



# 2018 Full-Year Results

From June 1, 2018 to May 31, 2019

**ERI Holdings Co., Ltd.**

**July 11, 2019**

Listed on Tokyo Stock Exchange (Code 6083)

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

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## Summary

### Increase in revenue and earnings year-on year for two consecutive years

- New housing starts decreased 0.7% largely due to steeply shrinking housing for rent, while housings for owner-occupation and for sale rebounded partly boosted by a rush demand of consumption tax expansion.
- Revenue increased in all four segments.
- Full year revenue and profit of share of Jyutaku Seinou Hyouka Center Co., Ltd. enhanced Building Confirmation and Housing Performance Evaluation Services result.
- In Solution Services, revenue was largely in good shape but upfront investment for new service put pressure on profit.
- In other segments, temporary and intensive request for structural verification largely contributed to good growth in revenue and improvement in earning.

# 1. Results in fiscal year Ended May 2019

## Consolidated results



(Millions of yen)

	FY2017 (Jun. 2017 – May 2018)	FY2018 (Jun. 2018 – May 2019)	Change	
			Amounts	Ratio
Net Sales	13,097	<b>15,076</b>	1,979	15.1%
Operating Profit	690	<b>820</b>	130	18.9%
Operating Profit Ratio	5.3%	<b>5.4%</b>	-	-
Ordinary Profit	702	<b>845</b>	143	20.5%
Ordinary Profit Ratio	5.4%	<b>5.6%</b>	-	-
Profit Attributable to Owners of Parent	429	<b>523</b>	93	21.7%
Profit per Share (Yen)	55.37	<b>68.94</b>	13.57	-

\* FY2017 includes data in Oct. 2017 - Mar. 2018 of Jyutaku Seinou Hyouka Center Co., Ltd. that was consolidated in Nov. 2017.

# 1. Results in fiscal year Ended May 2019

## Consolidated results by segment



(Millions of yen)

	FY2017	FY2018	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	7,059 [53.9%]	<b>7,898</b> [52.4%]	839	11.9%	723	45
Housing Performance Evaluation and its related services	3,199 [24.4%]	<b>3,695</b> [24.5%]	496	15.5%	95	113
Solution Services	1,012 [7.7%]	<b>1,205</b> [8.0%]	192	19.0%	83	▲38
Others	1,826 [14.0%]	<b>2,276</b> [15.1%]	450	24.7%	▲17	41
Net Sales Total	13,097 [100.0%]	<b>15,076</b> [100.0%]	1,979	15.1%	884	161

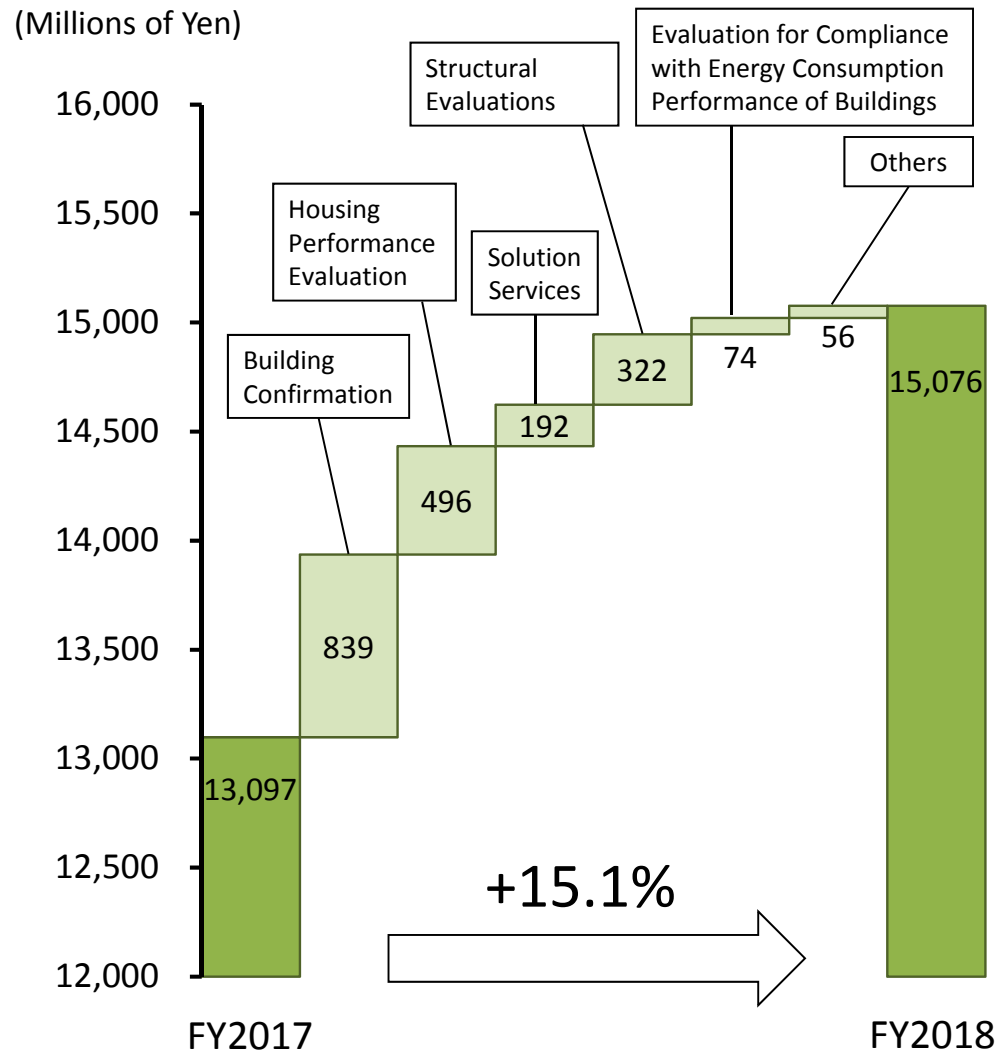
\* FY2017 includes data in Oct. 2017 - Mar. 2018 of Jyutaku Seinou Hyouka Center Co., Ltd. that was consolidated in Nov. 2017.

