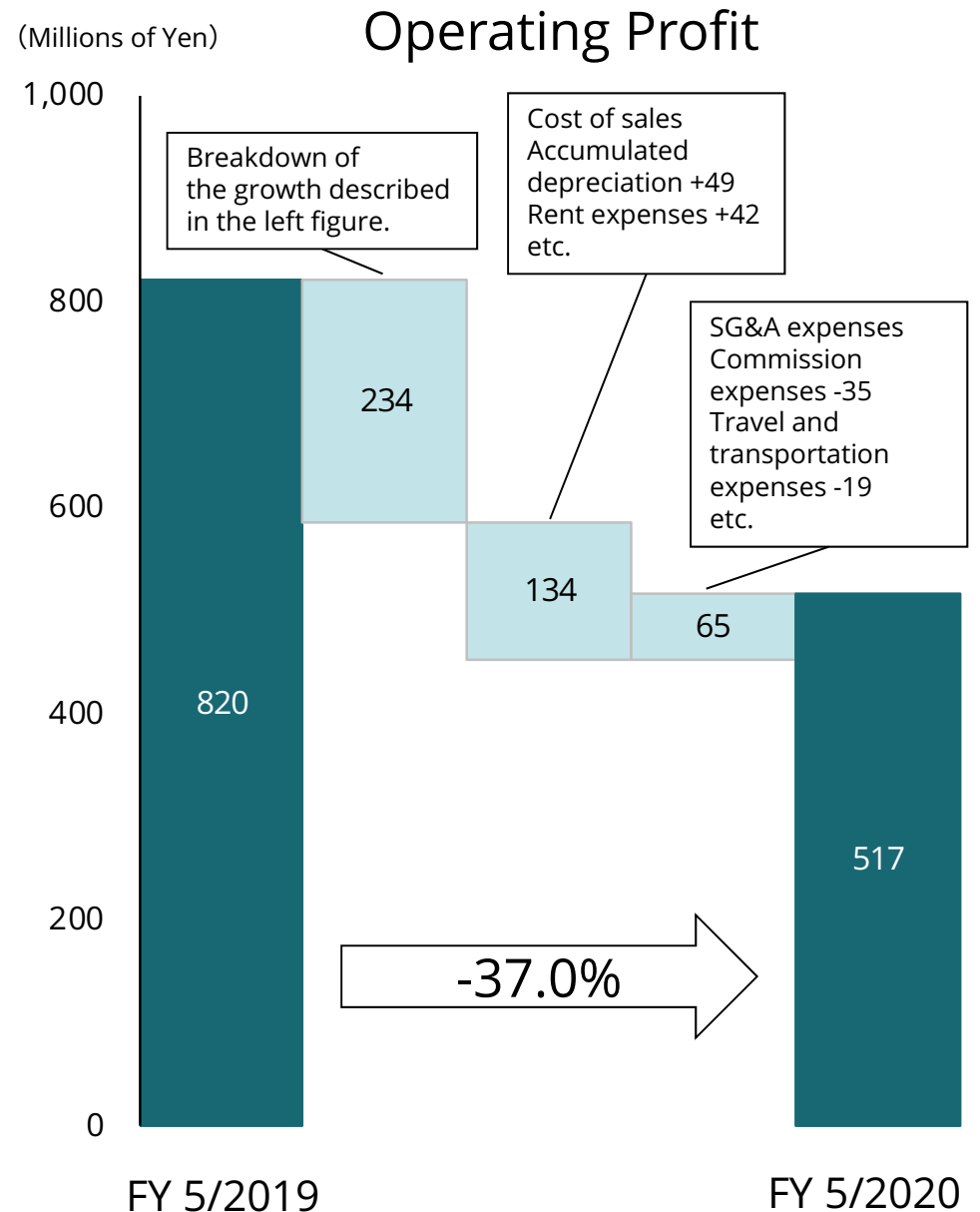
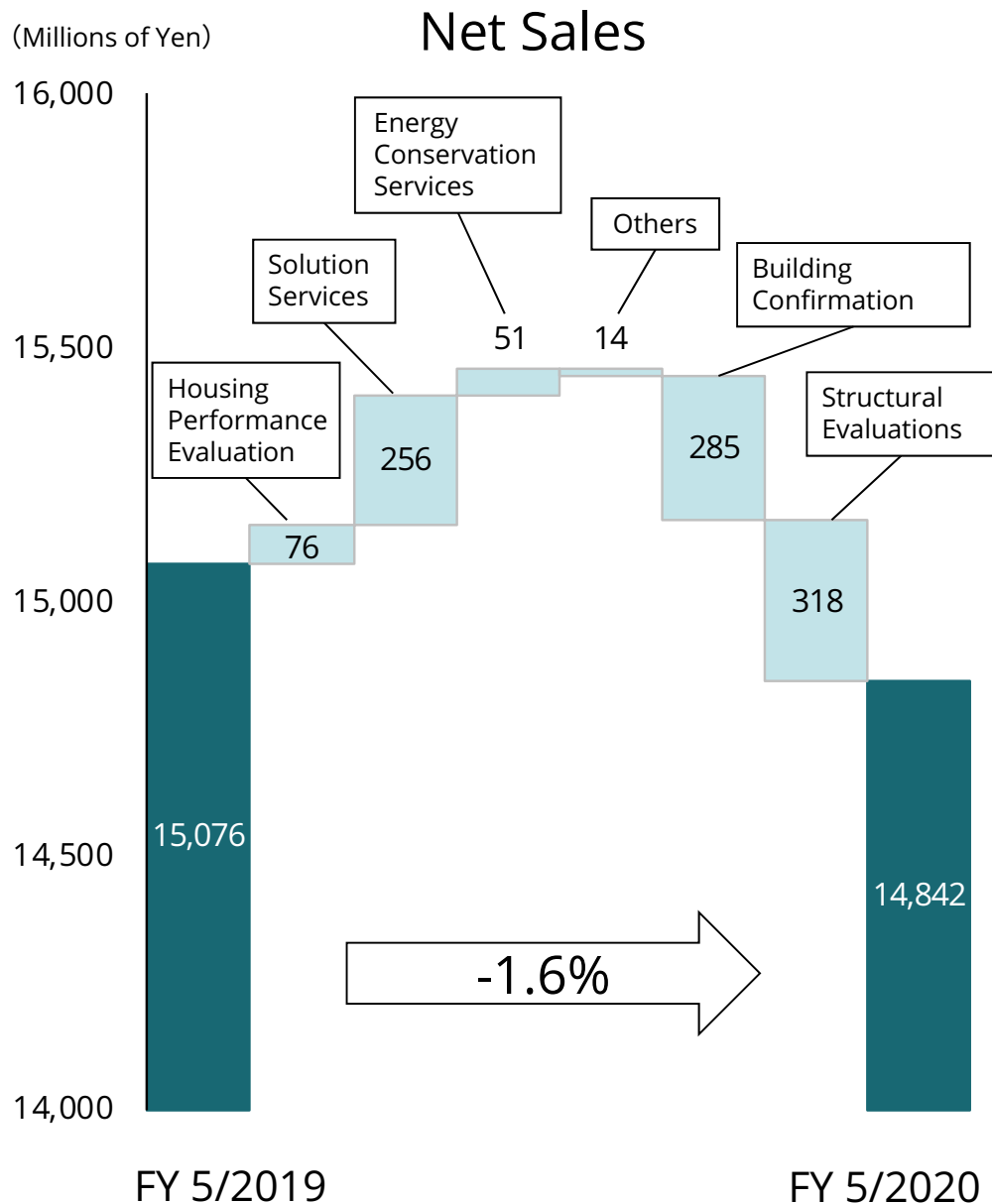
## Decrease in revenue and earnings year-on-year

