

Financial Results for the Second Quarter

From June 1, 2020 to November 30, 2020



ERI Holdings Co., Ltd.

December 28, 2020

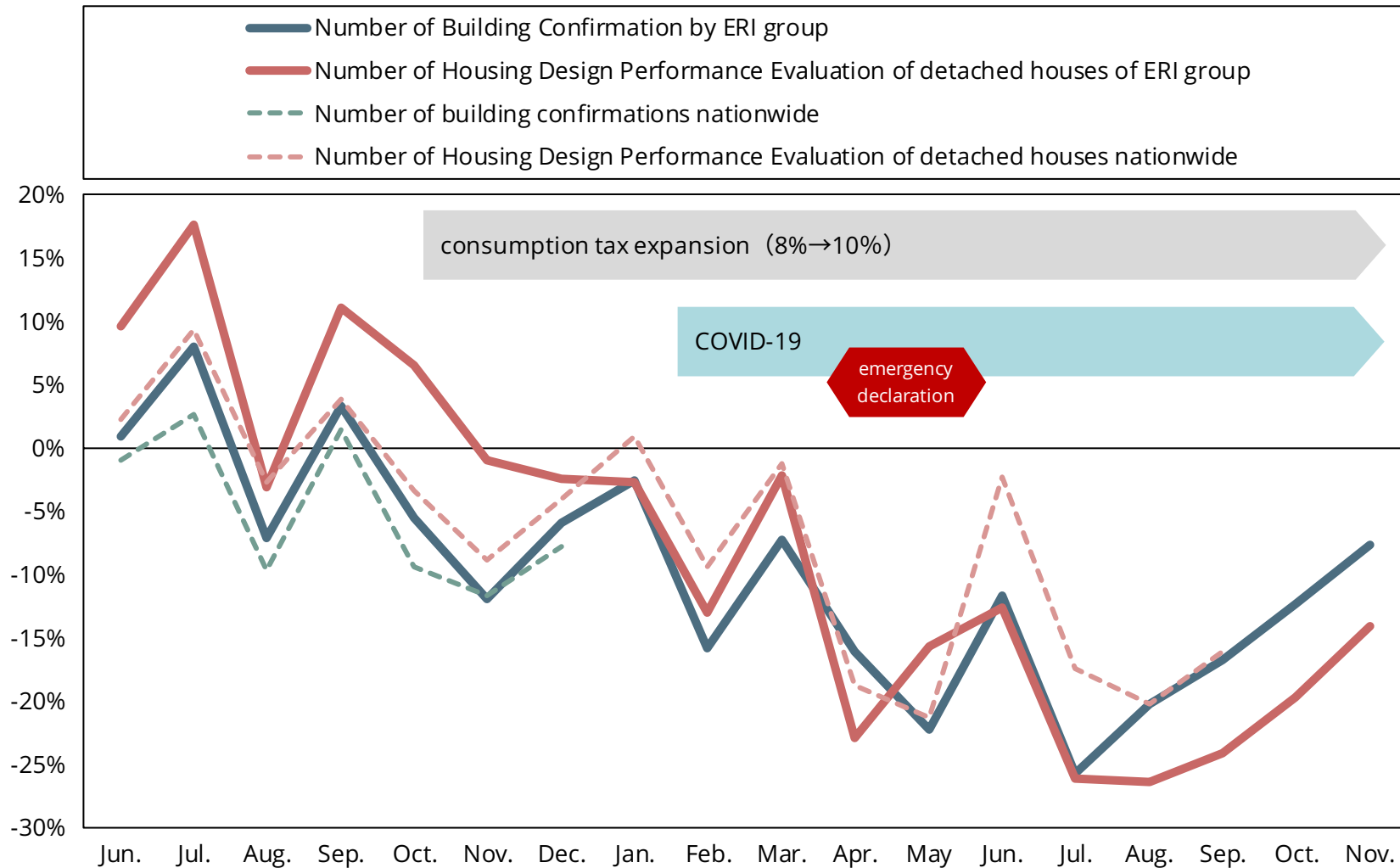
ERI

Evaluation, Rating, Inspection

Holdings

Impact of coronavirus (COVID-19)

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



Decrease in revenue and earnings year-on-year

- In the fiscal first half, COVID-19 slowed down the business within the initially expected range.
- Our client's operational restraint by COVID-19 have persisted through the second quarter.
- Both new housing and non-housing starts were still sluggish.
- Both Building Confirmation and Inspection and Housing Performance Evaluation services revenue decreased due to house builders slowdown.
- Solution and Other services revenue also decreased.
- Cost reduction such as executive remunerations and personnel expenses have been continued but ordinary income and net income were deficit.

Consolidated financial results

(Millions of yen)	2Q previous fiscal year (Jun. 2019– Nov. 2019)	2Q reporting fiscal year (Jun. 2020– Nov. 2020)	Change	
			Amounts	Ratio
Net Sales	7,438	6,824	▲613	▲8.2%
Operating Profit	167	▲78	▲246	-
Operating Profit Ratio	2.3%	▲1.2%	-	-
Ordinary Profit	226	▲14	▲240	-
Ordinary Profit Ratio	3.0%	▲0.2%	-	-
Profit Attributable to Owners of Parent	125	▲33	▲158	-
Profit per Share (Yen)	16.47	▲4.27	▲20.74	-

