

# Financial Results for the Third Quarter

From June 1, 2020 to February 28, 2021



ERI Holdings Co., Ltd.

March 30, 2021

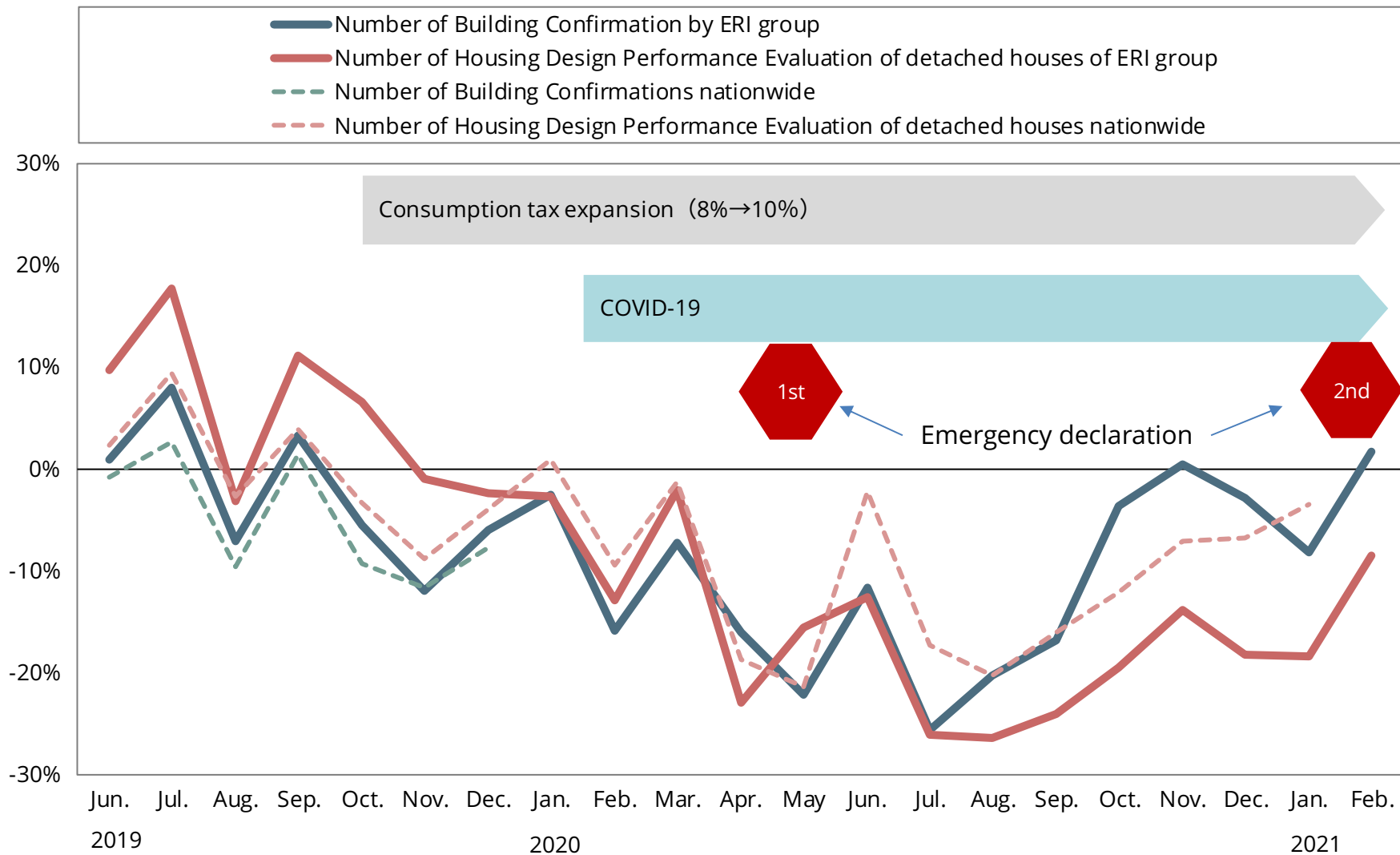
# ERI

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

- Both ordinary income and net income returned to profit by a bottoming out of orders and continual cost reduction efforts.
- The third quarter result has been back on the recovery track in line with our initial expectations.
- Partly due to an influence by the second issuance of the state of emergency declaration, our client's operational restraint still have persisted by COVID-19.
- Both new housing and non-housing starts were still sluggish, however a shrink of new housing starts became more moderate.
- Both Building Confirmation and Inspection and Housing Performance Evaluation services revenue decreased due to new housing and non-housing starts slowdown.
- Solution and Other services revenue also decreased.