# 1. Results in fiscal year Ended May 2019

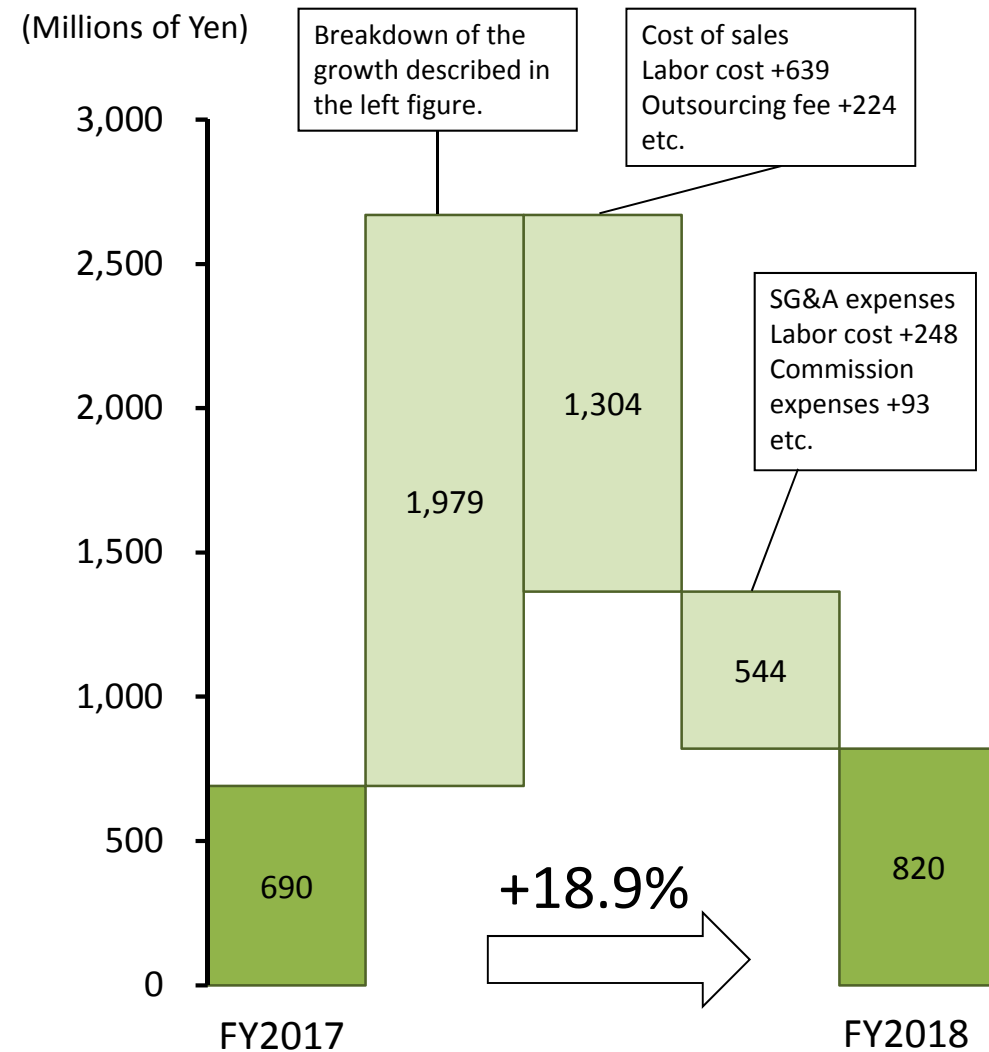


## Change in Net Sales and Operating Profit

### Net Sales



### Operating profit



# 1. Results in fiscal year Ended May 2019



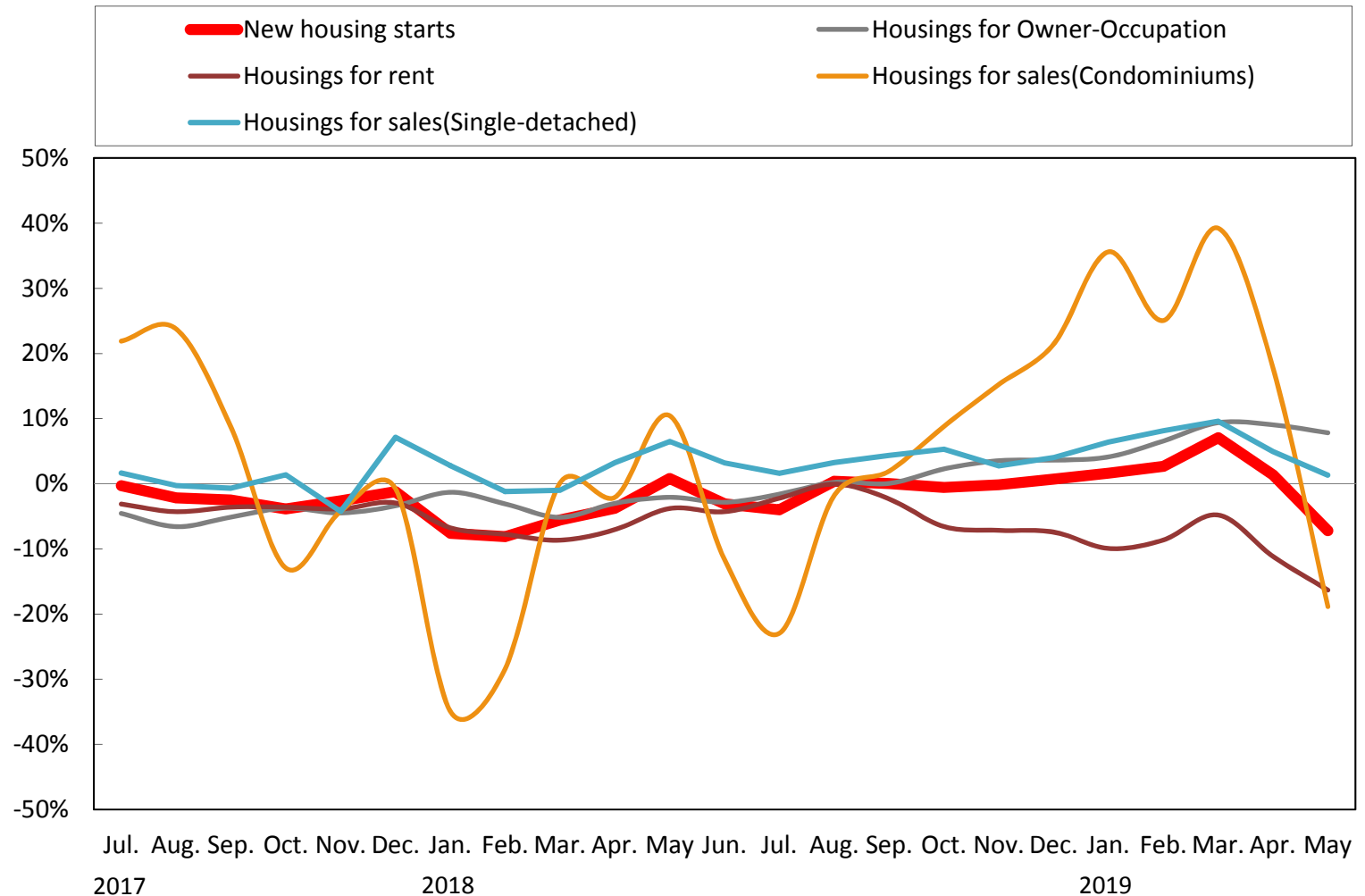
## Trends in housing market

- Upward trend of New housing starts reversed into negative.
