



# 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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## 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<br>(Jun. 2016 – May 2017) | FY2017<br>(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<br>[54.6%]   | <b>7,059</b><br>[53.9%]   | 859     | 13.9% | 678            | 327    |
| Housing Performance Evaluation and its related services | 2,877<br>[25.3%]   | <b>3,199</b><br>[24.4%]   | 322     | 11.2% | ▲18            | ▲19    |
| Solution Services                                       | 898<br>[7.9%]      | <b>1,012</b><br>[7.7%]    | 144     | 12.8% | 122            | 83     |
| Others  | 1,382<br>[12.2%]   | <b>1,826</b><br>[14.0%]   | 443     | 32.1% | ▲58            | 41     |
| Net Sales Total   | 11,357<br>[100.0%] | <b>13,097</b><br>[100.0%] | 1,740   | 15.3% | 722            | 432    |

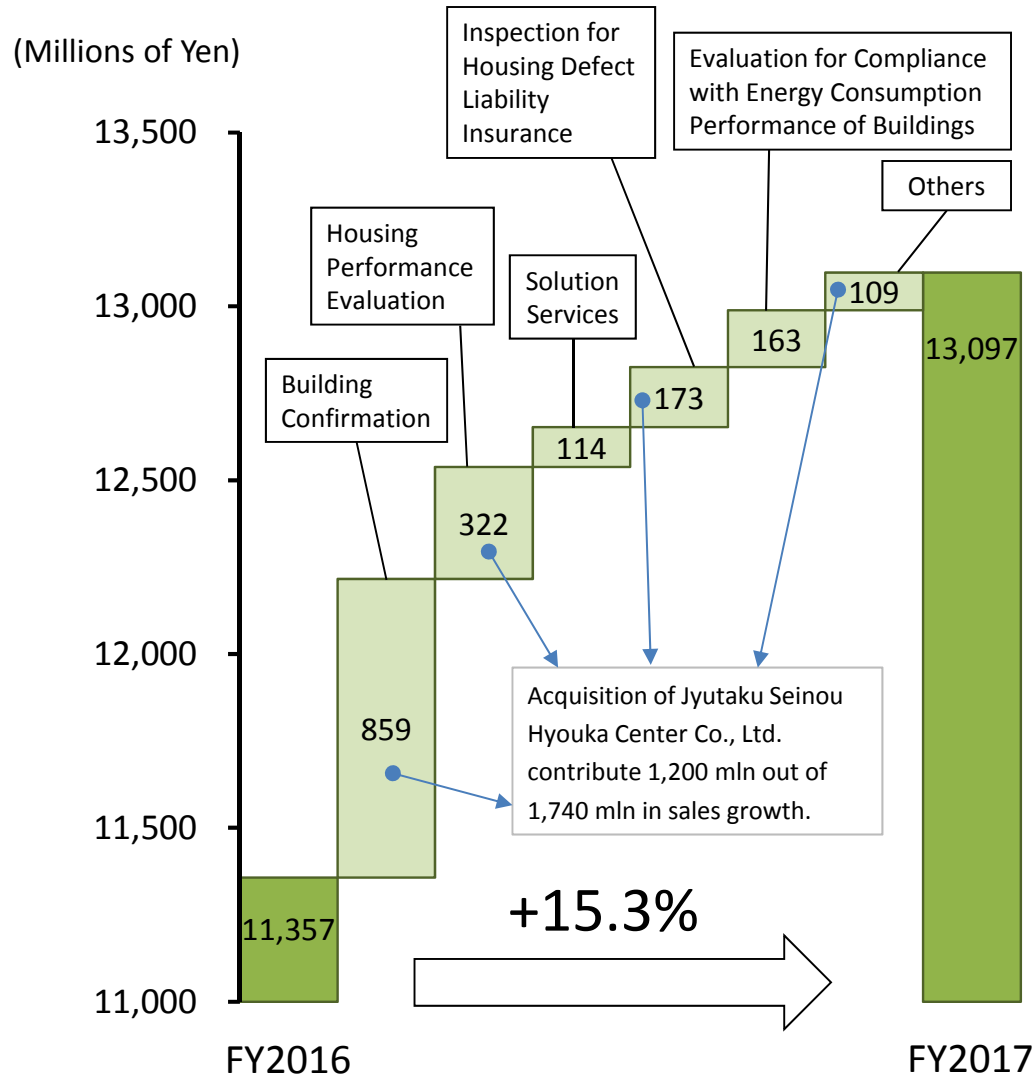
\* Consolidated result of the fiscal year ended May 2018 includes FY2017 3Q-4Q (Oct.2017-Mar.2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

