



# Financial Results for the Second Quarter

From June 1, 2018 to November 30, 2018

**ERI Holdings Co., Ltd.**

**January 11, 2019**

Listed on Tokyo Stock Exchange (Code 6083)

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

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# Summary

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

- New housing starts and non-residential building starts slightly decreased.
- Revenue increased continuously in all four segments.
- In Building Confirmation and Housing Performance Evaluation and its related services, revenue increased largely due to inclusion of revenue of Jyutaku Seinou Hyouka Center Co., Ltd.
- Large building related Building Confirmation and detached house related Housing Performance Evaluation and its related services were in good sales shape.
- Frequent natural disasters delayed on-site inspections for Building Inspection and Construction Performance Evaluation services.
- In Solution Services, Due Diligence services was in good shape.
- In other segments, Evaluation for Compliance with Energy Consumption Performance of Buildings kept good sales but cost increase shrank the earnings.

# 1. Results for the second quarter of the fiscal year ending May 2019



(Millions of yen)

## Consolidated results

|   | FY2017 2Q<br>(Jun. 2017 – Nov. 2017) | FY2018 2Q<br>(Jun. 2018 – Nov. 2018) | Change  |       |
|---|--------------------------------------|--------------------------------------|---------|-------|
|   |                                      |                                      | Amounts | Ratio |
| Net Sales                               | 5,818                                | <b>7,241</b>                         | 1,422   | 24.5% |
| Operating Profit                        | 206                                  | <b>348</b>                           | 141     | 68.2% |
| Operating Profit Ratio                  | 3.6%                                 | <b>4.8%</b>                          | -       | -     |
| Ordinary Profit                         | 214                                  | <b>364</b>                           | 149     | 69.6% |
| Ordinary Profit Ratio                   | 3.7%                                 | <b>5.0%</b>                          | -       | -     |
| Profit Attributable to Owners of Parent | 120                                  | <b>232</b>                           | 111     | 92.2% |
| Profit per Share (Yen)                  | 15.42                                | <b>30.53</b>                         | 15.11   | -     |

\* In FY2018 2Q results, data of Jyutaku Seinou Hyouka Center Co., Ltd. is the results of Apr. - Sep. 2018 period.

# 1. Results for the second quarter of the fiscal year ending May 2019



## Consolidated results by segment

(Millions of yen)

|   | FY2017<br>2Q      | FY2018<br>2Q             | Change  |       | Segment<br>Profit | Change |
|---|-------------------|--------------------------|---------|-------|-------------------|--------|
|   |                   |                          | Amounts | Ratio |                   |        |
| Building Confirmation<br>and Inspection                       | 3,143<br>[54.0%]  | <b>3,899</b><br>[53.9%]  | 756     | 24.1% | 363               | 111    |
| Housing Performance<br>Evaluation and its<br>related services | 1,420<br>[24.4%]  | <b>1,800</b><br>[24.9%]  | 379     | 26.7% | 48                | 84     |
| Solution Services   | 439<br>[7.6%]     | <b>517</b><br>[7.1%]     | 78      | 17.8% | 18                | 0      |
| Others  | 815<br>[14.0%]    | <b>1,023</b><br>[14.1%]  | 208     | 25.6% | ▲51               | ▲23    |
| Net Sales Total   | 5,818<br>[100.0%] | <b>7,241</b><br>[100.0%] | 1,422   | 24.5% | 380               | 173    |

\* In FY2018 2Q results, data of Jyutaku Seinou Hyouka Center Co., Ltd. is the results of Apr. - Sep. 2018 period.



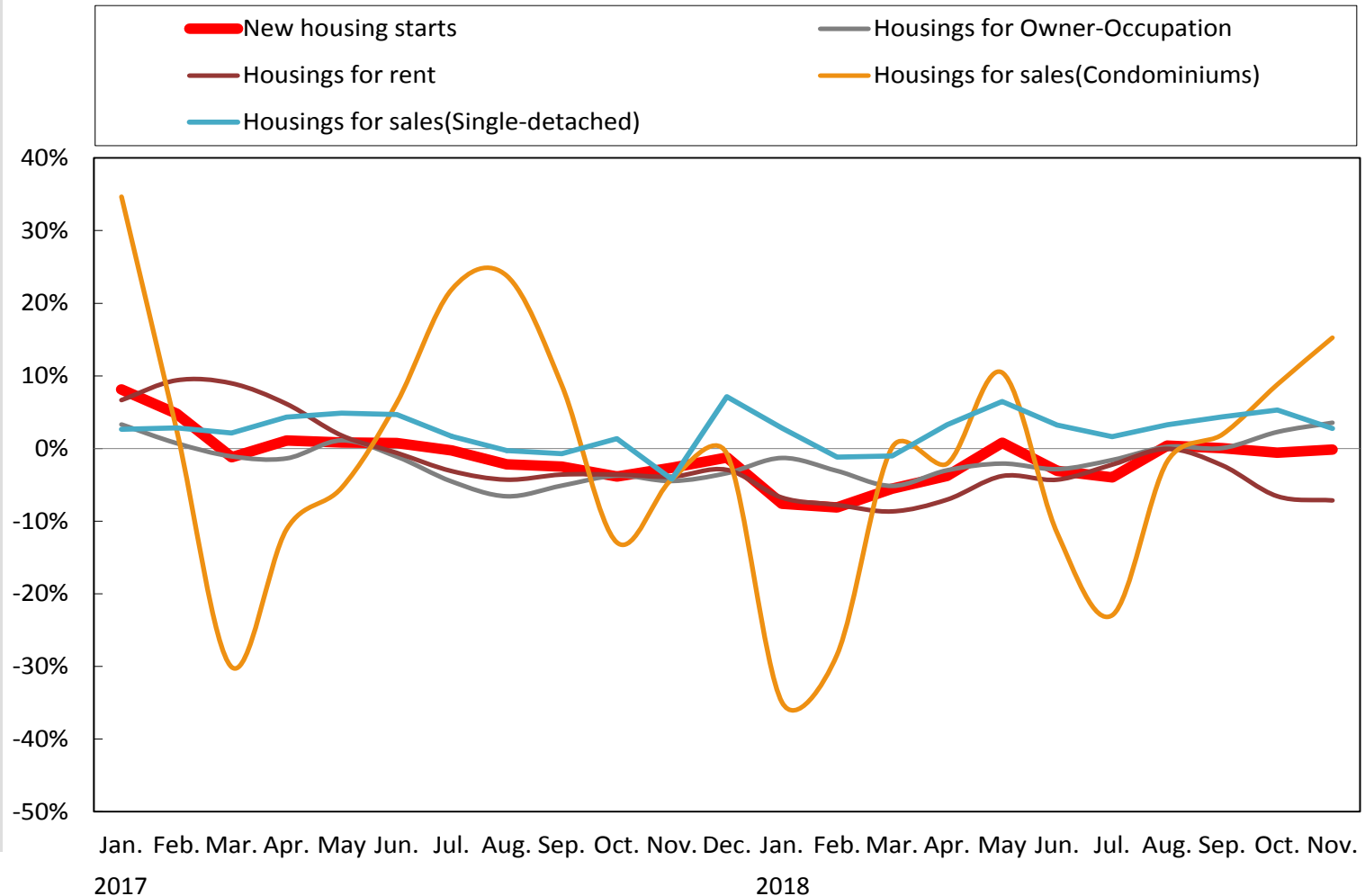
## Trends in housing market

- New housing starts rebounds only gradually from downtrend.
- Accumulated changes in the first half stats are as follows.

