

evaluation, rating, inspection

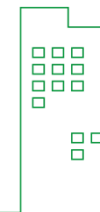


Financial Results for the Second Quarter

From June 1, 2014 to November 30, 2014

ERI Holdings Co., Ltd.
January 9, 2015

Listed on Tokyo Stock Exchange
Code 6083



Summary



First half cumulative profits returned to profitability, but both in year-on-year sales and profits decreased steeply.

- After the hike in consumption tax rate, slump in New Housing starts is serious and year-on-year number marks a 9-month consecutive drop. Housing-related sales decreased substantially.
- Regarding non-houses segment, sales in offices/stores and factories/warehouses exceed the previous year but in hospitals/schools decreased substantially.
- In building confirmation and inspection, housing performance evaluation and its related services and others, all segments decreased both in sales and profits.
- Sales in legal compliance inspection for existing buildings grows to 2.6 times higher than that in the same period of the previous year.

Consolidated results



(Millions of Yen)

	FY2013 1H (Jun. 2013 - Nov. 2013)	FY2014 1H (Jun. 2014 - Nov. 2014)	Change	
			Amounts	Ratio
Gross Sales (Net Sales *)	6,431 (5,834)	5,877 (5,352)	▲553 (▲481)	▲8.6% (▲8.3%)
Operating Income	474	14	▲460	▲97.0%
Operating Income Ratio	7.4%	0.2%	-	-
Ordinary Income	487	46	▲440	▲90.4%
Ordinary Income Ratio	7.6%	0.8%	-	-
Net Income	▲194	6	201	-
Net Income per Share (Yen)	▲24.91	0.90	25.81	-

* Net sales is subtracted peer check fee from gross sales. (Peer check fee is paid to the other bodies through ERI group.)

Consolidated results by segment



(Millions of Yen)

	FY2013 1H	FY2014 1H	Change		Operating Income	Change
			Amounts	Ratio		
Building Confirmation and Inspection (Net Sales ^{*1})	3,810 (3,213) [55.1%]	3,536 (3,011) [56.2%]	▲274 (▲202)	▲7.2% (▲6.3%)	▲57	▲276
Housing Performance Evaluation and its related services	1,560 [26.7%]	1,315 [24.6%]	▲244	▲15.7%	6	▲172
Others	1,060 [18.2%]	1,025 [19.2%]	▲34	▲3.3%	65	▲11
Gross Sales Total	6,431 [100.0%] ^{*2}	5,877 [100.0%] ^{*2}	▲553	▲8.6%	14	▲460

*1 Net sales is subtracted peer check fee from gross sales. (Peer check fee is paid to the other bodies through ERI group.)

*2 Structural ratio[] is calculated using Net sales. (FY2013 ¥5,834 million, FY2014 ¥5,352 million)