- An business impact of consumption tax hike on October 2019 was within the range of our assumption. Under the state of emergency declaration against COVID-19, however, large restraint on our clients' sales activity and on-site work, especially in the housing sector, made our business has slowed down significantly from April through May.
- Good condition of housing sales market until March and the acquisition of Kozo Sogo Research and Development Inc. grew Housing Performance Evaluation and Solution services revenue respectively. But shrink of Building Confirmation and Inspection and Other services was large enough to decrease revenue in total.
- Operating profit reached to the initial forecast by reductions in director remuneration, labor and other costs.
- We decided to cut 10% of annual dividend from ¥30 to ¥27 per share (by ¥12 year-end dividend), due to 10% shortage of net income to the initial target and maintaining sufficient liquidity in preparation for the uncertainty by COVID-19.

# Consolidated financial results

(Millions of yen)	Previous fiscal year (Jun. 2018 – May 2019)	Reporting fiscal year (Jun. 2019– May 2020)	Change	
			Amounts	Ratio
Net Sales	15,076	<b>14,842</b>	▲234	▲1.6%
Operating Profit	820	<b>517</b>	▲303	▲37.0%
Operating Profit Ratio	5.4%	<b>3.5%</b>	-	-
Ordinary Profit	845	<b>598</b>	▲247	▲29.3%
Ordinary Profit Ratio	5.6%	<b>4.0%</b>	-	-
Profit Attributable to Owners of Parent	523	<b>258</b>	▲264	▲50.6%
Profit per Share (Yen)	68.94	<b>33.69</b>	▲35.25	▲51.1%