# Consolidated financial results

(Millions of yen)	3Q previous fiscal year (Jun. 2019– Feb. 2020)	3Q reporting fiscal year (Jun. 2020– Feb. 2021)	Change	
			Amounts	Ratio
Net Sales	11,102	<b>10,363</b>	▲738	▲6.7%
Operating Profit	320	<b>22</b>	▲298	▲93.1%
Operating Profit Ratio	2.9%	<b>0.2%</b>	-	-
Ordinary Profit	382	<b>86</b>	▲296	▲77.4%
Ordinary Profit Ratio	3.4%	<b>0.8%</b>	-	-
Profit Attributable to Owners of Parent	211	<b>29</b>	▲181	▲85.9%
Profit per Share (Yen)	27.62	<b>3.83</b>	▲23.79	▲86.1%

\* 3Q reporting includes P/L numbers of Sakoken Co., Ltd. third quarter, from Oct. 2020 to Dec. 2020.

# Consolidated financial results by segment

(Millions of yen)	3Q previous fiscal year (Jun. 2019– Feb. 2020)	3Q reporting fiscal year (Jun. 2020– Feb. 2021)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection and its related services	5,958 [53.7%]	<b>5,741</b> [55.4%]	▲217	▲3.6%	106	▲106
Housing Performance Evaluation and its related services	2,899 [26.1%]	<b>2,608</b> [25.2%]	▲291	▲10.1%	47	▲82
Solution Services	978 [8.8%]	<b>837</b> [8.1%]	▲141	▲14.4%	▲37	▲105
Others	1,266 [11.4%]	<b>1,177</b> [11.3%]	▲88	▲7.0%	▲46	▲2
Net Sales Total	11,102 [100.0%]	<b>10,363</b> [100.0%]	▲738	▲6.7%	70	▲297

\* 3Q reporting includes P/L numbers of Sakoken Co., Ltd. third quarter, from Oct. 2020 to Dec. 2020.

# Main operating figures | Consolidated

		3Q previous fiscal year (Jun. 2019 – Feb. 2020)		3Q reporting fiscal year (Jun. 2020 – Feb. 2021)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		58,132	2,450	<b>51,154</b>	<b>2,286</b>	▲6,978	▲164
Final Inspections		54,859	2,260	<b>51,642</b>	<b>2,217</b>	▲3,217	▲43
Housing Design Performance Evaluations	Detached Houses	28,338	752	<b>22,964</b>	<b>698</b>	▲5,374	▲54
	Collective Houses	20,008	201	<b>16,228</b>	<b>183</b>	▲3,780	▲18
Housing Construction Performance Evaluations	Detached Houses	24,390	1,375	<b>22,372</b>	<b>1,212</b>	▲2,018	▲163
	Collective Houses	15,429	240	<b>15,302</b>	<b>238</b>	▲127	▲2

\* 3Q reporting includes numbers of Sakoken Co., Ltd. third quarter, from Oct. 2020 to Dec. 2020.

# Key service figures | Consolidated

		3Q previous fiscal year (Jun. 2019 – Feb. 2020)		3Q reporting fiscal year (Jun. 2020 –Feb. 2021)		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)		3,727	1,088	<b>3,447</b>	<b>1,036</b>	▲280	▲52
Technical Assessments for Long-life Quality Housings		21,757	298	<b>18,068</b>	<b>254</b>	▲3,689	▲44
Inspections for Housing Defect Liability Insurance		30,335	279	<b>28,177</b>	<b>247</b>	▲2,158	▲32
Evaluation for Compliance with Energy Consumption Performance of Buildings		1,219	196	<b>1,166</b>	<b>183</b>	▲53	▲13
BELS Certifications	Non-housings	130	26	<b>160</b>	<b>33</b>	30	7
	Housings	4,294	79	<b>5,838</b>	<b>103</b>	1,544	24

\* 3Q reporting includes numbers of Sakoken Co., Ltd. third quarter, from Oct. 2020 to Dec. 2020.