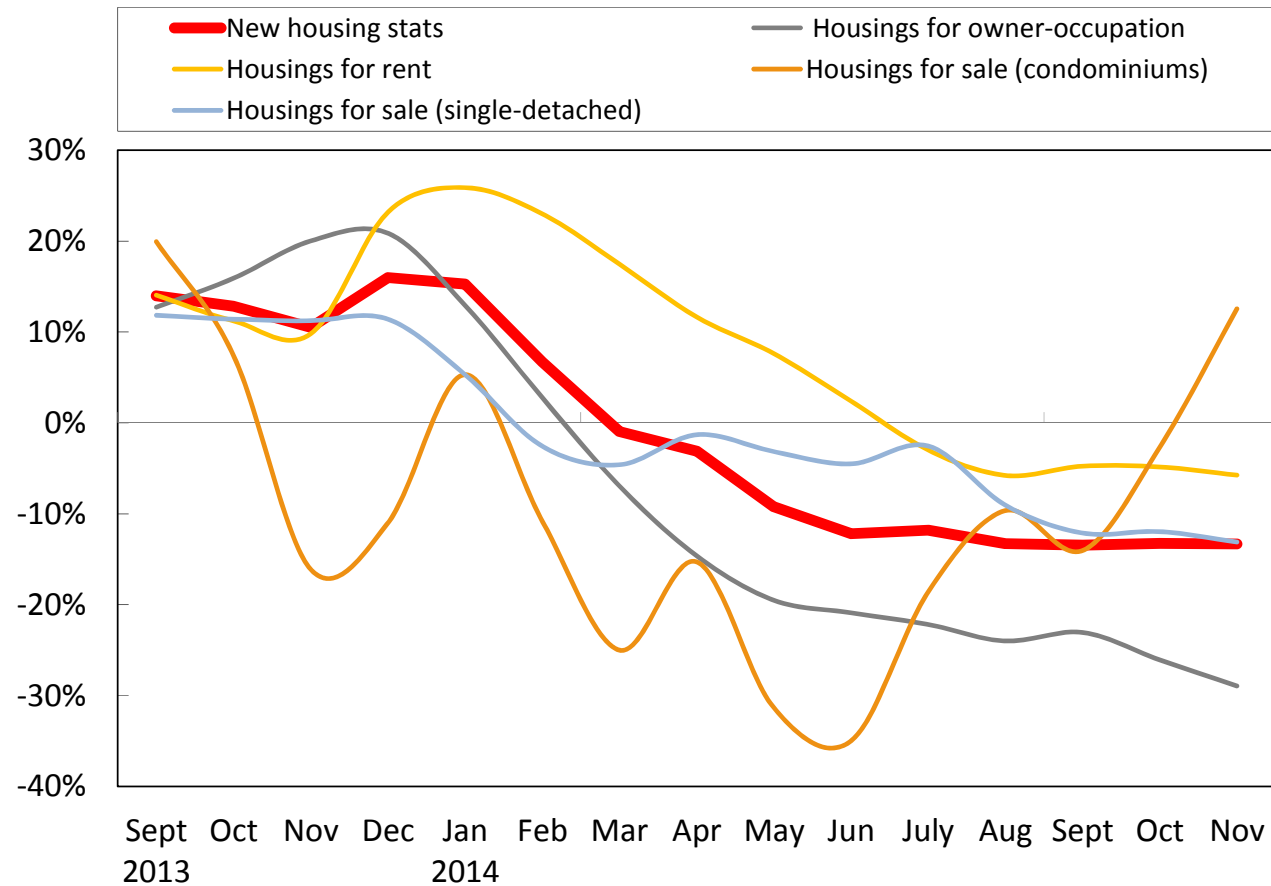
Trends in housing market



- New housing starts has been decreasing during this period.
- Relatively well performed housings for rent finally turned to negative in July.
- Housings for owner-occupation was considerably sluggish.
- Condominiums hit the bottom in Jun and rebounded to positive from October.

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

(Year-on-Year)