# Change in net sales and operating profit

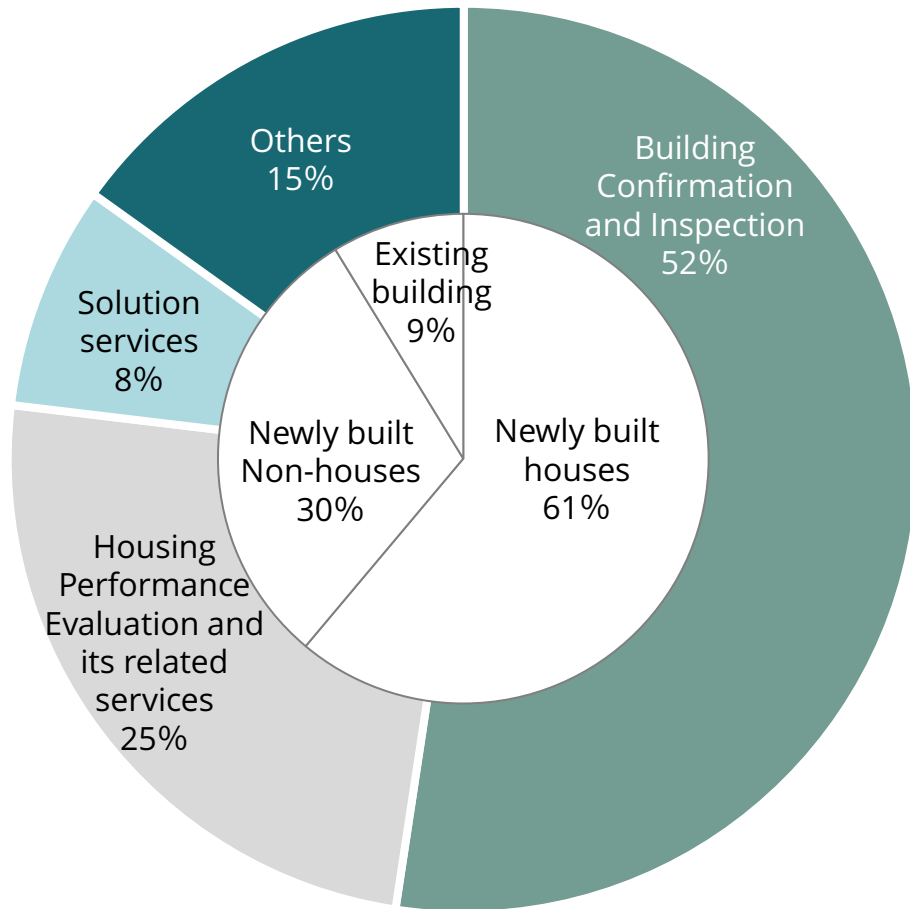


# Consolidated financial results by segment

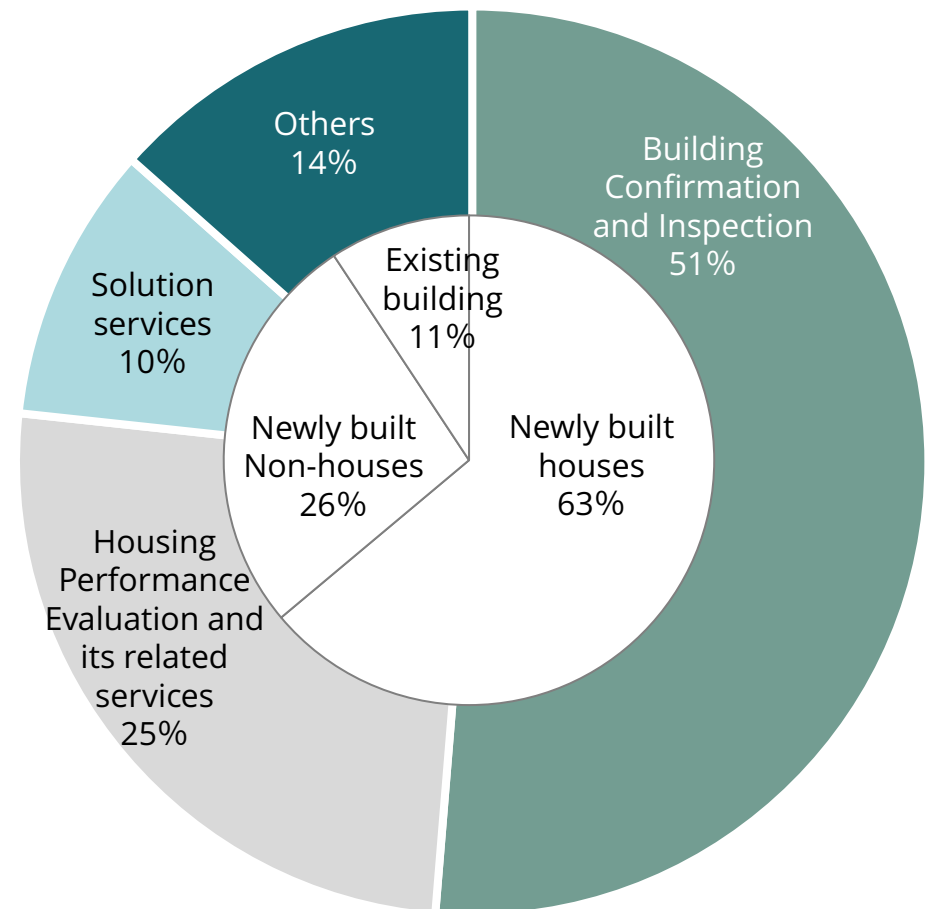
(Millions of yen)	Previous fiscal year (Jun. 2018 – May 2019)	Reporting fiscal year (Jun. 2019– May 2020)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	7,898 [52.4%]	<b>7,613</b> [51.3%]	▲285	▲3.6%	469	▲253
Housing Performance Evaluation and its related services	3,695 [24.5%]	<b>3,772</b> [25.4%]	76	2.1%	211	116
Solution Services	1,205 [8.0%]	<b>1,462</b> [9.9%]	256	21.3%	144	61
Others	2,276 [15.1%]	<b>1,994</b> [13.4%]	▲281	▲12.4%	▲245	▲228
Net Sales Total	15,076 [100.0%]	<b>14,842</b> [100.0%]	▲234	▲1.6%	580	▲303