- Changes in the cumulative total is as follows.

New housing starts	-0.7%
Housings for Owner-Occupation	+3.6%
Housings for rent	-7.0%
Housings for sales(Condominiums)	+4.1%
Housings for sales(Single-detached)	+4.2%

\*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 )



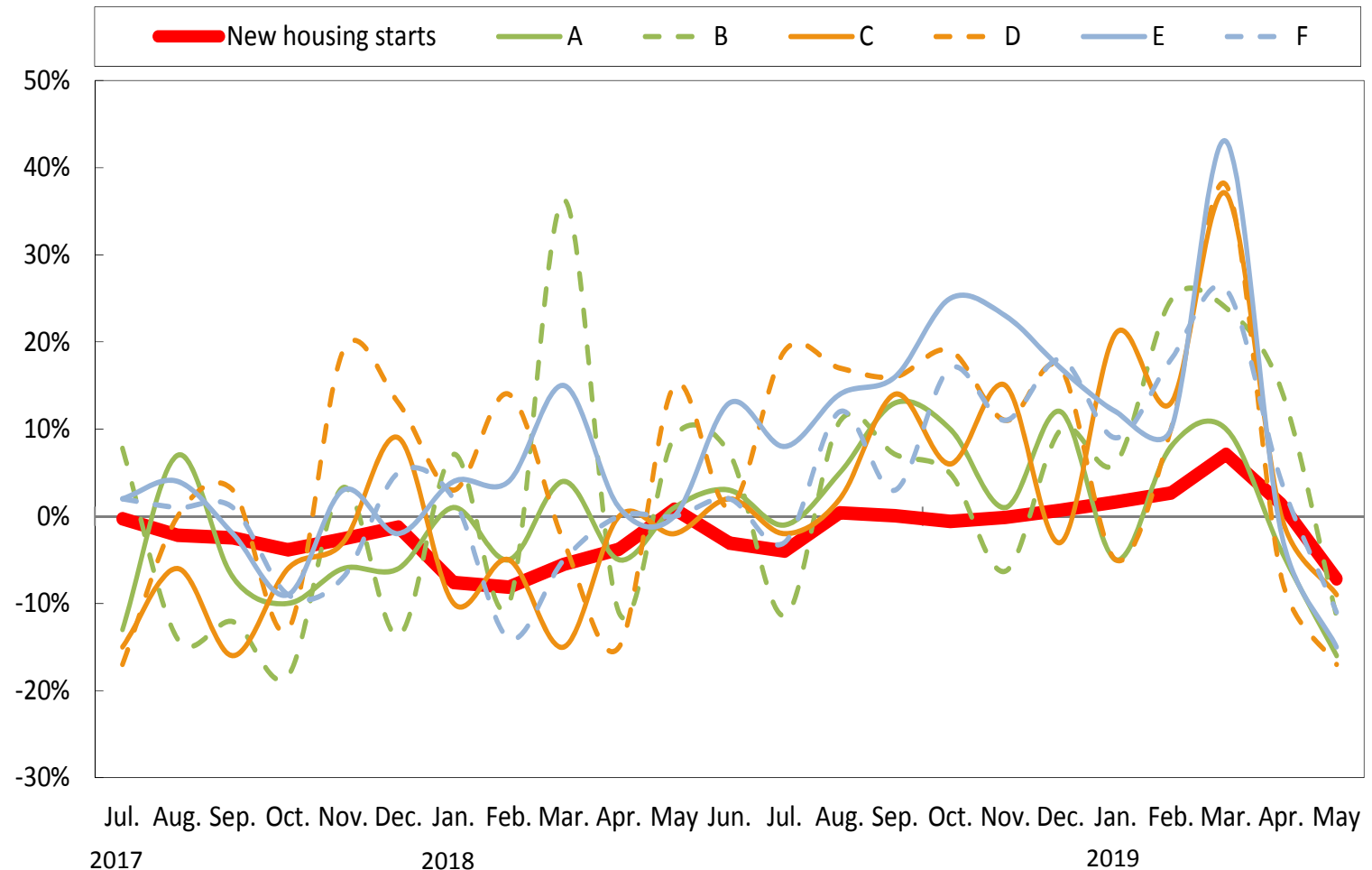
# 1. Results in fiscal year Ended May 2019