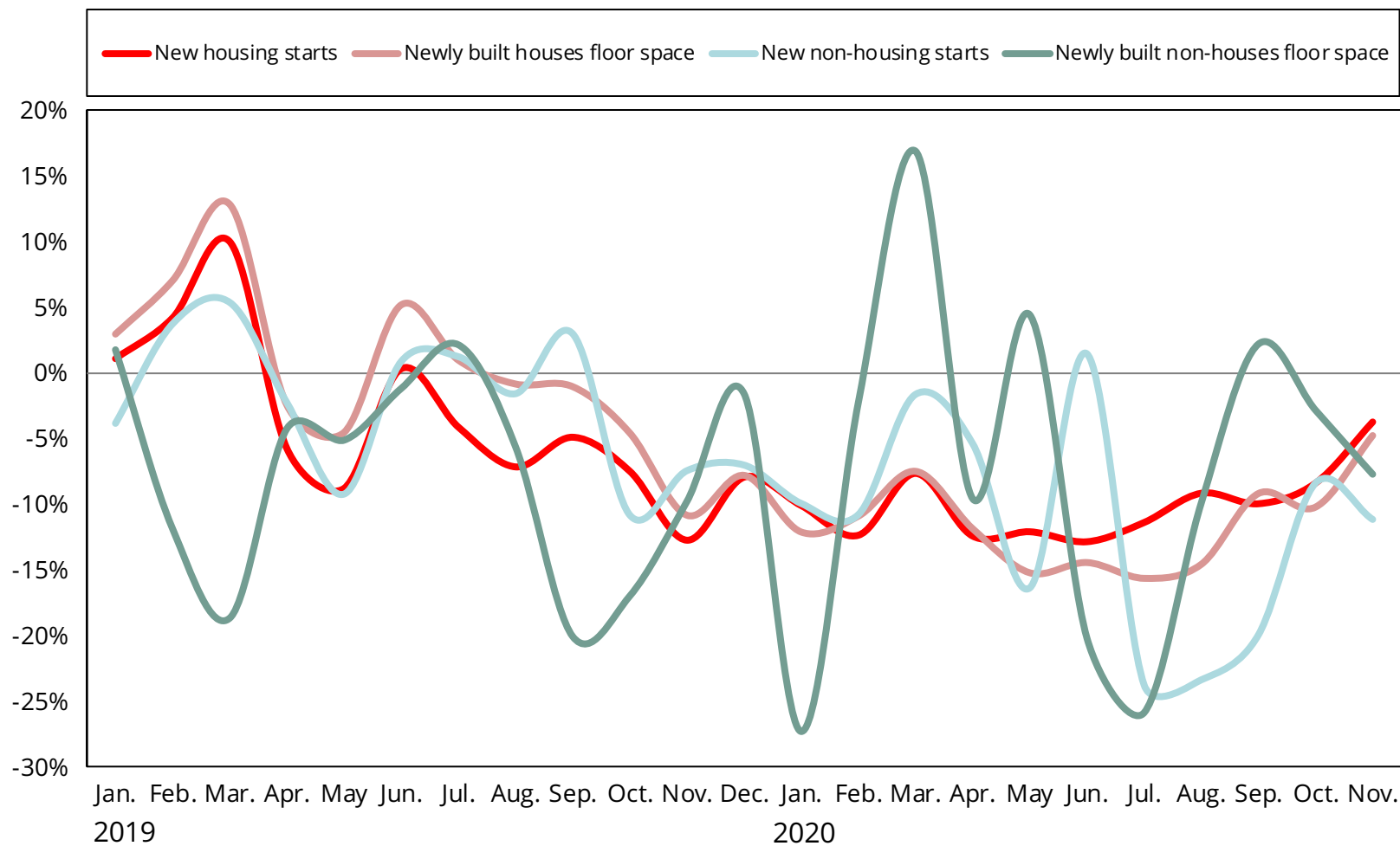
Consolidated financial results by segment

(Millions of yen)	2Q previous fiscal year (Jun. 2019–Nov. 2019)	2Q reporting fiscal year (Jun. 2020–Nov. 2020)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection and its related services	4,021 [54.1%]	3,783 [55.4%]	▲238	▲5.9%	24	▲95
Housing Performance Evaluation and its related services	1,930 [25.9%]	1,769 [25.9%]	▲161	▲8.3%	34	▲29
Solution Services	647 [8.7%]	518 [7.6%]	▲129	▲20.0%	▲52	▲126
Others	838 [11.3%]	754 [11.1%]	▲84	▲10.0%	▲54	5
Net Sales Total	7,438 [100.0%]	6,824 [100.0%]	▲613	▲8.2%	▲47	▲246

