

2020 Full-Year Results

From June 1, 2020 to May 31, 2021



ERI Holdings Co., Ltd.

July 13, 2021

ERI

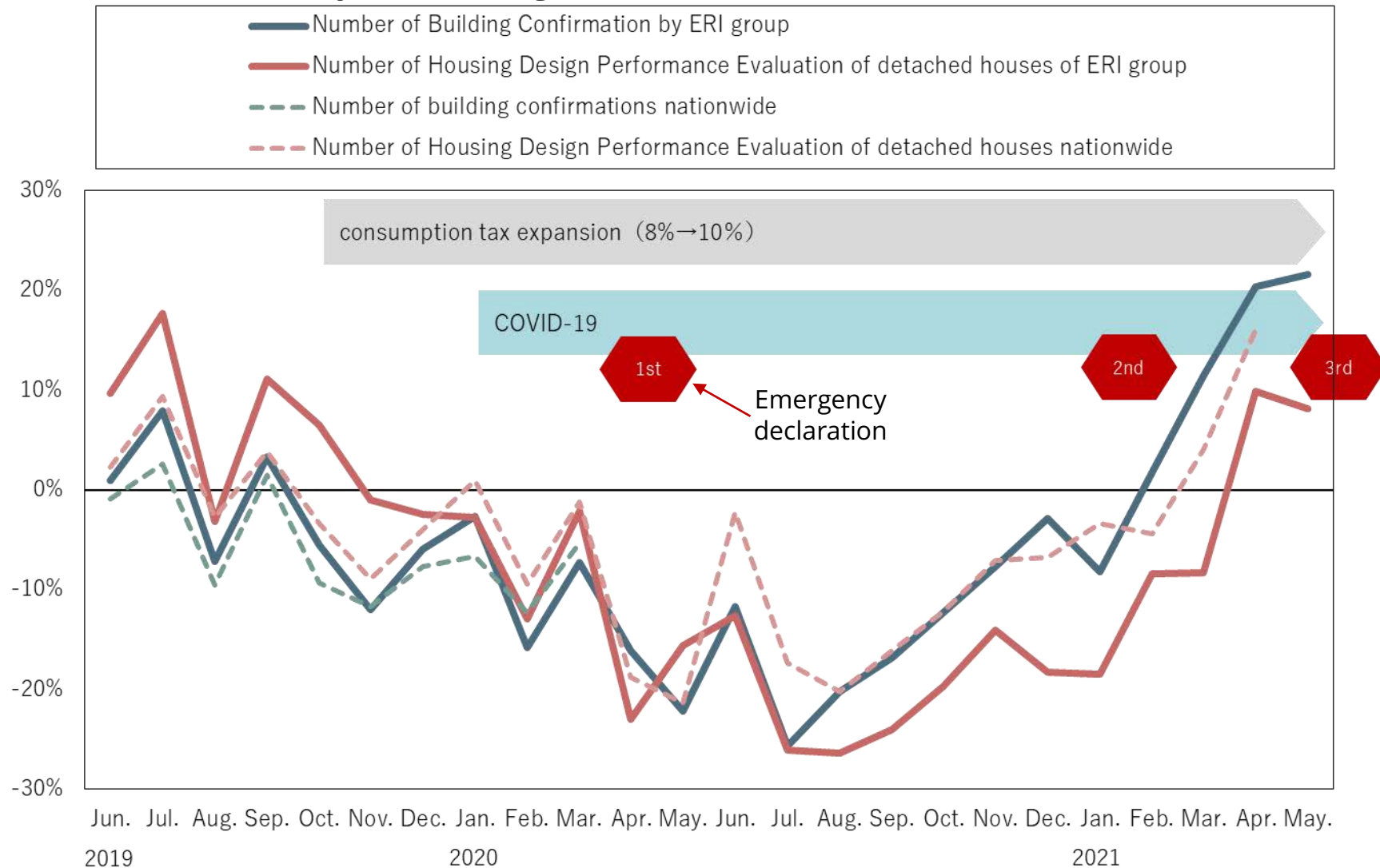
Evaluation, Rating, Inspection

Holdings

Impact of coronavirus (COVID-19)

Market has trend toward the post-pandemic

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



We revised up initial earnings/dividends forecasts in the 4th quarter

- COVID-19 pandemic has made housing/building market considerably stagnant, however those impacts on our business have been going within our assumption.
- In the fourth quarter, we recovered a depressed performance, and the profits exceeded our initial forecasts. Then we revised fiscal year end dividends upward to ¥15 per share from ¥10.
- Both new housing and non-housing starts were decreased, however the market shows a sign of recovery.
- Both Building Confirmation and Inspection and Housing Performance Evaluation services revenue decreased largely due to sluggish housing sector.
- Solution and Other services revenue also decreased.
- Year on year sales decreased, however, continuous cost reduction efforts and acquisition of Sakoken Co., Ltd. result in almost the same net income of the previous year.

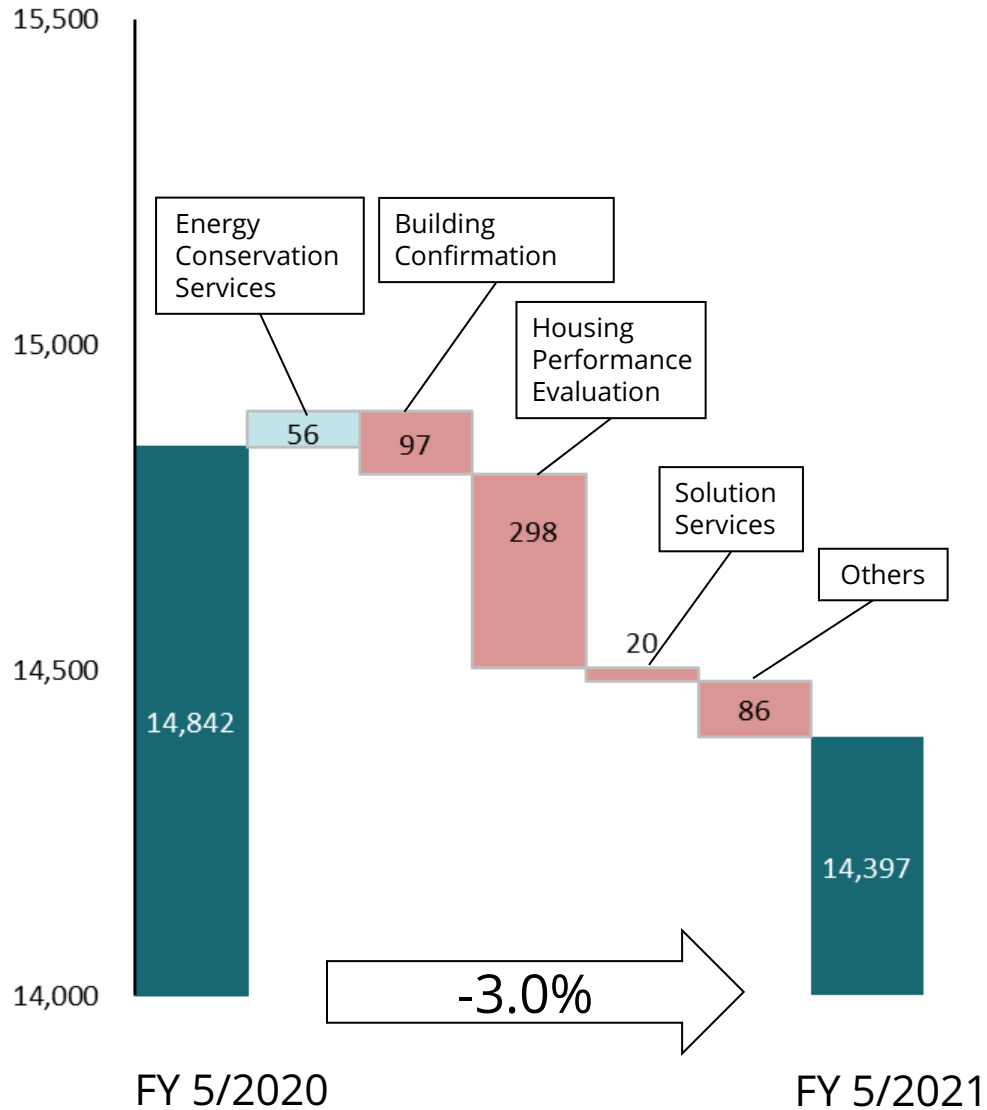
Consolidated financial results

(Millions of yen)	Previous fiscal year (Jun. 2019 – May 2020)	Reporting fiscal year (Jun. 2020– May 2021)	Change	
			Amounts	Ratio
Net Sales	14,842	14,397	▲444	▲3.0%
Operating Profit	517	402	▲114	▲22.2%
Operating Profit Ratio	3.5%	2.8%	▲0.7%	-
Ordinary Profit	598	474	▲123	▲20.7%
Ordinary Profit Ratio	4.0%	3.3%	▲0.7	-
Profit Attributable to Owners of Parent	258	264	6	2.5%
Profit per Share (Yen)	33.69	33.95	0.26	-

