



# 2017 Full-Year Results

From June 1, 2017 to May 31, 2018

**ERI Holdings Co., Ltd.**

**July 13, 2018**

Listed on Tokyo Stock Exchange (Code 6083)

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

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1. Results in fiscal year Ended May 2018
2. Forecasts for the fiscal year Ending May 2019
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## Summary

### Increase in revenue and earnings year-on year, M&A has boosted up the results successfully

- New housing starts decreased -2.8% but non-residential building starts solidly increased +3.7%.
- Net sales was 13,097 million yen (+15.3%) and operating profit was 690 million yen (+138.3%).
- Acquisition of Share of Jyutaku Seinou Hyouka Center Co., Ltd. in November 2017 leads to large revenue increase in Building Confirmation and Housing Performance Evaluation services.
- In Energy Saving related services, Evaluation for Compliance with Energy Consumption Performance of Buildings and BELS service contributed to the results.
- In Solution Services, Due Diligence and Inspection services were in good shape.

# 1. Results in fiscal year Ended May 2018

## Consolidated results



(Millions of yen)

	FY2016 (Jun. 2016 – May 2017)	FY2017 (Jun. 2017 – May 2018)	Change	
			Amounts	Ratio
Net Sales	11,357	<b>13,097</b>	1,740	15.3%
Operating Profit	289	<b>690</b>	400	138.3%
Operating Profit Ratio	2.6%	<b>5.3%</b>	-	-
Ordinary Profit	367	<b>702</b>	334	90.9%
Ordinary Profit Ratio	3.2%	<b>5.4%</b>	-	-
Profit Attributable to Owners of Parent	212	<b>429</b>	217	102.0%
Profit per Share (Yen)	27.17	<b>55.37</b>	28.20	-

\* Consolidated result of the fiscal year ended May 2018 includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

# 1. Results in fiscal year Ended May 2018

## Consolidated results by segment



(Millions of yen)

	FY2016	FY2017	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	6,199 [54.6%]	<b>7,059</b> [53.9%]	859	13.9%	678	327
Housing Performance Evaluation and its related services	2,877 [25.3%]	<b>3,199</b> [24.4%]	322	11.2%	▲18	▲19
Solution Services	898 [7.9%]	<b>1,012</b> [7.7%]	144	12.8%	122	83
Others	1,382 [12.2%]	<b>1,826</b> [14.0%]	443	32.1%	▲58	41
Net Sales Total	11,357 [100.0%]	<b>13,097</b> [100.0%]	1,740	15.3%	722	432

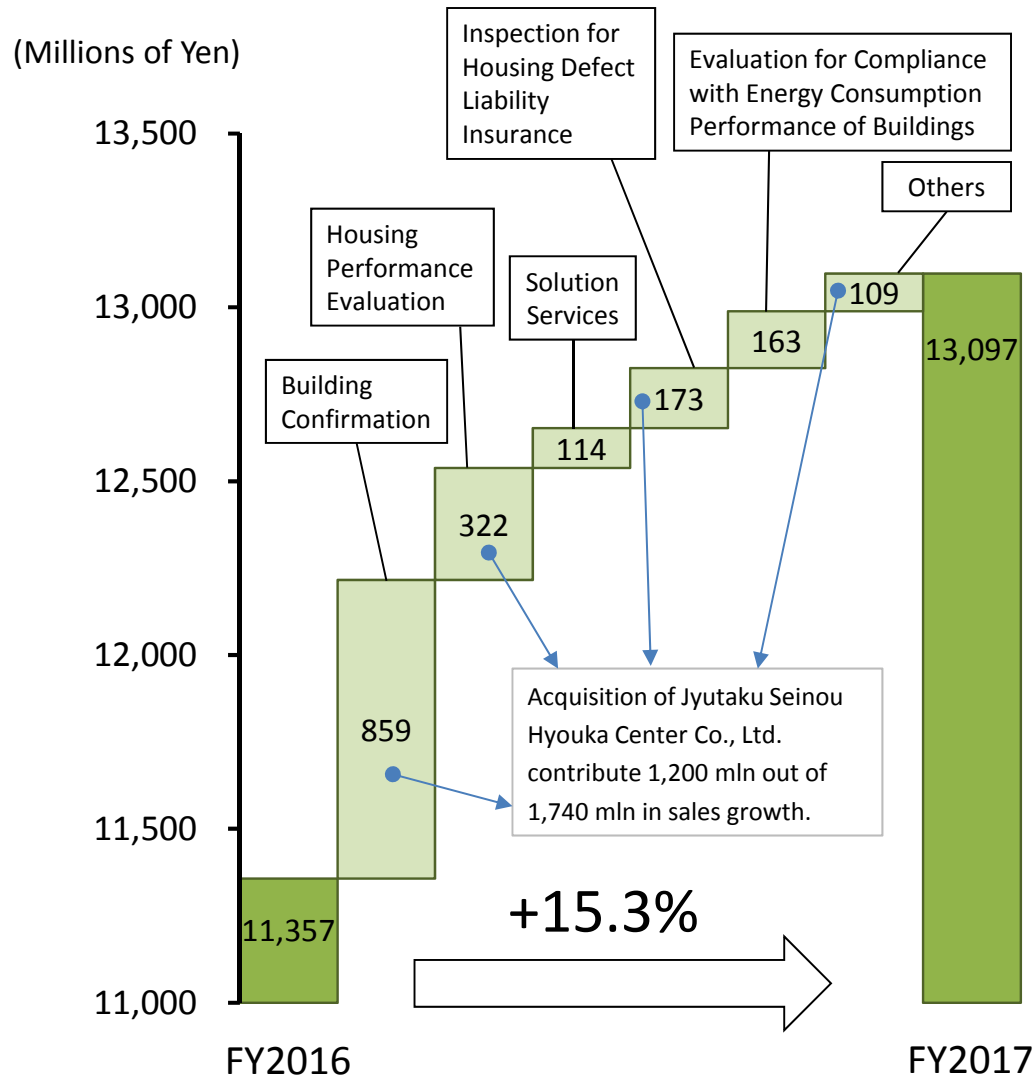
\* Consolidated result of the fiscal year ended May 2018 includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