|                                      |       |
|--------------------------------------|-------|
| New housing starts                   | -1.4% |
| Housings for Owner-Occupation        | +0.7% |
| Housings for rent                    | -3.9% |
| Housings for sales(condominiums)     | -3.9% |
| Housings for sales (single-detached) | +2.9% |

\*Cumulative contrast of our first half of fiscal year (from Jun. to Nov.)

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



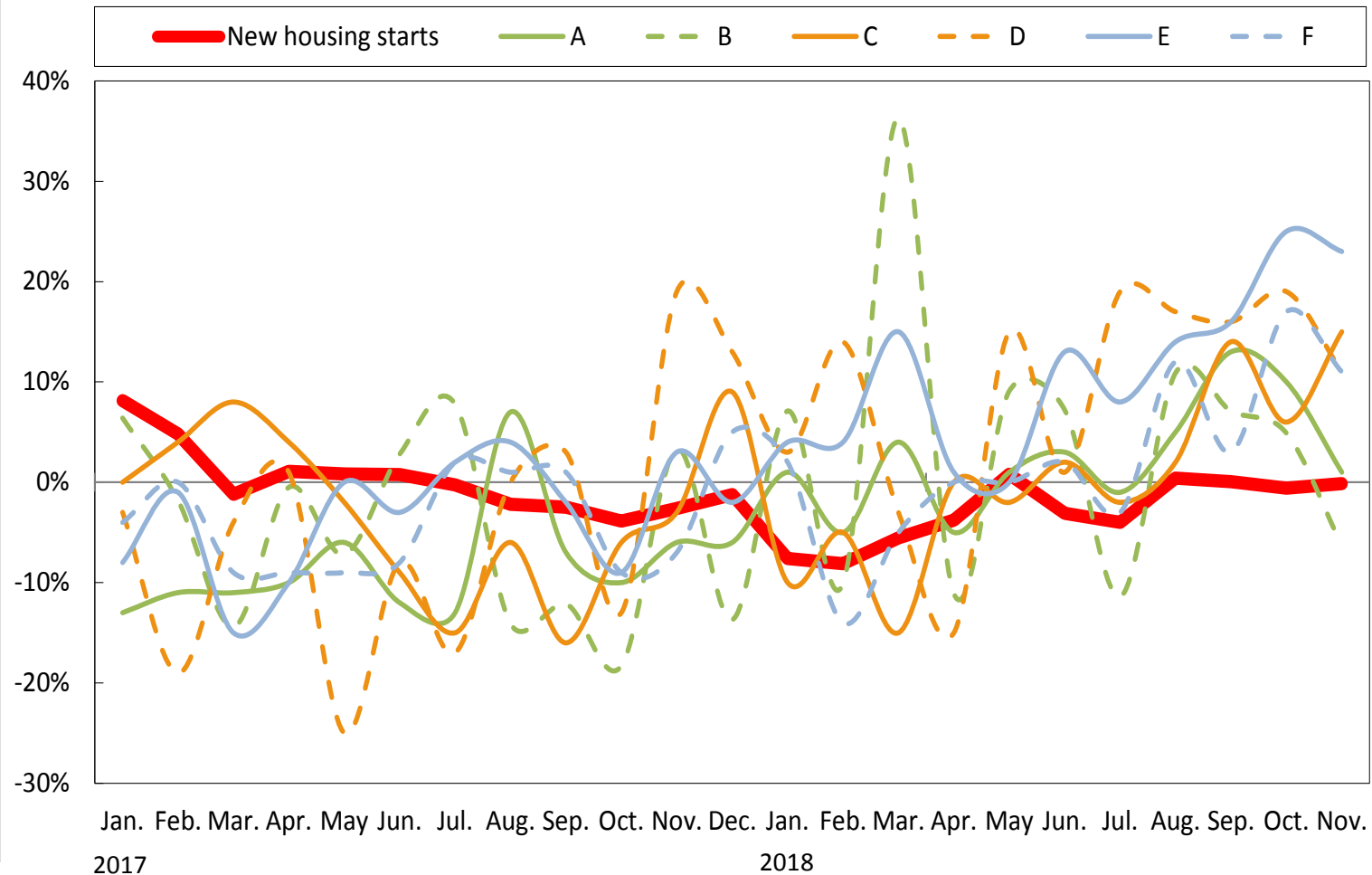




# Trends in housing market

- Major house builders maintained solid new orders received for a period of our first half of FY2018 (Jun. to Nov.)
- For all six builders, each cumulative new orders in their fiscal period through Nov. end was better than their previous period ones.

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

# 1. Results for the second quarter of the fiscal year ending May 2019



## Breakdown of Building Confirmation

FY2018 2Q 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<br>(Educations, Lodgings and more) |         |
| Number of Building Confirmation | 15,022          | 3,237             | 1,780           | 1,062                 | 477                 | 1,028                                     | 22,606  |
| Year-on-Year                    | 2.0%            | -9.7%             | -5.1%           | -1.2%                 | -13.6%              | 27.2%                                     | -0.1%   |
| Proportion                      | 66.5%           | 14.3%             | 7.9%            | 4.7%                  | 2.1%                | 4.5%                                      | 100.0%  |
| Net Sales                       | 330.3           | 317.1             | 260.0           | 267.0                 | 89.6                | 157.9                                     | 1,422.1 |
| Year-on-Year                    | 4.4%            | -0.5%             | 1.7%            | 5.8%                  | -4.5%               | 12.7%                                     | 3.3%    |
|                                 | 1.9%            |                   | 4.4%            |                       |                     |   |         |
| Proportion                      | 23.2%           | 22.3%             | 18.3%           | 18.8%                 | 6.3%                | 11.1%                                     | 100%    |