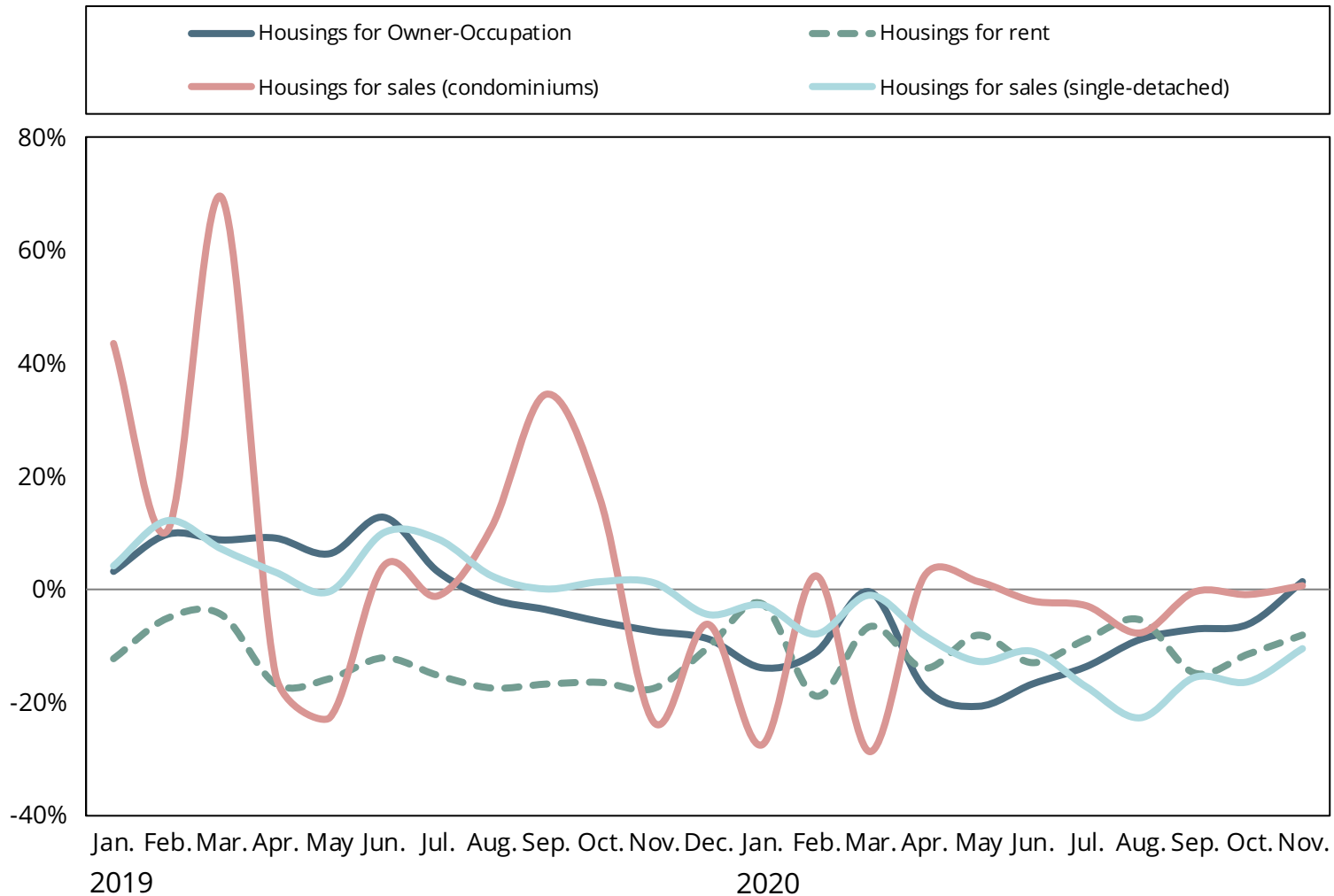
* From this fiscal year, segmentation is updated as follows.

"Building Confirmation and Inspection" was renamed "Building Confirmation and Inspection and its related services." Segment of Structural Evaluations of High-rise Buildings and Approving of Compliance with Building Type Standards was changed from "Others" to "Building Confirmation and Inspection and its related services." Segment of Approving of Housing Type Performance, etc. was changed from "Others" to "Housing Performance Evaluation and its related services."

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



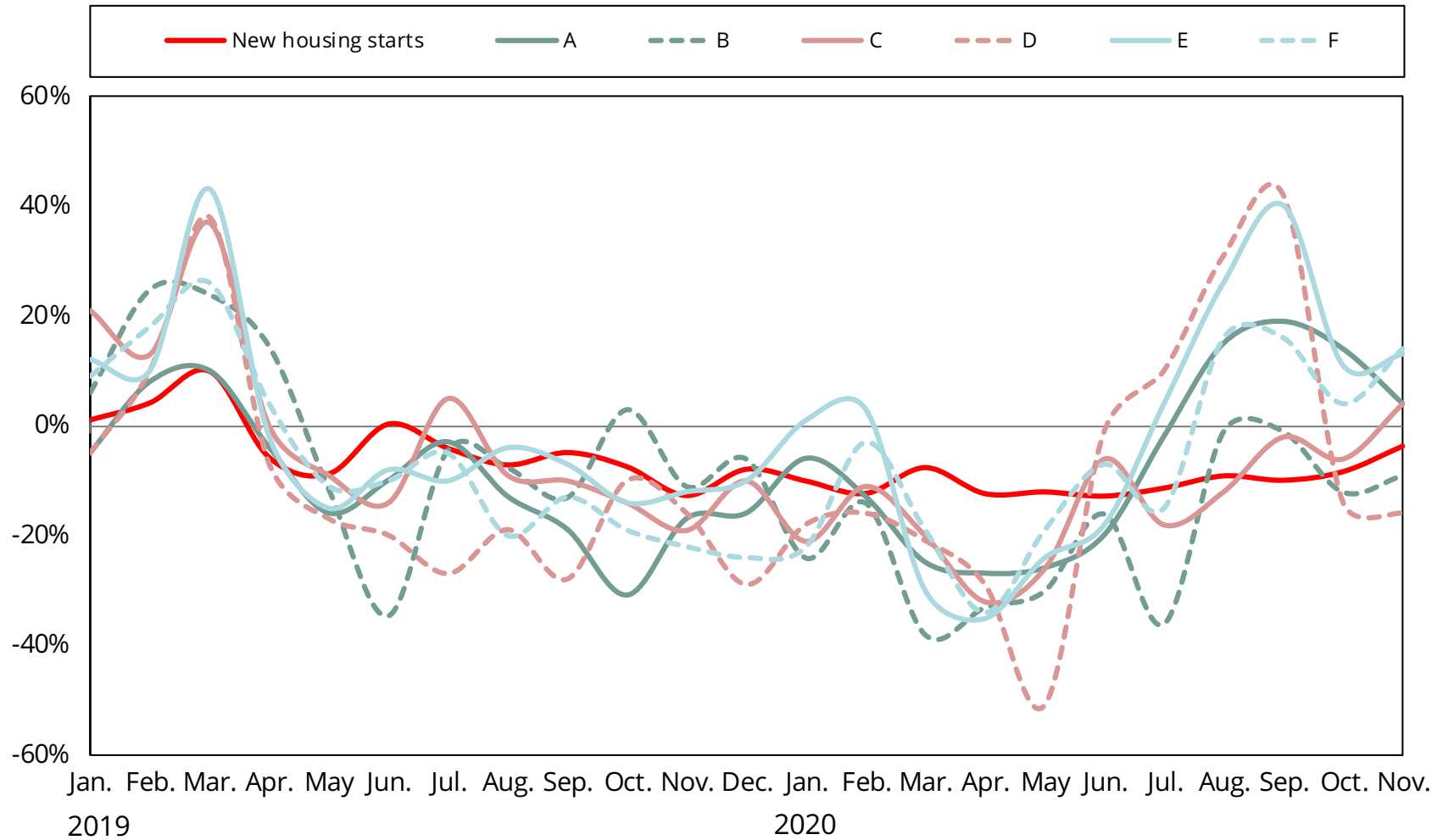
Changes in new housing starts by categories of housing (year-on-year rate)