# 1. Results in fiscal year Ended May 2018

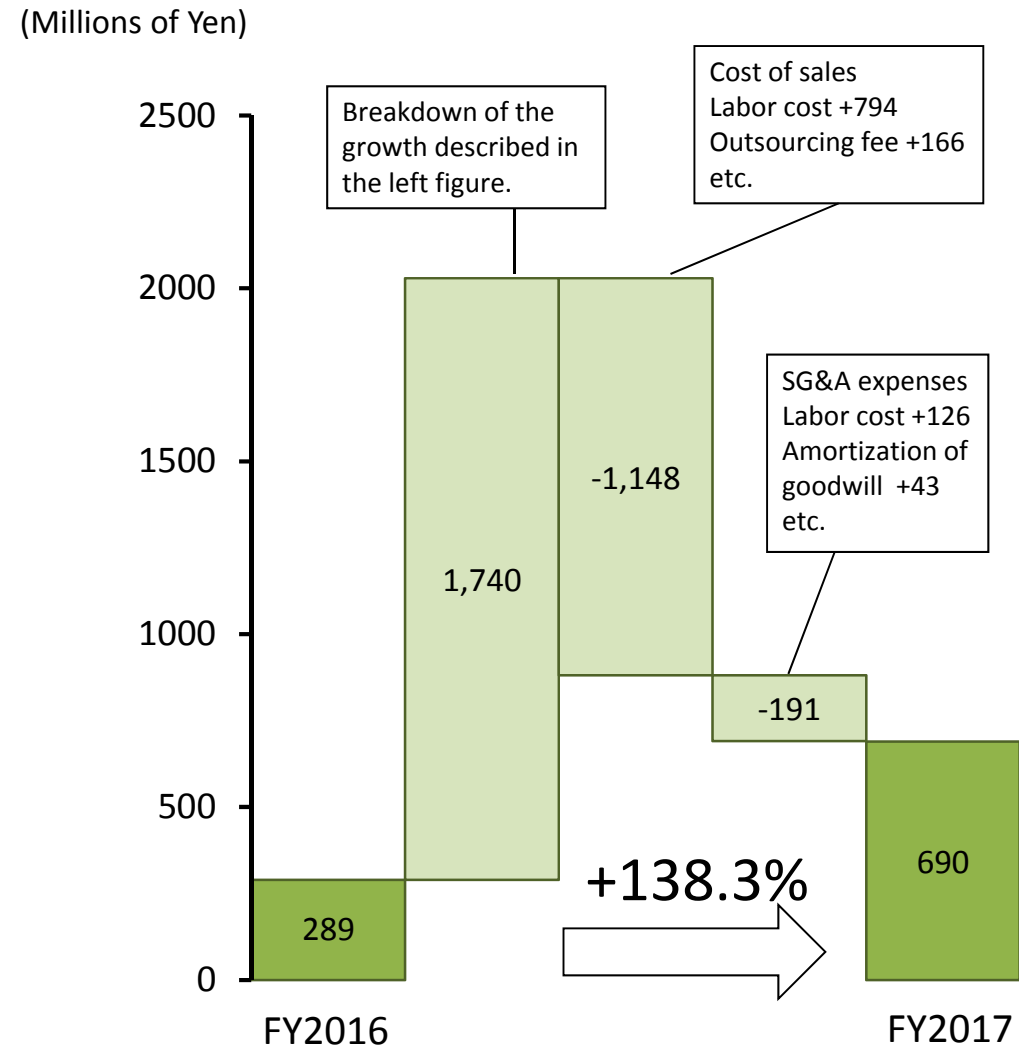


## Change in Net Sales and Operating Profit

### Net Sales



### Operating profit



# 1. Results in fiscal year Ended May 2018



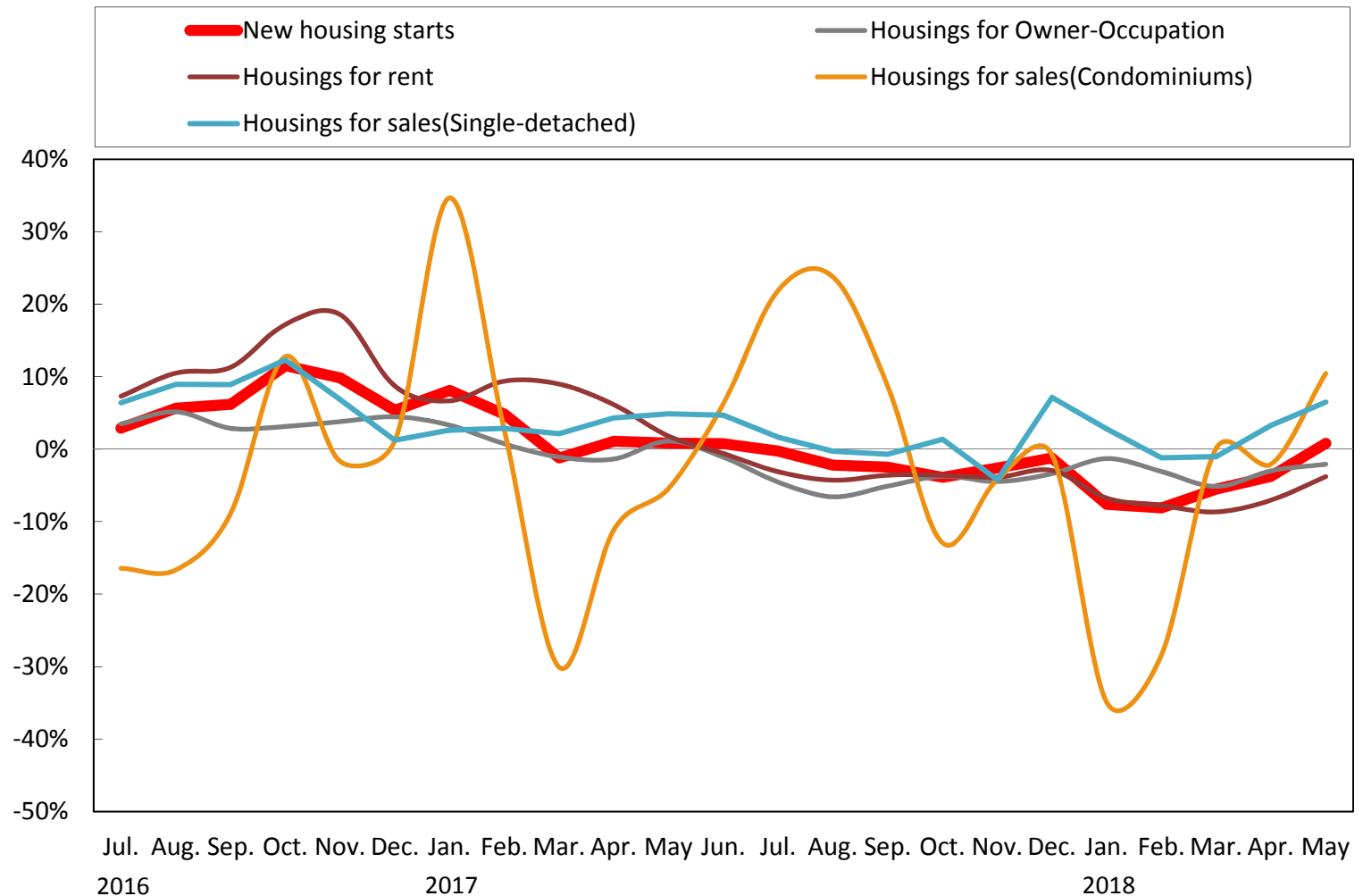
## Trends in housing market

- New housing starts stay on a downward trend.
- Changes in the cumulative total is as follows.