(Reference; June 2018 - November 2018)

|   |       |       |       |        |       |        |
|---|-------|-------|-------|--------|-------|--------|
| Growth rate of national newly built floor space (construction starts) | -1.5% | -7.3% | 5.7%  | -22.7% | 0.4%  | -1.8%  |
| Proportion  | 62.0% | 8.7%  | 15.4% | 3.8%   | 10.2% | 100.0% |

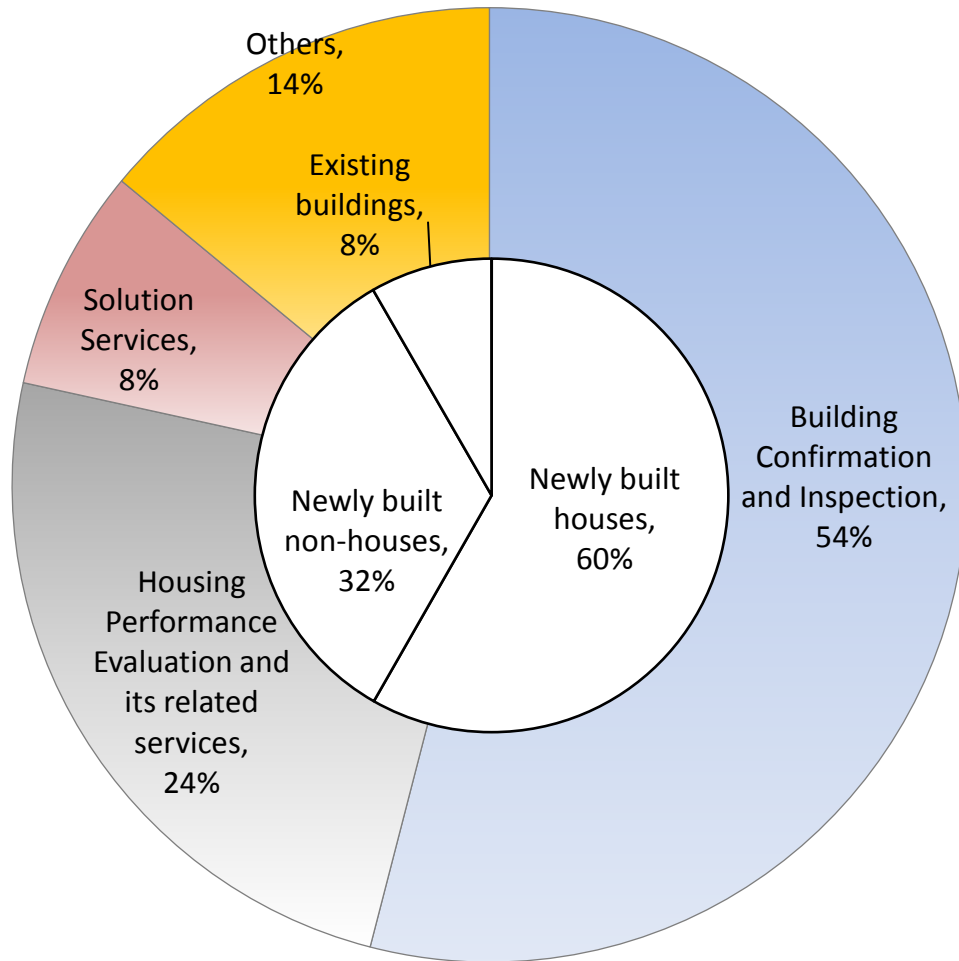


# 1. Results for the second quarter of the fiscal year ending May 2019

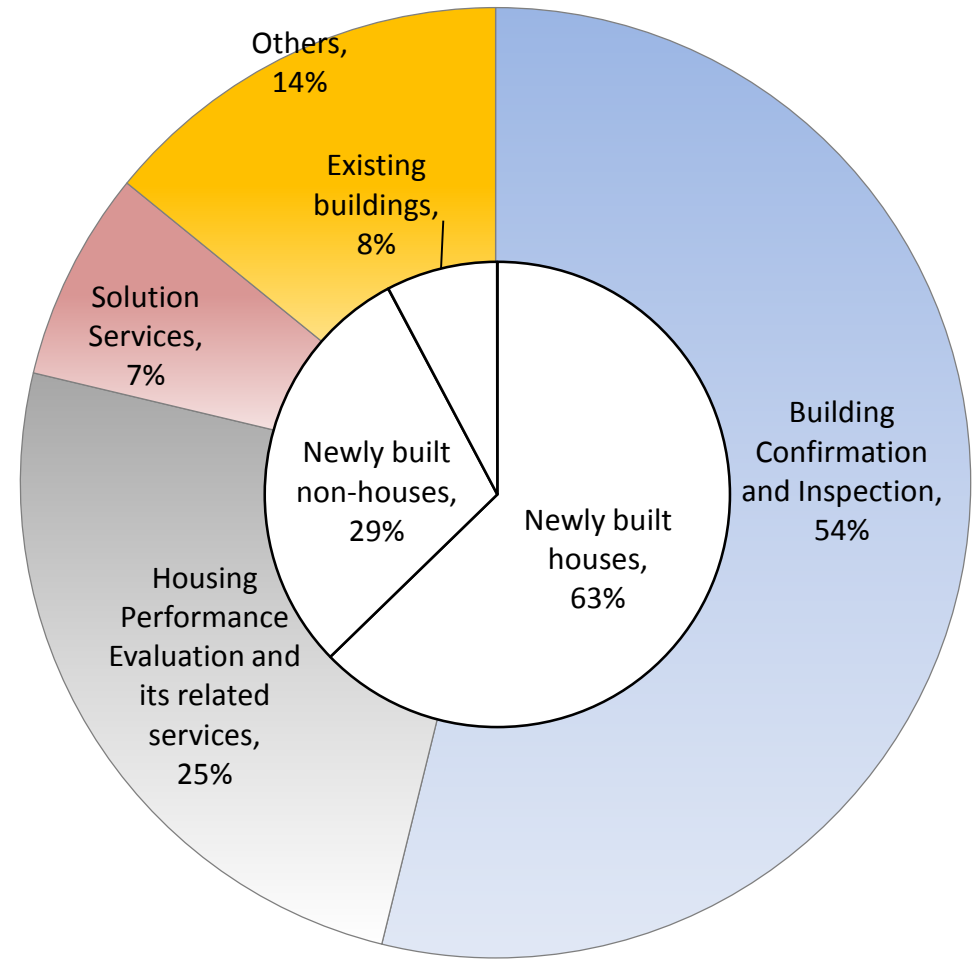


## Sales breakdown | Consolidated

FY2017