Changes in the cumulative total (from Jun. to Nov.)

New housing starts	▲9.3%
Housings for Owner-Occupation	▲8.8%
Housings for rent	▲10.3%
Housings for sales (condominiums)	▲2.3%
Housings for sales (single-detached)	▲15.5%

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 2Q (June 2020 ~ November 2020)

Housing sector

	Detached Houses	Terrace Houses	Collective Houses	Total
New Housing Starts (Unit)	204,348	36,019	182,058	422,115
Year-on-Year	▲11.1%	▲21.7%	▲4.1%	▲9.3%
Proportion	48.3%	8.5%	43.1%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	23,126	1,873	9,252	34,251
Year-on-Year	▲11.6%	▲22.7%	▲9.0%	▲11.6%
Proportion	67.5%	5.5%	27.0%	100.0%

Market trend

Stats of new construction starts in FY 5/2021 2Q (June 2020 ~ November 2020)

Non-housing sector

	Offices	Stores	Factories	Warehouses	Medical and Welfare	Others (educational, lodging and etc.)	Total
New Housing Starts (Unit)	4,808	2,613	3,217	7,825	3,725	10,150	32,338
Year-on-Year	▲11.7%	▲21.7%	▲19.8%	5.2%	▲10.5%	▲23.6%	▲14.2%
Proportion	14.9%	8.1%	9.9%	24.2%	11.5%	31.4%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	2,194	1,907	2,884	5,643	2,169	4,743	19,539
Year-on-Year	▲11.6%	▲5.5%	▲35.0%	20.4%	▲18.9%	▲19.0%	▲11.8%
Proportion	11.2%	9.8%	14.8%	28.9%	11.1%	24.3%	100.0%

Main operating figures | Consolidated

		2Q previous fiscal year (Jun. 2019 – Nov. 2019)		2Q reporting fiscal year (Jun. 2020 – Nov. 2020)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		39,852	1,673	33,506	1,541	▲6,346	▲132
Final Inspections		36,248	1,464	33,796	1,407	▲2,452	▲57
Housing Design Performance Evaluations	Detached Houses	18,972	511	15,477	473	▲3,495	▲38
	Collective Houses	12,659	130	12,063	132	▲596	2
Housing Construction Performance Evaluations	Detached Houses	16,273	923	15,599	844	▲674	▲79
	Collective Houses	9,323	137	8,529	125	▲794	▲12

Key service figures | Consolidated

		2Q previous fiscal year (Jun. 2019 – Nov. 2019)		2Q reporting fiscal year (Jun. 2020 – Nov. 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)		2,591	749	2,347	718	▲244	▲31
Technical Assessments for Long-life Quality Housings		15,010	210	12,412	176	▲2,598	▲34
Inspections for Housing Defect Liability Insurance		21,034	192	18,162	157	▲2,872	▲35
Evaluation for Compliance with Energy Consumption Performance of Buildings		746	119	748	119	2	0
BELS Certifications	Non-housings	61	10	49	7	▲12	▲3
	Housings	3,272	56	4,333	71	1,061	15