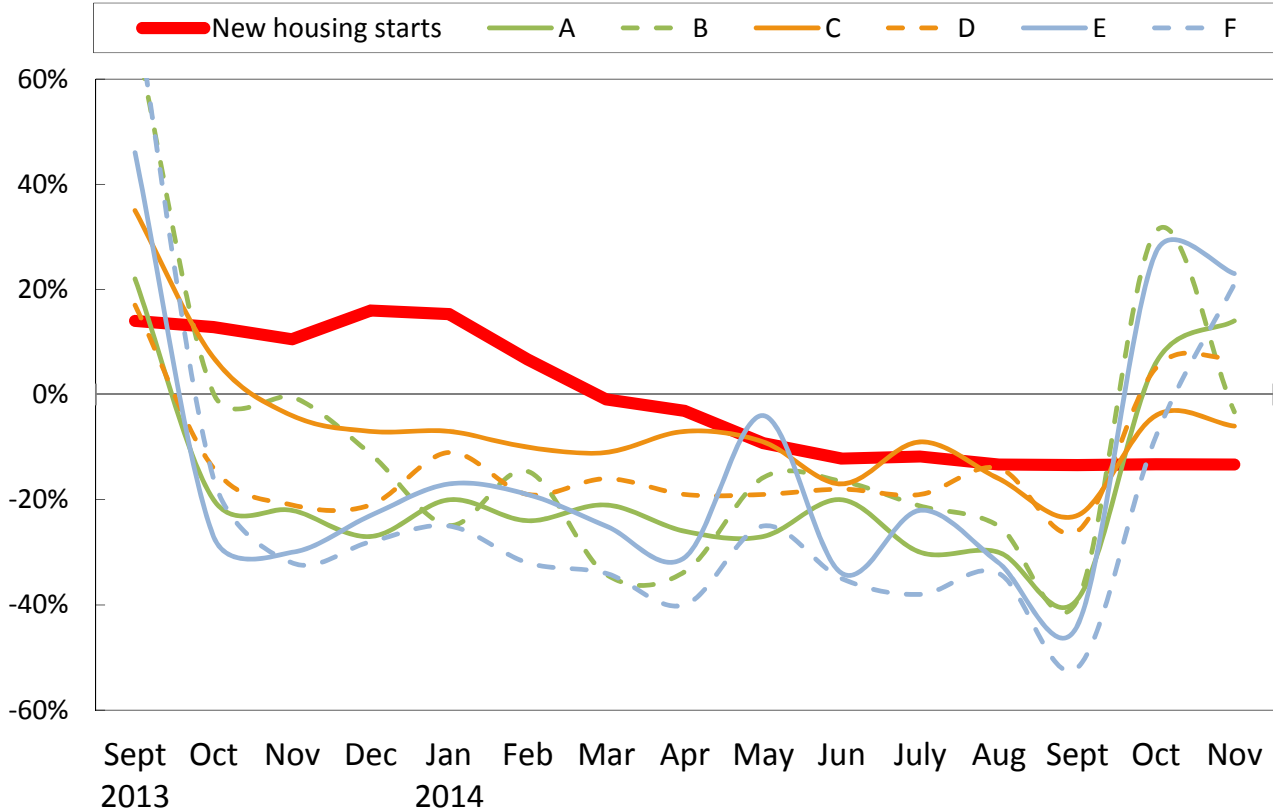


Trends in housing market



Changes in the new orders of detached houses by Major house builders

(Year-on-Year)



- After peaked in Sep. 2013, the new orders of detached houses by major house builders had been slowdown.
- Although a sign of recovery was finally seen in last September, housing market still remains in volatile situation.