Change in net sales and operating profit

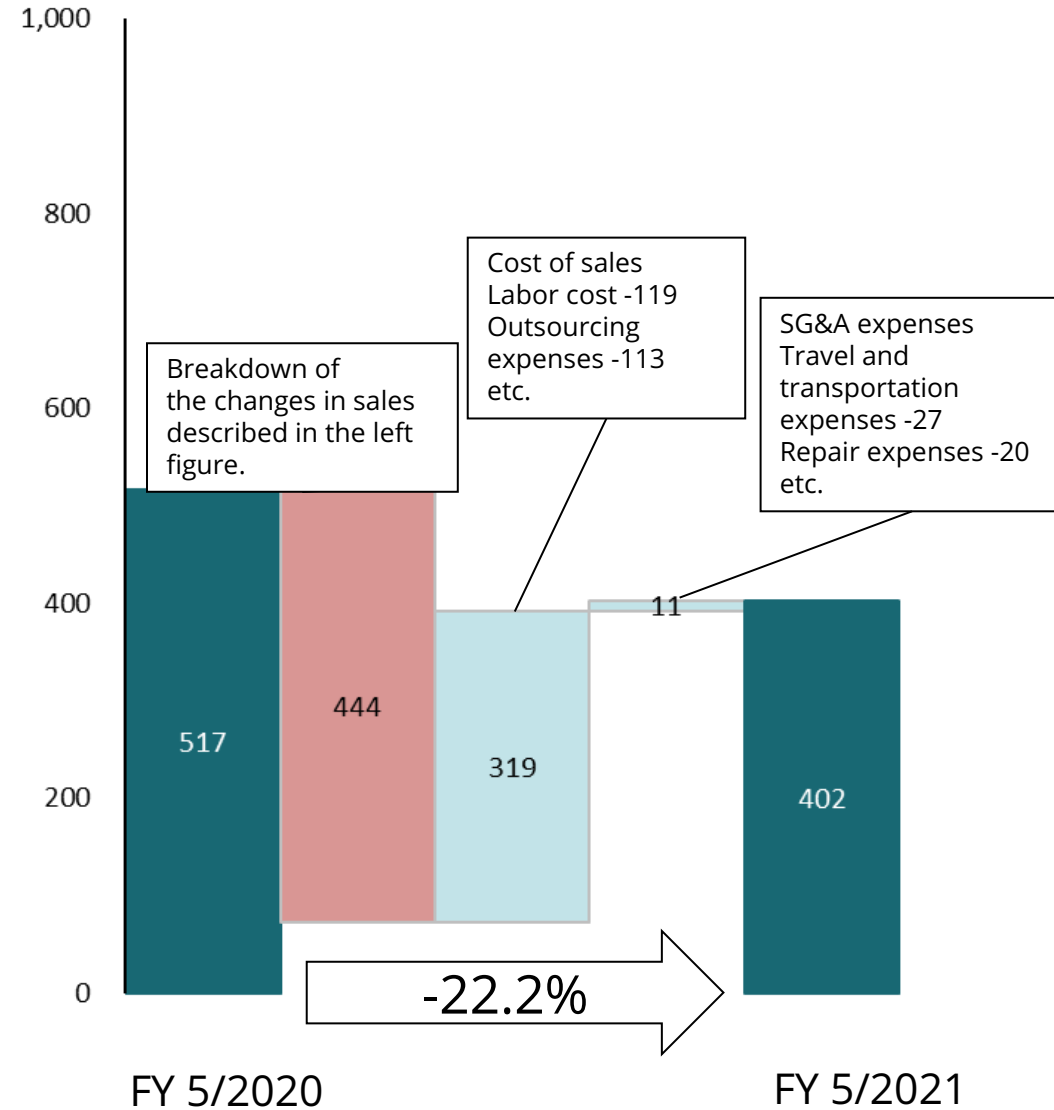
Net Sales

(Millions of Yen)



Operating Profit

(Millions of Yen)



Consolidated financial results by segment

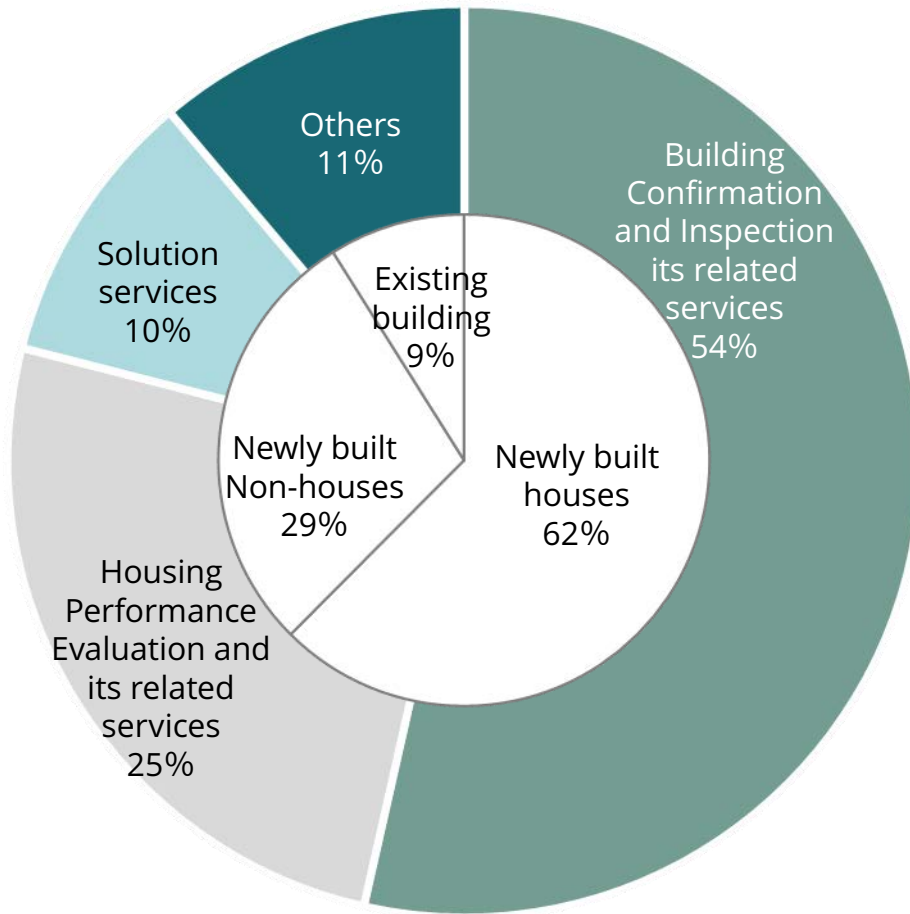
(Millions of yen)	Previous fiscal year (Jun. 2019 – May 2020)	Reporting fiscal year (Jun. 2020– May 2021)	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	7,946 [53.5%]	7,849 [54.5%]	▲96	▲1.2%	316	▲75
Housing Performance Evaluation and its related services	3,777 [25.4%]	3,479 [24.2%]	▲297	▲7.9%	92	▲100
Solution Services	1,462 [9.9%]	1,442 [10.0%]	▲19	▲1.4%	81	▲60
Others	1,657 [11.2%]	1,626 [11.3%]	▲30	▲1.9%	▲22	123
Net Sales Total	14,842 [100.0%]	14,397 [100.0%]	▲444	▲3.0%	402	▲114