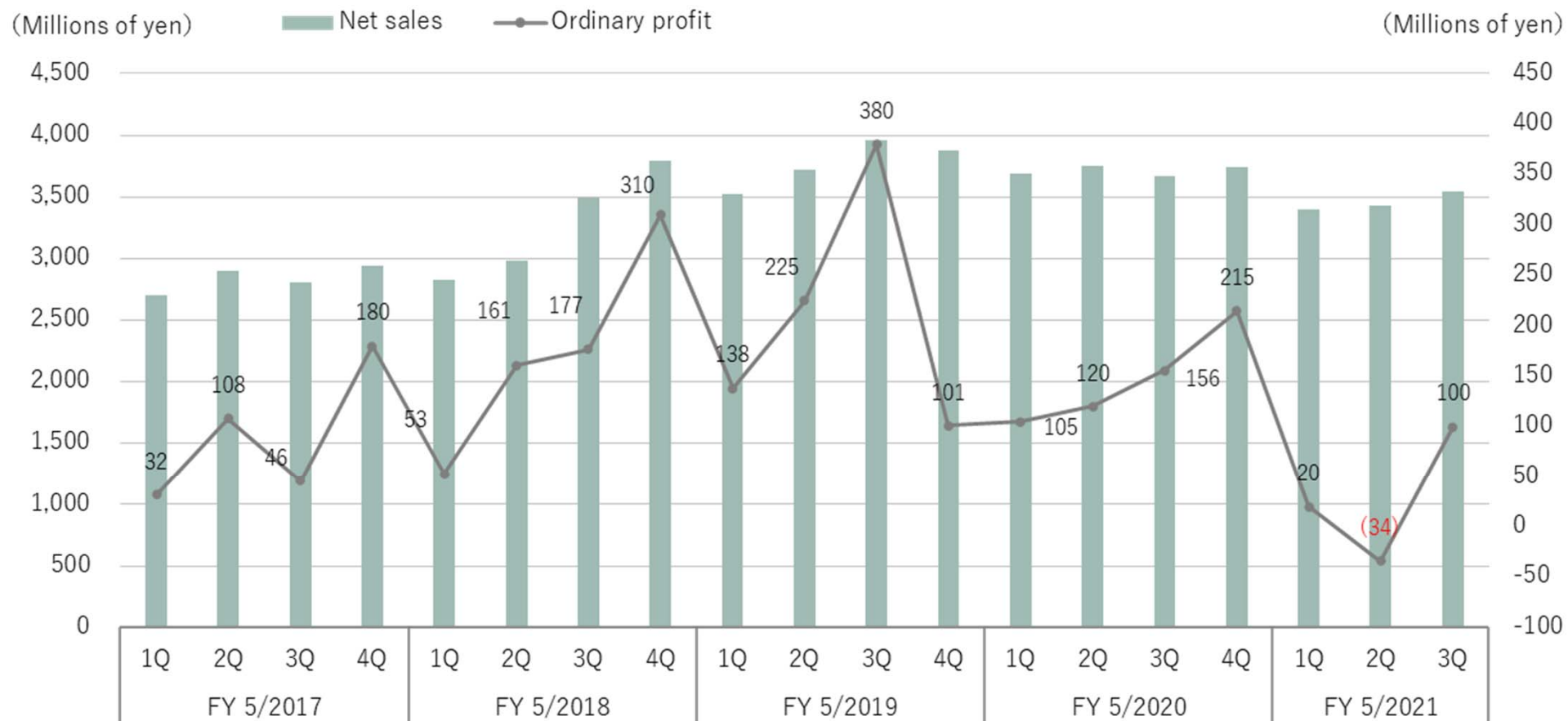
\* "Building Confirmations for medium to large size buildings (over 500 sqm)" includes the numbers of plan change.