# 1. Results in fiscal year Ended May 2018

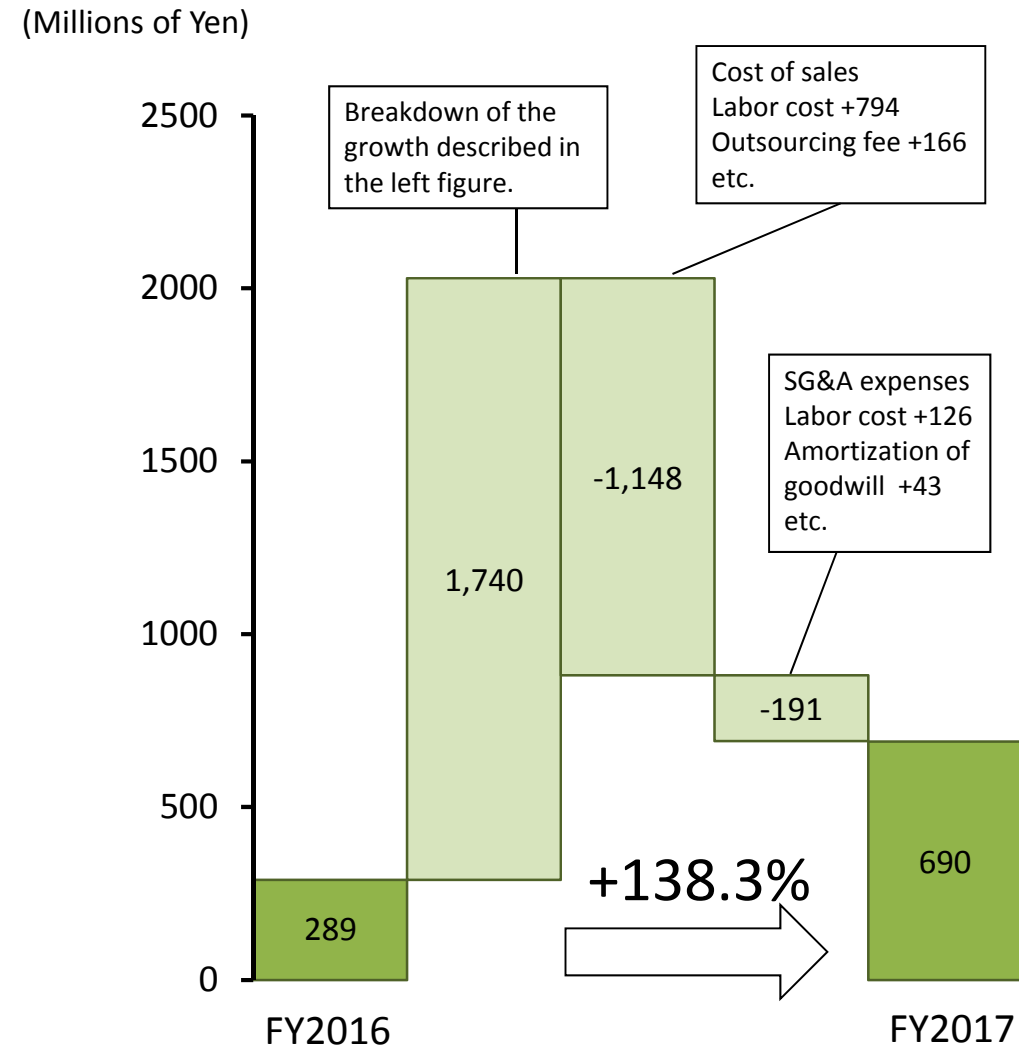
## Change in Net Sales and Operating Profit