FY2018 2Q

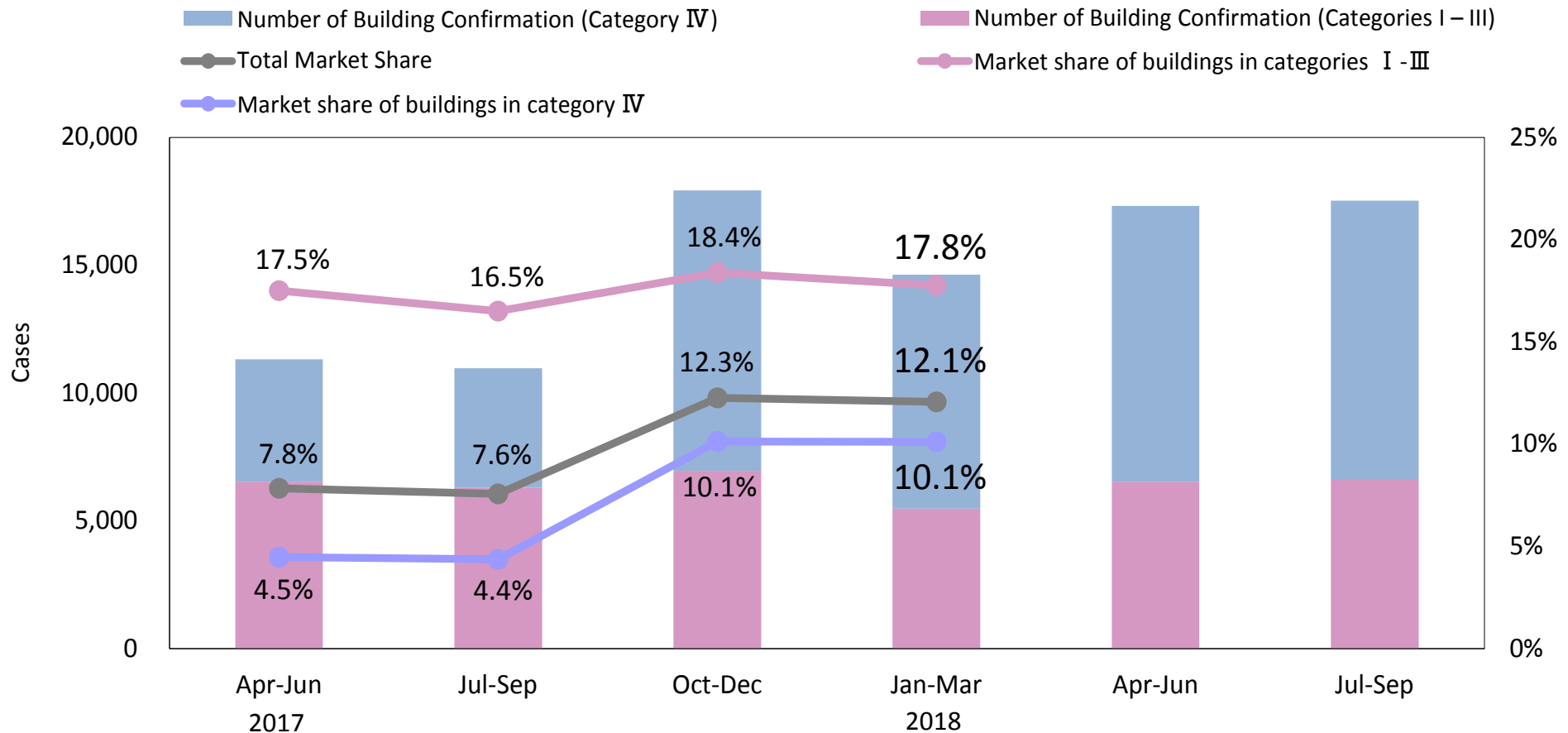


# 1. Results for the second quarter of the fiscal year ending May 2019



## Number of Building Confirmation and market share

Number of Building Confirmation and market share by ERI group



\* As of January 9, 2019, market data by MLIT was updated until March 2018, so share data of ERI group is not available after April 2018.

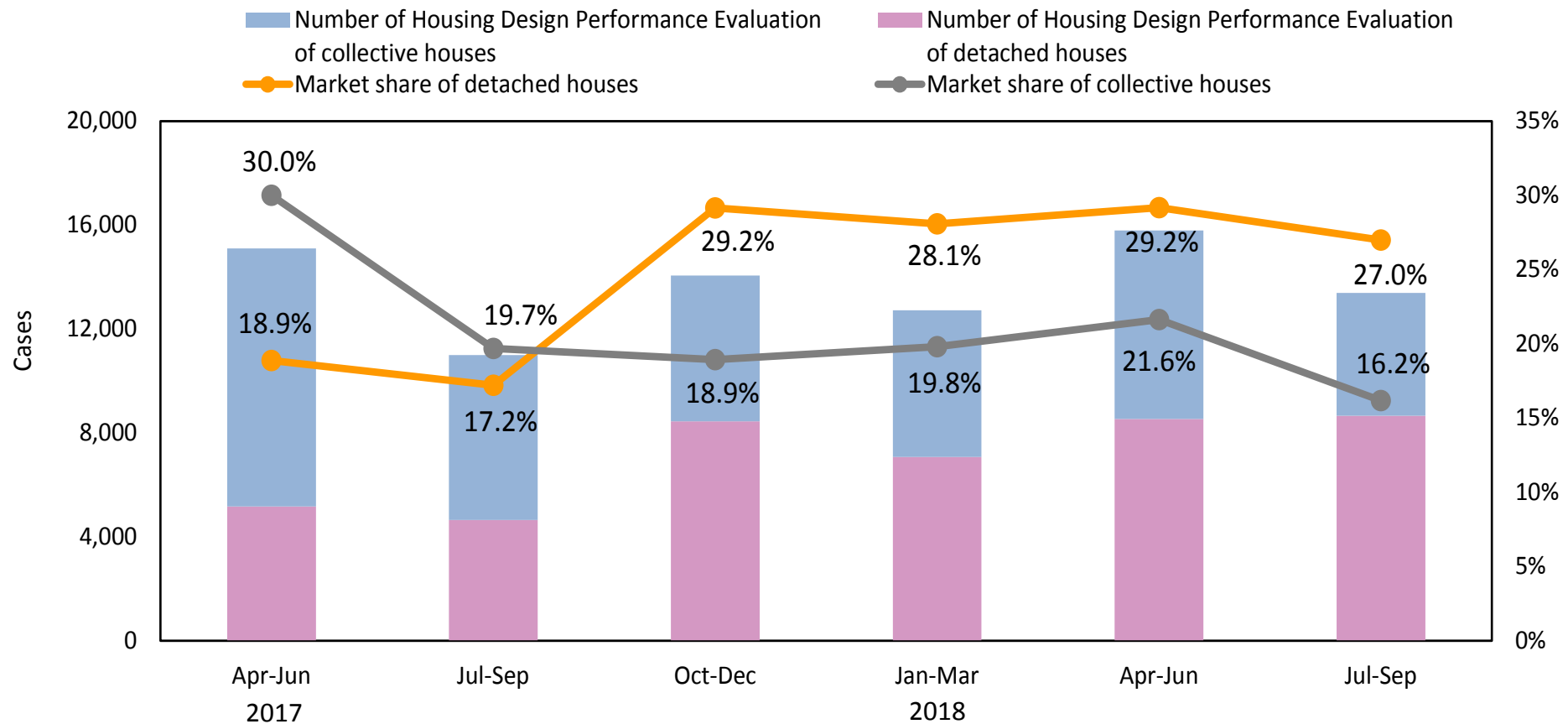
\* From the data period of Oct. - Dec. 2017, Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is included in the chart.