# Sales breakdown | Consolidated

## FY 5/2019

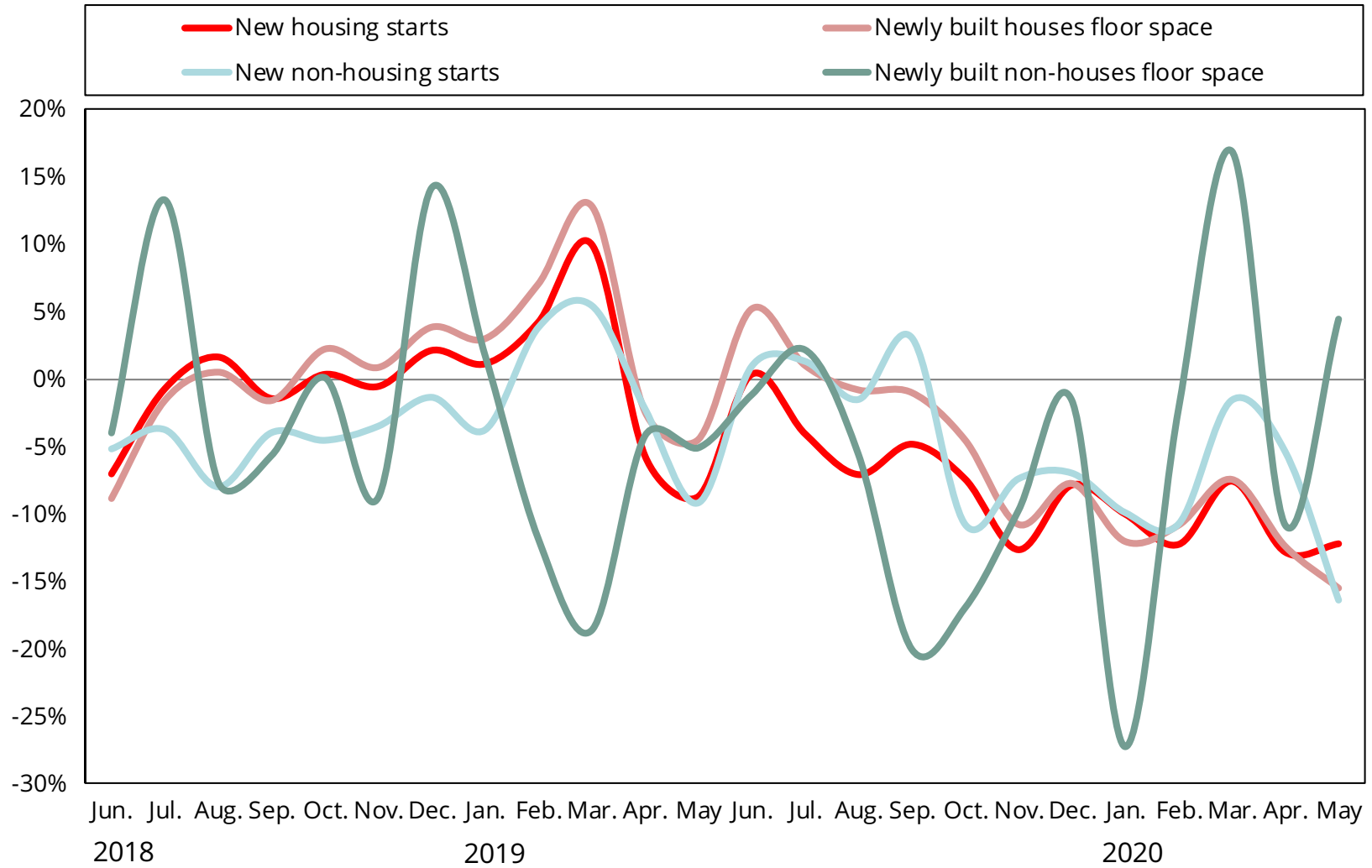


## FY 5/2020

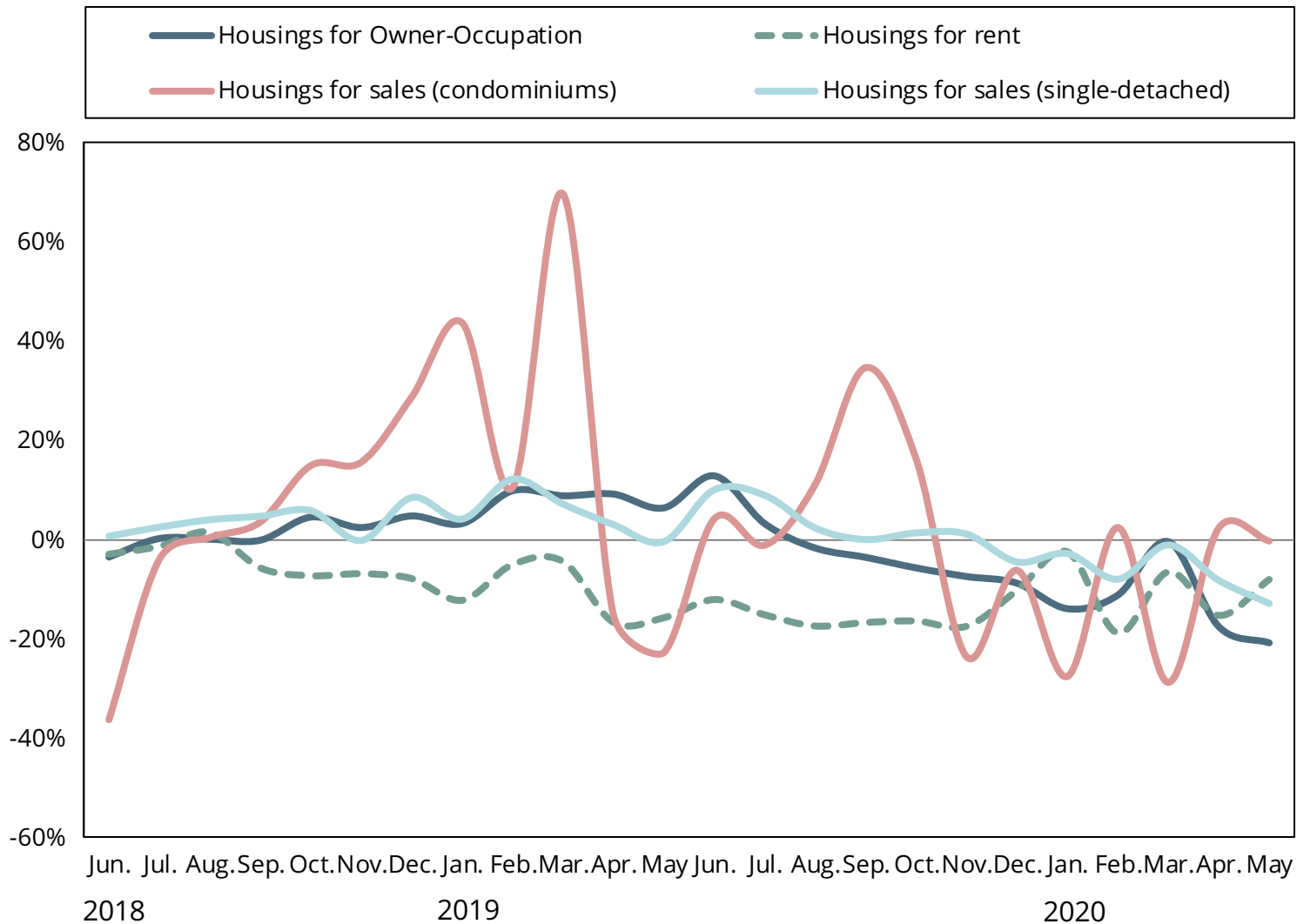