New housing starts	-2.8%
Housings for Owner-Occupation	-3.8%
Housings for rent	-4.8%
Housings for sales(condominiums)	-0.5%
Housings for sales(single-detached)	+2.6%

\*Cumulative contrast of our fiscal year (from Jun. to May)

Changes in new housing starts by category of housings  
( an average of the past two months, including present month )

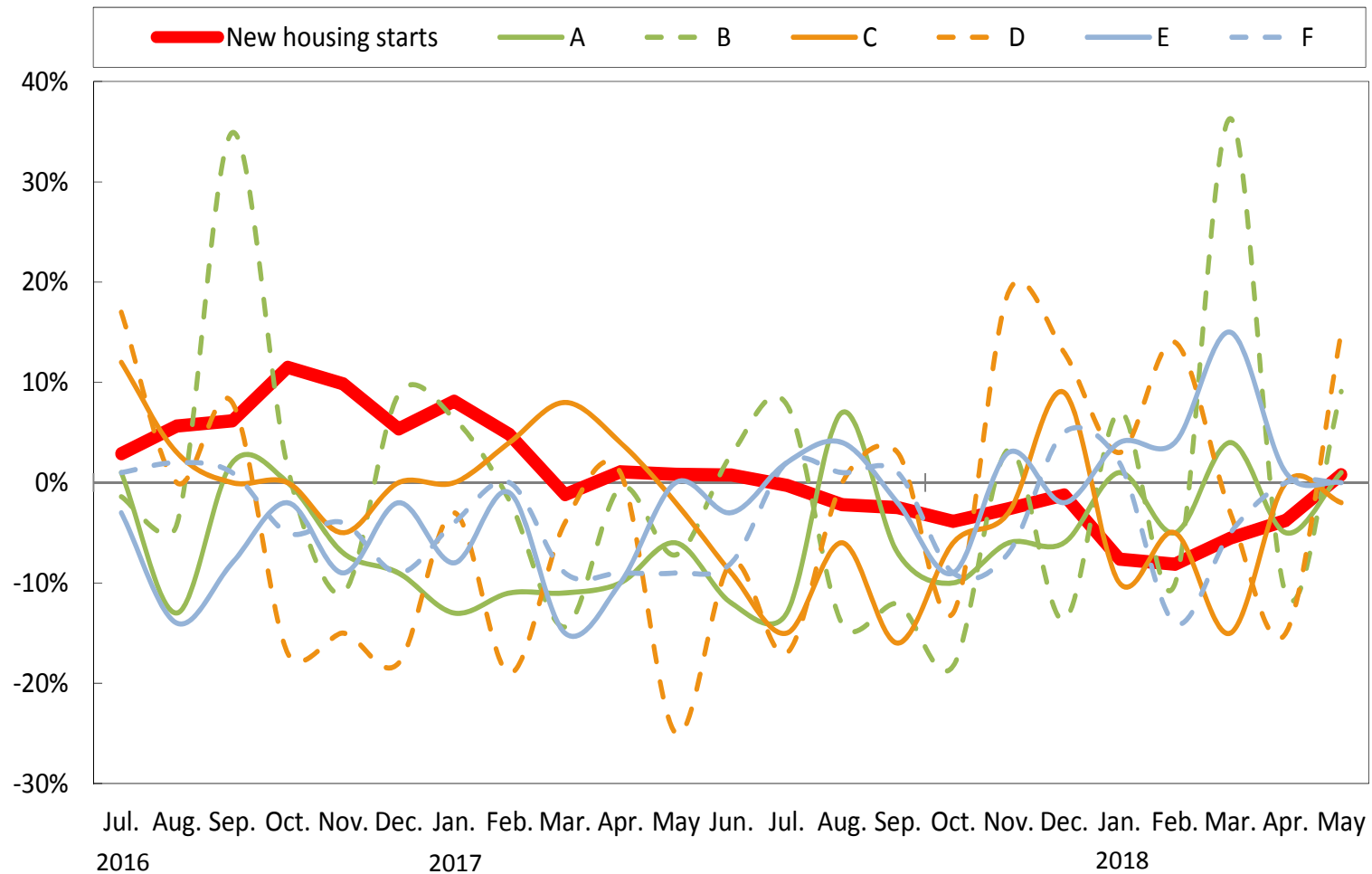




## Trends in housing market

Changes in new orders of detached houses by Major house builders

- Some major house builders' sales rebound but it varied from builder to builder.
- New housing starts has been decreasing and growing builders probably shifted to high grade housing successfully.



\* 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.

\* Only the chart of new housing starts is an average of the past two months, including present month.



# 1. Results in fiscal year Ended May 2018



## Main operating figures | Consolidated

(Cases)

	FY2016 (Jun. 2016 – May 2017)	FY2017 (Jun. 2017 – May 2018)	Change	
			Amounts	Ratio
Building Confirmations	53,141	<b>63,461</b>	10,320	19.4%
Final Inspections	49,656	<b>61,437</b>	11,781	23.7%
Housing Design Performance Evaluations of Detached House	19,984	<b>25,034</b>	5,050	25.3%
Housing Design Performance Evaluations of Collective House	29,272	<b>24,240</b>	▲5,032	▲17.2%

\* Consolidated result of the fiscal year ended May 2018 includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* All data represents the number of issuance.

\* From FY2017 3Q report, the numbers of plan change by Japan ERI Co., Ltd. exclude from "Building Confirmations" and "Final Inspections".

\* From FY2017 3Q report, the number of auxiliary structures and elevators by Japan ERI Co., Ltd. includes in "Building Confirmations" and "Final Inspections".

# 1. Results in fiscal year Ended May 2018



## Breakdown of Building Confirmation

FY2017 Japan ERI's results of Building Confirmation by category of buildings.  
(exc. plan change cases)

(Cases, Millions of Yen)

	Housing		Non-housing				Total
	Detached Houses	Collective Houses	Offices, Stores	Factories, Warehouses	Hospitals, Welfares	Others (Educations, Lodgings and more)	
Number of Building Confirmation	27,677	6,442	3,575	2,026	1,020	1,671	42,411
Year-on-Year	-4.3%	-6.7%	-6.2%	-1.7%	-16.2%	33.3%	-4.0%
Proportion	65.3%	15.2%	8.4%	4.8%	2.4%	3.9%	100.0%
Net Sales	601.0	608.4	508.1	510.4	176.5	274.8	2,679.1
Year-on-Year	-2.1%	5.0%	7.8%	14.3%	-14.1%	19.2%	5.2%
	1.3%		8.6%				
Proportion	22.4%	22.7%	19.0%	19.1%	6.6%	10.3%	100.0%

(Reference; June 2017 - May 2018)

Growth rate of national newly built floor space (construction starts)	-4.0%	-1.4%	12.2%	-15.3%	7.1%	-1.2%
Proportion	61.6%	9.0%	15.3%	4.5%	9.6%	100.0%

# 1. Results in fiscal year Ended May 2018

## Key service figures | Consolidated



	FY2016		FY2017		Change in previous year	
	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)	5,343	1,396	<b>5,187</b>	<b>1,509</b>	▲156	113
Housing Performance Evaluations of detached houses	19,984	707	<b>25,034</b>	<b>785</b>	5,050	78
Technical Assessments for Long-life Quality Housings	24,177	366	<b>25,653</b>	<b>380</b>	1,476	14
Inspections for Housing Defect Liability Insurance	27,090	330	<b>26,272</b>	<b>328</b>	▲818	▲2
Evaluations of Seismic Capacity and Seismic Retrofitting Plans	175	58	<b>208</b>	<b>67</b>	33	9
Structural Evaluations of High-rise Buildings (Skyscraper and/or Base isolation)	128	175	<b>104</b>	<b>133</b>	▲24	▲42

\* "Building Confirmations for medium to large size buildings (over 500 sqm)" includes the numbers of plan change and excludes the data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* "Housing Performance Evaluations of detached houses" represents the cases and amounts of issuance of Housing Design Performance Evaluation, which includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* "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. It includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd. From this report, number of plan change is included.