\* "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.

# Changes of quarterly results | Consolidated



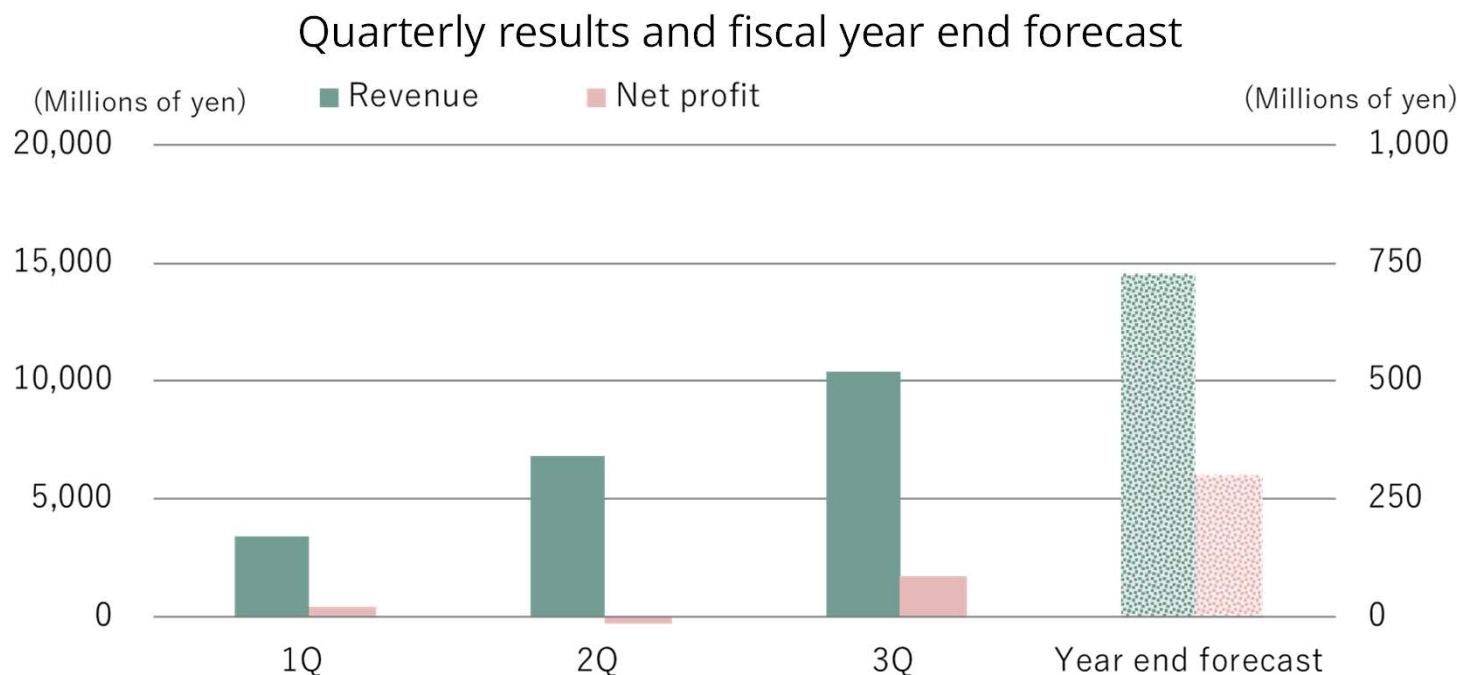


# Forecasts for FY 5/2021

(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%

# Forecasts for FY 5/2021

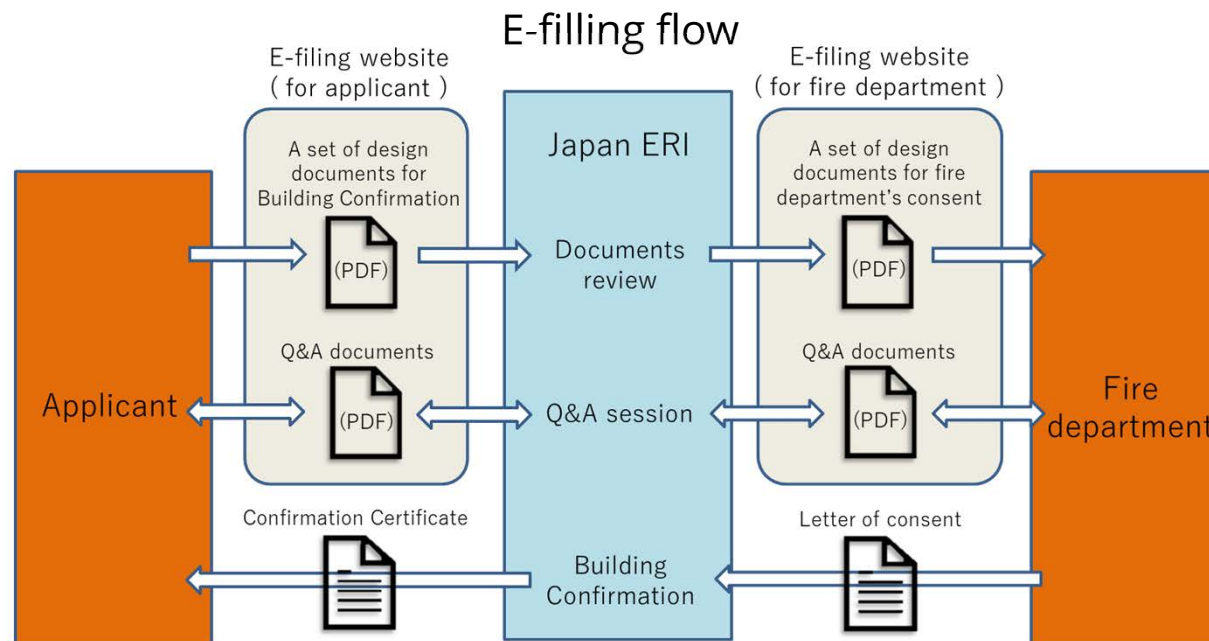
- Although the state of emergency declaration issued again, our clients' business operation, especially in severely depressed housing sector, have been resuming evidently.
- However, we should pay close attention watch on the COVID-19 disruption whether it will successfully shake down without further infection rebounds.
- So far, our business has been going in line with the earlier assumption and we have kept an initial forecast.



## Digitalization 1 : Fire department's consent

Japan ERI carried out the industry-first online fire department's consent<sup>※</sup> in Building Confirmation procedure.

So far, fire authorities have requested a paper design document for their consent procedure. With this case as a start, we expect a spread of online fire department's consent, which is beneficial to work efficiency.



\* If a building is the one prescribed in article 93 of the Building Code, a Designated Confirmation and Inspection Body may not make a Building Confirmation without the consent by the competent fire department. Fire authorities conducted 230 thousand fire department's consent in 2019 (2020 White Paper on Fire Service).

## Digitalization 2 : Periodic Refresher Courses for Licensed Architects

ERI Academy started Online Periodic Refresher Courses for Licensed Architects in place of seminars gathered at the venue.



For one of the COVID-19 countermeasures, MLIT eased the procedure requirements of periodic refresher courses and accepted online course implementation.



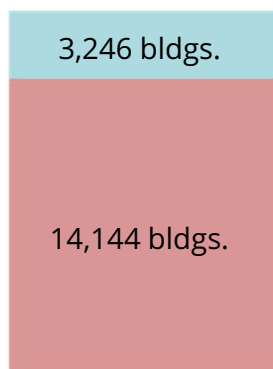
Responding quickly, ERI Academy started Online Periodic Refresher Courses from Jan. 2021. It has been well-received by many course participants currently working from home.