## Trends in housing market

Changes in new orders of detached houses by Major house builders

- Major house builders' sales have been in good shape since last June.
- However builder turned into negative growth all together in this April and May.



\* 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 2019



## Main operating figures | Consolidated

		FY2017 (Jun. 2017 – May 2018)		FY2018 (Jun. 2018 – May 2019)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		63,461	3,184	<b>78,797</b>	<b>3,542</b>	15,336	358
Final Inspections		61,437	2,776	<b>72,713</b>	<b>3,082</b>	11,276	306
Housing Design Performance Evaluations	Detached Houses	25,034	795	<b>35,757</b>	<b>997</b>	10,723	202
	Collective Houses	24,240	264	<b>20,497</b>	<b>240</b>	▲3,743	▲24
Housing Construction Performance Evaluations	Detached Houses	22,253	1,427	<b>28,959</b>	<b>1,707</b>	6,706	280
	Collective Houses	21,398	324	<b>22,231</b>	<b>339</b>	833	15

\* FY2018 includes Jun. 2018 - May 2019 data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and Apr. 2018 - Mar. 2019 data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* FY2017 includes Jun. 2017 - May 2018 data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and Oct. 2017 - Mar. 2018 data of Jyutaku Seinou Hyouka Center Co., Ltd.

# 1. Results in fiscal year Ended May 2019



## Breakdown of Building Confirmation

FY2018 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	27,977	5,809	3,337	2,143	921	1,897	42,084
Year-on-Year	1.1%	-9.8%	-6.7%	5.8%	-9.7%	13.5%	-0.8%
Proportion	66.5%	13.8%	7.9%	5.1%	2.2%	4.5%	100.0%
Net Sales	613.9	599.7	508.5	526.7	173.5	296.8	2,719.4
Year-on-Year	2.1%	-1.4%	0.1%	3.2%	-1.7%	8.1%	1.5%
Proportion	22.6%	22.1%	18.7%	19.4%	6.4%	10.9%	100%

(Reference; June 2018 - May 2019)

Growth rate of national newly built floor space (construction starts)	0.6%	-5.8%	-3.1%	-11.4%	2.6%	-0.9%
Proportion	62.5%	8.6%	15.0%	4.0%	9.9%	100.0%

# 1. Results in fiscal year Ended May 2019



## Key service figures | Consolidated

	FY2017 (Jun. 2017 – May 2018)		FY2018 (Jun. 2018 – May 2019)		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)	5,288	1,519	<b>5,504</b>	<b>1,624</b>	216	105	
Technical Assessments for Long-life Quality Housings	25,653	380	<b>28,922</b>	<b>414</b>	3,269	34	
Inspections for Housing Defect Liability Insurance	32,196	402	<b>40,493</b>	<b>388</b>	8,297	▲14	
Evaluation for Compliance with Energy Consumption Performance of Buildings	893	166	<b>1,079</b>	<b>200</b>	186	34	
BELS certifications	Non-housings	198	30	<b>180</b>	<b>35</b>	▲18	5
	Housings	4,820	78	<b>4,417</b>	<b>86</b>	▲403	8

\* FY2018 includes Jun. 2018 - May 2019 data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and Apr. 2018 - Mar. 2019 data of Jyutaku Seinou Hyouka Center Co., Ltd.

\* FY2017 includes Jun. 2017 - May 2018 data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and Oct. 2017 - Mar. 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. 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.

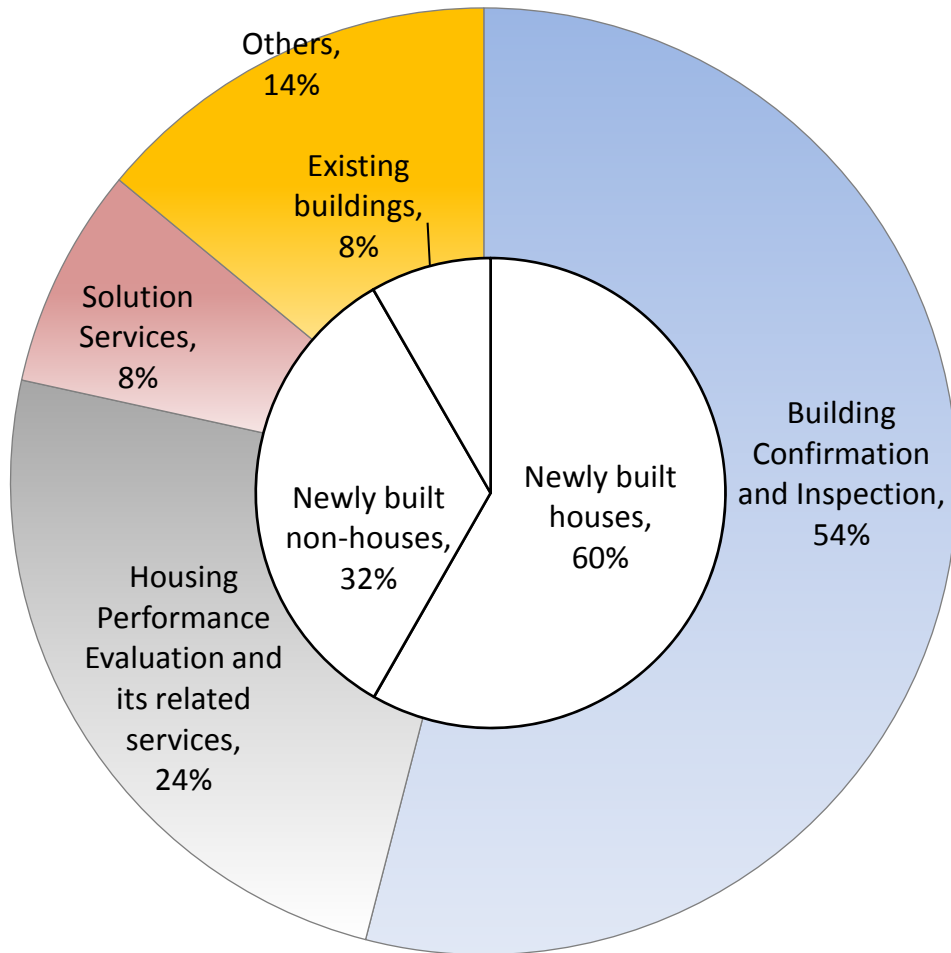
\* "Evaluation for Compliance with Energy Consumption Performance of Buildings" excludes the numbers of plan change.