\* From FY2017 3Q report, counting rules of "Inspections for Housing Defect Liability Insurance" is changed. New rules are the following: 1) including Defect Insurance but excluding inspection for insurance firm and Housing Performance Certification, 2) including insurance brokerage numbers and amounts, and 3) including the data of all housing defect liability insurance companies. The data of Jyutaku Seinou Hyouka Center Co., Ltd. is excluded.

\* Data of "Inspections for Housing Defect Liability Insurance" in FY2017 3Q report was incorrect; both numbers and amounts in FY2016 and FY2017 are corrected, respectively.

\* From FY2017 3Q report, the numbers and amounts of plan change by Tokyo Bldg-Tech Center Co., Ltd. exclude from "Structural Evaluations of High-rise Buildings (Skyscraper and/or Base isolation)".

# 1. Results in fiscal year Ended May 2018

## New services operating figures | Consolidated



(Cases)

	FY2016	FY2017	Change	
			Amounts	Ratio
Route-2 Structural Examination	822	<b>832</b>	10	1.2%
Pre-completion Tentative Approval	148	<b>159</b>	11	7.4%
Assessment of Compliance with the Building Standard Law services	82	<b>91</b>	9	11.0%
BELS certification (Non-housings)	175	<b>198</b>	23	13.1%
BELS certification (Housings)	3,252	<b>4,834</b>	1,582	48.6%
Energy Pass certification	242	<b>120</b>	▲122	▲50.4%

\* Consolidated result of the fiscal year ended May 2018 includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* From FY2017 3Q report, the numbers of plan change by Japan ERI Co., Ltd. exclude from "Pre-completion Tentative Approval".

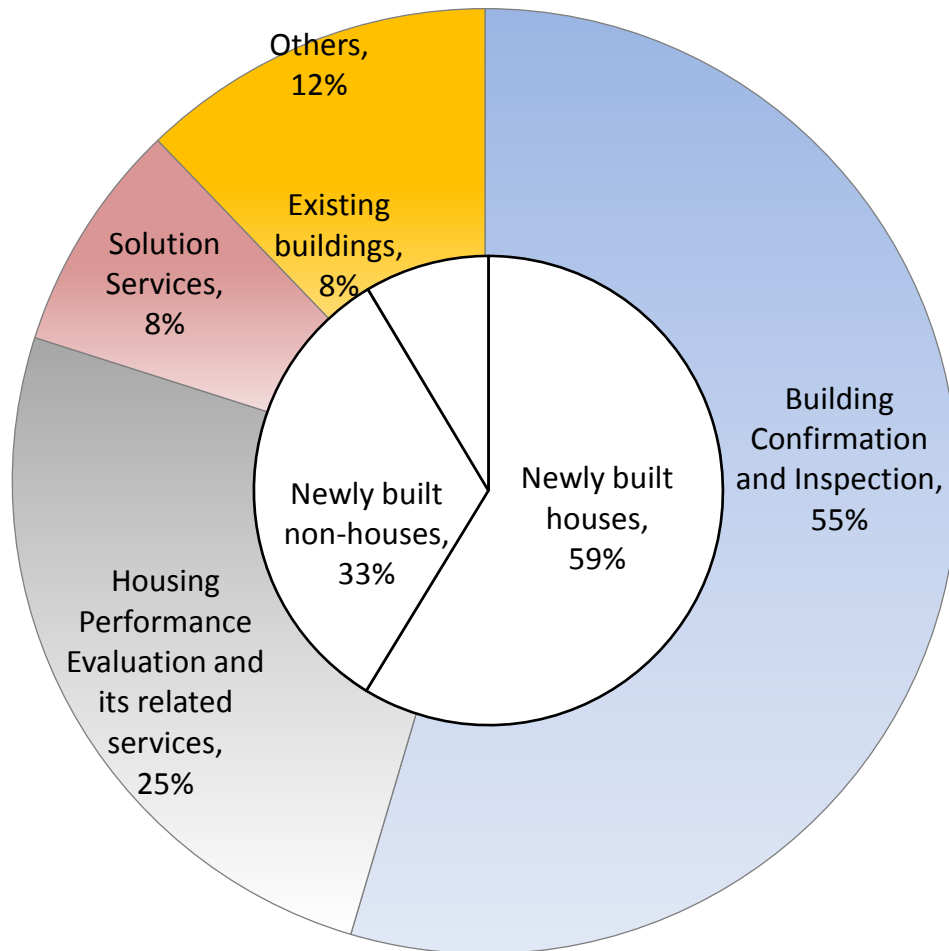
\* "Route-2 Structural Examination", "Pre-completion Tentative Approval" and "Assessment of Compliance with the Building Standard Law services" exclude the numbers of plan change.