# 1. Results for the second quarter of the fiscal year ending May 2019



## Number of Housing Design Performance and market share

Number of Housing Design Performance and market share by ERI group



\* From the data period of Oct. - Dec. 2017, Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is included in the chart.

# 1. Results for the second quarter of the fiscal year ending May 2019



## Main operating figures | Consolidated

|   |                      | FY2017 2Q<br>(Jun. 2017 – Nov. 2017) |                              | FY2018 2Q<br>(Jun. 2018 – Nov. 2018) |                              | Change |                              |
|---|----------------------|--------------------------------------|------------------------------|--------------------------------------|------------------------------|--------|------------------------------|
|   |                      | Cases                                | Amounts<br>(Millions of Yen) | Cases                                | Amounts<br>(Millions of Yen) | Cases  | Amounts<br>(Millions of Yen) |
| Building Confirmations                                |                      | 27,263                               | 1,513                        | <b>40,068</b>                        | <b>1,831</b>                 | 12,805 | 318                          |
| Final Inspections                                     |                      | 23,261                               | 1,135                        | <b>34,573</b>                        | <b>1,426</b>                 | 11,312 | 291                          |
| Housing Design<br>Performance<br>Evaluations          | Detached<br>Houses   | 9,954                                | 356                          | <b>17,626</b>                        | <b>500</b>                   | 7,672  | 144                          |
|   | Collective<br>Houses | 10,805                               | 128                          | <b>11,082</b>                        | <b>129</b>                   | 277    | 1                            |
| Housing<br>Construction<br>Performance<br>Evaluations | Detached<br>Houses   | 8,418                                | 600                          | <b>13,531</b>                        | <b>816</b>                   | 5,113  | 216                          |
|   | Collective<br>Houses | 9,354                                | 140                          | <b>7,946</b>                         | <b>130</b>                   | ▲1,408 | ▲10                          |

\* FY2018 2Q includes FY2018 2Q (Jun. 2018 - Nov. 2018) data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and FY2018 2Q (Apr. 2018 - Sep. 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 "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 for the second quarter of the fiscal year ending May 2019



## Key service figures | Consolidated

|  | FY2017 2Q<br>(Jun. 2017 – Nov. 2017) |                              | FY2018 2Q<br>(Jun. 2018 – Nov. 2018) |                              | Change    |                              |   |
|--|--------------------------------------|------------------------------|--------------------------------------|------------------------------|-----------|------------------------------|---|
|  | Cases                                | Amounts<br>(Millions of Yen) | Cases                                | Amounts<br>(Millions of Yen) | Cases     | Amounts<br>(Millions of Yen) |   |
| Building Confirmations for medium to large size buildings (over 500 sqm)   | 2,680                                | 751                          | <b>2,911</b>                         | <b>841</b>                   | 231       | 90                           |   |
| Technical Assessments for Long-life Quality Housings                       | 12,330                               | 192                          | <b>15,262</b>                        | <b>225</b>                   | 2,932     | 33                           |   |
| Inspections for Housing Defect Liability Insurance                         | 13,430                               | 157                          | <b>21,014</b>                        | <b>203</b>                   | 7,584     | 46                           |   |
| Evaluation for Compliance with Energy Consumption Performance of Buildings | 368                                  | 67                           | <b>543</b>                           | <b>98</b>                    | 175       | 31                           |   |
| BELS certifications  | Non-housings                         | 60                           | 8                                    | <b>87</b>                    | <b>15</b> | 27                           | 7 |
|  | Housings                             | 3,146                        | 49                                   | <b>3,217</b>                 | <b>56</b> | 71                           | 7 |

\* FY2018 2Q includes FY2018 2Q (Jun. 2018 - Nov. 2018) data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and FY2018 2Q (Apr. 2018 - Sep. 2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* "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. From FY2017 4Q report, the numbers of plan change is included.

\* From FY2018 3Q, 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.

\* "Inspections for Housing Defect Liability Insurance" data in the Financial Results for FY2018 1Q(released on Sep. 28, 2018) was corrected as follows.  
Amounts: Error 80, Correct 99

\* "Evaluation for Compliance with Energy Consumption Performance of Buildings" excludes the numbers of plan change.

# 1. Results for the second quarter of the fiscal year ending May 2019



## Consolidated financial statements | Assets

(Millions of yen)

|                                     | FY2017<br>(Jun. 2017 – May 2018) | FY2018 2Q<br>(Jun. 2018 – Nov. 2018) | Change |
|-------------------------------------|----------------------------------|--------------------------------------|--------|
| Total assets                        | 6,346                            | <b>6,459</b>                         | 112    |
| Total current assets                | 4,139                            | <b>4,179</b>                         | 39     |
| Cash and deposits                   | 2,804                            | <b>2,684</b>                         | ▲120   |
| Accounts receivable - trade         | 713                              | <b>756</b>                           | 43     |
| Work in process                     | 446                              | <b>492</b>                           | 46     |
| Total non-current assets            | 2,206                            | <b>2,280</b>                         | 73     |
| Total Property, plant and equipment | 397                              | <b>443</b>                           | 46     |
| Total intangible assets             | 944                              | <b>919</b>                           | ▲24    |
| goodwill                            | 648                              | <b>611</b>                           | ▲37    |
| Total investments and other assets  | 865                              | <b>917</b>                           | 51     |



# 1. Results for the second quarter of the fiscal year ending May 2019



## Consolidated financial statements | Liabilities

(Millions of yen)

|                                  | FY2017<br>(Jun. 2017 – May 2018) | FY2018 2Q<br>(Jun. 2018 – Nov. 2018) | Change |
|----------------------------------|----------------------------------|--------------------------------------|--------|
| Total liabilities                | 4,050                            | <b>4,145</b>                         | 95     |
| Total current liabilities        | 2,622                            | <b>2,425</b>                         | ▲197   |
| Accrued expenses                 | 819                              | <b>789</b>                           | ▲30    |
| Advances received                | 827                              | <b>934</b>                           | 107    |
| Total non-current liabilities    | 1,427                            | <b>1,720</b>                         | 292    |
| Total net assets                 | 2,296                            | <b>2,314</b>                         | 17     |
| Total shareholders' equity       | 2,267                            | <b>2,287</b>                         | 19     |
| Retained earnings                | 1,469                            | <b>1,586</b>                         | 117    |
| Total liabilities and net assets | 6,346                            | <b>6,459</b>                         | 112    |