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

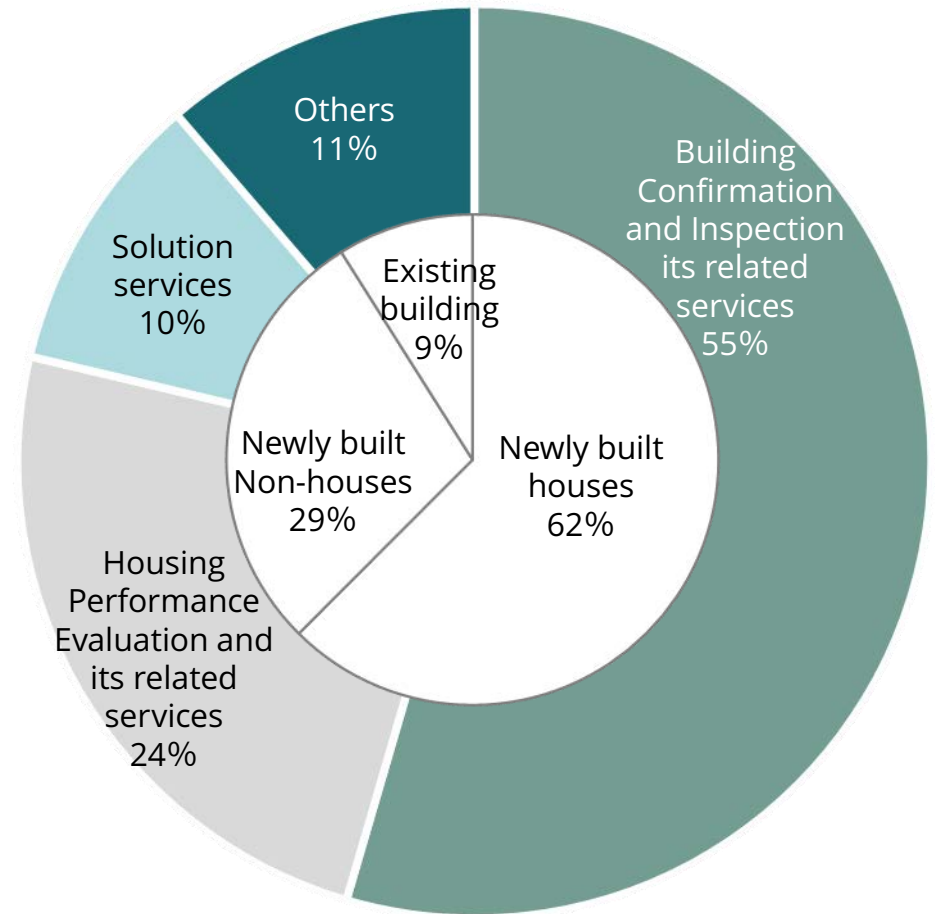
"Building Confirmation and Inspection" was renamed "Building Confirmation and Inspection and its related services." Segment of Structural Evaluations of High-rise Buildings and Approving of Compliance with Building Type Standards was changed from "Others" to "Building Confirmation and Inspection and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