# 1. Results in fiscal year Ended May 2018

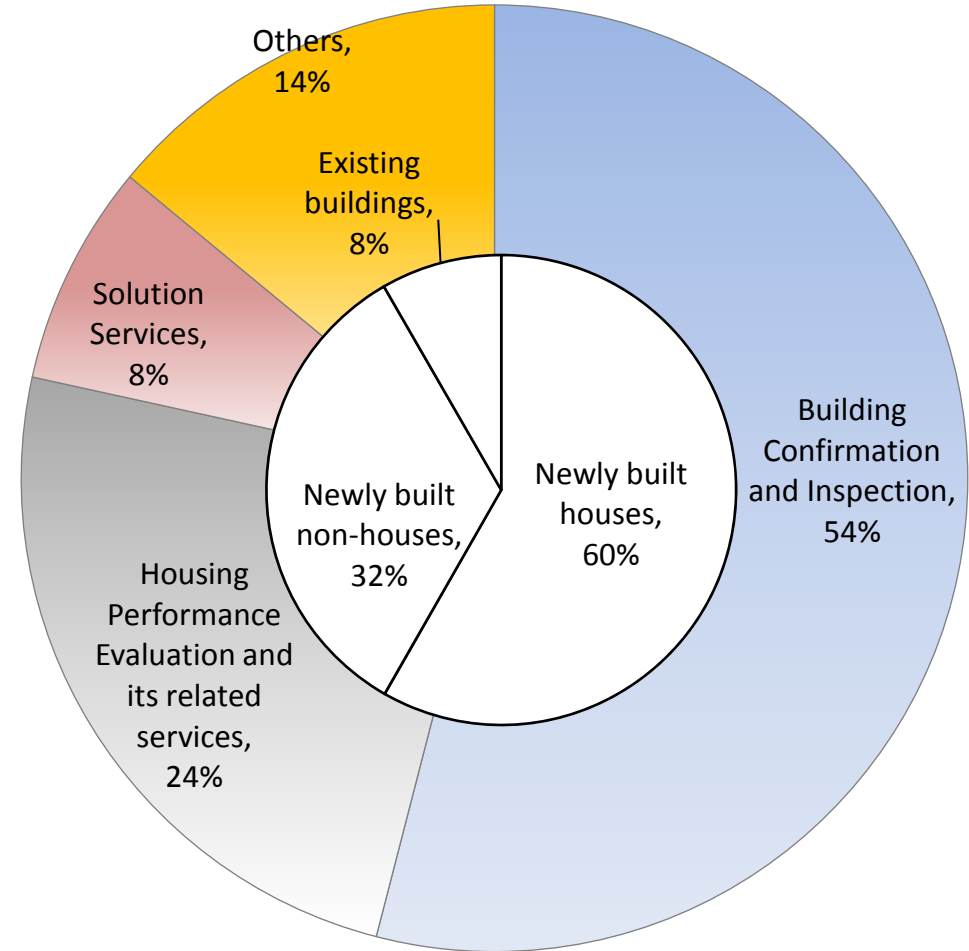
## Sales breakdown | Consolidated



FY2016



FY2017



# 1. Results in fiscal year Ended May 2018

## Consolidated financial statements | Assets



(Millions of yen)

	FY2016 (Jun. 2016 - May 2017)	FY2017 (Jun. 2017 - May 2018)	Change
Total assets	4,109	<b>6,346</b>	2,237(2,071*)
Total current assets	3,256	<b>4,454</b>	1,198(1,038*)
Cash and deposits	2,104	<b>2,804</b>	699
Accounts receivable - trade	500	<b>713</b>	213
Work in process	352	<b>446</b>	93
Total non-current assets	853	<b>1,891</b>	1,038(1,032*)
Total Property, plant and equipment	153	<b>397</b>	243
Total intangible assets	220	<b>944</b>	723
goodwill	58	<b>648</b>	590
Total investments and other assets	478	<b>550</b>	72

\* Accompanying Jyutaku Seinou Hyouka Center.,Ltd. becoming a subsidiary.

# 1. Results in fiscal year Ended May 2018

## Consolidated financial statements | Liabilities



(Millions of yen)

	FY2016 (Jun. 2016 - May 2017)	FY2017 (Jun. 2017 - May 2018)	Change
Total liabilities	1,811	<b>4,050</b>	2,239(665*)
Total current liabilities	1,621	<b>2,622</b>	1,000
Accrued expenses	598	<b>819</b>	220
Advances received	656	<b>827</b>	170
Total non-current liabilities	189	<b>1,427</b>	1,238
Total net assets	2,298	<b>2,296</b>	▲1
Total shareholders' equity	2,293	<b>2,267</b>	▲25
Retained earnings	1,274	<b>1,469</b>	194
Total liabilities and net assets	4,109	<b>6,346</b>	2,237(1,469*)

\* Accompanying Jyutaku Seinou Hyouka Center.,Ltd. becoming a subsidiary.

## 2. Forecasts for the fiscal year Ending May 2019

# Forecasts for FY2018



(Millions of yen)

	FY2017 (Jun. 2017 – May 2018)	FY2018 (Jun. 2018 – May 2019)	Change
Net Sales	13,097	<b>14,916</b>	1,818
Operating Profit	690	<b>757</b>	66
Vs. Net Sales	5.3%	<b>5.1%</b>	-
Ordinary Profit	702	<b>765</b>	63
Vs. Net Sales	5.4%	<b>5.1%</b>	-
Profit Attributable to Owners of Parent	429	<b>488</b>	58
Profit per Share (Yen)	55.37	<b>64.01</b>	8.64
Dividends per Share (Yen)	30	<b>30</b>	0



### 3. Progress in medium-term management plan

# Medium-term management plan (FY2016 - FY2018)



Business strategy	Providers	Business field	Basic policy
Existing core business <Strengthen profitability>	Japan ERI SHC TBTC	<ul style="list-style-type: none"> <li>✓ Building Confirmation and Inspection</li> <li>✓ Housing Performance Evaluation</li> </ul>	<p>Improve profitability by optimizing the allocation of management resources and promoting the efficiency of operations.</p> <p>Accurately identify reorganization opportunities in the industry and expand market share through M&amp;As.</p>
	TBTC	✓ Structural Calculation Review	Establish systems and reach top of industry.
	Japan ERI TBTC	✓ Structural Evaluation	Use technical strengths to maintain high share of market.
New growth businesses <Increase in investments>	Japan ERI SHC TBTC	✓ Services related to energy conservation	View energy conservation requirements as an opportunity and expand energy conservation-related services to drive a growing share of existing core business.
	ERI Solution	✓ Building stock	Actively invest management resources to create third core business. Utilize M&As, including securing human resources (full-scale entry into non-destructive inspections).
	ERI Academy	✓ Information and education-related services	Establishment of stable revenue foundation.
Business in new fields <Expand business sphere>	ERI Solution	✓ Infrastructure stock	Utilize M&As, expanding business sphere from buildings to Infrastructures.
	-	✓ Overseas	Continue to collect information to accurately identify opportunities for business expansion.

### 3. Progress in medium-term management plan



## Time-series topics

FY2016	Jun.	<ul style="list-style-type: none"> <li>■ <b>ERI Solution</b> forms a business alliance with SKYROBOT Inc. and starts inspection service with UAVs.</li> </ul>
	Sep.	<ul style="list-style-type: none"> <li>■ <b>ERI Academy</b> starts “E-learning”.</li> </ul>
	Nov.	<ul style="list-style-type: none"> <li>■ <b>ERI Academy</b> starts “ERI Design Competition for Students”.</li> </ul>
	Dec.	<ul style="list-style-type: none"> <li>■ <b>TBTC</b> moves to Ministry Designated Confirmation and Inspection Bodies.</li> </ul>
	Mar.	<ul style="list-style-type: none"> <li>■ Acquisition of <b>EPA SYSTEM</b> (100%) enhances system development capability.</li> </ul>
FY2017	Apr.	<ul style="list-style-type: none"> <li>■ <b>Japan ERI</b> and <b>TBTC</b> start Evaluation for Compliance with Energy Consumption Performance of Buildings.</li> <li>■ <b>Japan ERI</b> fully revises fee schedule for Building Confirmations and Inspection Services.</li> </ul>
	Jun.	<ul style="list-style-type: none"> <li>■ <b>ERI Solution</b> forms a business alliance with Aerosense Inc. to start development of autonomous flight system for UAVs and also gets first UAV’s assignment from local government.</li> </ul>
	Nov.	<ul style="list-style-type: none"> <li>■ Acquisition of <b>Jyutaku Seinou Hyouka Center</b> (97%) enhances core business.</li> </ul>
FY2018	Mar.	<ul style="list-style-type: none"> <li>■ <b>ERI Solution</b> forms a business alliance with Iemamori Holdings Co., Ltd. and collaborate for home inspection services.</li> </ul>
	Jun.	<ul style="list-style-type: none"> <li>■ <b>ERI Solution</b> finishes Construction Consultant registration and newly entered into infrastructure inspection business.</li> <li>■ <b>Japan ERI</b> renews HP design and functions for improving customer services; the first Building Confirmation is issued by utilizing BIM software.</li> </ul>