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

# Forecasts for FY2018



(Millions of yen)

|  | FY2017<br>(Jun. 2017 – May 2018) | FY2018<br>(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<br>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<br><Strengthen profitability> | Japan ERI<br>SHC<br>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                     | <ul style="list-style-type: none"> <li>✓ Structural Calculation Review</li> </ul>  | Establish systems and reach top of industry.  |
|  | Japan ERI<br>TBTC        | <ul style="list-style-type: none"> <li>✓ Structural Evaluation</li> </ul>  | Use technical strengths to maintain high share of market.   |
| New growth businesses<br><Increase in investments>   | Japan ERI<br>SHC<br>TBTC | <ul style="list-style-type: none"> <li>✓ Services related to energy conservation</li> </ul>  | View energy conservation requirements as an opportunity and expand energy conservation-related services to drive a growing share of existing core business.   |
|  | ERI<br>Solution          | <ul style="list-style-type: none"> <li>✓ Building stock</li> </ul>   | <p>Actively invest management resources to create third core business.</p> <p>Utilize M&amp;As, including securing human resources (full-scale entry into non-destructive inspections).</p>   |
|  | ERI<br>Academy           | <ul style="list-style-type: none"> <li>✓ Information and education-related services</li> </ul>                                     | Establishment of stable revenue foundation.   |
| Business in new fields<br><Expand business sphere>   | ERI<br>Solution          | <ul style="list-style-type: none"> <li>✓ Infrastructure stock</li> </ul>   | Utilize M&As, expanding business sphere from buildings to Infrastructures.  |
|  | -                        | <ul style="list-style-type: none"> <li>✓ Overseas</li> </ul>   | Continue to collect information to accurately identify opportunities for business expansion.  |

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

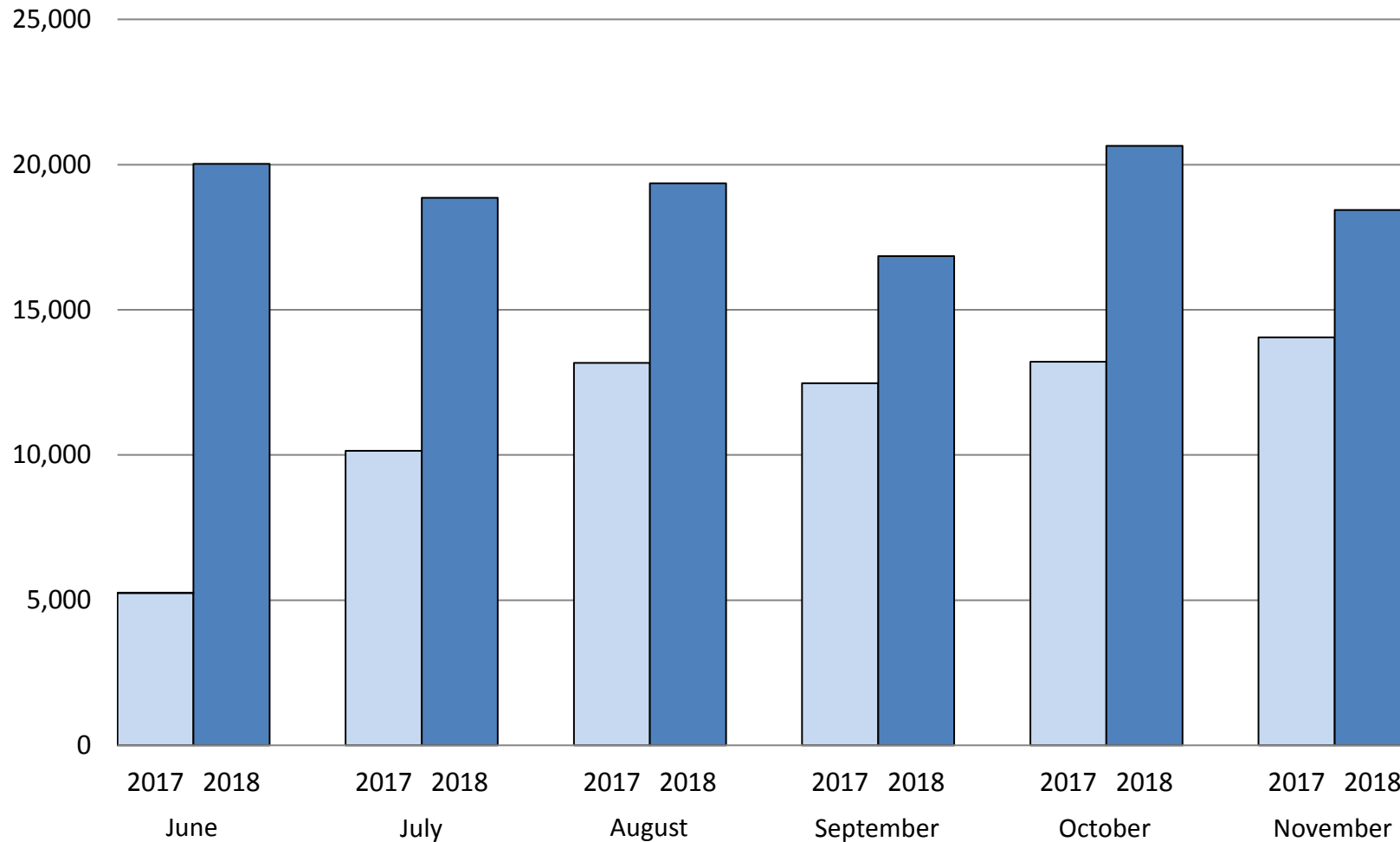


## New growth business

### - Growth in the energy conservation related service

Month-to-month comparison chart in sales of Conformity Review for Energy Saving Standard service (ERI group's total)

(Thousands of yen)