### Net Sales



### Operating profit



# 1. Results in fiscal year Ended May 2018

## Trends in housing market

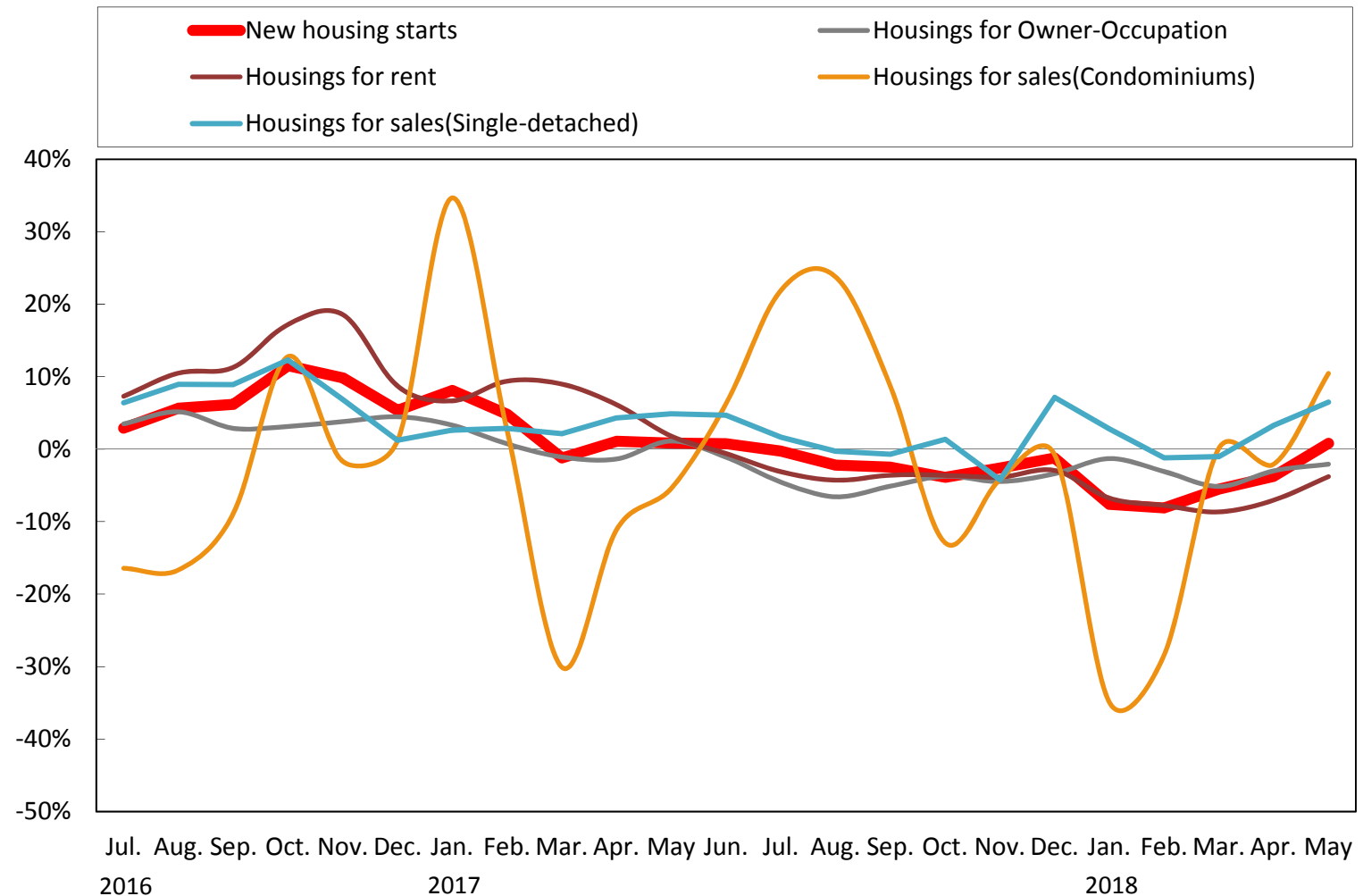


- New housing starts stay on a downward trend.
- Changes in the cumulative total is as follows.

|                                     |       |
|-------------------------------------|-------|
| New housing starts                  | -2.8% |
| Housings for Owner-Occupation       | -3.8% |
| Housings for rent                   | -4.8% |
| Housings for sales(condo-minimums)  | -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 )



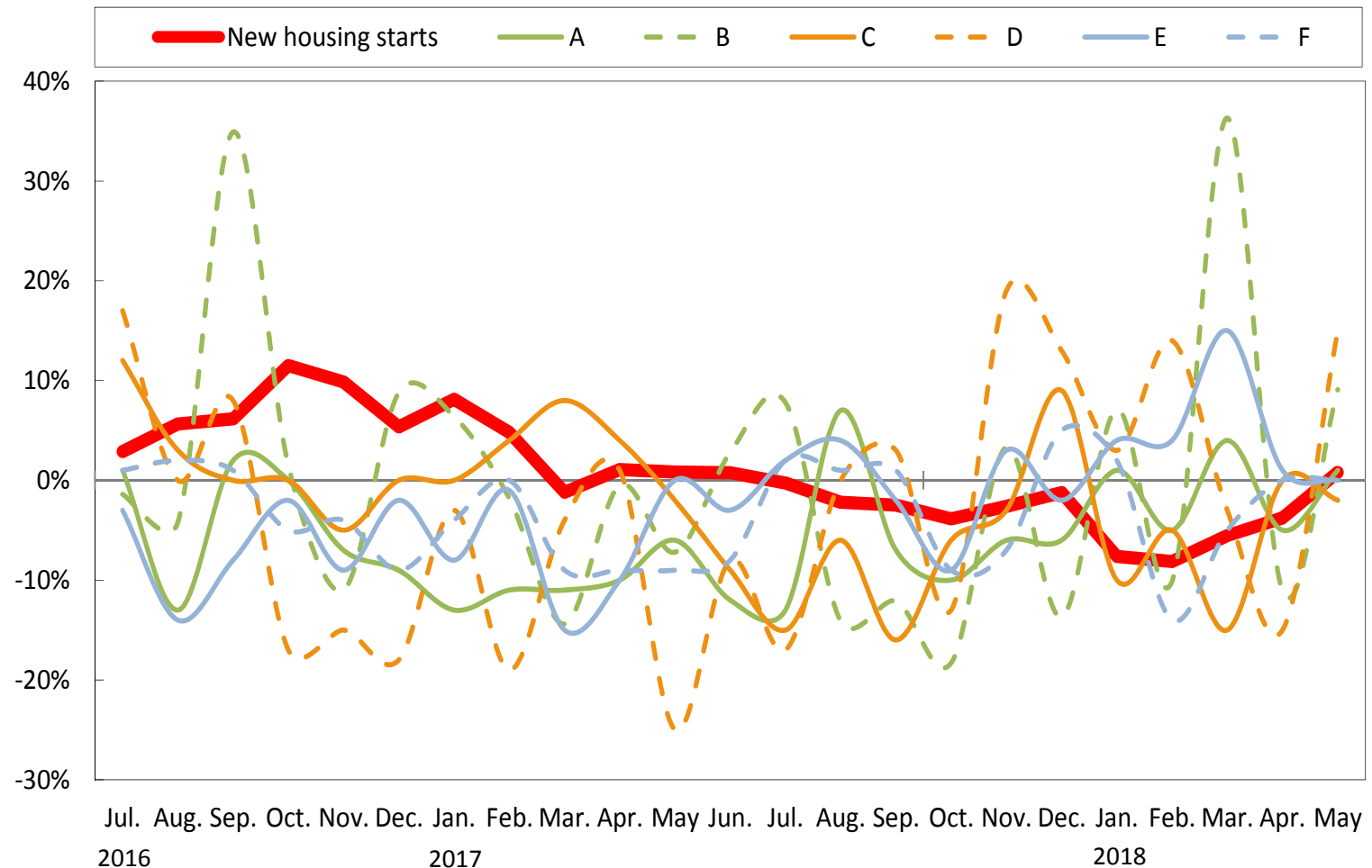
# 1. Results in fiscal year Ended May 2018

## Trends in housing market



- 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.

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 in fiscal year Ended May 2018

## Main operating figures | Consolidated



(Cases)

|  | FY2016<br>(Jun. 2016 – May 2017) | FY2017<br>(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<br>(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<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)         | 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".