# 1. Results in fiscal year Ended May 2019

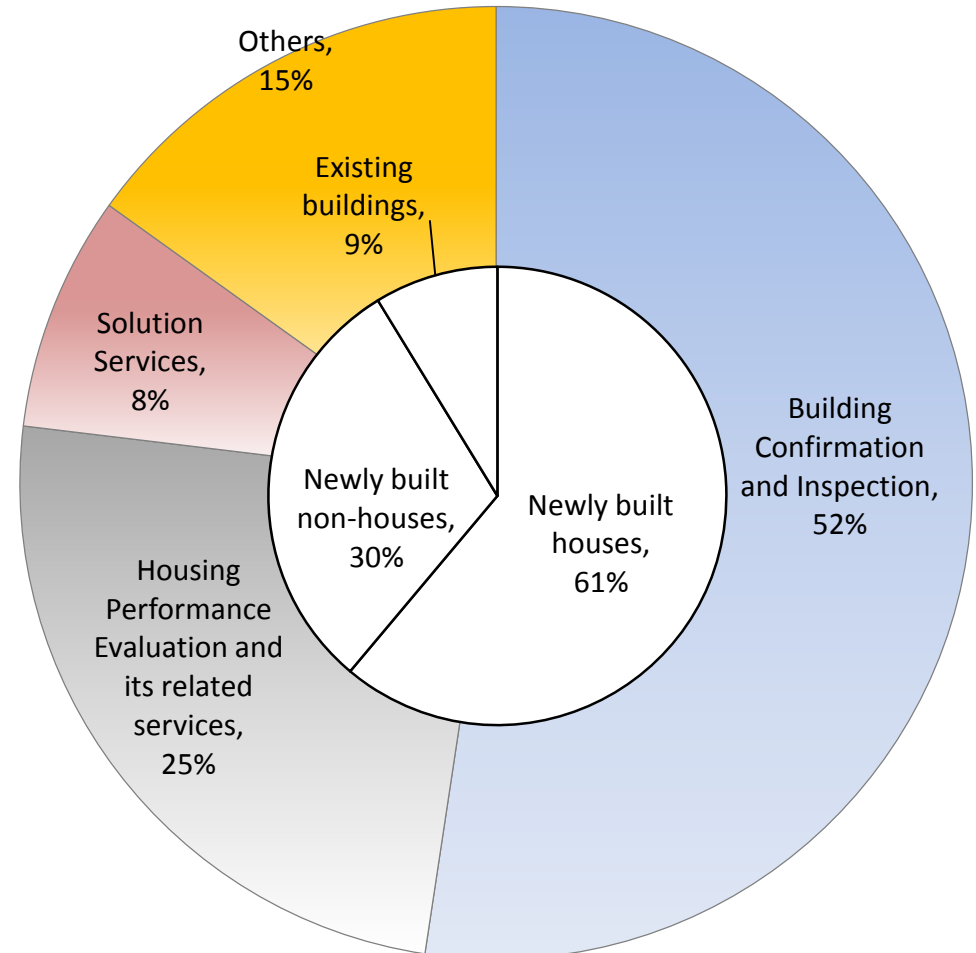
## Sales breakdown | Consolidated



FY2017



FY2018

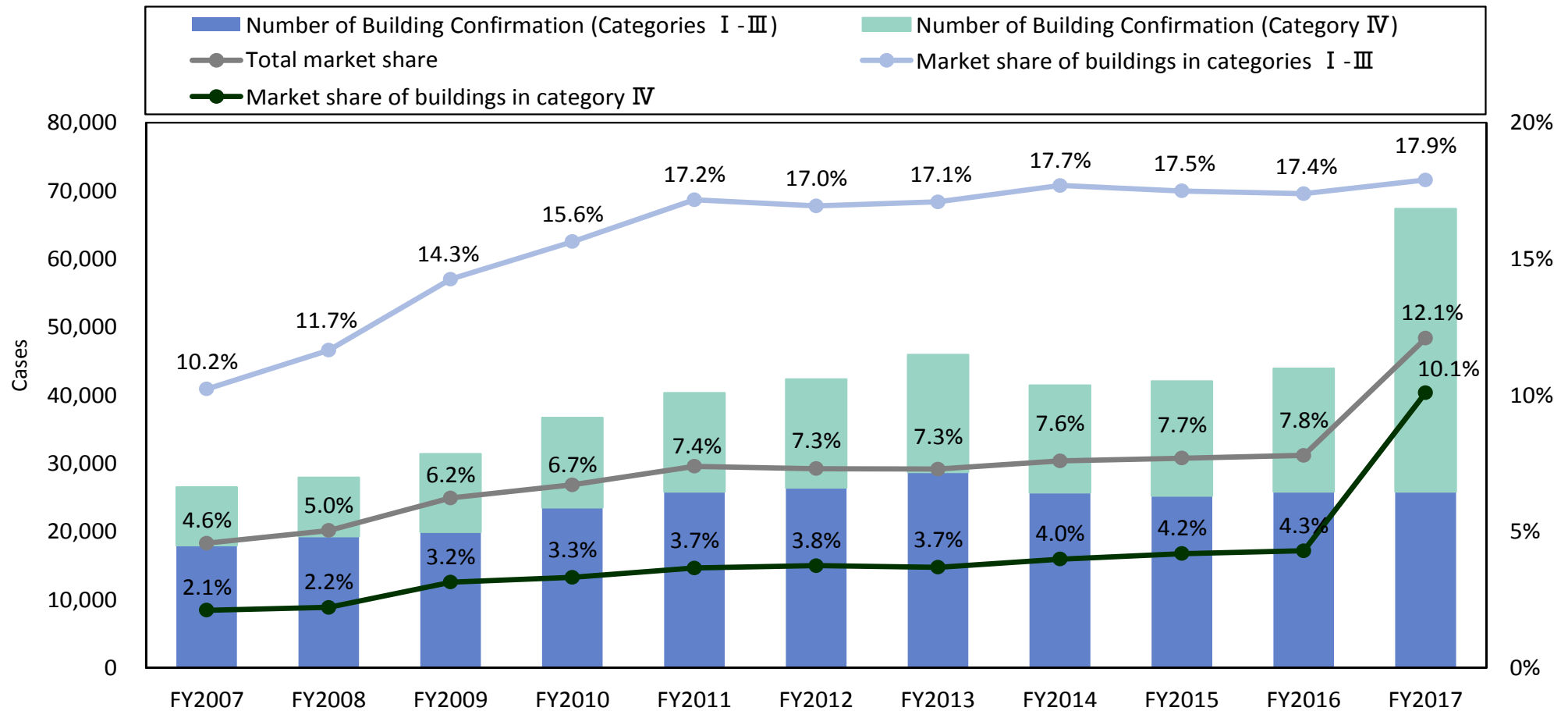


# 1. Results in fiscal year Ended May 2019



## Number of Building Confirmation and market share

Number of Building Confirmation and market share by ERI group