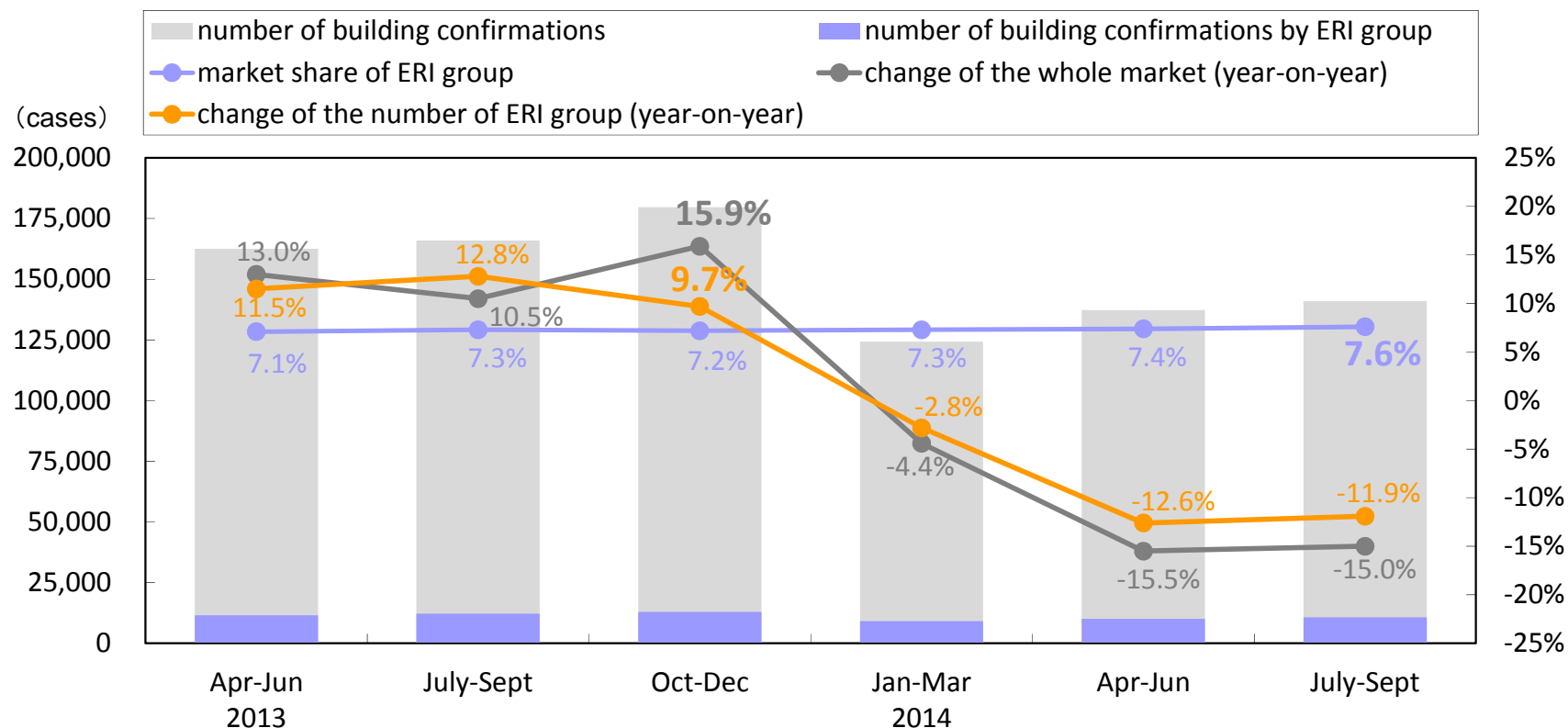


Trends in housing market

The growth rates of the building confirmations by ERI group from October to December 2013 (+9.7%) was less than the market increase (+15.9%).

On the other hand, after January 2014 when a market shrank from the influences of consumption tax rate increase, decrease rates were better than the market decline.

The market share of ERI group increased to 7.6%.





Breakdown of Building confirmation and inspection

FY2014 1H Results of Japan ERI Co., Ltd. (Except a number of plan change cases.)

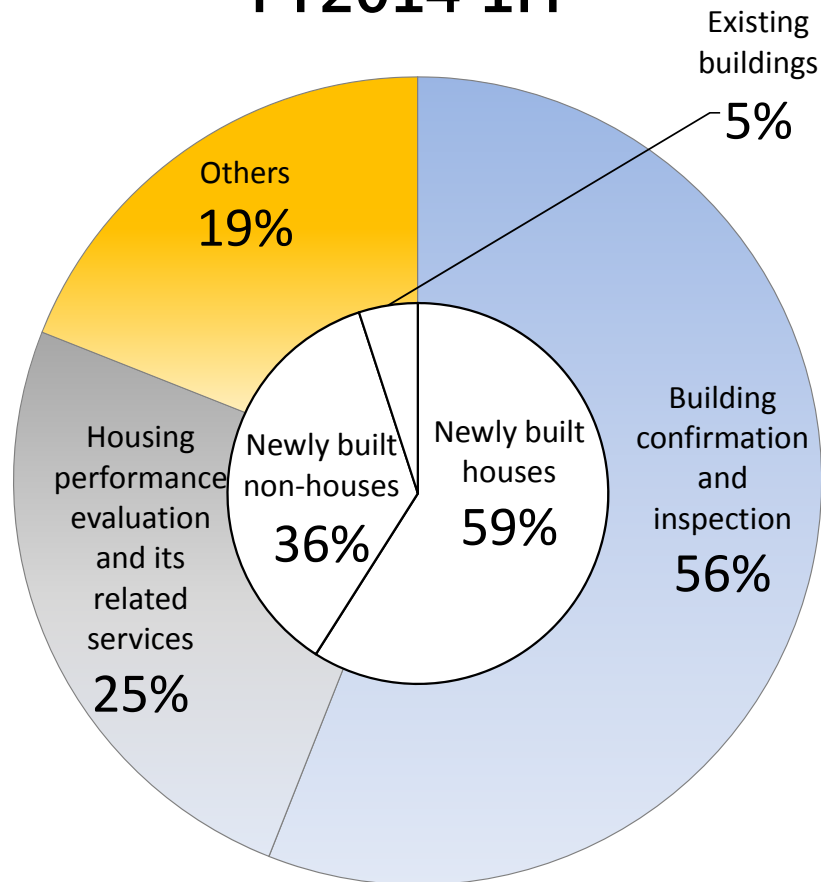
(Cases, Millions of Yen)