Sales breakdown | Consolidated

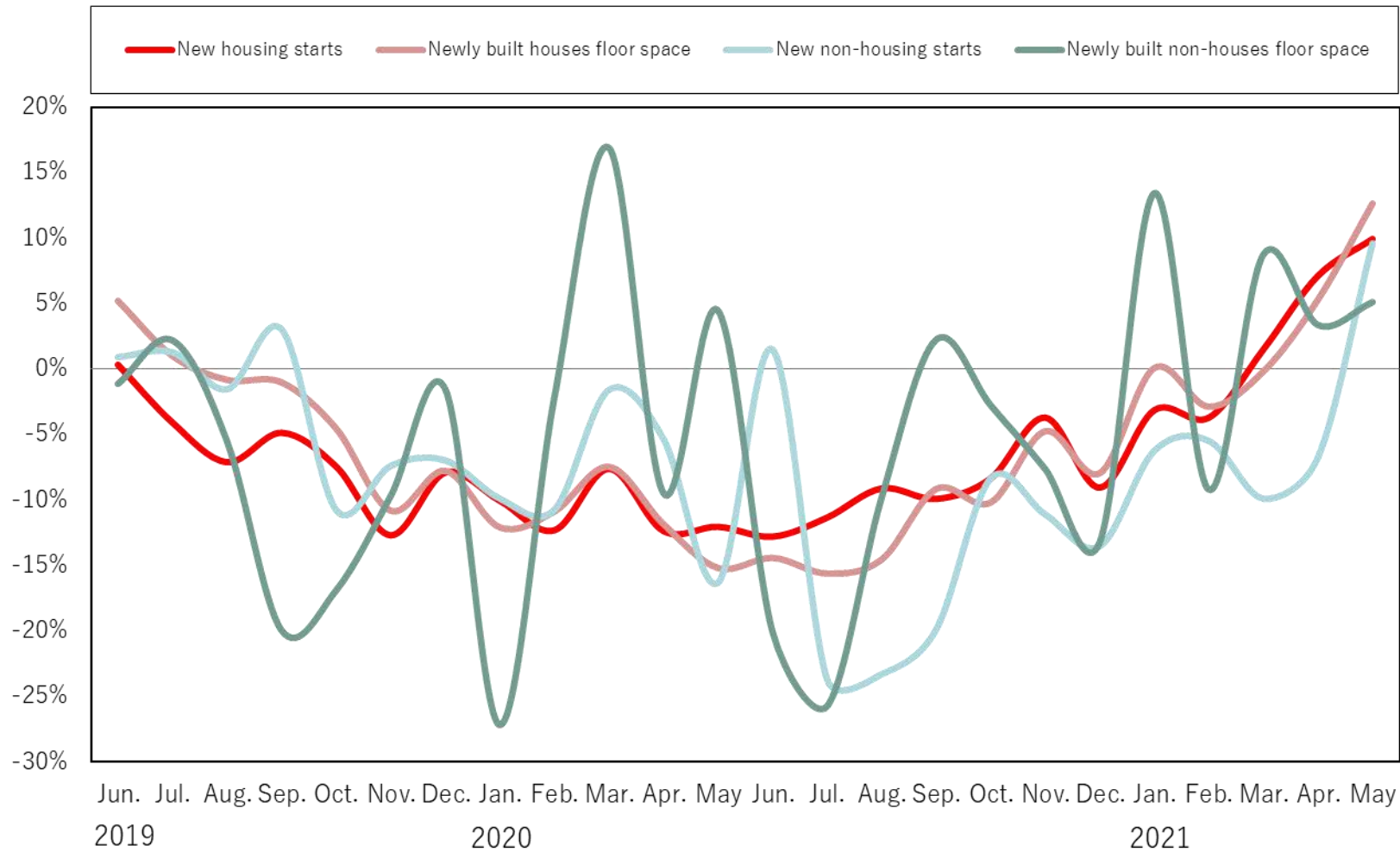
FY 5/2020



FY 5/2021

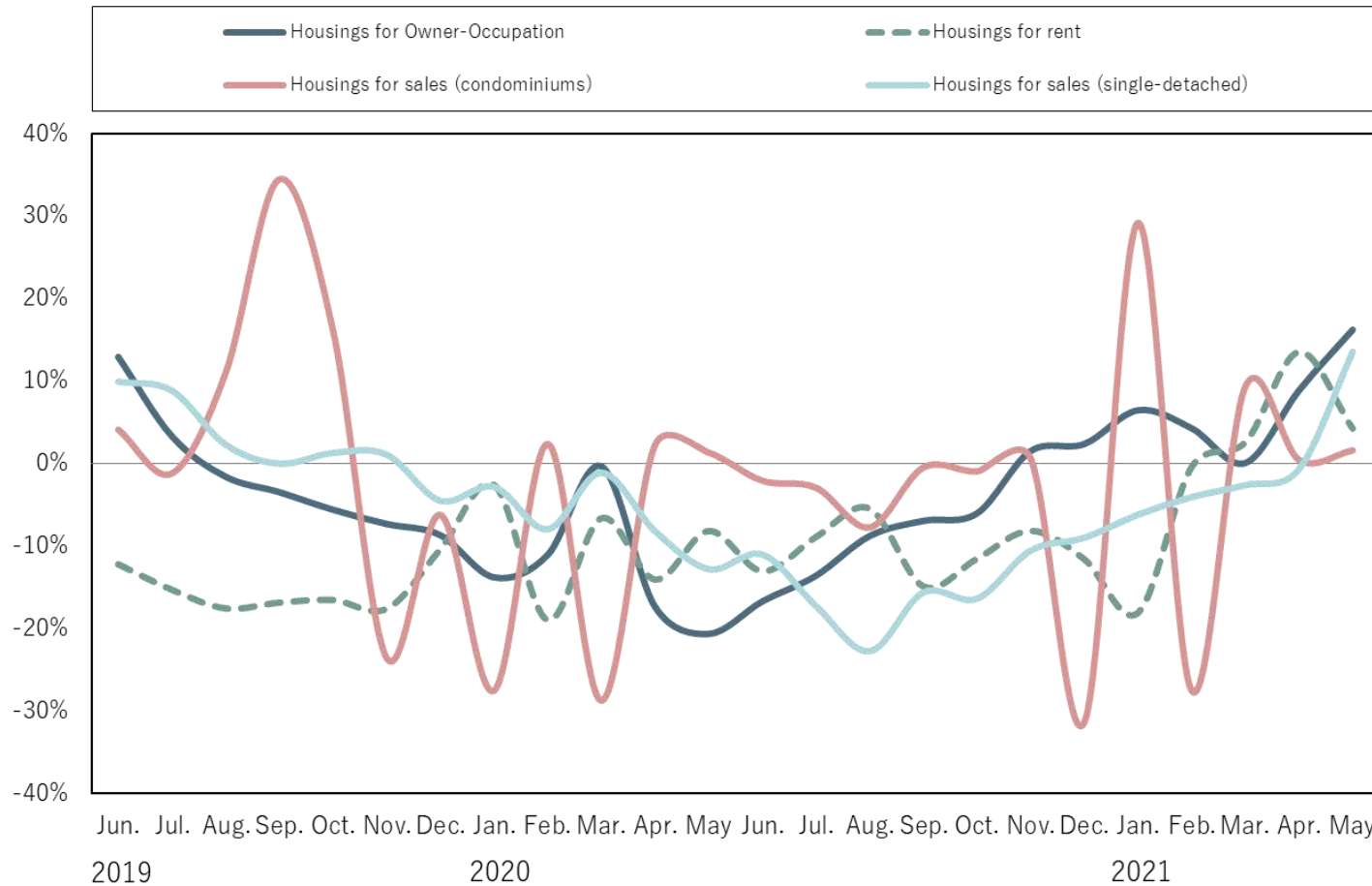


Changes in Housing/Non-housing starts (year-on-year rate)



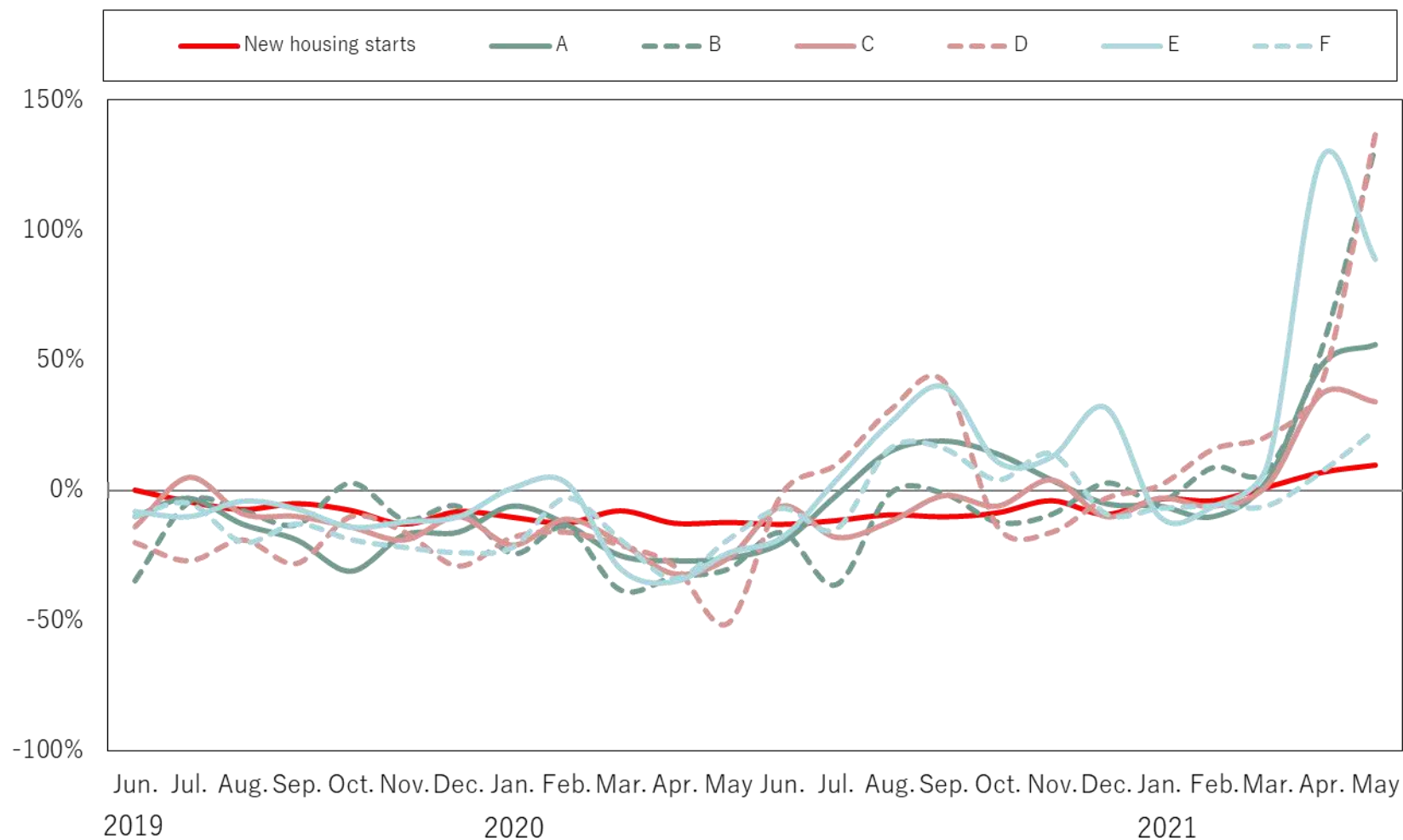
Changes in new housing starts by categories of housing (year-on-year rate)

Changes in the cumulative total (from June 2020 to May 2021)



New housing starts	▲4.8%
Housings for Owner-Occupation	▲2.1%
Housings for rent	▲6.3%
Housings for sales (condo-miniums)	▲3.2%
Housings for sales (single-detached)	▲9.0%

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 2020 ~ May 2021)

Housing sector

	Detached Houses	Terrace Houses	Collective Houses	Total
New Housing Starts (Unit)	403,295	66,500	353,661	823,456
Year-on-Year	▲4.5%	▲18.5%	▲2.1%	▲4.8%
Proportion	49.0%	8.1%	42.9%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	45,618	3,476	18,168	67,262
Year-on-Year	▲4.8%	▲19.4%	▲5.2%	▲5.8%
Proportion	67.8%	5.2%	27.0%	100.0%

Market trend

Stats of new construction starts in FY 5/2020 (June 2020 ~ May 2021)