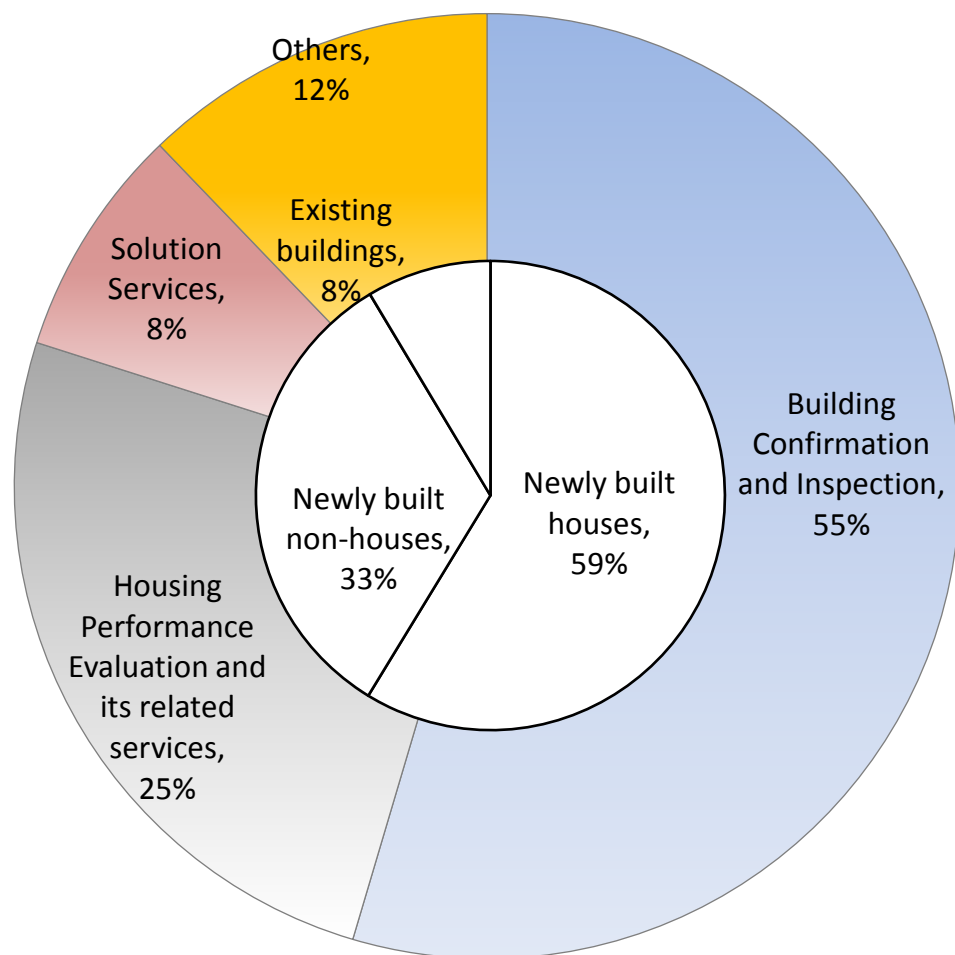
\* "Route-2 Structural Examination", "Pre-completion Tentative Approval" and "Assessment of Compliance with the Building Standard Law services" exclude the numbers of plan change.

# 1. Results in fiscal year Ended May 2018

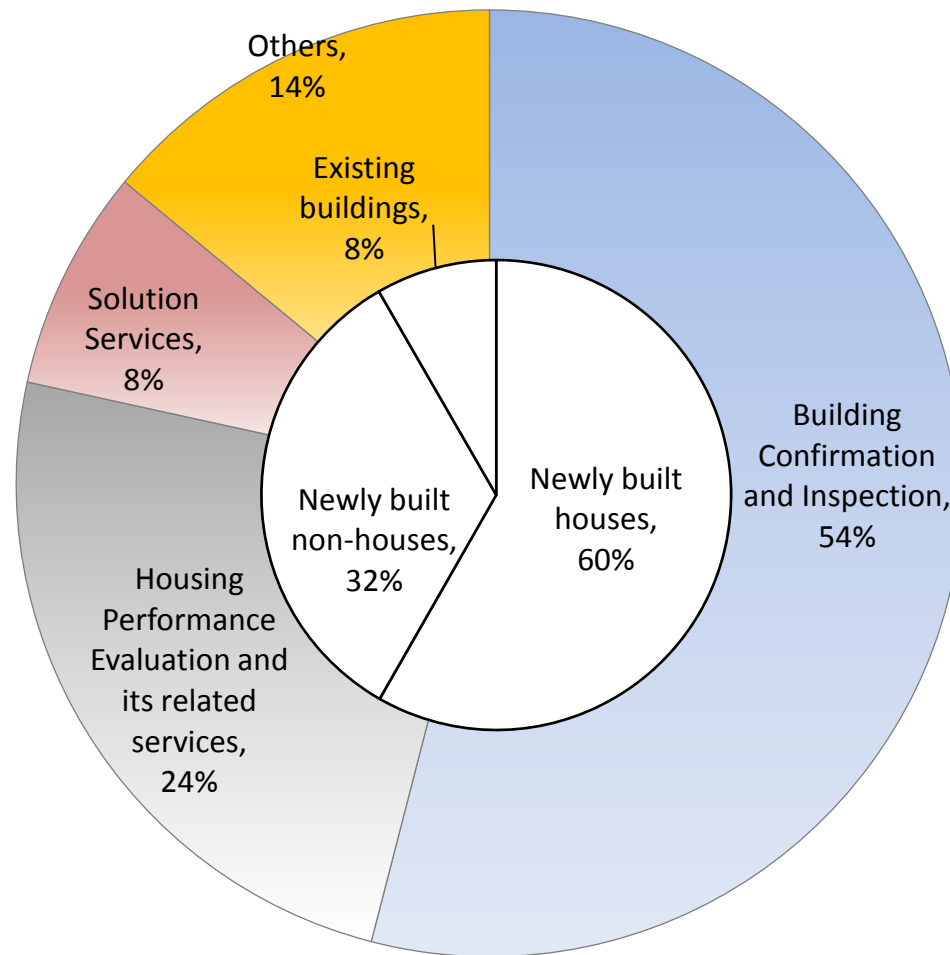
## Sales breakdown | Consolidated



FY2016



FY2017



# 1. Results in fiscal year Ended May 2018

## Consolidated financial statements | Assets



(Millions of yen)