\* 12-month data of Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is fully included from FY2017.

\* Plots of FY2017 market share are updated based on the latest market data, up to Mar. 2018, which MLIT announced on Jan. 2019.

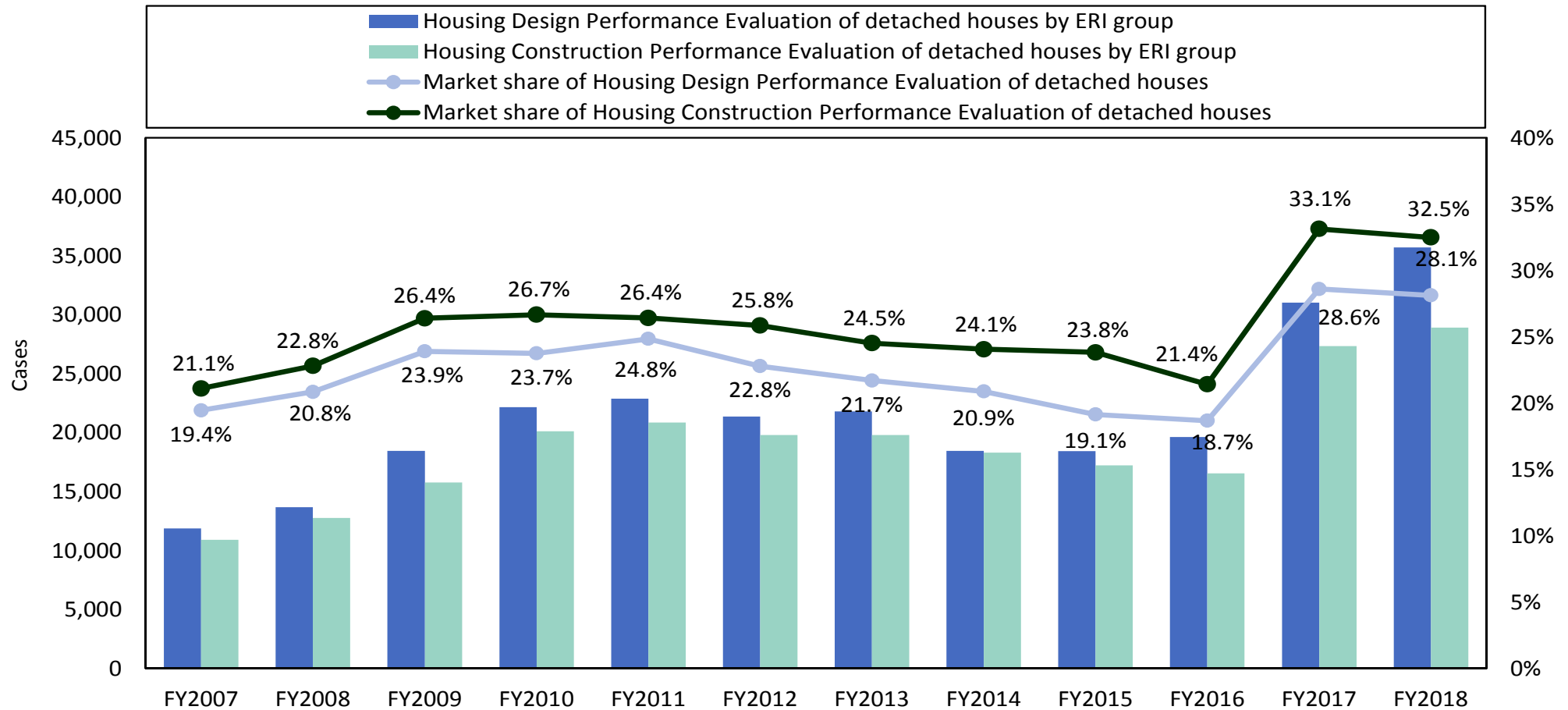
\* Fiscal year end of this chart is March.