	Detached Houses	Collective Houses	Offices, Stores	Factories, Warehouses	Hospitals, Welfares	Others (Educations, Lodgings and more)	Total
Number of Building Confirmation	13,925	3,535	1,887	974	717	577	21,615
Year-on-Year	-19.0%	-4.0%	0.0%	16.8%	-16.9%	-8.7%	-13.8%
Proportion	64.4%	16.4%	8.7%	4.5%	3.3%	2.7%	100.0%
Net Sales	320.3	287.3	239.0	191.8	132.5	94.2	1,265.5
Year-on-Year	-16.7%	-15.4%	0.2%	8.8%	-14.9%	-8.0%	-9.5%
Proportion	25.3%	22.7%	18.9%	15.2%	10.5%	7.4%	100.0%

Sales breakdown | Consolidated

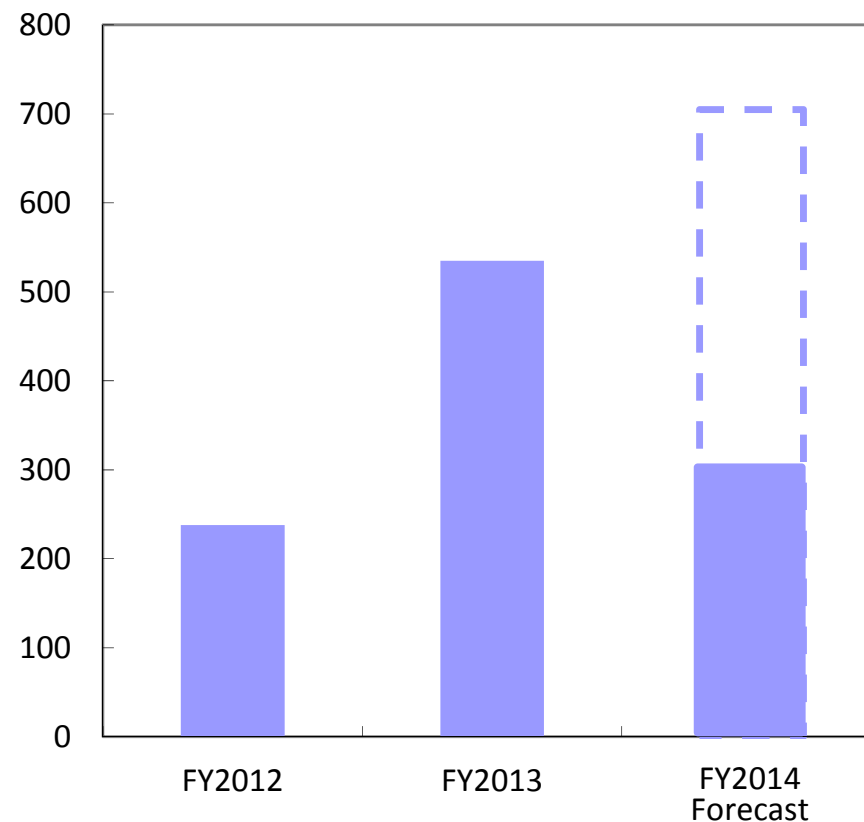


FY2014 1H



Sales of Existing Buildings

(Millions of Yen)



Consolidated Financial Statements | Assets



(Millions of Yen)