|                                     | FY2016<br>(Jun. 2016 - May 2017) | FY2017<br>(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<br>(Jun. 2016 - May 2017) | FY2017<br>(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<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                     | ✓ Structural Calculation Review  | Establish systems and reach top of industry.  |
|  | Japan ERI<br>TBTC        | ✓ Structural Evaluation  | Use technical strengths to maintain high share of market.   |
| New growth businesses<br><Increase in investments>   | Japan ERI<br>SHC<br>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<br>Solution          | ✓ Building stock   | <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           | ✓ Information and education-related services   | Establishment of stable revenue foundation.   |
| Business in new fields<br><Expand business sphere>   | ERI<br>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. | ■ <b>ERI Solution</b> forms a business alliance with SKYROBOT Inc. and starts inspection service with UAVs.   |
|        | Sep. | ■ <b>ERI Academy</b> starts “E-learning”.   |
|        | Nov. | ■ <b>ERI Academy</b> starts “ERI Design Competition for Students”.  |
|        | Dec. | ■ <b>TBTC</b> moves to Ministry Designated Confirmation and Inspection Bodies.  |
|        | Mar. | ■ Acquisition of <b>EPA SYSTEM</b> (100%) enhances system development capability.   |
| FY2017 | Apr. | ■ <b>Japan ERI</b> and <b>TBTC</b> start Evaluation for Compliance with Energy Consumption Performance of Buildings.<br>■ <b>Japan ERI</b> fully revises fee schedule for Building Confirmations and Inspection Services.   |
|        | Jun. | ■ <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.   |
|        | Nov. | ■ Acquisition of <b>Jyutaku Seinou Hyouka Center</b> (97%) enhances core business.  |
| FY2018 | Mar. | ■ <b>ERI Solution</b> forms a business alliance with Iemamori Holdings Co., Ltd. and collaborate for home inspection services.  |
|        | Jun. | ■ <b>ERI Solution</b> finishes Construction Consultant registration and newly entered into infrastructure inspection business.<br>■ <b>Japan ERI</b> renews HP design and functions for improving customer services; the first Building Confirmation is issued by utilizing BIM software. |

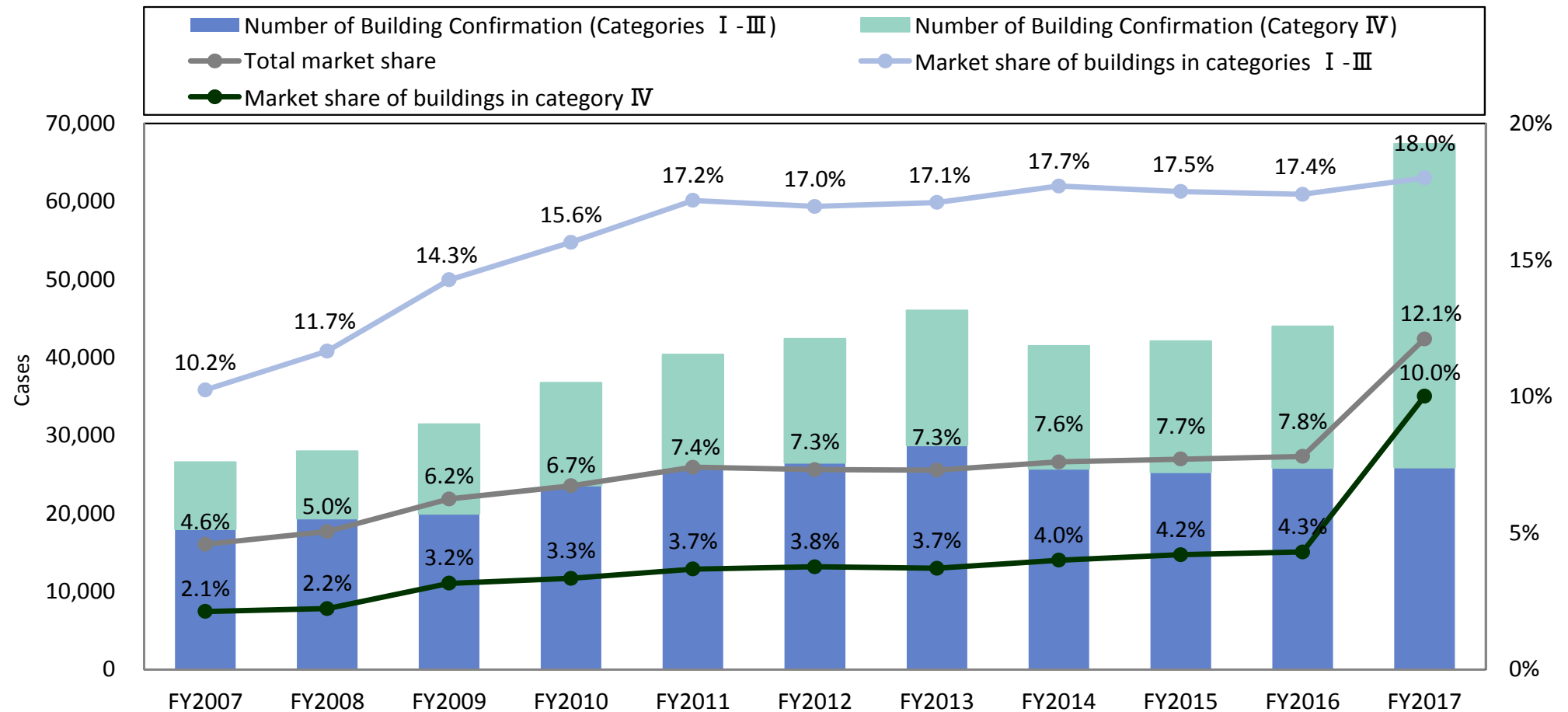
### 3. Progress in medium-term management plan