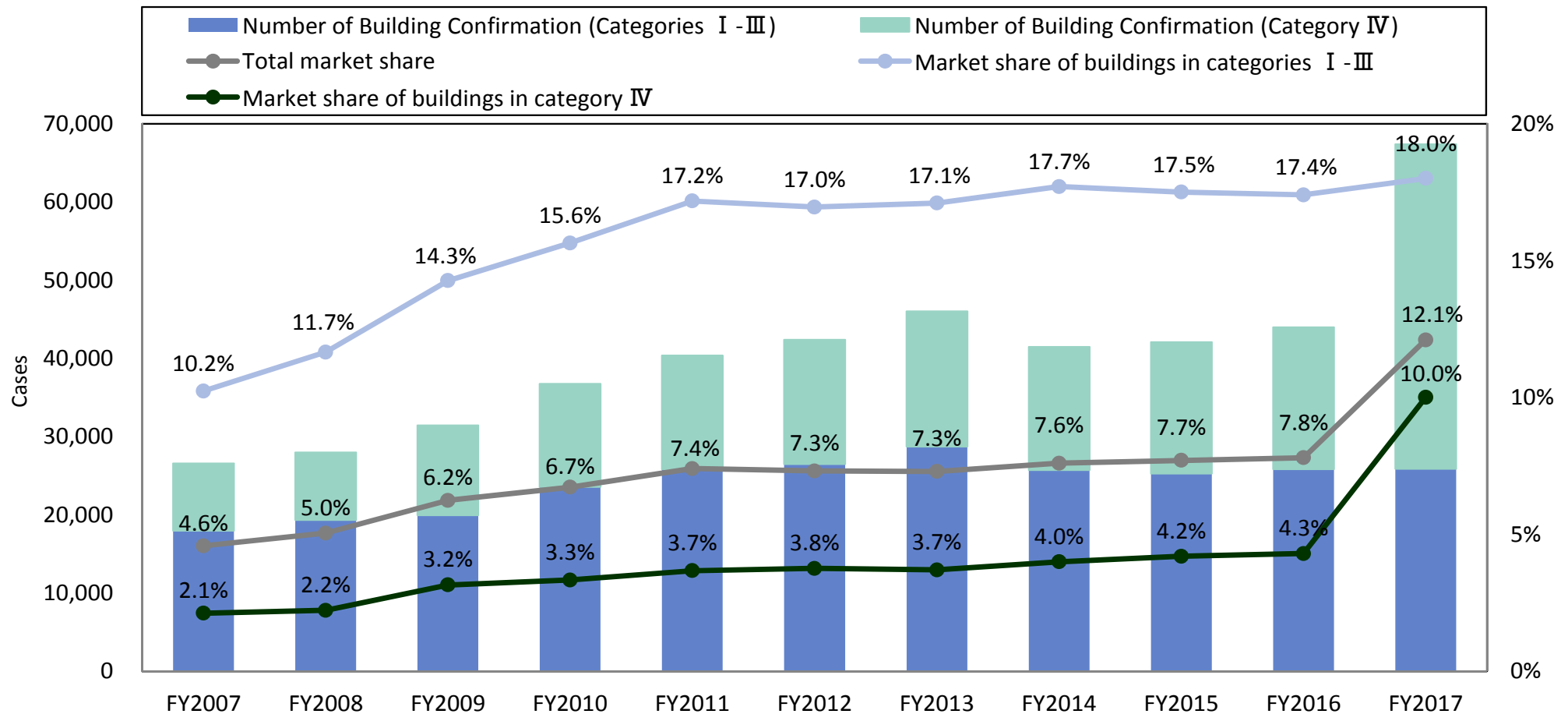
### 3. Progress in medium-term management plan

# Strengthen profitability of existing core business ①



## ● Share up in Building Confirmation and Inspection services

Number of Building Confirmation and market share by ERI group



\* 12-month data of Jyutaku Seinou Hyouka Center Co., Ltd. is fully included in FY2017.

\* The market share data of ERI group in FY2017 were added up until the end of 3Q, because 4Q's data by MLIT was not available as of July 13, 2018.

\* Fiscal year end of this chart is March.

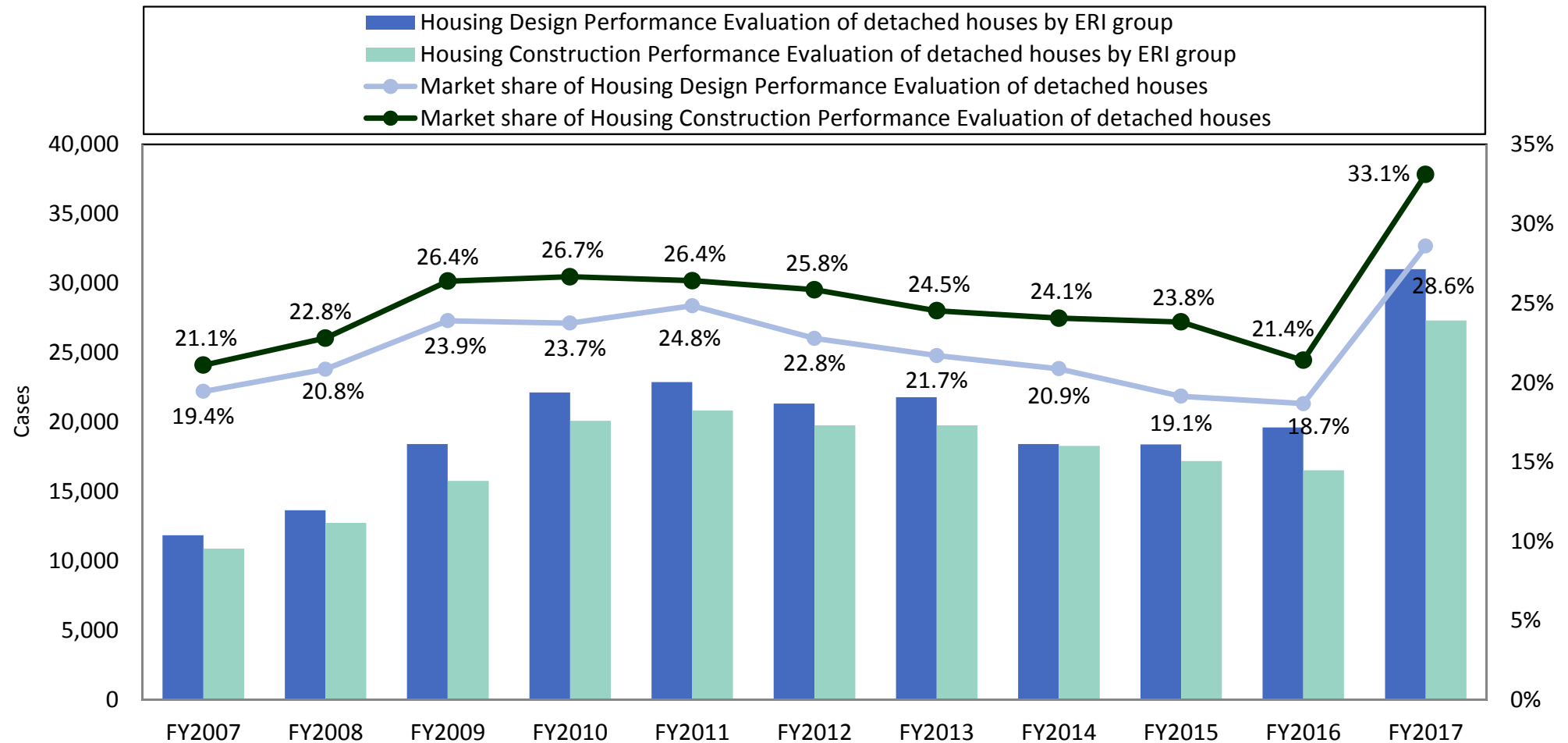
### 3. Progress in medium-term management plan