## Changes in Housing/Non-housing starts (year-on-year rate)



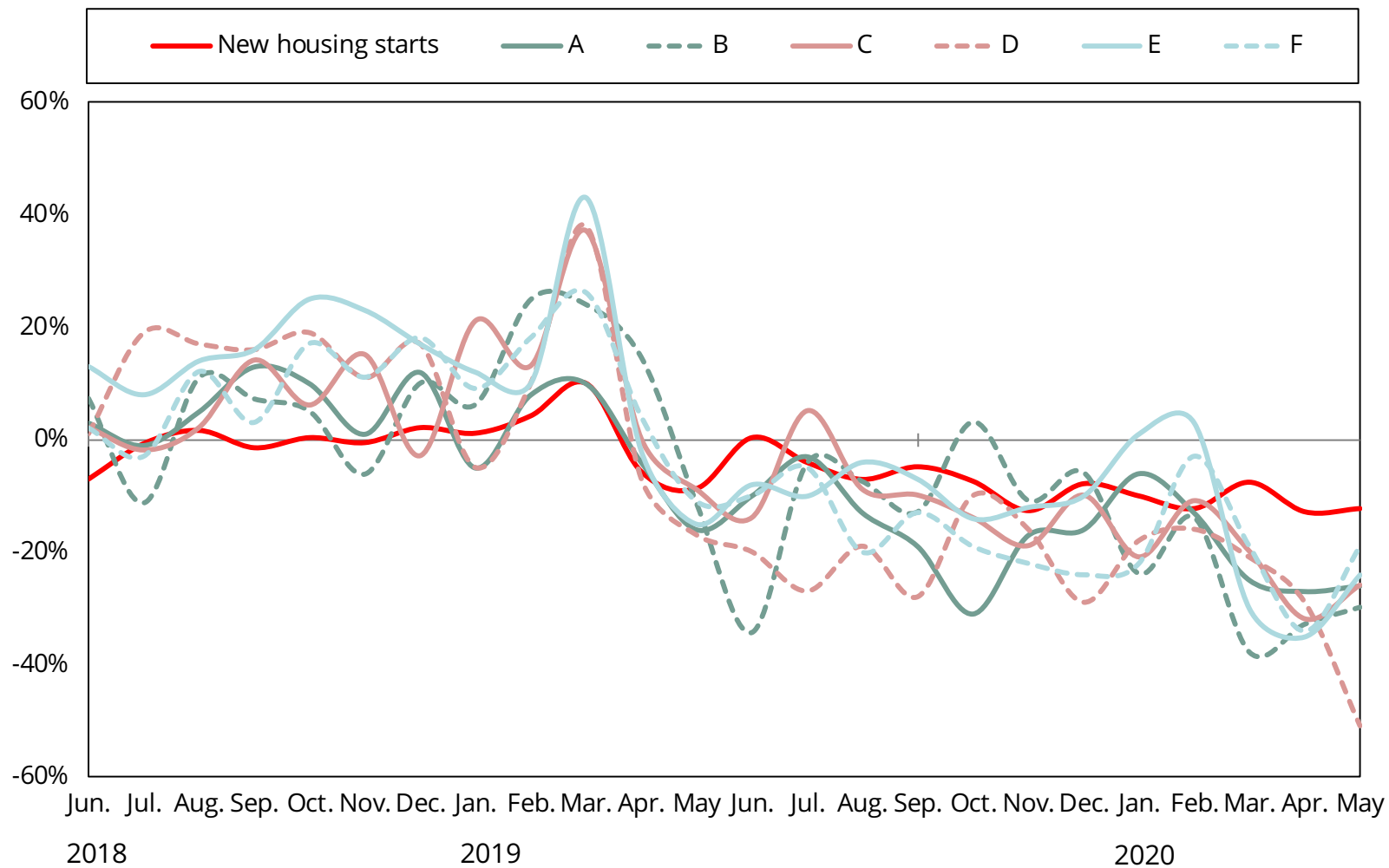
## Changes in new housing starts by categories of housing (year-on-year rate)