## 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.

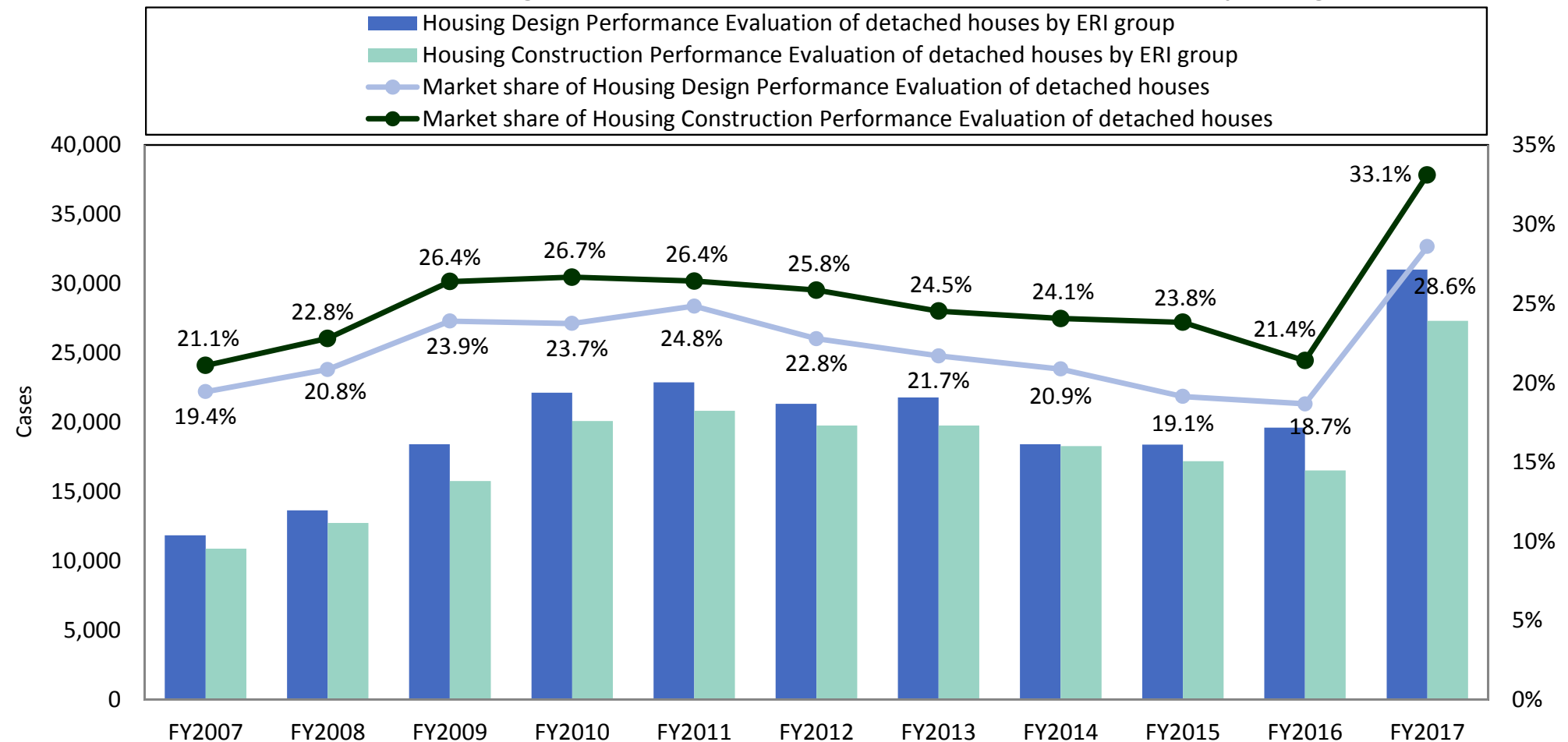
### 3. Progress in medium-term management plan