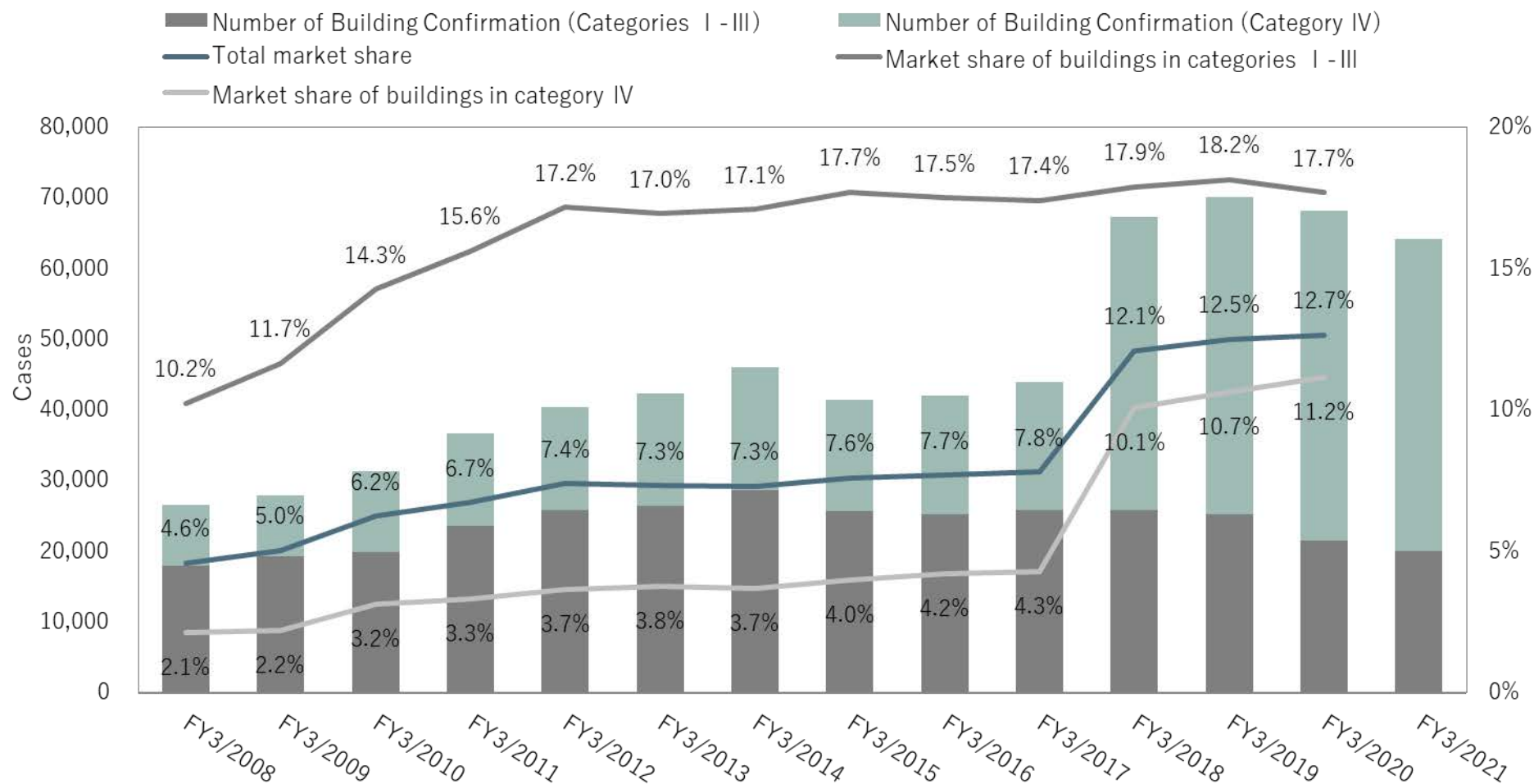
Non-housing sector

	Offices	Stores	Factories	Warehouses	Medical and Welfare	Others (educational, lodging and etc.)	Total
New Housing Starts (Unit)	9,628	5,126	6,091	13,878	6,918	19,638	61,279
Year-on-Year	▲10.9%	▲11.9%	▲14.1%	0.2%	▲3.4%	▲17.0%	▲10.4%
Proportion	15.7%	8.4%	9.9%	22.6%	11.3%	32.0%	100.0%
Newly Built Floor Space of Construction Starts (Thousand sqm)	5,330	4,238	5,891	11,748	4,385	8,750	40,341
Year-on-Year	▲2.4%	10.5%	▲20.4%	12.0%	▲12.9%	▲17.3%	▲5.8%
Proportion	13.2%	10.5%	14.6%	29.1%	10.9%	21.7%	100.0%

Main operating figures | Consolidated

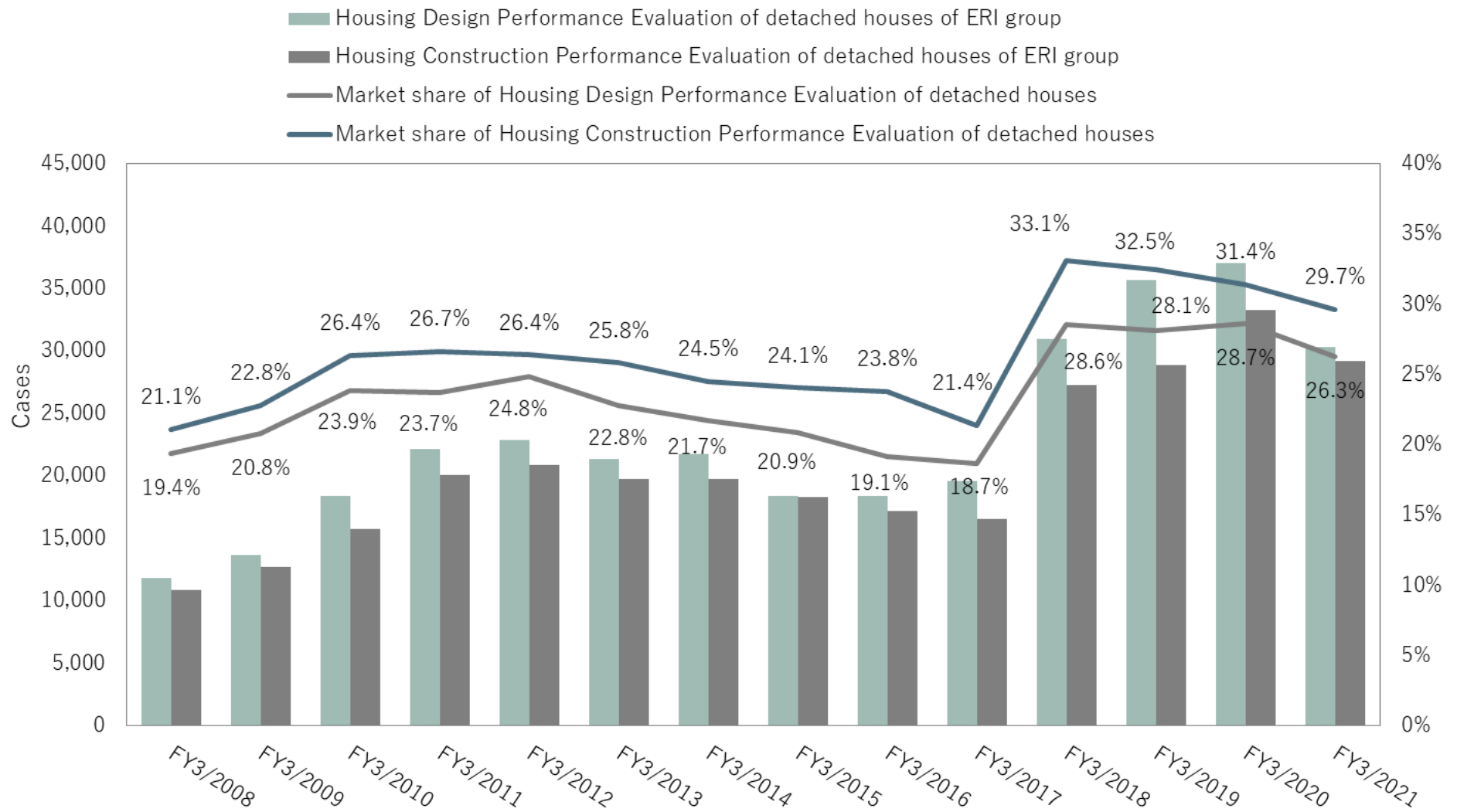
		Previous fiscal year (Jun. 2019 – May 2020)		Reporting fiscal year (Jun. 2020 – May 2021)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		75,183	3,241	69,408	3,178	▲5,775	▲63
Final Inspections		73,938	3,075	70,191	3,048	▲3,747	▲27
Housing Design Performance Evaluations	Detached Houses	36,464	966	30,624	952	▲5,840	▲14
	Collective Houses	25,350	259	23,742	257	▲1,608	▲2
Housing Construction Performance Evaluations	Detached Houses	32,752	1,828	29,181	1,576	▲3,571	▲252
	Collective Houses	19,531	295	21,680	319	2,149	24

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.
- * Sakoken Co., Ltd. Consolidated in Aug. 2020 is fully included from FY 3/2021 data.
- * FY 3/2021 national data has not been published by MLIT yet and our share is unknown.

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.

* Sakoken Co., Ltd. Consolidated in Sep. 2020 is fully included from FY 3/2020 data.