	FY2013 (Jun. 2013 - May. 2014)	FY2014 1H (Jun. 2014 - Nov. 2014)	Change
Total assets	4,382	4,234	▲147
Total current assets	3,372	3,367	▲5
Cash and deposits	1,851	2,105	253
Accounts receivable	486	548	61
Work in process	339	356	16
Total noncurrent assets	1,009	867	▲141
Total property, plant and equipment	123	121	▲2
Total intangible assets	110	101	▲8
Total investments and other assets	775	644	▲131
Statutory deposit *	135	135	0

* Because of the judgment (approximately ¥148 million) in acknowledgment of part of our responsibility was announced from Osaka High Court on April 22, 2014, we deposited ¥135 million and filed a final appeal and the final appeal acceptance for the Supreme Court. The case is pending in the court now.

Consolidated Financial Statements | Liabilities



(Millions of Yen)

	FY2013 (Jun. 2013 - May. 2014)	FY2014 1H (Jun. 2014 – Nov. 2014)	Change
Total liabilities	2,182	2,102	▲79
Total current liabilities	1,768	1,738	▲30
Total noncurrent liabilities	413	364	▲48
Long-term loans payable *	185	135	▲50
Total net assets	2,199	2,131	▲68
Total shareholders' equity	2,194	2,126	▲68
Retained earnings	1,349	1,222	▲126
Treasury stock *	▲173	▲115	58
Total liabilities and net assets	4,382	4,234	▲147

* Having introduced "Japanese version Trust-Type Employee Stocks Ownership Plan i.e. J- ESOP", the account book value (¥115 million) of borrowing (¥135 million) for the acquisition of 88,500 treasury stock is included.

Main operating figures | Consolidated



(Cases)

	FY2013 1H * (Jun. 2013 - Nov. 2013)	FY2014 1H (Jun. 2014 - Nov, 2014)	Change	
			Amounts	Ratio
Building confirmations (except antennas)	33,868 (32,905)	29,753 (29,135)	▲4,115 (▲3,770)	▲12.2% (▲11.5%)
Final inspections (except antennas)	26,089 (24,231)	23,996 (23,280)	▲2,093 (▲951)	▲8.0% (▲3.9%)
Housing design performance evaluations of Detached house	12,007	9,304	▲2,703	▲22.5%
Housing design performance evaluations of Collective house	13,867	11,544	▲2,323	▲16.8%

* The figures in FY 2013 1H do not include the results of Tokyo Bldg-Tech Center Co., Ltd.

Key operating figures | Consolidated



	FY2014 1H		Change ^{*1}	
	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building confirmations for medium to large size buildings (over 500m ²)	2,616	683	▲161	▲27
Housing design performance evaluations of detached houses	9,304	364	▲2,704	▲90
Technical assessments for Long-Life Quality Housings ^{*2}	11,057	181	▲3,093	▲38
Inspections for housing defect liability insurance	11,514	148	▲1,661	▲53
Evaluations of seismic capacity and seismic retrofitting plans	152	48	▲9	▲8
Structural evaluations of high-rise buildings (Skyscraper and/or Base isolation)	69	92	▲9	▲8

*1 The figures in FY 2013 1H do not include the results of Tokyo Bldg-Tech Center Co., Ltd.

*2 The number of houses which the identifications of conformity for Long-Life Quality Housing were issued.

FY2014 Earnings Forecast



Revising down previously announced consolidated earnings forecast for the fiscal year

- Net sales forecasts: 12,395 million yen (▲742 million yen)
- Ordinary income forecasts: 501 million yen (▲411 million yen)

Excluding expectations of large recovery in new housing markets

Cost-savings (Personnel, outsourcing and other expenses)

Focus on energy conservation, seismic retrofitting and assessment of compliance with the Building Standard Law services

- Revised dividend forecasts

Cutting forecast of fiscal year-end dividend by 4 yen per share
(17 yen/share → 13 yen/share, total 30 yen/share for the year)

Forecasts for FY2014



(Millions of Yen)