## 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.

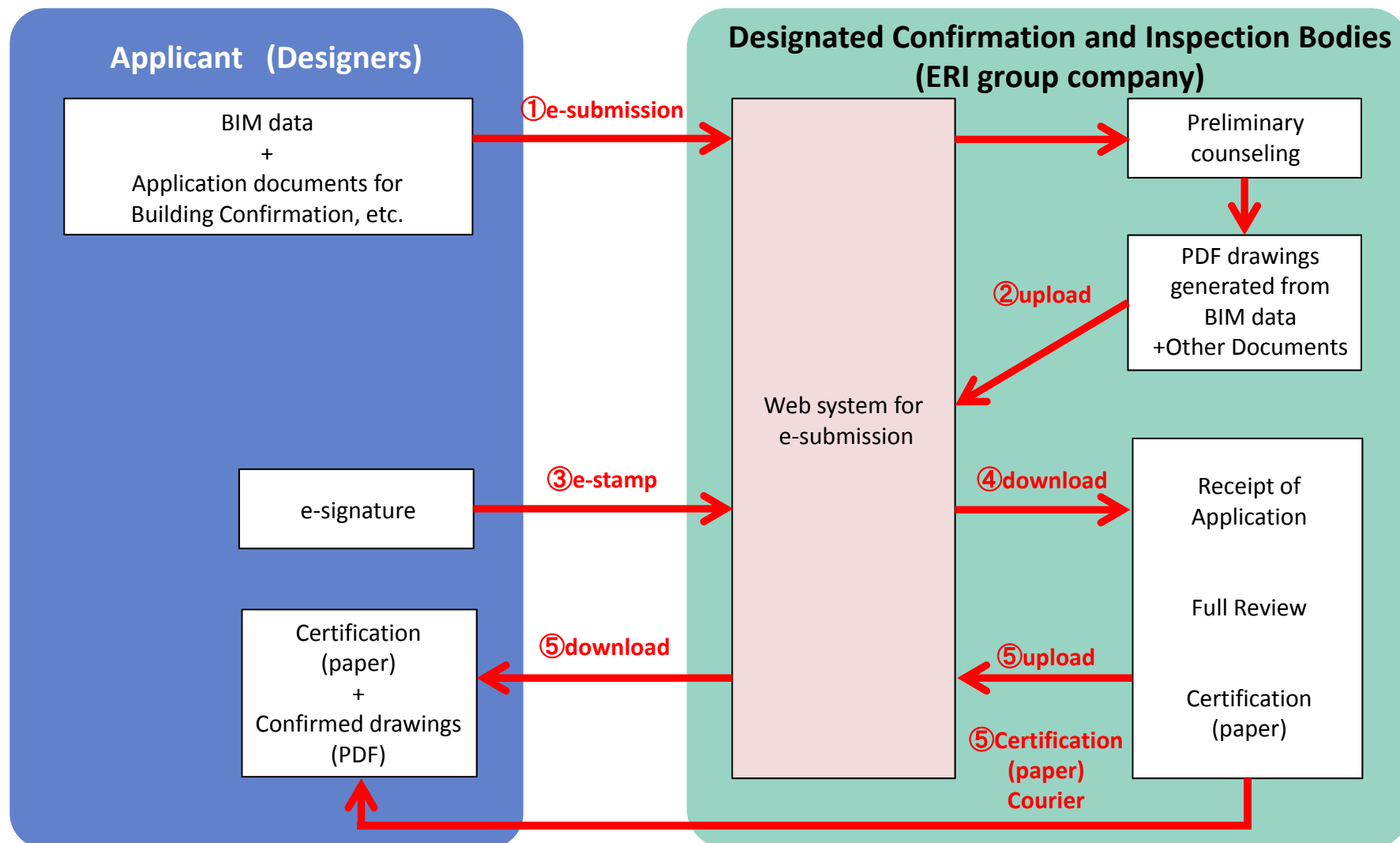
\* Fiscal year end of this chart is March.

### 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

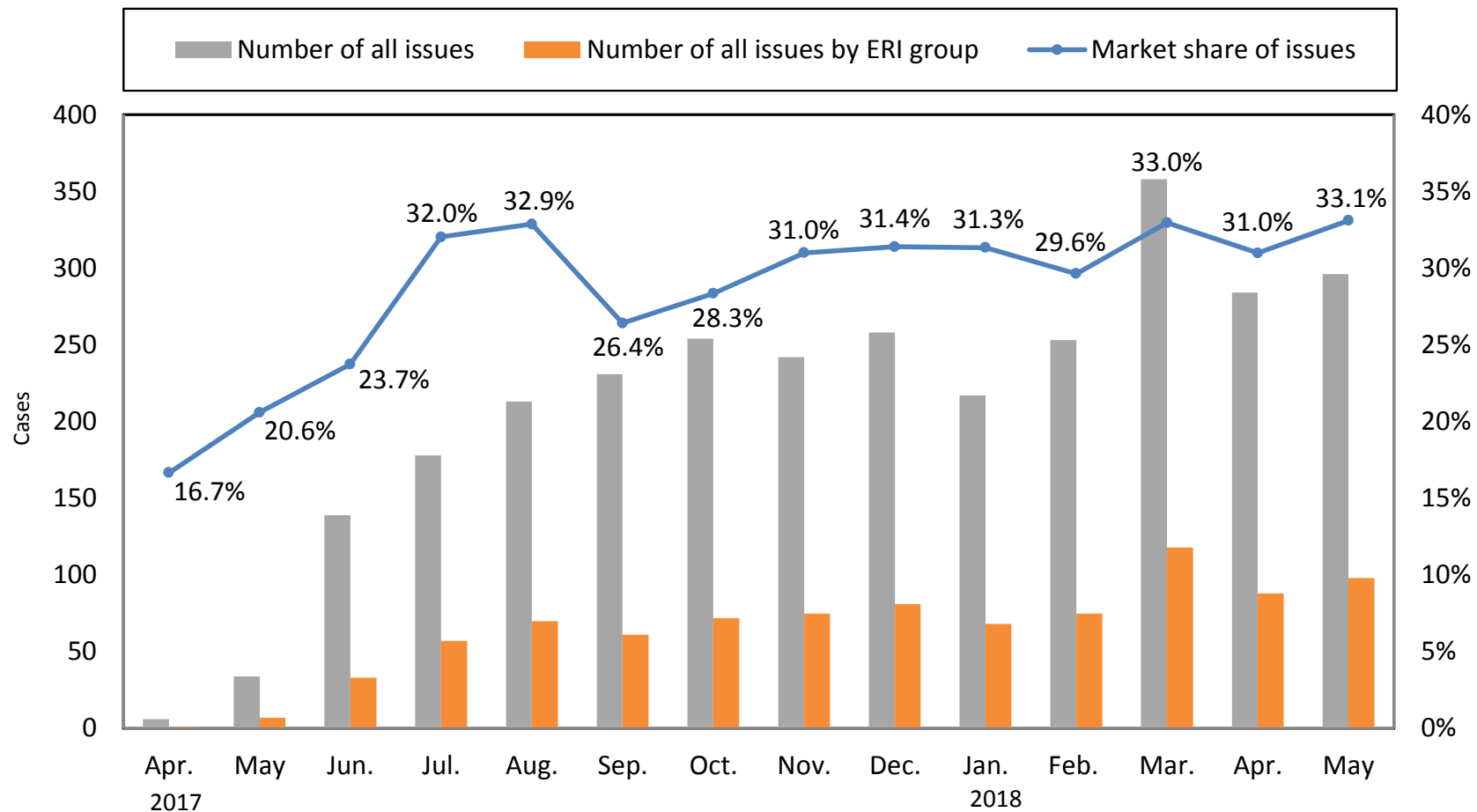
## Enhance investment in new growth business ①