# Strengthen profitability of existing core business ②



## ● Share up in Housing Performance Evaluation services

Number of Housing Performance Evaluation and market share by ERI group



\* 12-month data of Jyutaku Seinou Hyouka Center Co., Ltd. is fully included in FY2017.

\* Fiscal year end of this chart is March.

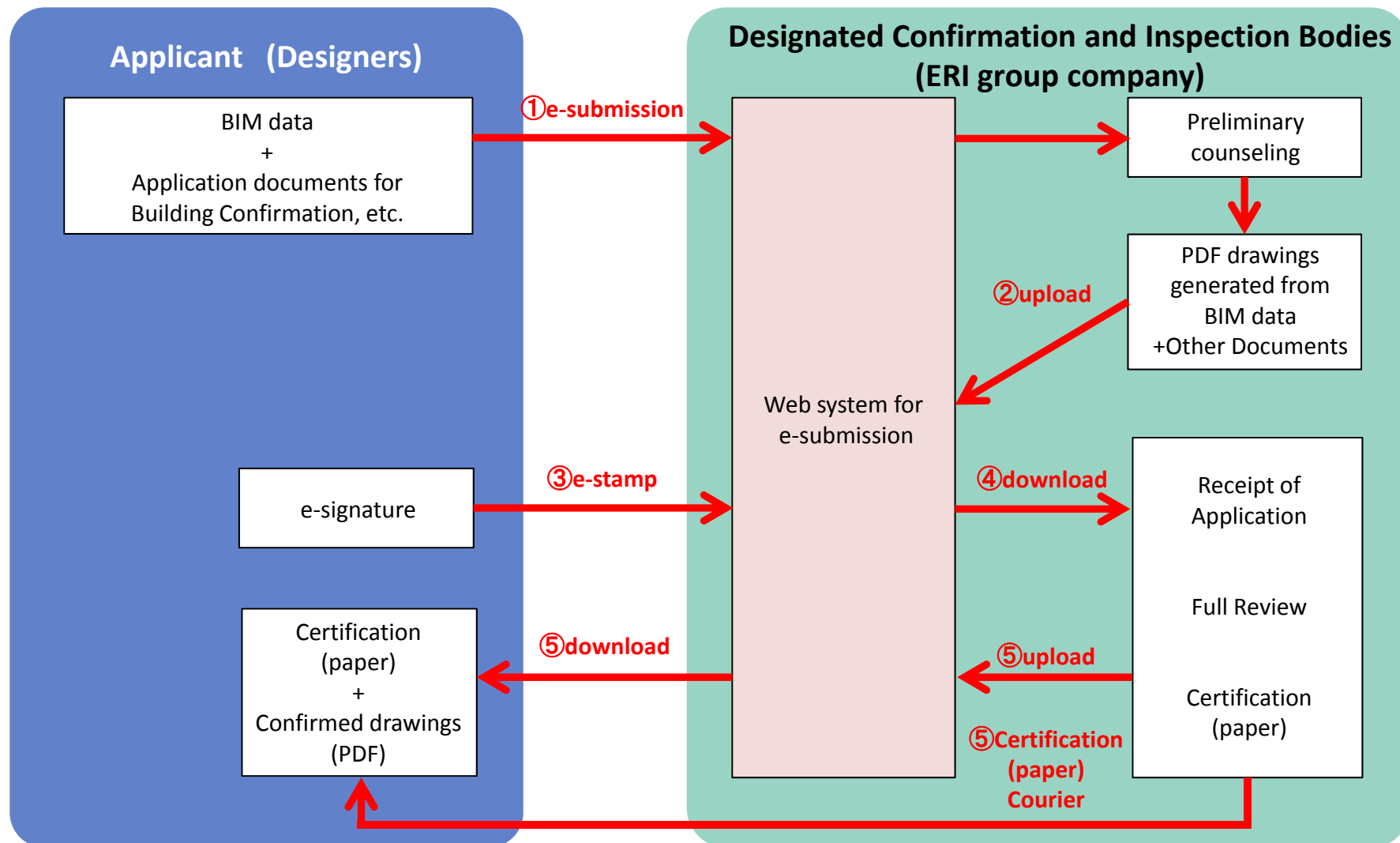
### 3. Progress in medium-term management plan