## From April 2021, an enhancement of Mandatory Energy Saving Standards starts

1. Minimum bldg. volume of the mandatory requirement is expanded from 2,000 sqm to 300 sqm
2. Tightening of supervision for larger than 300 sqm housings and utilization of Housing Performance Evaluation and BELS
3. Regarding smaller than 300 sqm bldgs./housings, architects are required to explain energy efficiency condition to the contractees

**Expected volume of market expansion**  
**14,000 bldgs. per year\*1**

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



\*1 source: Number of bldgs. is FY 3/2018 data from MLIT 2021 publication

New requirements (Apr. 2021~)		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance 【prerequisite for Building Confirmation】	Filing required 【tightening of supervision and rationalization of filing with Housing Performance Evaluation/BELS】
Medium scale floor area 300 sqm - 2,000 sqm	Mandatory compliance 【prerequisite for Building Confirmation】	Filing required 【tightening of supervision and rationalization of filing with Housing Performance Evaluation/BELS】
Small scale Floor area < 300 sqm	Explain required	Explain required

**Expected volume of filing required units**  
**366,000 units per year\*2**

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%

Expecting expansion of Housing Performance Evaluation/BELS needs

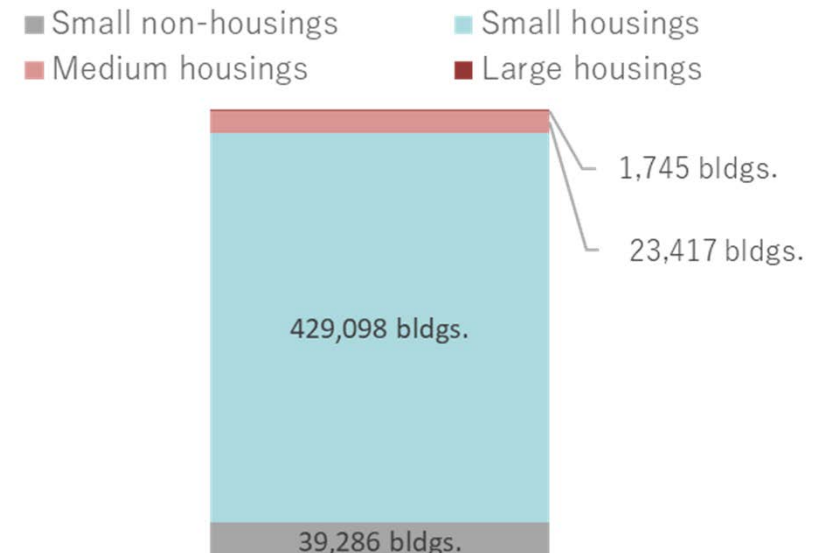
\*2 source: Number of units is FY 3/2016 data from MLIT 2018 publication

## From FY 3/2026, mandatory energy saving standards will cover all buildings include housings

April 2021, committee will start discussion and conclude a plan around this summer  
(by Nikkei newspaper, March 5, 2021)

New requirements (FY 3/2026~)		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance 【from 2019】	Mandatory compliance
Medium scale floor area 300 sqm - 2,000 sqm	Mandatory compliance 【from 2021】	Mandatory compliance
Small scale Floor area < 300 sqm	Mandatory compliance	Mandatory compliance

**Expected volume of filing required bldgs.  
493,000 bldgs. per year\***



\* source: Number of bldgs. is FY 3/2018 data from MLIT 2021 publication

## Certified as a “Health and Productivity Management Organization 2021”

March 4, 2021, Japan ERI was certified as a “Health and Productivity Management Organization 2021 (large corporate category)” in the Health and Productivity Management Organization Certification System, which has established by METI as a way to commend companies that carry out particularly excellent health and productivity management.



Certification by Nippon Kenko Kaigi (Japan Health Council)

December 2019, under the philosophy of “employees and their family health is the core of sustainable business growth”, Japan ERI declared “Health Management Manifesto”, and developed a health management promotion plan to make employees and their family life vibrant through their daily work. In the plan, we set quantitative targets against major health concerns and have been proactively engaged in promotion of employees’ health awareness, prevention of lifestyle-related diseases, constant review of work style, etc.

# Contact

ERI Holdings Co., Ltd.

Investor Relations and Public Relations Group

E – Mail | [info@h-eri.co.jp](mailto:info@h-eri.co.jp)

<https://www.h-eri.co.jp/>



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.