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

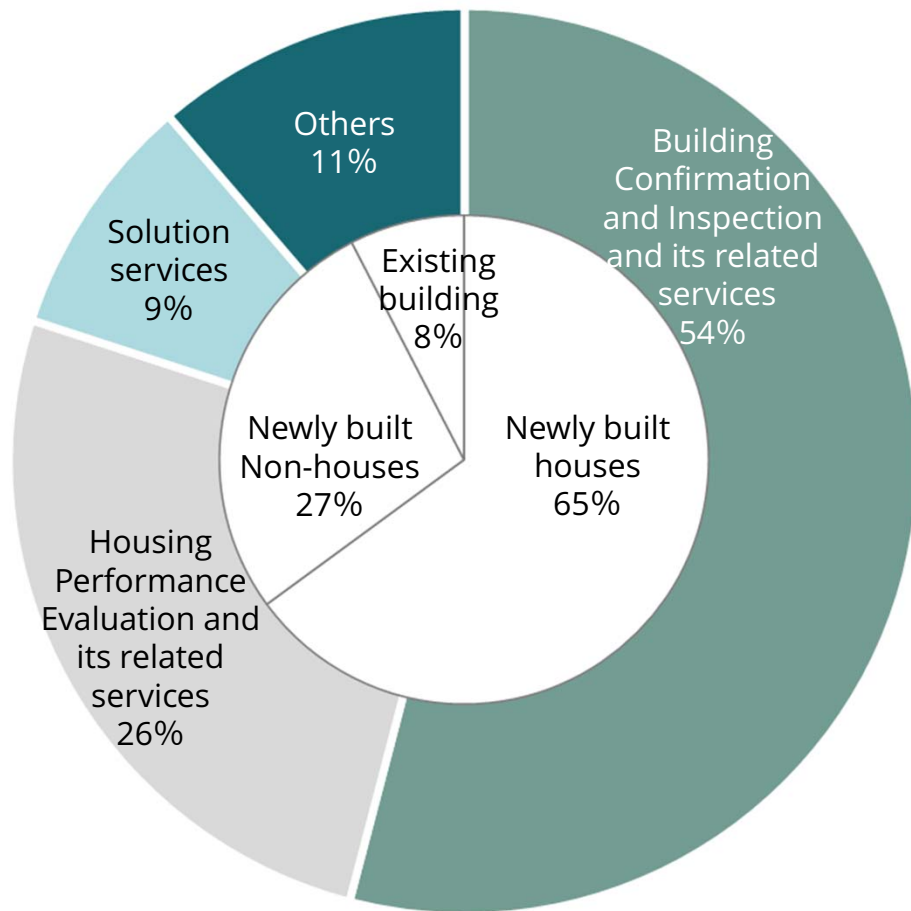
* "Technical Assessments for Long-life Quality Housings" represents the numbers and amounts of conformance certificate, which includes the numbers and amounts of extension and renovation. The numbers of plan change is included.

* 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.

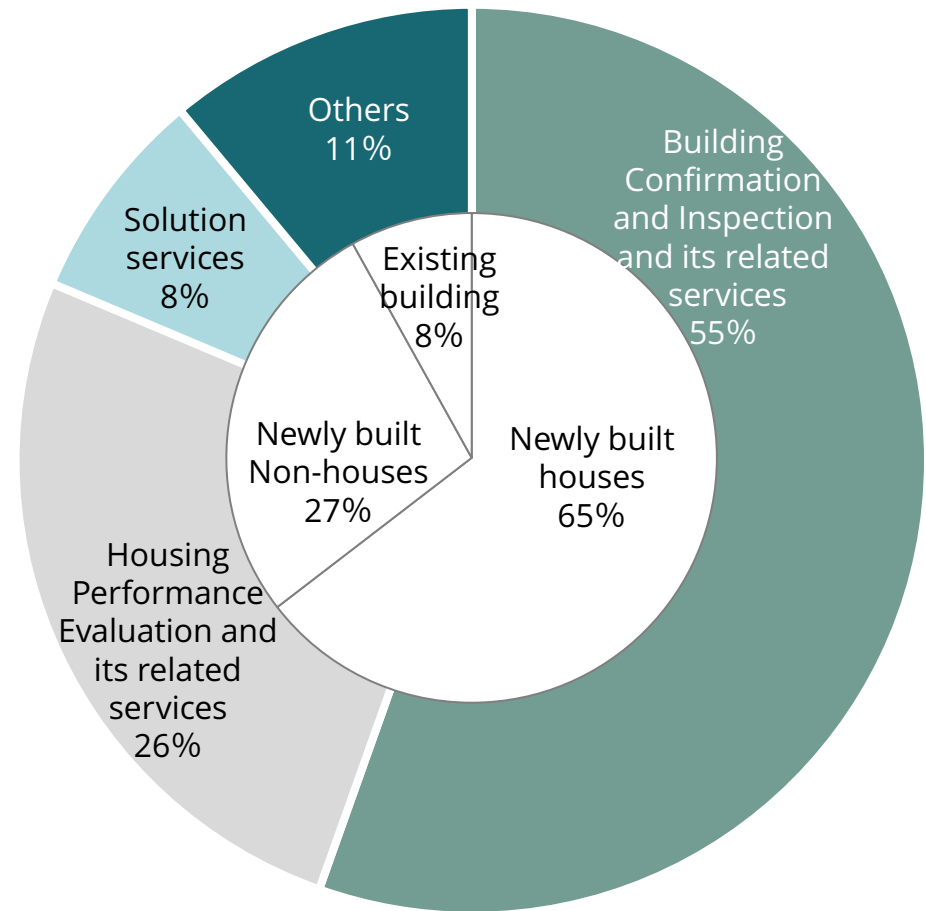
* From FY 5/2020 report, "Evaluation for Compliance with Energy Consumption Performance of Buildings" excludes the numbers of plan change.