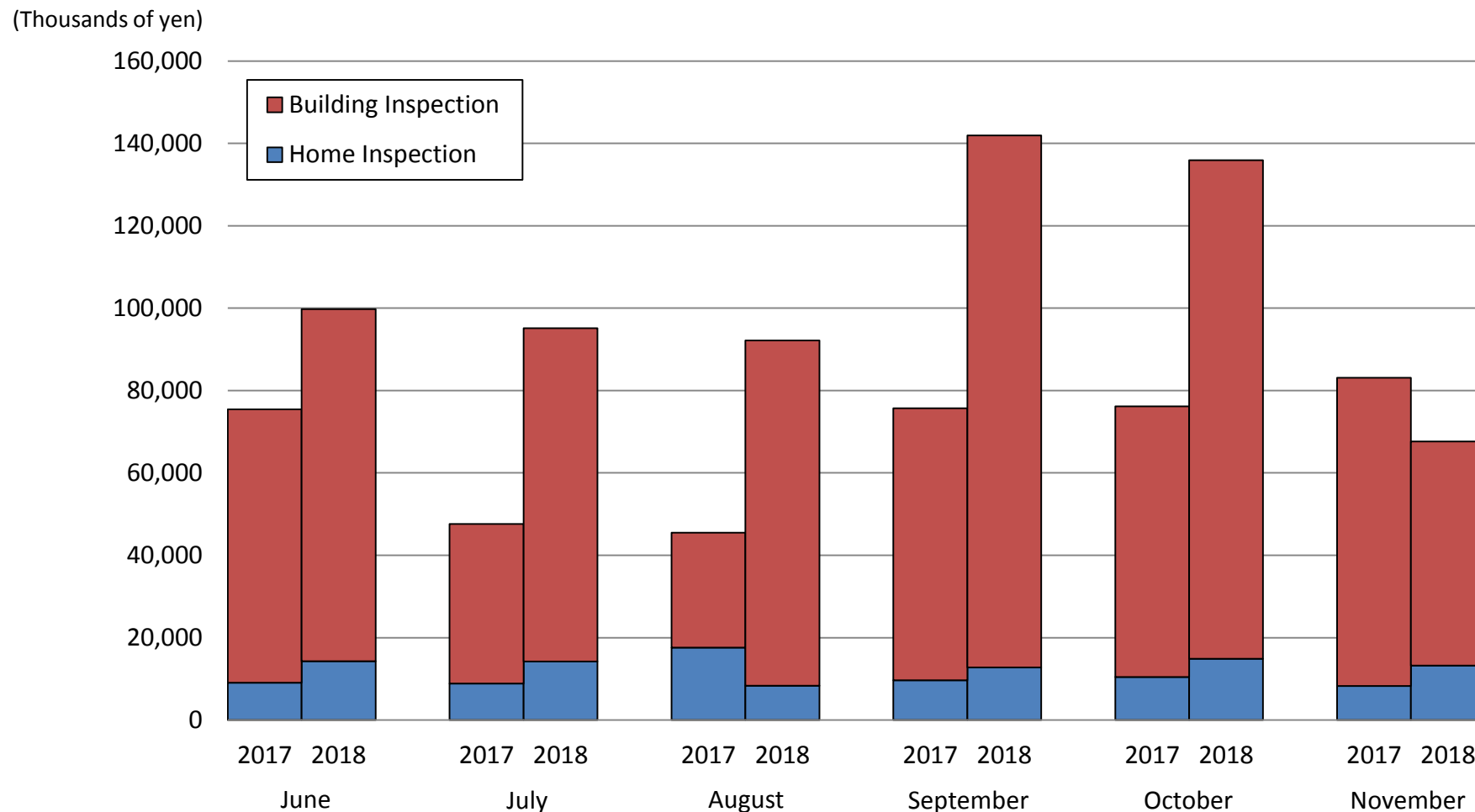
### 3. Progress in medium-term management plan



## New growth business

### - Growth in building stock related services

Month-to-month comparison chart of solution services  
(New orders received in ERI group's total)