Changes in the cumulative total (from June to May)

New housing starts	▲8.1%
Housings for Owner-Occupation	▲6.0%
Housings for rent	▲13.6%
Housings for sales (condominiums)	▲2.9%
Housings for sales (single-detached)	▲1.1%

## 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 5/2020 (June 2019 ~ May 2020)

### Housing sector

	Detached Houses	Terrace Houses	Collective Houses	Total
<b>New Housing Starts (Unit)</b>	<b>422,134</b>	<b>81,641</b>	<b>360,786</b>	<b>864,561</b>
Year-on-Year	▲4.5%	▲16.4%	▲10.1%	▲8.1%
Proportion	48.8%	9.4%	41.7%	100.0%
<b>Newly Built Floor Space of Construction Starts (Thousand sqm)</b>	<b>47,928</b>	<b>4,311</b>	<b>19,103</b>	<b>71,341</b>
Year-on-Year	▲5.0%	▲16.0%	▲7.1%	▲6.3%
Proportion	67.2%	6.0%	26.8%	100.0%

# Market trend

## Stats of new construction starts in FY 5/2020 (June 2019 ~ May 2020)

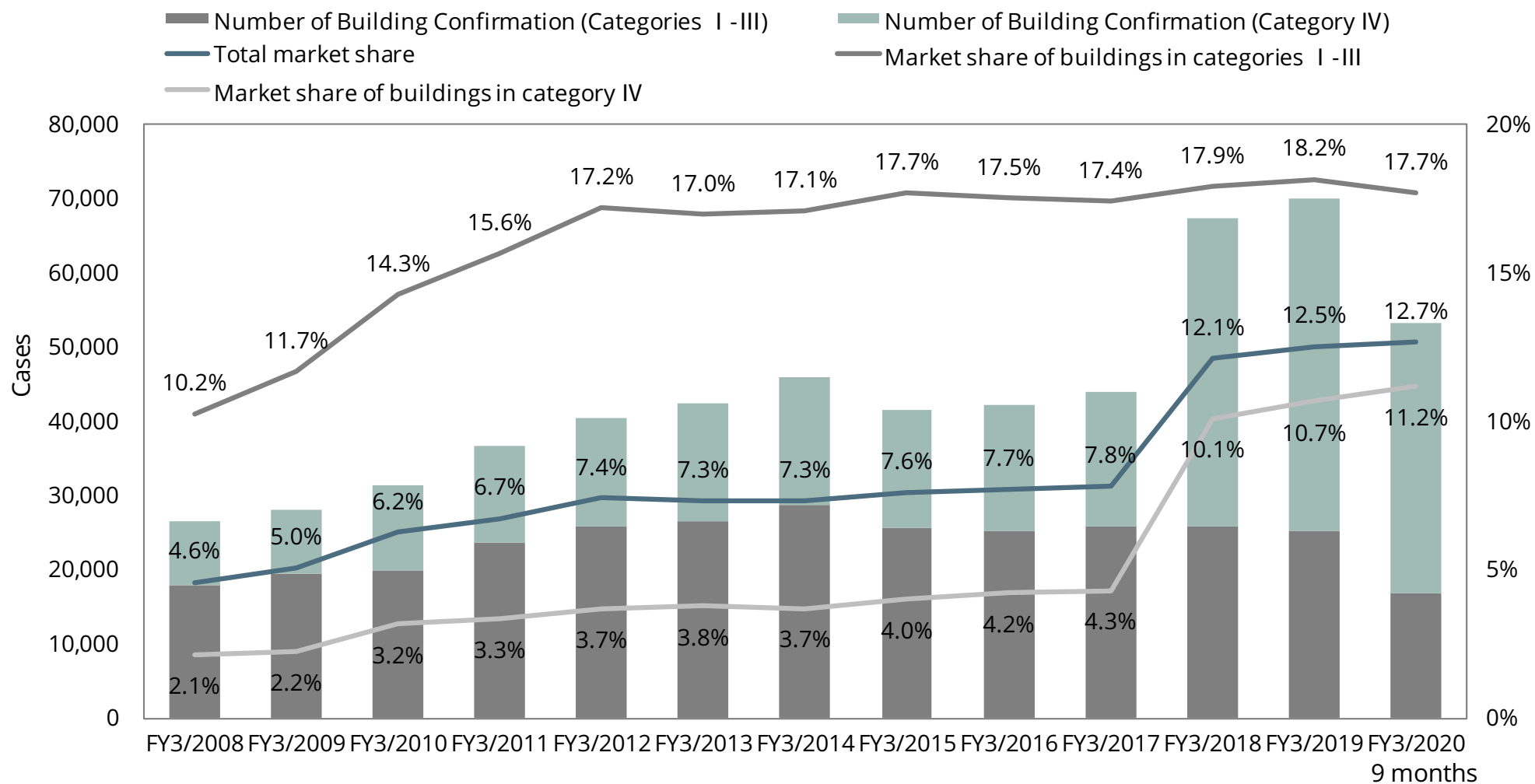
### Non-housing sector

	Offices	Stores	Factories	Warehouses	Medical and Welfare	Others (educational, lodging and etc.)	Total
New Housing Starts (Unit)	<b>10,800</b>	<b>5,817</b>	<b>7,094</b>	<b>13,853</b>	<b>7,160</b>	<b>23,669</b>	<b>68,393</b>
Year-on-Year	7.2%	▲18.2%	▲12.7%	1.3%	▲6.2%	▲7.3%	▲5.2%
Proportion	15.8%	8.5%	10.4%	20.3%	10.5%	34.6%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	<b>5,411</b>	<b>3,834</b>	<b>7,403</b>	<b>10,493</b>	<b>5,031</b>	<b>10,582</b>	<b>42,754</b>
Year-on-Year	3.9%	▲27.1%	▲21.7%	19.4%	3.4%	▲12.5%	▲6.4%
Proportion	12.7%	9.0%	17.3%	24.5%	11.8%	24.8%	100.0%

# Main operating figures | Consolidated

		Previous fiscal year (Jun. 2018 – May 2019)		Reporting fiscal year (Jun. 2019 – May 2020)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		78,797	3,542	<b>75,183</b>	<b>3,241</b>	▲3,614	▲301
Final Inspections		72,713	3,082	<b>73,938</b>	<b>3,075</b>	1,225	▲7
Housing Design Performance Evaluations	Detached Houses	35,757	997	<b>36,464</b>	<b>966</b>	707	▲31
	Collective Houses	20,497	240	<b>25,350</b>	<b>259</b>	4,853	19
Housing Construction Performance Evaluations	Detached Houses	28,959	1,707	<b>32,752</b>	<b>1,828</b>	3,793	121
	Collective Houses	22,231	339	<b>19,531</b>	<b>295</b>	▲2,700	▲44

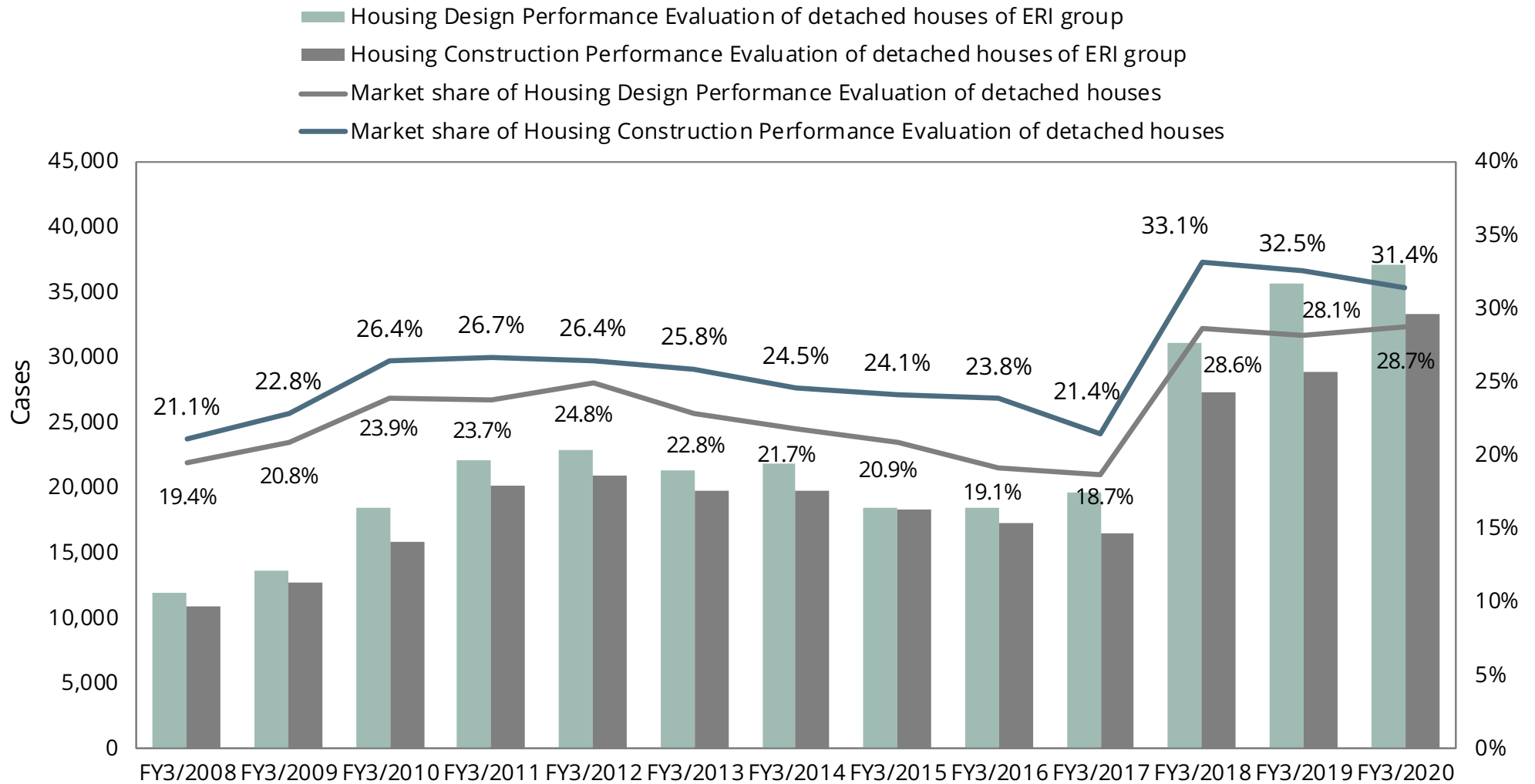
# Number of Building Confirmation and market share



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

\* Data of FY 3/2020 is included only 9 months calculated based on the latest data up to Dec. 2019, which MLIT announced.

# 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.



# Key service figures | Consolidated

	Previous fiscal year (Jun. 2018 – May 2019)		Reporting fiscal year (Jun. 2019 – May 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)	5,504	1,624	<b>5,000</b>	<b>1,471</b>	▲504	▲153	
Technical Assessments for Long-life Quality Housings	28,922	414	<b>27,727</b>	<b>381</b>	▲1,195	▲33	
Inspections for Housing Defect Liability Insurance	40,493	388	<b>38,722</b>	<b>362</b>	▲1,771	▲26	
Evaluation for Compliance with Energy Consumption Performance of Buildings	1,528	246	<b>1,650</b>	<b>269</b>	122	23	
BELS Certifications	Non-housings	180	35	<b>173</b>	<b>35</b>	▲7	0
	Housings	4,417	86	<b>5,613</b>	<b>105</b>	1,196	19

\* "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" includes the numbers of plan change from this time.