Sales breakdown | Consolidated

FY 5/2020 2Q



FY 5/2021 2Q



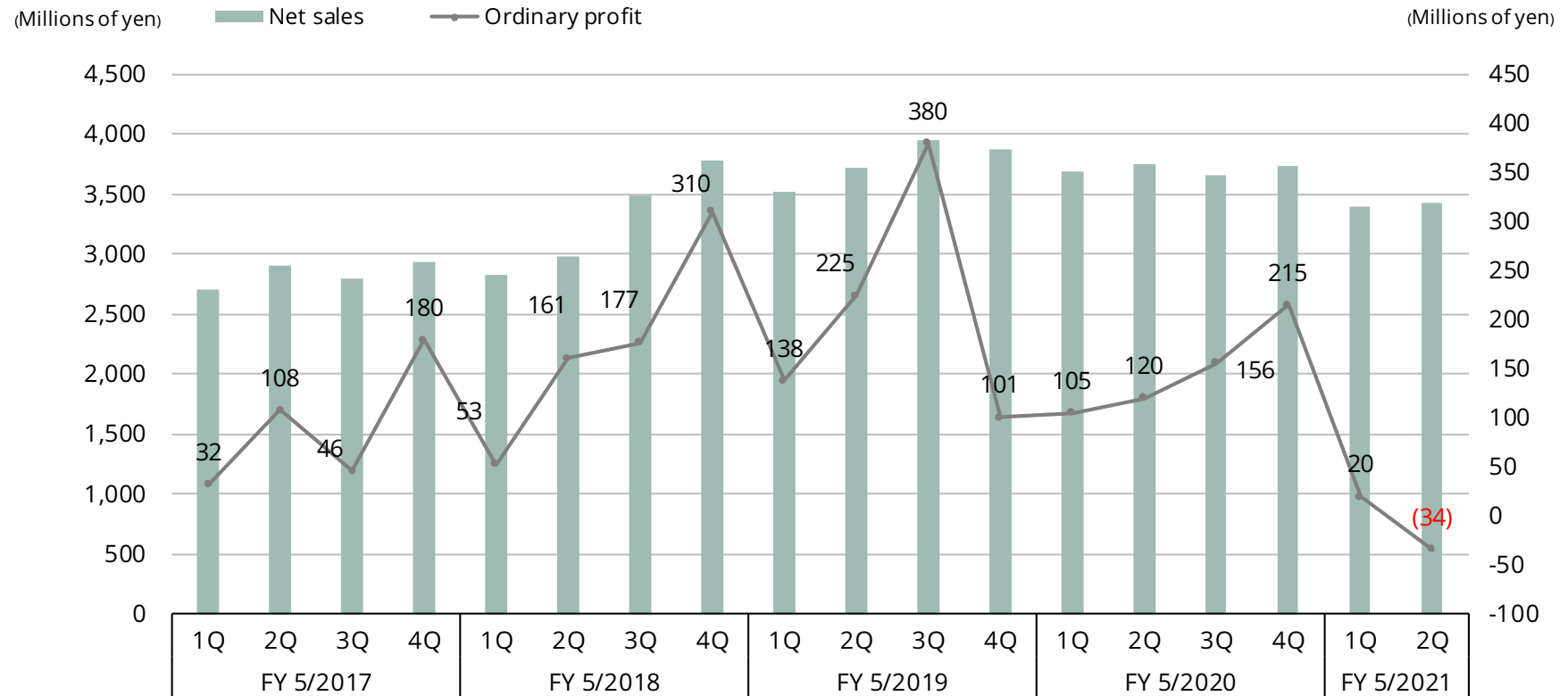
Consolidated financial statements | Assets

(Millions of yen)	Previous fiscal year (Jun. 2019 – May 2020)	2Q reporting fiscal year (Jun. 2020 – Nov. 2020)	Change
Total assets	6,762	6,425	▲336
Total current assets	4,289	3,969	▲320
Cash and deposits	2,725	2,434	▲291
Accounts receivable – trade	786	757	▲29
Work in process	439	506	67
Total non-current assets	2,473	2,456	▲16
Property, plant and equipment	570	574	4
Total intangible assets	859	809	▲49
Goodwill	496	471	▲25
Total investments and other assets	1,043	1,072	28

Consolidated financial statements | Liabilities

(Millions of yen)	Previous fiscal year (Jun. 2019 – May 2020)	2Q reporting fiscal year (Jun. 2020 – Nov. 2020)	Change
Total liabilities	4,015	3,734	▲281
Total current liabilities	2,524	2,274	▲250
Accrued expenses	646	699	52
Advances received	869	860	▲9
Total non-current liabilities	1,491	1,460	▲31
Total net assets	2,746	2,691	▲55
Total shareholders' equity	2,706	2,658	▲47
Retained earnings	1,783	1,654	▲128
Total liabilities and net assets	6,762	6,425	▲336

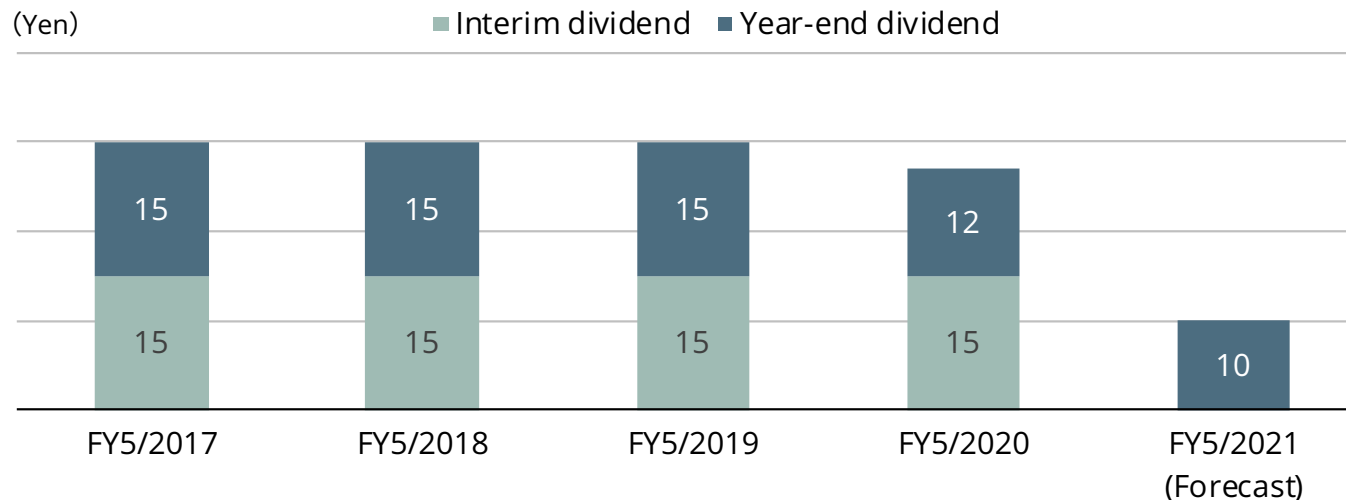
Changes of quarterly results | Consolidated