### ● 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

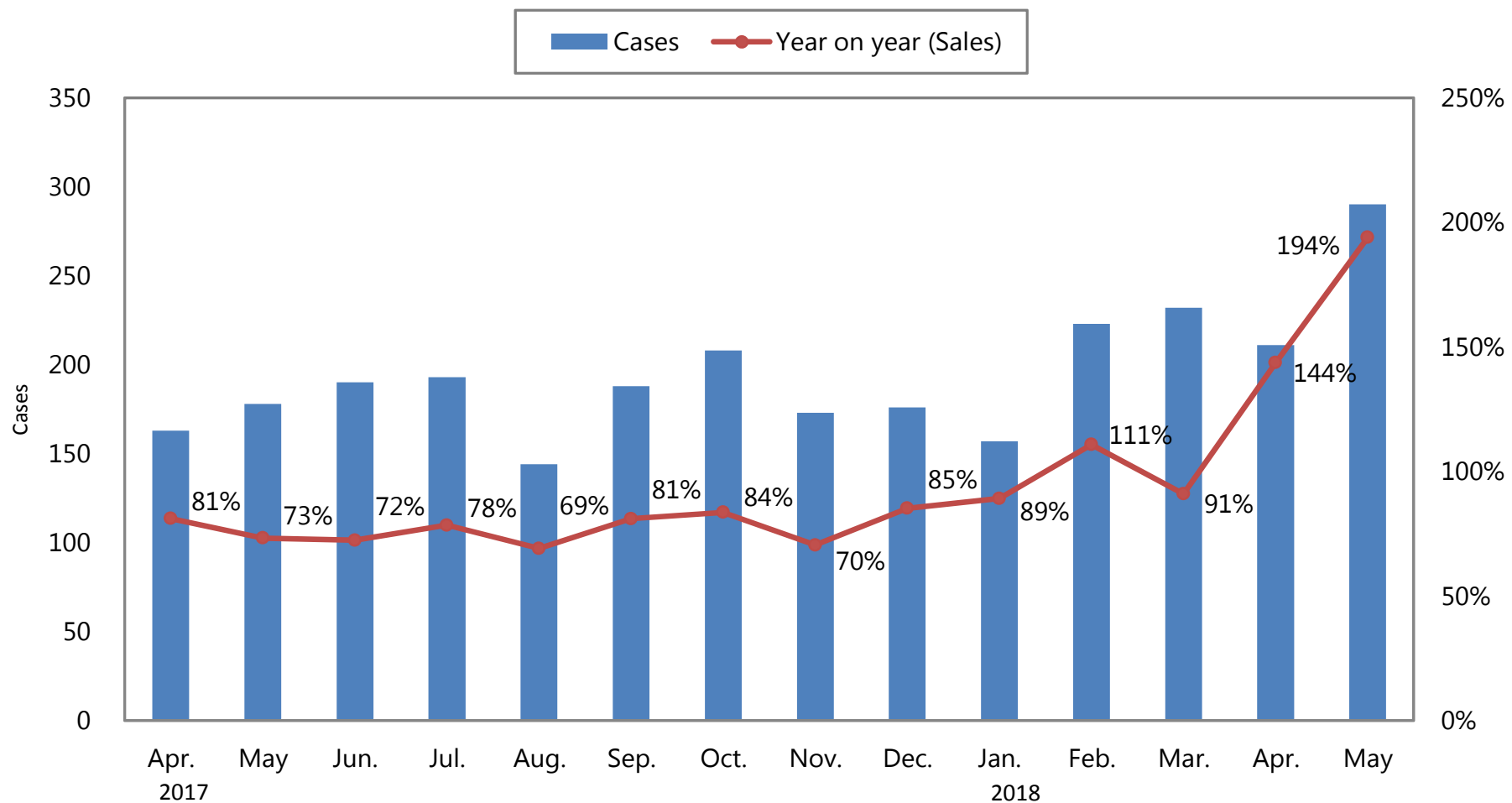
## Enhance investment in new growth business ②



### ● 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),<br>Osaka, Nagoya, Fukuoka |