# Forecasts for FY 5/2021

- In June, right after the state of emergency declaration was lifted, numbers of Building Confirmation and Housing Performance Evaluation decreased 11.7% and 12.6%, respectively.
- It's still uncertain when we can get back to normal from COVID-19 epidemic. So we made FY 5/2021 forecast based on the assumption that market will hit the bottom in 1Q and gradually start to recover in 2Q and then largely return to normal in 4Q.
- Over the coming several months, we review COVID-19 situation and the market trend in detail, and we will revise the forecast as necessary.
- Because of a large uncertainty of such business condition, dividend forecast is not yet determined. It will be decided in accordance with the revise of the above forecast.
- Toward the end year of the medium term business plan (2019-2021), we pursue the goal of the plan materializing earnings growth by energy conservation service expansion due to the scheduled enhancement of regulations, under the assumption that business conditions will get back in normal by the end of FY 5/2021.

# Forecasts for FY 5/2021

(Millions of yen)	FY 5/2020 (Jun. 2019 – May 2020)	FY 5/2021 (Jun. 2020 – May 2021)	Change	
			Amounts	Ratio
Net Sales	14,842	<b>14,546</b>	▲296	▲2.0%
Operating Profit	517	<b>273</b>	▲244	▲47.2%
Operating Profit Ratio	3.5%	<b>1.9%</b>	-	-
Ordinary Profit	598	<b>300</b>	▲297	▲49.7%
Ordinary Profit Ratio	4.0%	<b>2.1%</b>	-	-
Profit Attributable to Owners of Parent	258	<b>157</b>	▲101	▲39.2%
Profit per Share (Yen)	33.69	<b>20.31</b>	▲13.38	▲39.7%

## Toward the Enhancement of Mandatory Energy Efficiency Standards

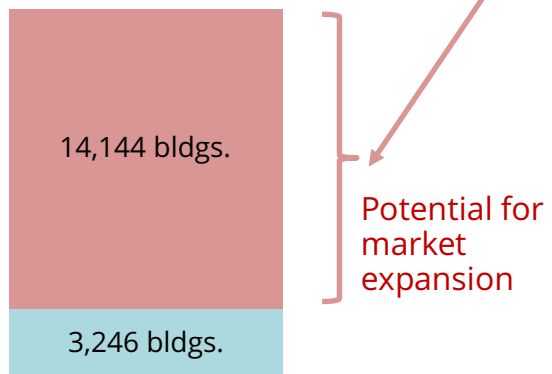
Current regulatory requirements		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance	Filing required
Medium scale floor area 2,000 sqm - 300 sqm	Filing required	

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 FY 3/2018 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



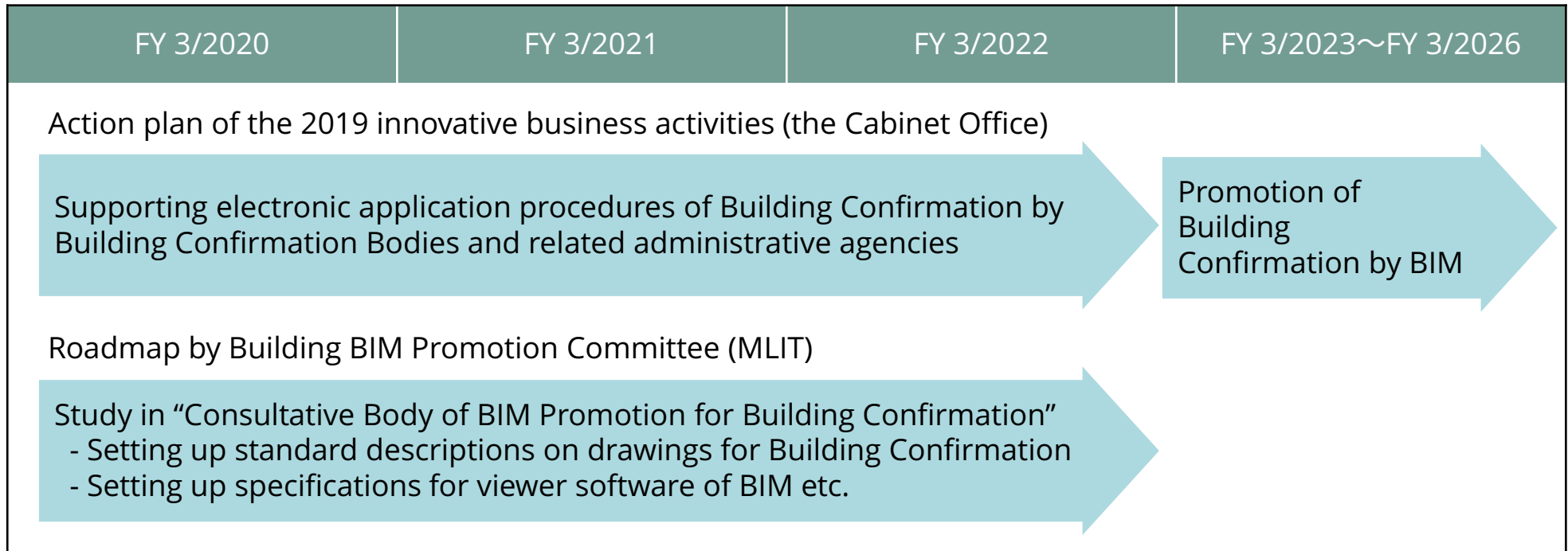
Expectation for expansion of Housing Performance Evaluation/BELS needs