Forecasts for FY 5/2021

- In the sluggish housing sector, our clients' business operation have been resuming steadily. We, however, keep close attention to the business conditions which could be significantly affected by the re-expansion of COVID-19.
- This fiscal year, so far, our business has been going within the earlier assumption which our market will recover and largely return to normal in 4Q, so we keep initial forecast intact.
- As a financial preparation for uncertain business conditions by COVID-19, we deferred interim dividend and planned the year-end dividend of 10 yen per share.

Change in annual dividends per share



Dividend payout ratio	110.4%	54.2%	43.5%	80.1%	49.2%
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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	14,546	▲296	▲2.0%
Operating Profit	517	273	▲244	▲47.2%
Operating Profit Ratio	3.5%	1.9%	-	-
Ordinary Profit	598	300	▲297	▲49.7%
Ordinary Profit Ratio	4.0%	2.1%	-	-
Profit Attributable to Owners of Parent	258	157	▲101	▲39.2%
Profit per Share (Yen)	33.69	20.31	▲13.38	▲39.7%

Short-term strategy

- Thorough infection prevention
- Preparation for Energy Efficiency Certification and BELS market expansion
- Promotion of DX (Digital Transformation) such as BIM, digital signature

Medium-term strategy

- Reaction to the government's economic stimulus package (details on the next page)
- Promotion of diverse work style and human resource management
- Increasing market share in the industry restructuring opportunity
- Active M&A for personnel acquisition and business growth

Reaction to the government's economic stimulus package

On December 8, 2020, Cabinet Decision was made on
“Comprehensive Economic Measures to Secure People's Lives and Livelihood toward Relief and Hope”

- Realizing digitalization ⇒ Customer retention and productivity growth
- Realizing green society ⇒ Energy saving business growth
- Promoting national resilience with respect to disaster management
⇒ Stock business expansion

“Comprehensive Economic Measures to Secure People's Lives and Livelihood toward Relief and Hope”, Cabinet Decision on December 8,2020
<https://www5.cao.go.jp/keizai1/keizaitaisaku/keizaitaisaku.html>



Toward the Enhancement of Mandatory Energy Efficiency Standards

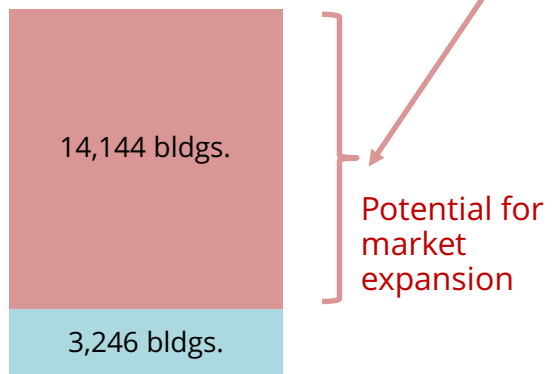
Current regulatory requirements		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance	Filing required
Medium scale floor area 2,000 sqm - 300 sqm	Filing required	

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

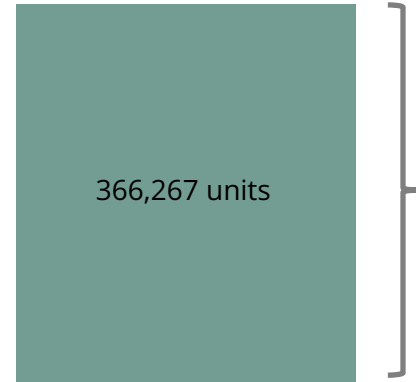
- Medium scale 2,000 sqm - 300 sqm
- Large scale ≥ 2,000 sqm



*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



*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%

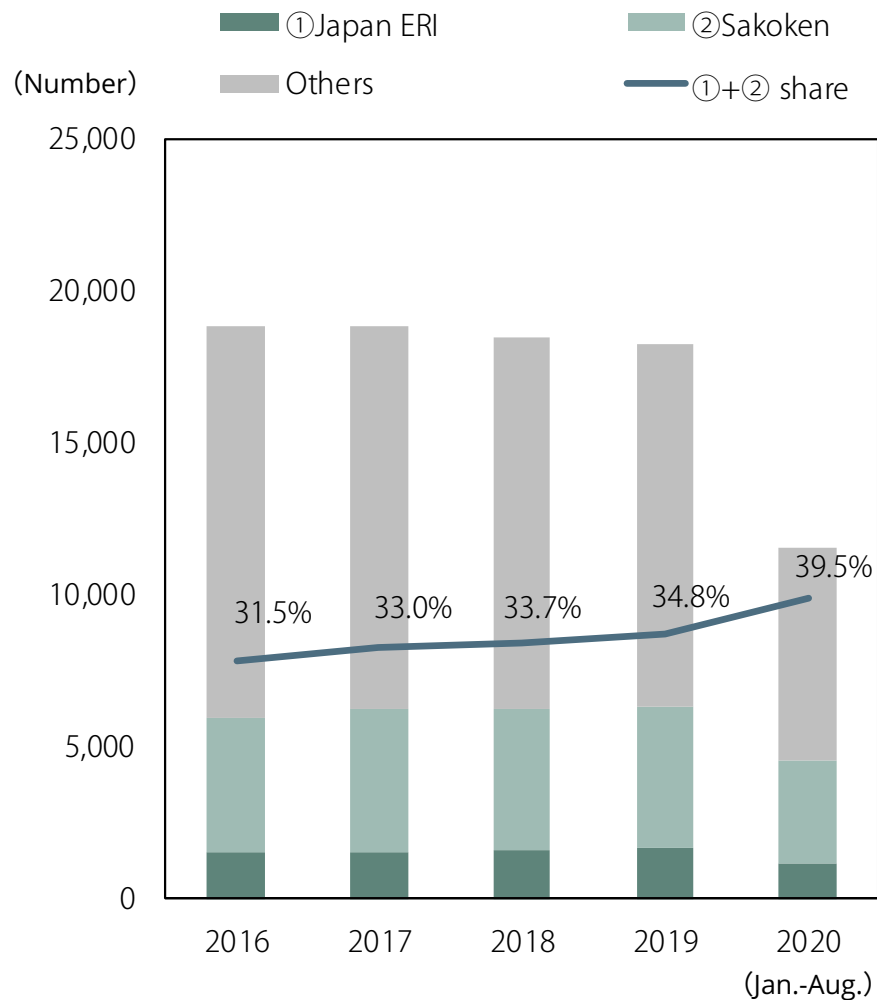
Acquisition of Sakoken Co., Ltd.