# 1. Results in fiscal year Ended May 2019



## Number of Housing Design Performance and market share

Number of Housing Performance Evaluation and market share by ERI group



\* 12-month data of Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is fully included from FY2017.

\* Fiscal year end of this chart is March.

# 1. Results in fiscal year Ended May 2019

## Consolidated financial statements | Assets



(Millions of yen)

	FY2017 (Jun. 2017 - May 2018)	FY2018 (Jun. 2018 - May 2019)	Change
Total assets	6,346	<b>6,896</b>	549
Total current assets	4,139	<b>4,501</b>	361
Cash and deposits	2,804	<b>2,989</b>	185
Accounts receivable - trade	713	<b>790</b>	77
Work in process	446	<b>500</b>	54
Total non-current assets	2,206	<b>2,395</b>	188
Total Property, plant and equipment	397	<b>501</b>	104
Total intangible assets	944	<b>914</b>	▲29
Goodwill	648	<b>573</b>	▲75
Total investments and other assets	865	<b>979</b>	113

# 1. Results in fiscal year Ended May 2019



## Consolidated financial statements | Liabilities

(Millions of yen)

	FY2017 (Jun. 2017 - May 2018)	FY2018 (Jun. 2018 - May 2019)	Change
Total liabilities	4,050	<b>4,334</b>	284
Total current liabilities	2,622	<b>2,664</b>	42
Accrued expenses	819	<b>842</b>	22
Advances received	827	<b>908</b>	81
Total non-current liabilities	1,427	<b>1,670</b>	242
Total net assets	2,296	<b>2,561</b>	265
Total shareholders' equity	2,267	<b>2,530</b>	262
Retained earnings	1,469	<b>1,760</b>	291
Total liabilities and net assets	6,346	<b>6,896</b>	549



## 2. Forecasts for the fiscal year Ending May 2020

# Forecasts for FY2019



(Millions of yen)

	FY2018 (Jun. 2018 – May 2019)	FY2019 (Jun. 2019 – May 2020)	Change
Net Sales	15,076	<b>15,119</b>	42
Operating Profit	820	<b>495</b>	▲324
Vs. Net Sales	5.4%	<b>3.3%</b>	-
Ordinary Profit	845	<b>530</b>	▲314
Vs. Net Sales	5.6%	<b>3.5%</b>	-
Profit Attributable to Owners of Parent	523	<b>286</b>	▲236
Profit per Share (Yen)	68.94	<b>37.72</b>	▲31.22
Dividends per Share (Yen)	30	<b>30</b>	-



## Forecasts for FY2019

### Backgrounds of depressed earning forecast

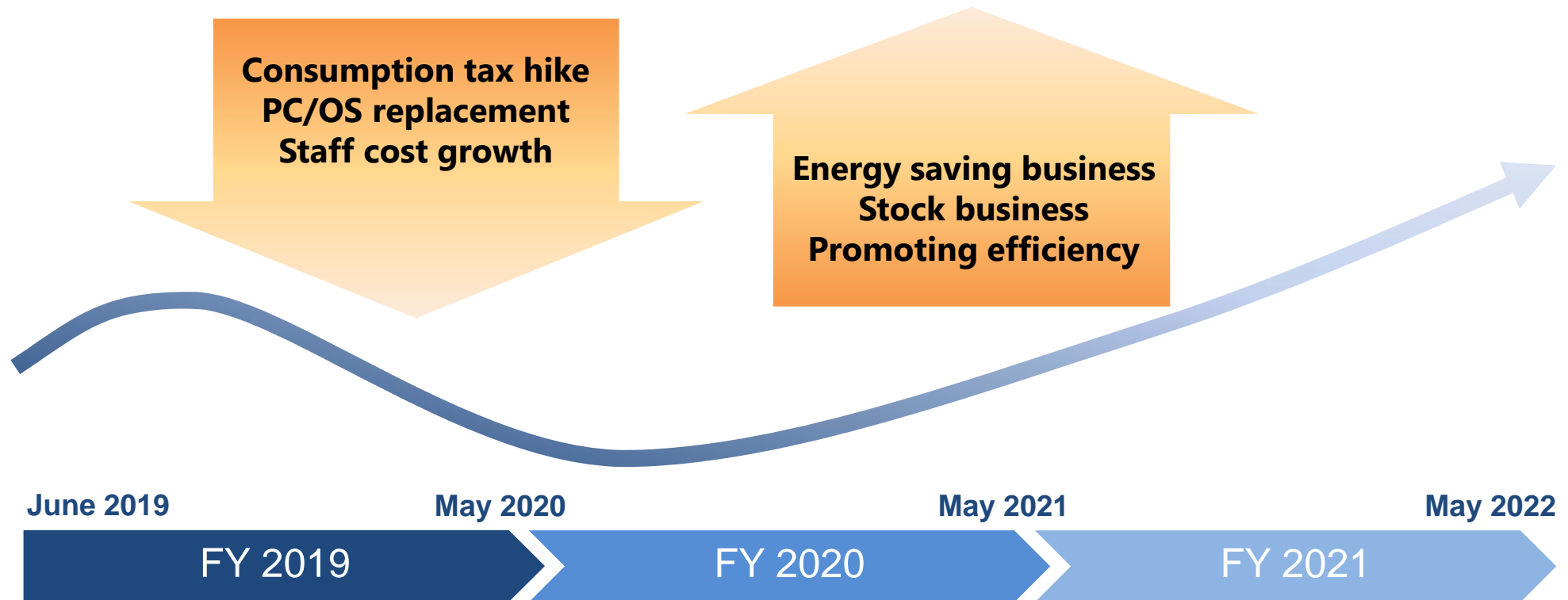
- Due to consumption tax hike, tough business condition undergoing shrinking of new housing starts is anticipated.
- In addition, temporary and intensive request for extra structural verification in the previous period have run out. The acquisition of Kozo Sogo Research and Development Inc. will partly compensate these impact but revenue is expected to remain flat.
- ICT investment such as intensive replacement of OS (Windows10) / PC and up-to-date BIM platform building is necessary.
- Implementation of Work Style Reform and intensified recruiting difficulties due to growing shortage of workers in construction sector will increase burden.
- Increase in upfront investment in staff education and other platform enhancement in advanced to forthcoming expansion of scope that enforce Energy Efficiency Standards is essential.