Key service figures | Consolidated

		Previous fiscal year (Jun. 2019 – May 2020)		Reporting fiscal year (Jun. 2020 – May 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)		5,000	1,471	4,908	1,480	▲92	9
Technical Assessments for Long-life Quality Housings		27,727	381	24,227	344	▲3,500	▲37
Inspections for Housing Defect Liability Insurance		38,722	362	38,033	340	▲689	▲22
Evaluation for Compliance with Energy Consumption Performance of Buildings (incl. 300-2,000 sqm)		1,650 (-)	269 (-)	1,712 (81)	266 (7)	62	▲3
BELS Certifications	Non-housings	173	35	213	47	40	12
	Housings	5,613	105	6,794	125	1,181	20

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

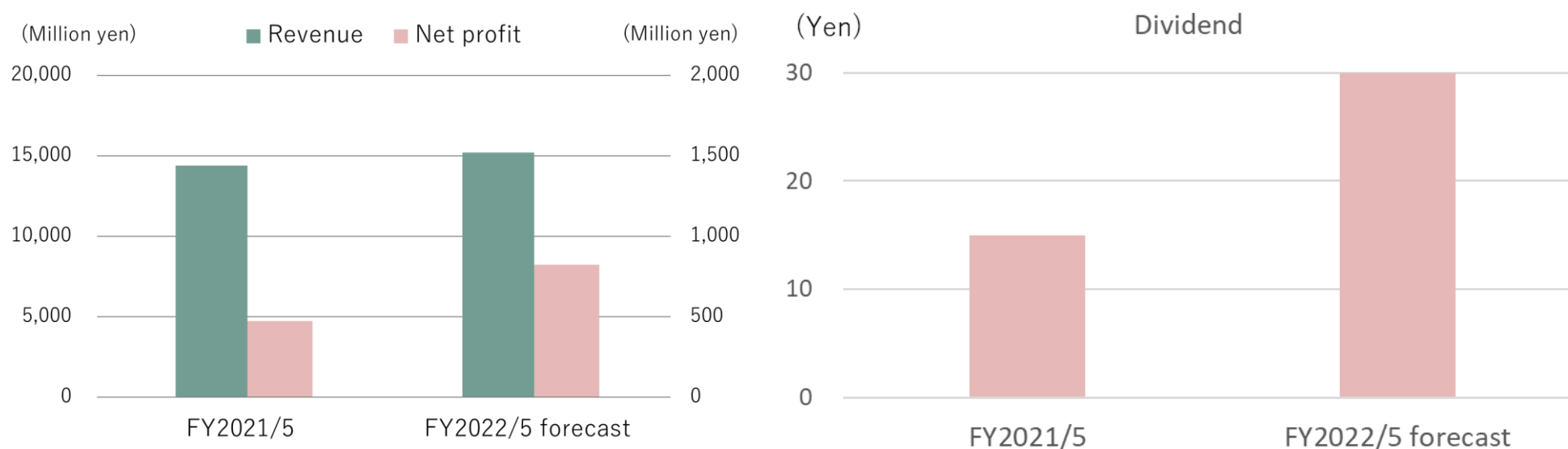
* "Technical Assessments for Long-life Quality Housings" represents the numbers and amounts of conformance certificate, which includes the numbers and amounts of extension and renovation. The numbers of plan change is included.

* 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.

V-shaped recovery expected

- Our clients' business operation, especially in a severely depressed housing sector, have been resuming evidently. We assume COVID-19 vaccination will progress and no severe market depression will arise in this fiscal year.
- We plan a V-shaped recovery mainly boosted up by a growth of energy saving related services by a tightening of the regulation which became effective on April 1, 2021.
- This forecasts don't include new M&As, however, we will energetically seek M&A opportunity that will benefit ERI group business.
- In accordance with these expected recovery, we raised an annual dividend forecast to ¥30 from ¥15 of the last fiscal year.



Forecasts for FY 5/2022

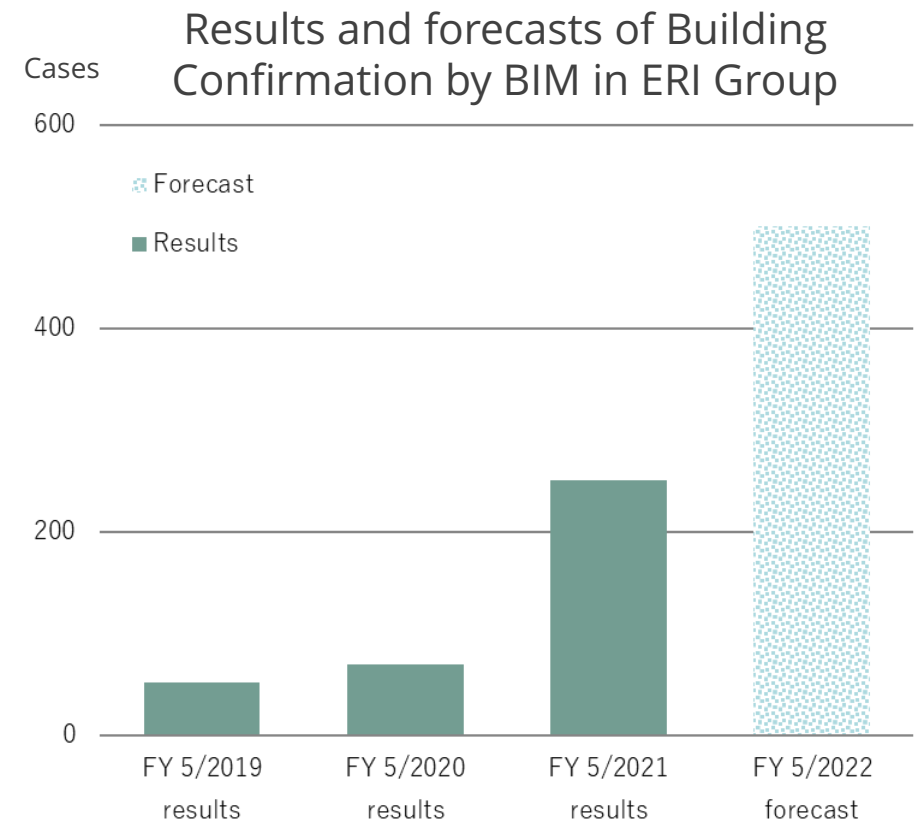
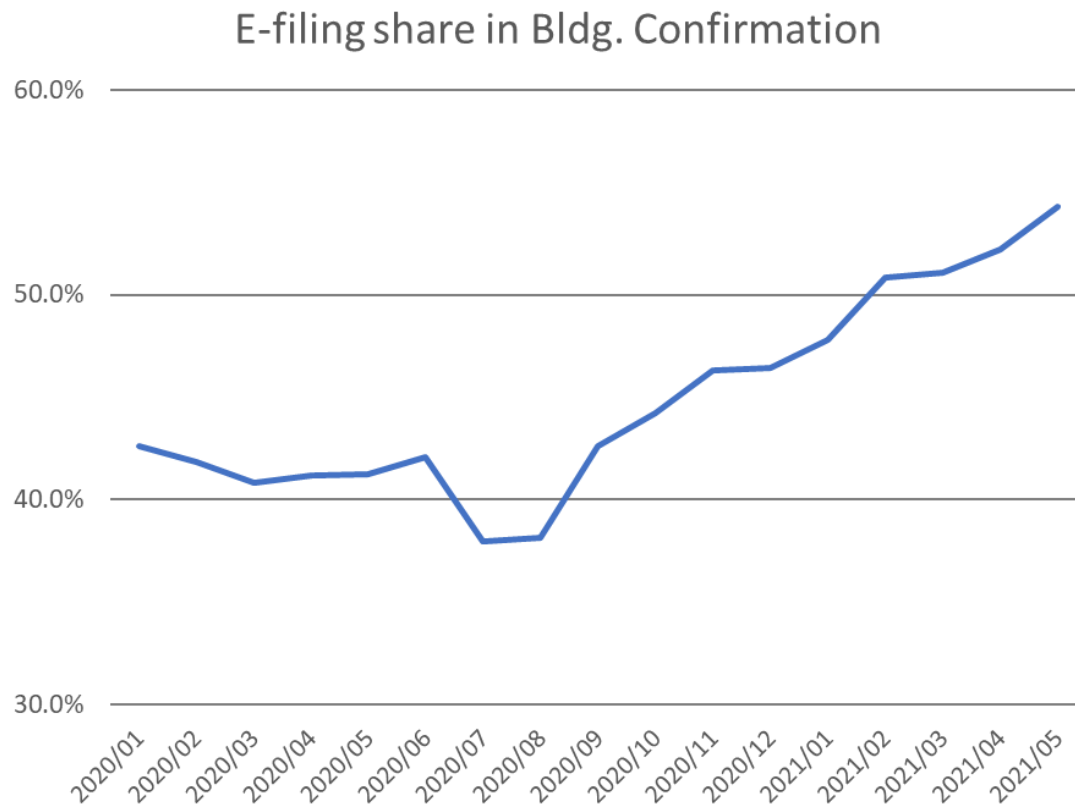
(Millions of yen)	FY 5/2021 (Jun. 2020 – May 2021)	FY 5/2022 (Jun. 2021 – May 2022)	Change	
			Amounts	Ratio
Net Sales	14,397	15,232	834	5.8%
Operating Profit	402	789	386	95.9%
Operating Profit Ratio	2.8%	5.2%	-	-
Ordinary Profit	474	825	351	74.1%
Ordinary Profit Ratio	3.3%	5.4%	-	-
Profit Attributable to Owners of Parent	264	492	227	85.9%
Profit per Share (Yen)	33.95	62.84	28.89	-

ICT promotion in Building Confirmation operation

COVID-19 epidemic induced both teleworking and e-filing Building Confirmation. BIM began to spread in the industry and Building Confirmation by BIM is growing.