# Strengthen profitability of existing core business ③



## ● Advance investment in ICT -- BIM software utilization for Building Confirmation

### Flowchart of Building Confirmation with BIM



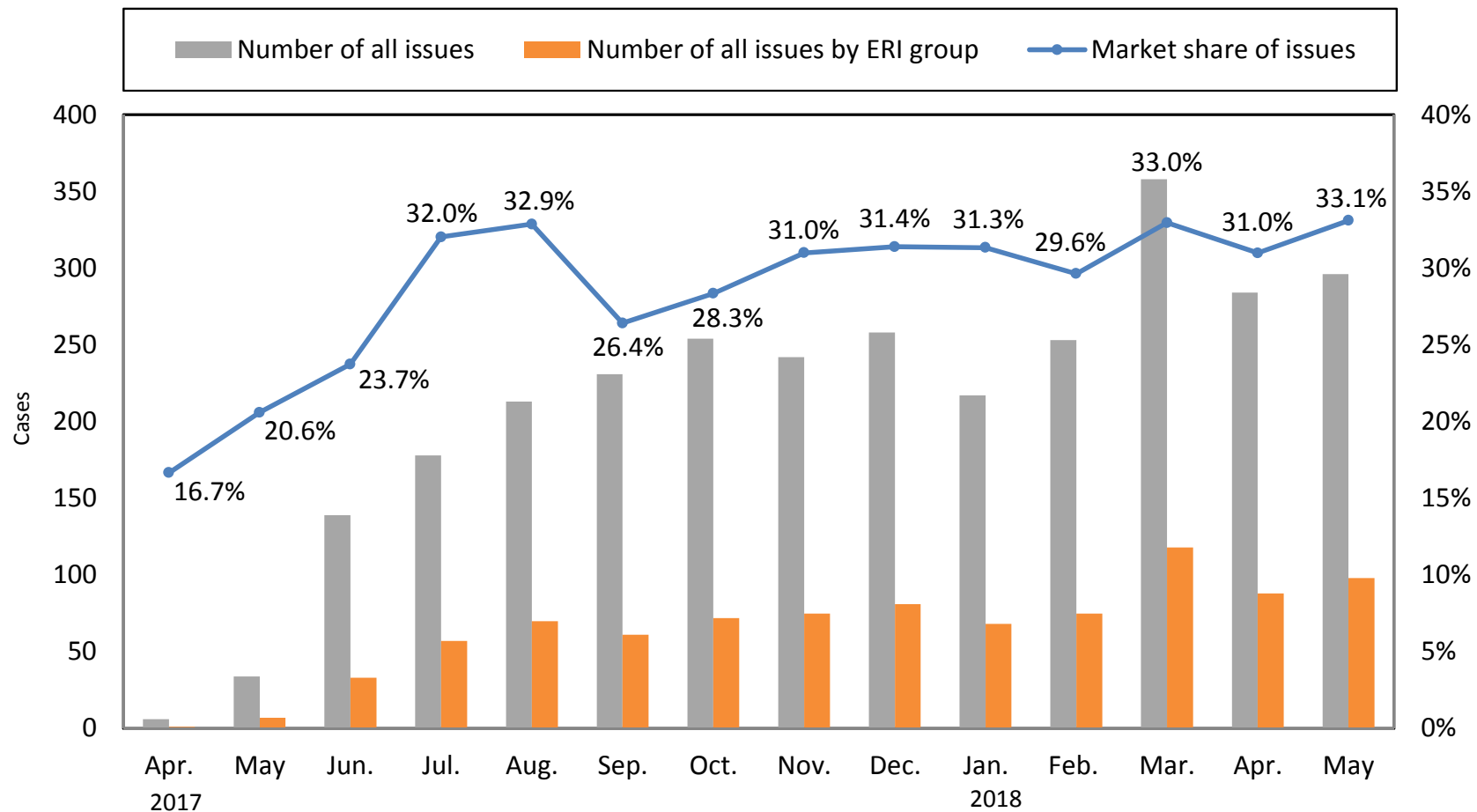
### 3. Progress in medium-term management plan

# Enhance investment in new growth business ①



- Evaluation for Compliance with Energy Consumption Performance of Building -- track record after service started  
(Mandatory only for non-houses buildings over 2000m<sup>2</sup> or more)

Number of Evaluation for Compliance with Energy Consumption Performance of Building and market share by ERI group



### 3. Progress in medium-term management plan

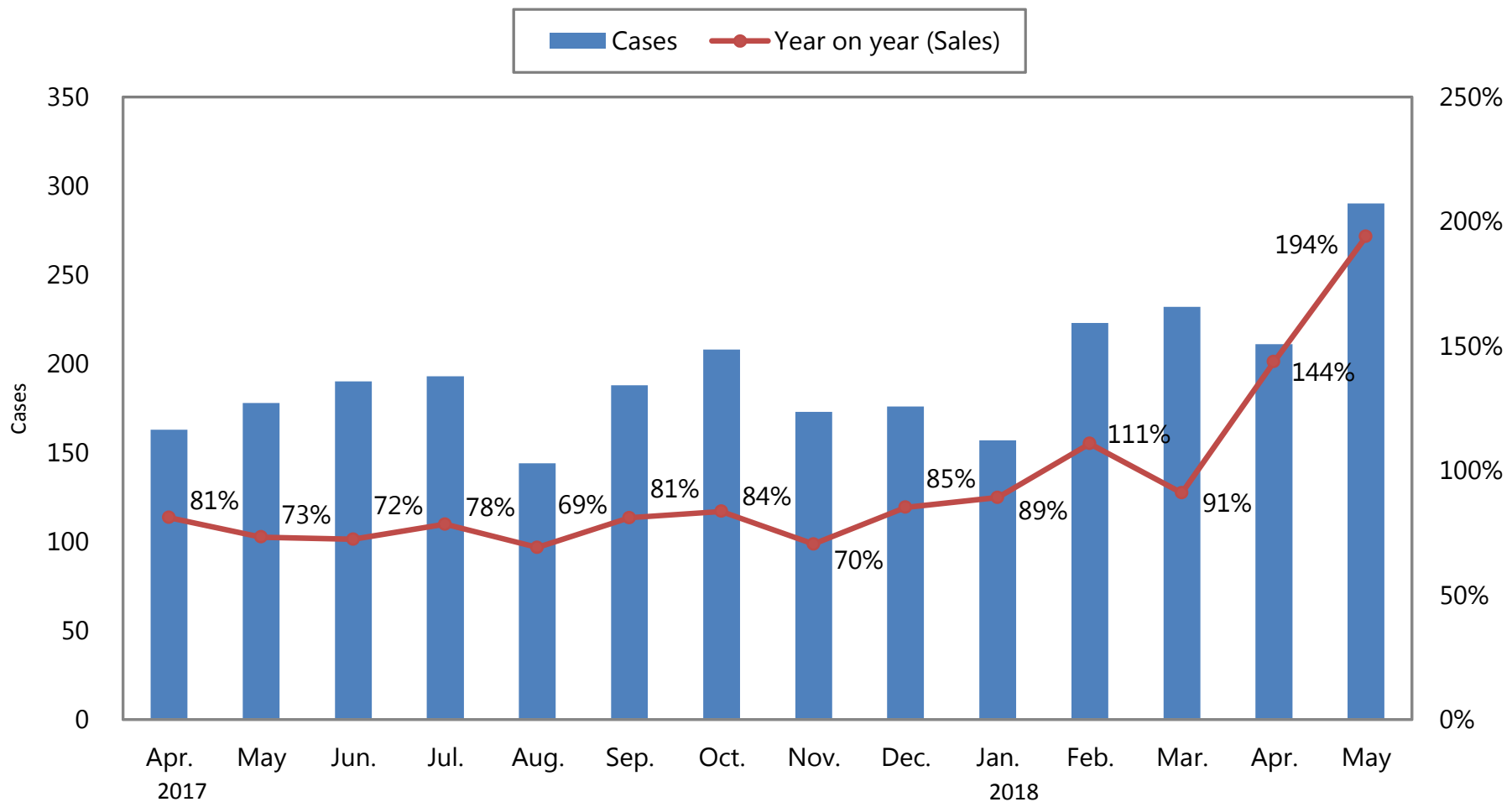
## Enhance investment in new growth business ②



### ● Services for building stock – track record of Home Inspection

After the revision in Building Lots and Buildings Transaction Business Act (effective on April. 1, 2018) – steep rise in sales

Number of Home Inspection and year-on-year sales by ERI Solution



### 3. Progress in medium-term management plan

## Expand business sphere in new business fields



#### ● ERI Solution Co., Ltd. newly entered into infrastructure inspection business

- Inspection service for infrastructures started.
- Infrastructure and Environmental Inspection Dept. was established.
- Registered as a construction consultant as following.

#### Summary of construction consultant registration and services

Company name	ERI Solution Co., Ltd.
Date of registration	May 23, 2018
Registration number	建30第10556号
Territory of registration	Infrastructure and Environment
Date of service start	June 1, 2018
Locations	ERI Solution Co., Ltd. Head office (Tokyo), Osaka, Nagoya, Fukuoka