### 3. Our new medium-term management plan



## Concept

Getting over depressing new-build market upon consumption tax hike, seek a sustainable business growth by energy saving and stock related business expansion and aggressive M&A.



### 3. Our new medium-term management plan



# Medium-term management plan (FY2019 - FY2021)

Business strategy	Business field	Providers, Basic policy
Existing core business <Strengthen profitability>	<ul style="list-style-type: none"> <li>✓ Building Confirmation and Inspection</li> <li>✓ Housing Performance Evaluation</li> <li>✓ Structural Calculation Review</li> <li>✓ Structural Evaluation etc.</li> </ul>	<p>Japan ERI, Tokyo Bldg-Tech Center, Jyutaku Seinou Hyouka Center</p> <p>Overcome a shortage of workers and enhance productivity by worker education for multi-skilling and promotion of digital transformation including BIM.</p> <p>Enhance a market share of core business, Building Confirmation and Inspection and Housing Performance Evaluation, utilizing M&amp;A in a forthcoming industrial shakeout and reorganization.</p>
New growth businesses <Business expansion>	<ul style="list-style-type: none"> <li>✓ Services related to energy conservation</li> <li>✓ Building/ infrastructure stock</li> <li>✓ Overseas</li> </ul>	<p>ERI Solution, Kozo Sogo Research and Development</p> <p>Going forward into the Building Energy Saving regulation tightening in 2021, invest in engineer training and operational system enhancement for energy saving service growth, which is also benefit to share up of core business.</p> <p>Actively invest management resources in a building stock business to step up to new core business and expand to an infrastructure stock business.</p> <p>Continue to collect information to accurately identify opportunities for development of oversea business.</p>

### 3. Our new medium-term management plan



# Numerical targets of medium-term management plan

	Results of FY2018	Targets of FY2021
Net sales	15.08 billion yen	More than 18.5 billion yen (incl. M&A's contribution about 2 billion yen)
Operating profit	0.82 billion yen	More than 1.2 billion yen
Operating Profit / Net Sales	5.4%	More than 6.5%
ROE	21.8%	More than 20%
Dividend	30.00 yen	Keep up stable dividend (More than 30% dividend payout ratio)

## 4. Topics



# Acquisition of Kozo Sogo Research and Development Inc.

- May 2019, ERI holdings acquired 100% outstanding shares.
- Collaboratively working with ERI Solution, accelerate business growth in building and infrastructure stock inspection.



### Company Outline

Company name	Kozo Sogo Research and Development Inc.
Head office	Higashi Osaka-shi, Osaka
Main business contents	Nondestructive inspection, Diagnosis of existing houses and structures
Establishment	January 1986
Capital	30 million yen
Net sales	184 million yen (FY ended December 2018)

## 4. Topics

# Selected as IT oriented management company



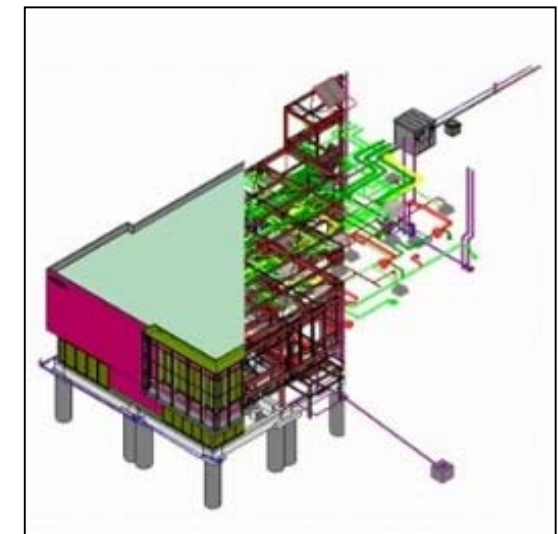
Selected as one of the excellent IT oriented management company by METI\* at "Competitive IT Strategy Company for 2019"

\* Ministry of Economy, Trade and Industry

- Promotion activity of digital transformation, such as BIM utilization in Building Confirmation and UAVs utilization in building inspection, was highly evaluated.



External wall inspection with UAVs



BIM utilization in Building Confirmation

## 4. Topics

# Tightening limits on energy efficiency standards



Feb. 2019, the cabinet decided to enhance mandatory compliance with energy efficiency standards down to  $\geq 300$ sqm non-housing.

- Planned to be enforced in Apr. 2021

National new building starts by floor area (2017 official estimate)