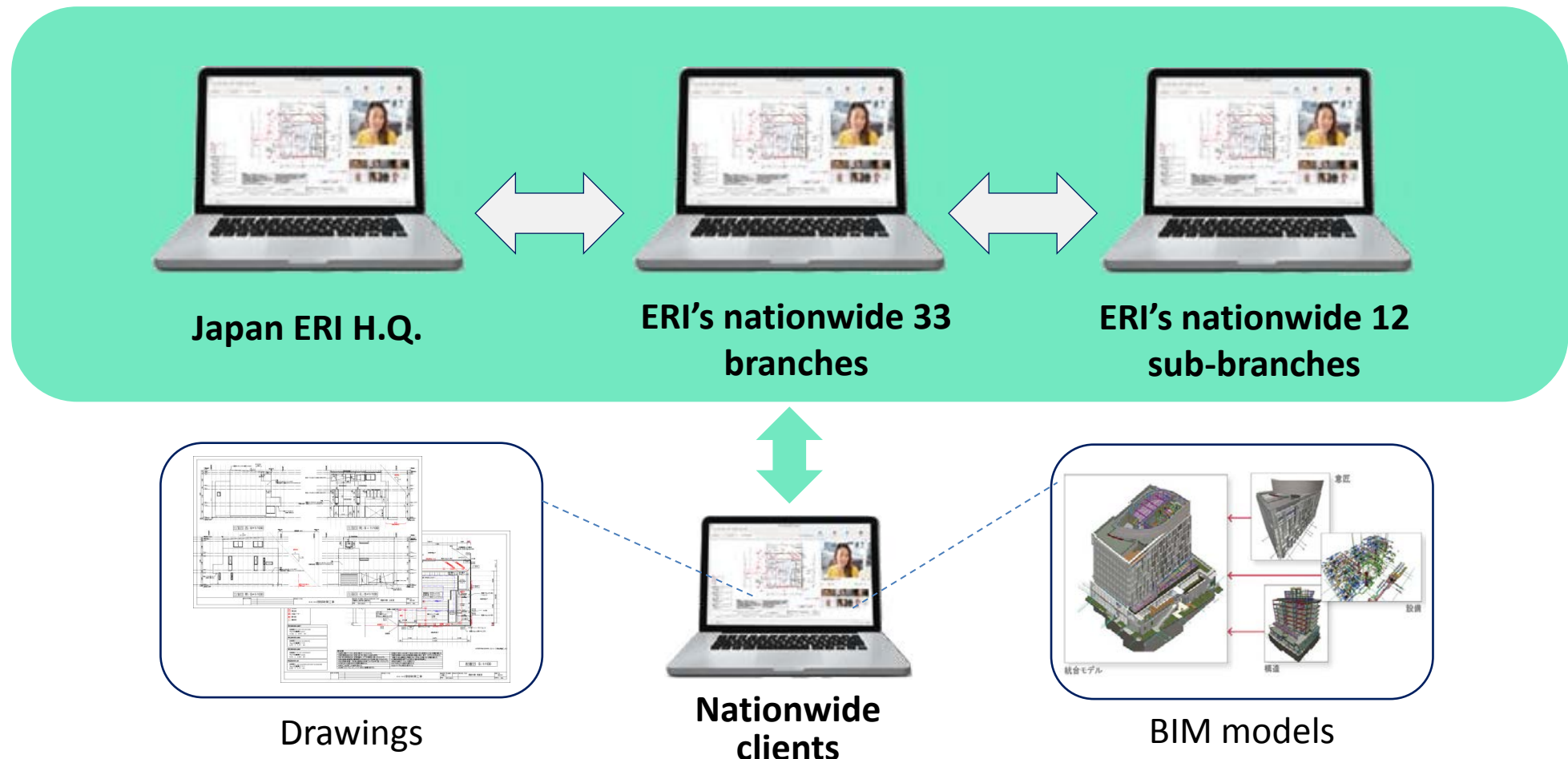


## 4. Topics

# Operational improvement by IoT Investments



- Japan ERI Co., Ltd. is expanding an operation of web meeting system both internally and externally
  - Technical Q&A with clients by the web system in Building Confirmation service (Testing started)
  - Both drawings and BIM model available
  - Introducing the system to Japan ERI's nationwide branches in 2019





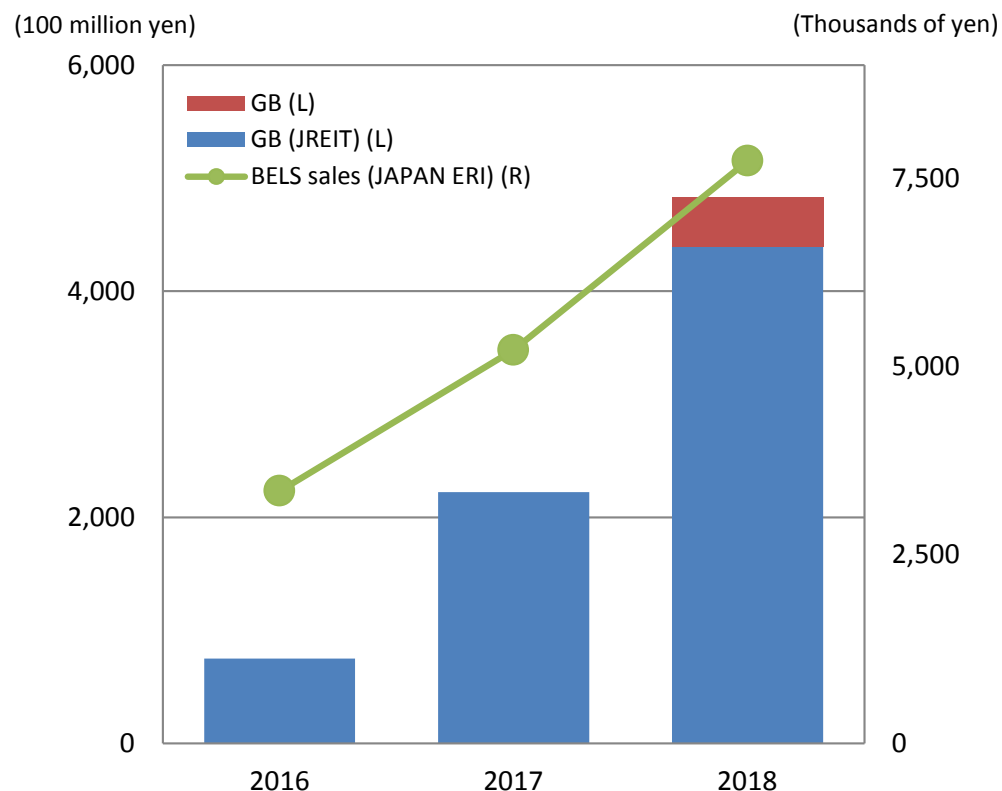


# Expanding Global Sustainable Investment

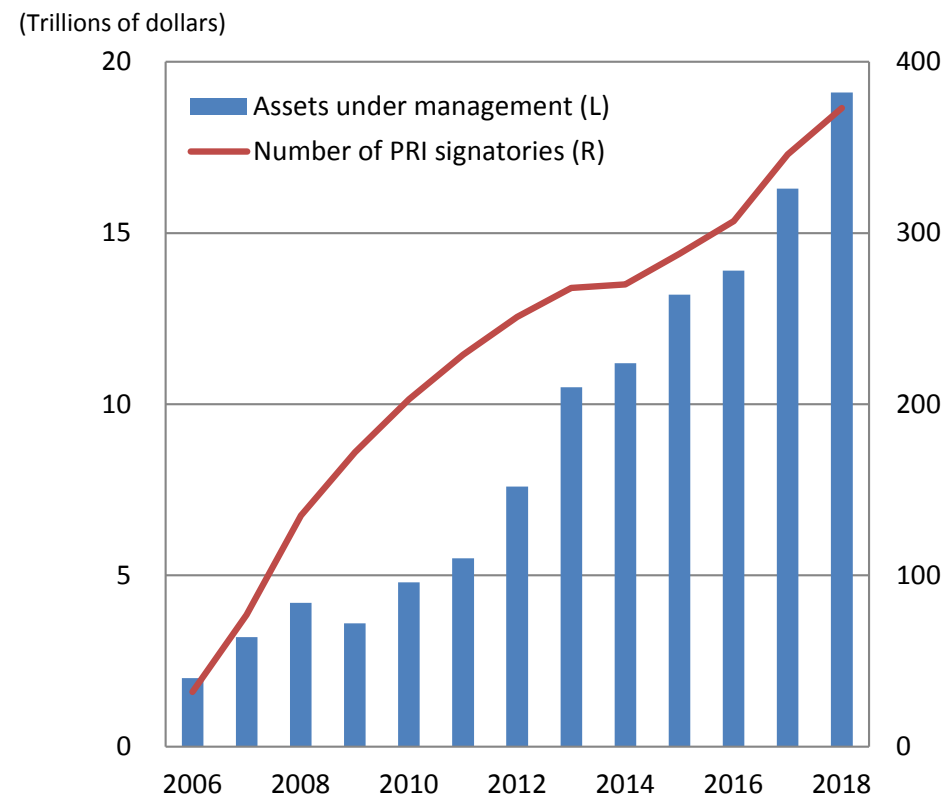
## Expanding ESG Investment and Green Certifications

- Green Bonds issued by JREIT activated (7 REITs, total 43.5 billion yen)
- BELS and CASBEE are used for eligible green assets requirement
- Expanding ESG investment would enhance green certification needs

**Domestic volume of Green Bond issue and JREITs related BELS sales (Japan ERI)**



**PRI signatories and amount of assets under management**





# ERI Holdings Co., Ltd.

Investor Relations and Public Relations Group

[info@j-eri.co.jp](mailto:info@j-eri.co.jp)

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