Service differentiation strategy by a proactive DX



From April 1, 2021, an enhancement of Mandatory Energy Saving Standards started

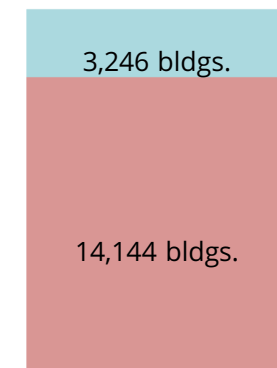
Minimum bldg. volume of the mandatory requirement is expanded from 2,000 sqm to 300 sqm

Revised requirements (Apr. 2021~)		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance 【prerequisite for Building Confirmation】	Filing required
Medium scale floor area 300 sqm - 2,000 sqm	Mandatory compliance 【prerequisite for Building Confirmation】	
Small scale Floor area < 300 sqm	Explain required	Explain required

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

*

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



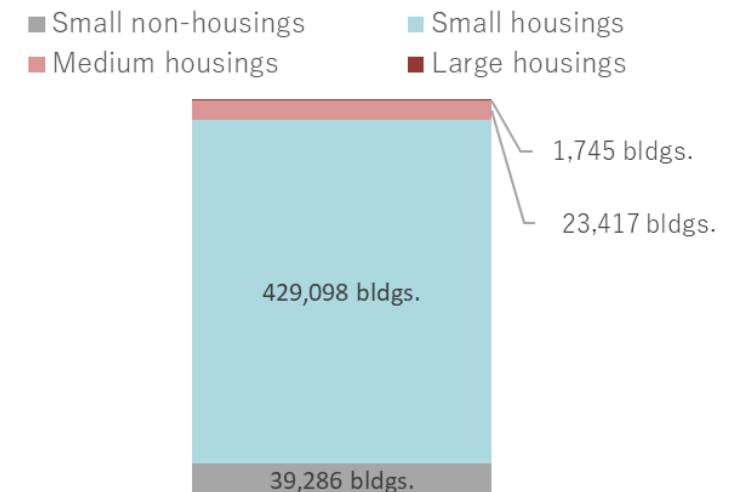
* source: Number of bldgs. is FY 3/2018 data from MLIT 2021 publication

Next, mandatory energy saving standards will cover all buildings including housings

“(Draft) Procedure for energy saving housings/buildings towards a decarbonized society” by the joint conference of MLIT, METI and MOE with experts and officials, June 2021

New requirements (under consideration)		
	Non-housing	Housing
Large scale floor area ≥ 2,000 sqm	Mandatory compliance 【from 2019】	Toward a mandatory compliance 【details are under consideration】
Medium scale floor area 300 sqm - 2,000 sqm	Mandatory compliance 【from 2021】	
Small scale Floor area < 300 sqm		

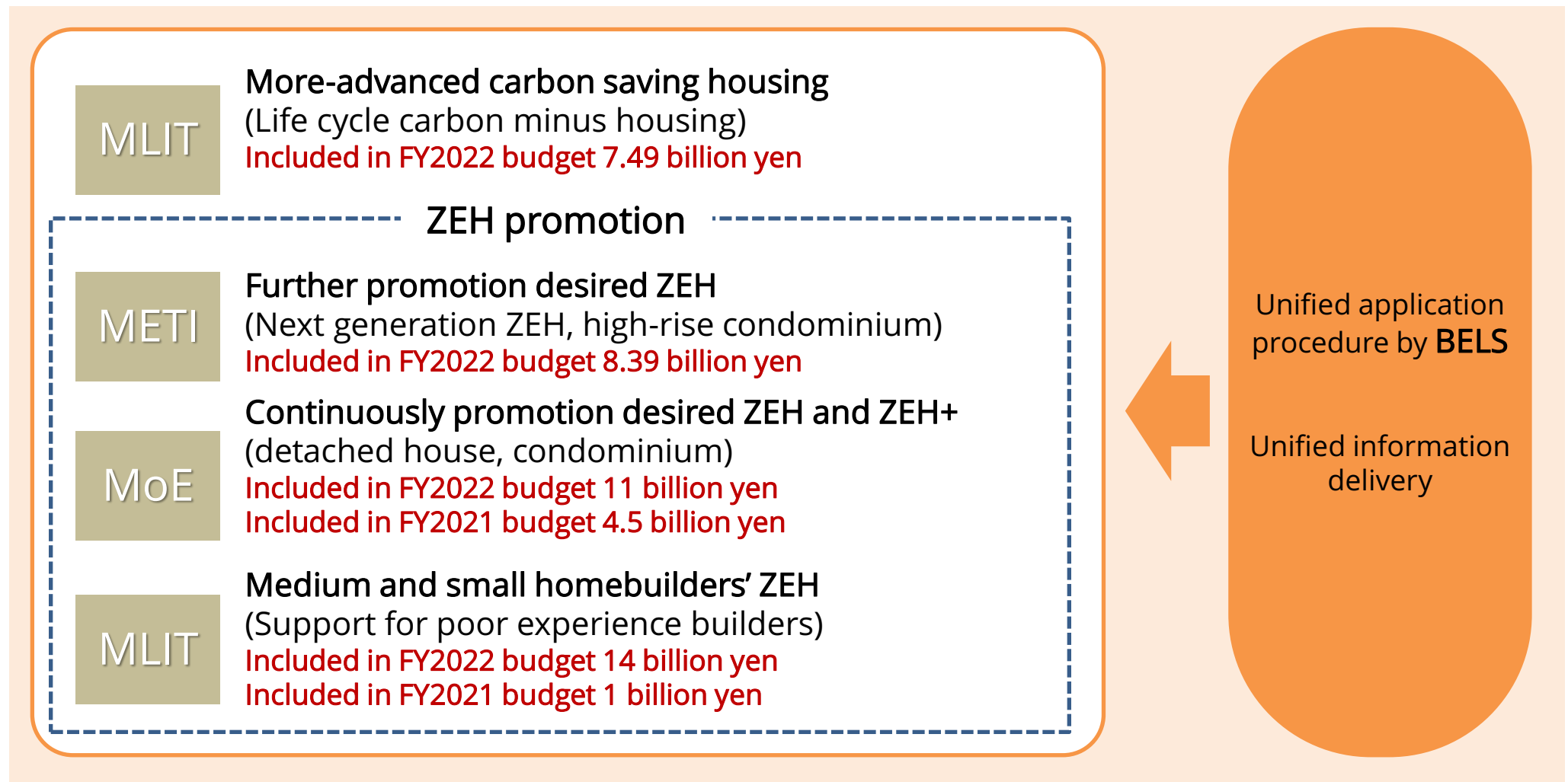
**Expected volume of filing required bldgs.
493,000 bldgs. per year***



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

BELS is growing by fat budgets under ZEH promotion policy

Policy goal : average energy performance of new housings will achieve ZEH by 2030.
MLIT, METI and MoE have collaboratively set up subsidy programs for ZEH promotion.



ZEB/ZEH growth will spurs BELS needs

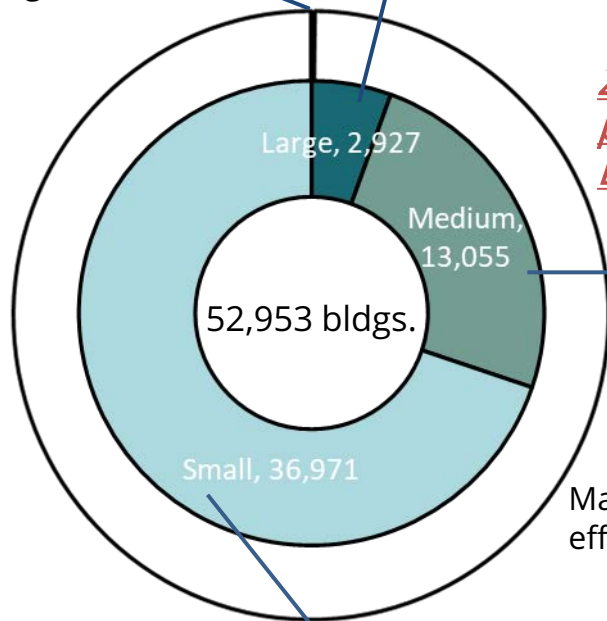
We are improving our nationwide business operation to take the opportunity of energy saving related services growth.