\*source: Number of units is FY 3/2016 data from MLIT 2018 publication

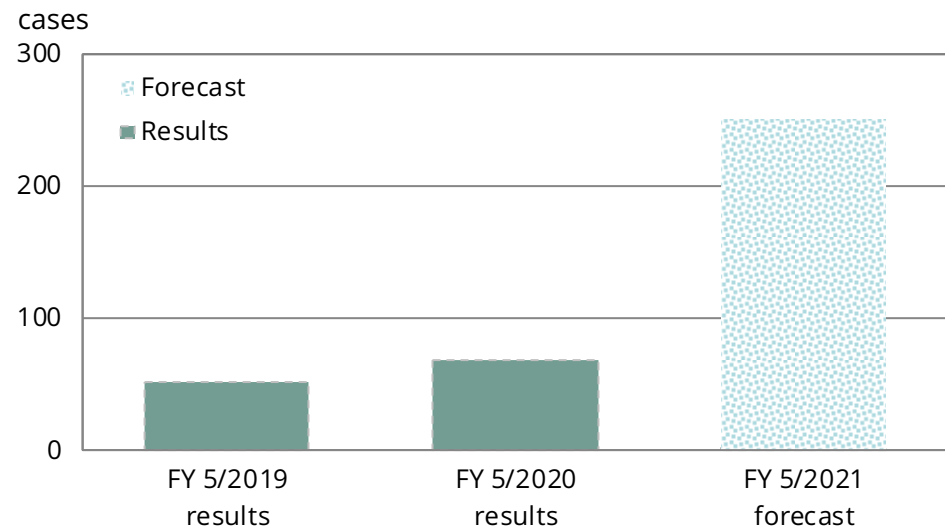
Easing of filing requirements subject to Housing Performance Evaluation/BELS and tightening of supervision

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%

## Promotion of BIM utilization for Building Confirmation



Results and forecasts of Building Confirmation by BIM in ERI Group



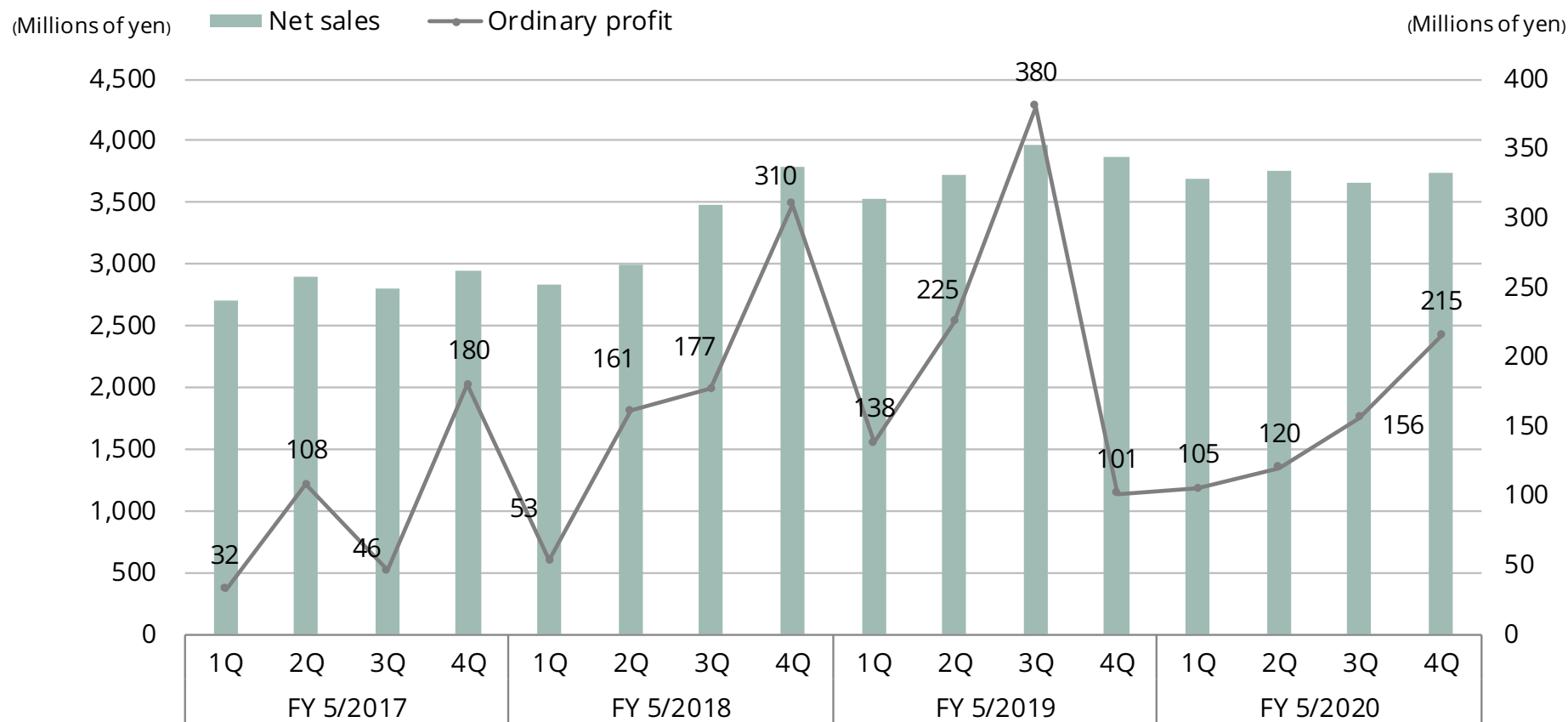
# Consolidated financial statements | Assets

(Millions of yen)	Previous fiscal year (Jun. 2018 – May 2019)	Reporting fiscal year (Jun. 2019 – May 2020)	Change
Total assets	6,896	<b>6,762</b>	▲133
Total current assets	4,501	<b>4,289</b>	▲211
Cash and deposits	2,989	<b>2,725</b>	▲264
Accounts receivable – trade	790	<b>786</b>	▲3
Work in process	500	<b>439</b>	▲60
Total non-current assets	2,395	<b>2,473</b>	78
Property, plant and equipment	501	<b>570</b>	69
Total intangible assets	914	<b>859</b>	▲55
Goodwill	573	<b>496</b>	▲76
Total investments and other assets	979	<b>1,043</b>	64

# Consolidated financial statements | Liabilities

(Millions of yen)	Previous fiscal year (Jun. 2018 – May 2019)	Reporting fiscal year (Jun. 2019 – May 2020)	Change
Total liabilities	4,334	<b>4,015</b>	▲318
Total current liabilities	2,664	<b>2,524</b>	▲140
Accrued expenses	842	<b>646</b>	▲195
Advances received	908	<b>869</b>	▲38
Total non-current liabilities	1,670	<b>1,491</b>	▲178
Total net assets	2,561	<b>2,746</b>	184
Total shareholders' equity	2,530	<b>2,706</b>	176
Retained earnings	1,760	<b>1,783</b>	23
Total liabilities and net assets	6,896	<b>6,762</b>	▲133

# Changes of quarterly results | Consolidated





# Contact

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