- Sep. 17, 2020, ERI holdings acquired 100% outstanding shares.
- Expanding housing related services in Hokkaido.

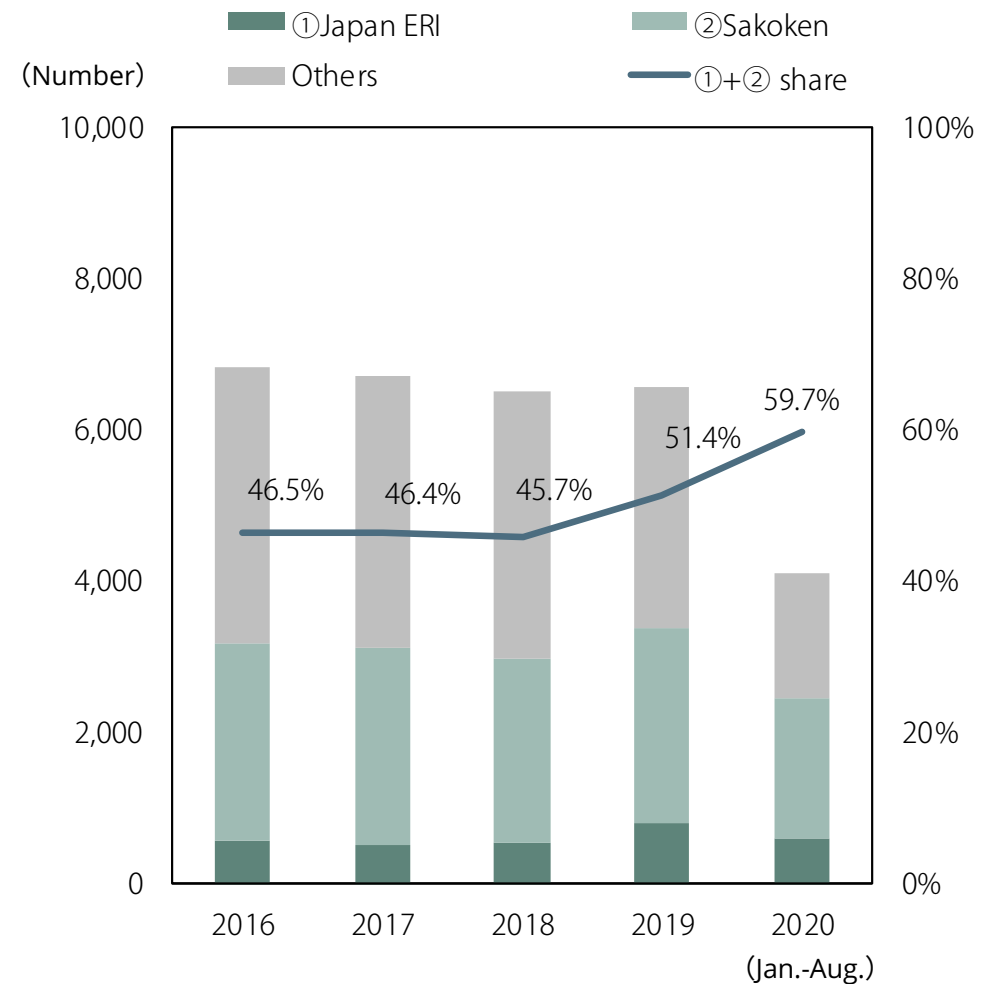
Company Outline	
Company name	Sakoken Co., Ltd.
Head office	Sapporo, Hokkaido
Main business contents	Building Confirmation and Inspection, Housing Performance Evaluation, Home Inspection, etc.
Establishment	October 1974
Employee	66 (April 2020)
Capital	15 million yen
Net sales	547 million yen (FY ended March 2020)

Building Confirmation number and market share in Hokkaido and Sapporo

Number and Share in Hokkaido



Number and share in Sapporo



Promotion of BIM utilization for Building Confirmation

To enhance BIM utilization, we made the first field-test of MR (Mixed Reality) assisted building inspection, by downloading BIM data to MR device, in collaboration with a construction company.

When an inspector wears MR goggles and points at column, wall, ceiling etc., supplemental information of these targets is projected in the 3D virtual field.



Microsoft Corp., HoloLens 2



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