Non-house buildings

ZEB penetration, Buildings 0.3%

Mandatory compliance effective from April 2017

ZEB market potential of Bldgs. 99.7%



Mandatory compliance effective from April 2021

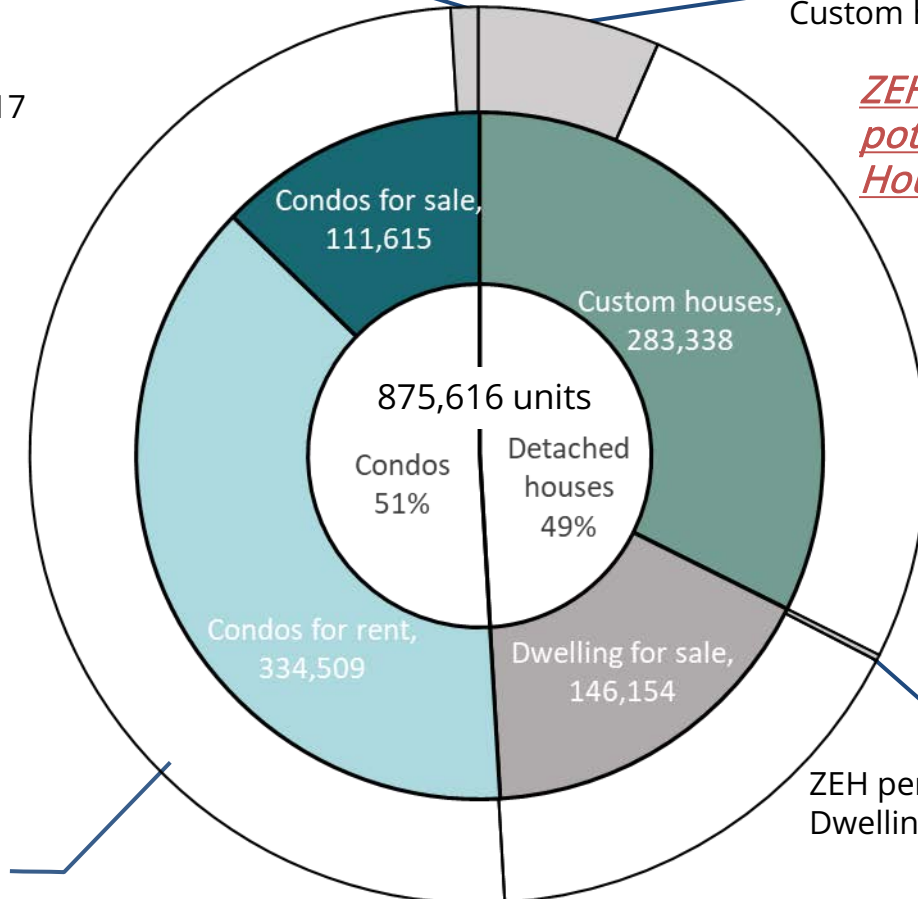
For mandatory compliance of small buildings and housings, scheduling and other retail are under discussion.

Housings

ZEH penetration, Condos 1.9%

ZEH penetration, Custom houses 20.3%

ZEH market potential of Housings 92.2%



ZEH penetration, Dwelling for sale 1.3%

Source: Number of bldgs. is FY 3/2019 data from MLIT 2021 publication

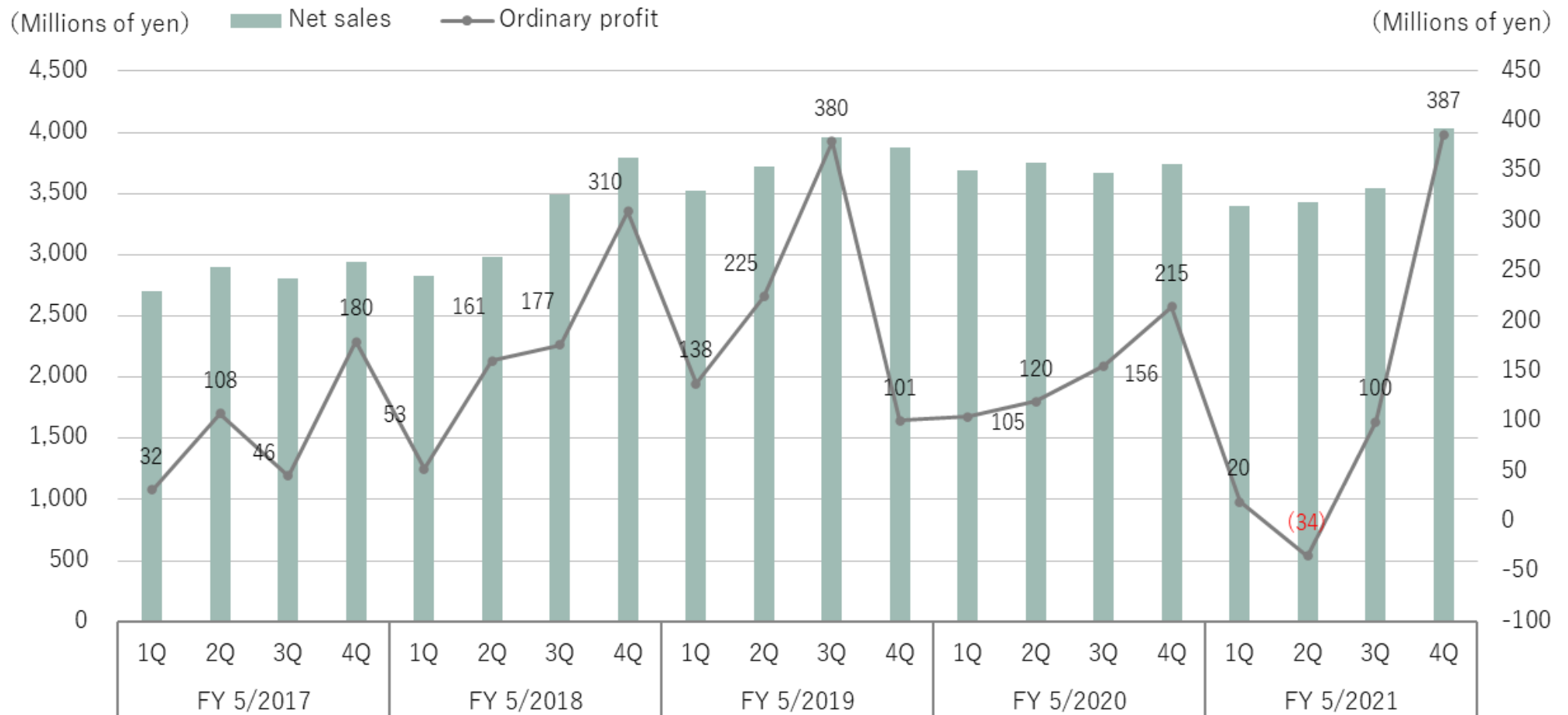
Consolidated financial statements | Assets

(Millions of yen)	Previous fiscal year (Jun. 2019 – May 2020)	Reporting fiscal year (Jun. 2020 – May 2021)	Change
Total assets	6,762	6,477	▲285
Total current assets	4,289	4,261	▲28
Cash and deposits	2,725	2,650	▲74
Accounts receivable – trade	786	902	116
Work in process	439	420	▲19
Total non-current assets	2,473	2,216	▲256
Property, plant and equipment	570	531	▲39
Total intangible assets	859	755	▲103
Goodwill	496	432	▲64
Total investments and other assets	1,043	929	▲114

Consolidated financial statements | Liabilities

(Millions of yen)	Previous fiscal year (Jun. 2019 – May 2020)	Reporting fiscal year (Jun. 2020 – May 2021)	Change
Total liabilities	4,015	3,453	▲562
Total current liabilities	2,524	2,361	▲163
Accrued expenses	646	784	138
Advances received	869	769	▲100
Total non-current liabilities	1,491	1,092	▲399
Total net assets	2,746	3,024	277
Total shareholders' equity	2,706	2,989	282
Retained earnings	1,783	1,954	170
Total liabilities and net assets	6,762	6,477	▲285

Changes of quarterly results | Consolidated



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