	FY2013	FY2014 New Forecast (A)	FY2014 Previous Forecast (B)	Change (A-B)
Gross Sales (Net Sales * ¹)	12,509 (11,395)	12,395 (11,305)	13,138 (12,005)	▲742 (▲699)
Operating Income	635	465	902	▲436
Vs. Gross Sales	5.1%	3.8%	6.9%	—
Ordinary Income	651	501	913	▲411
Vs. Gross Sales	5.2%	4.0%	6.9%	—
Net Income	▲41 * ²	278	541	▲262
Net Income per Share (Yen)	▲5.33 * ²	36.00	70.01	▲34.01
Dividend per Share (Yen)	34.0	30.0	34.0	▲4.0

*1 Net sales is subtracted peer check fee from gross sales. (Peer check fee is paid to the other bodies through ERI group.)

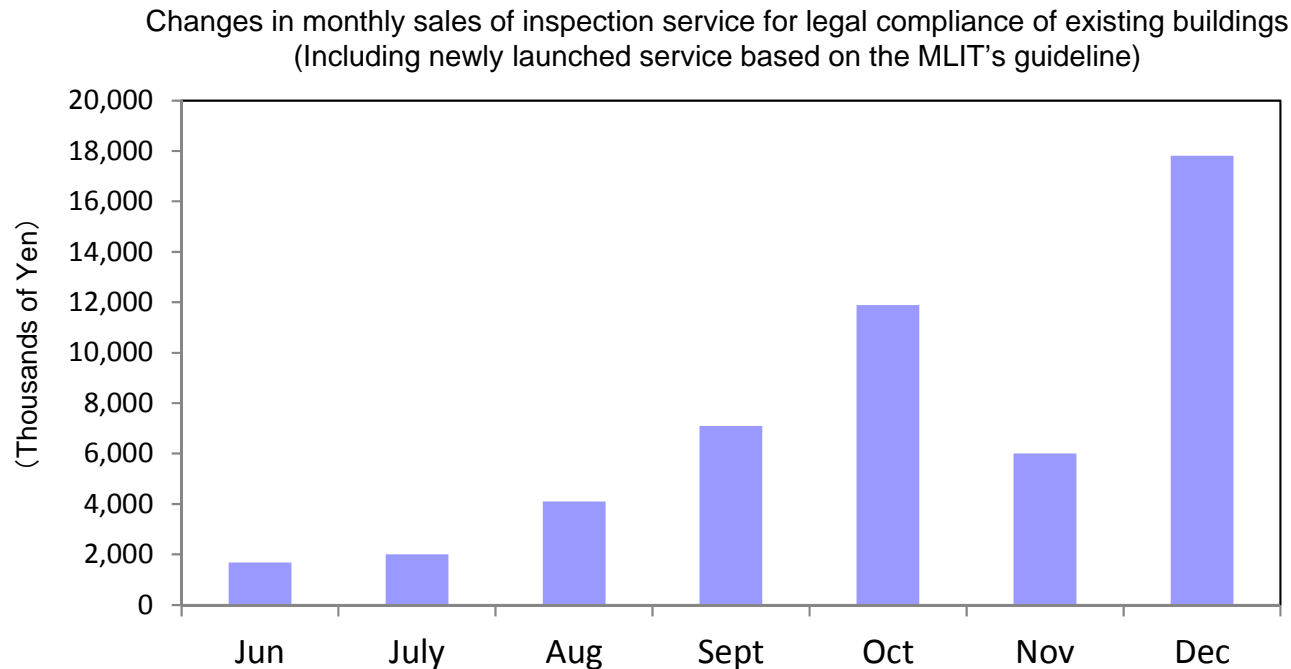
*2 This included the extraordinary losses of ¥722 million by a settlement of a lawsuit in September 9, 2013.



Robust growth in inspection service for legal compliance of existing buildings

July 2014, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) announced "Guideline for inspection of existing housings which haven't got inspection certificate by utilizing designated confirmation and inspection bodies."

⇒ JAPAN ERI CO., LTD., the first service provider registered by the MLIT, has launched inspection service based on the MLIT's guideline.





Re-launching of Eco-Point system for housing

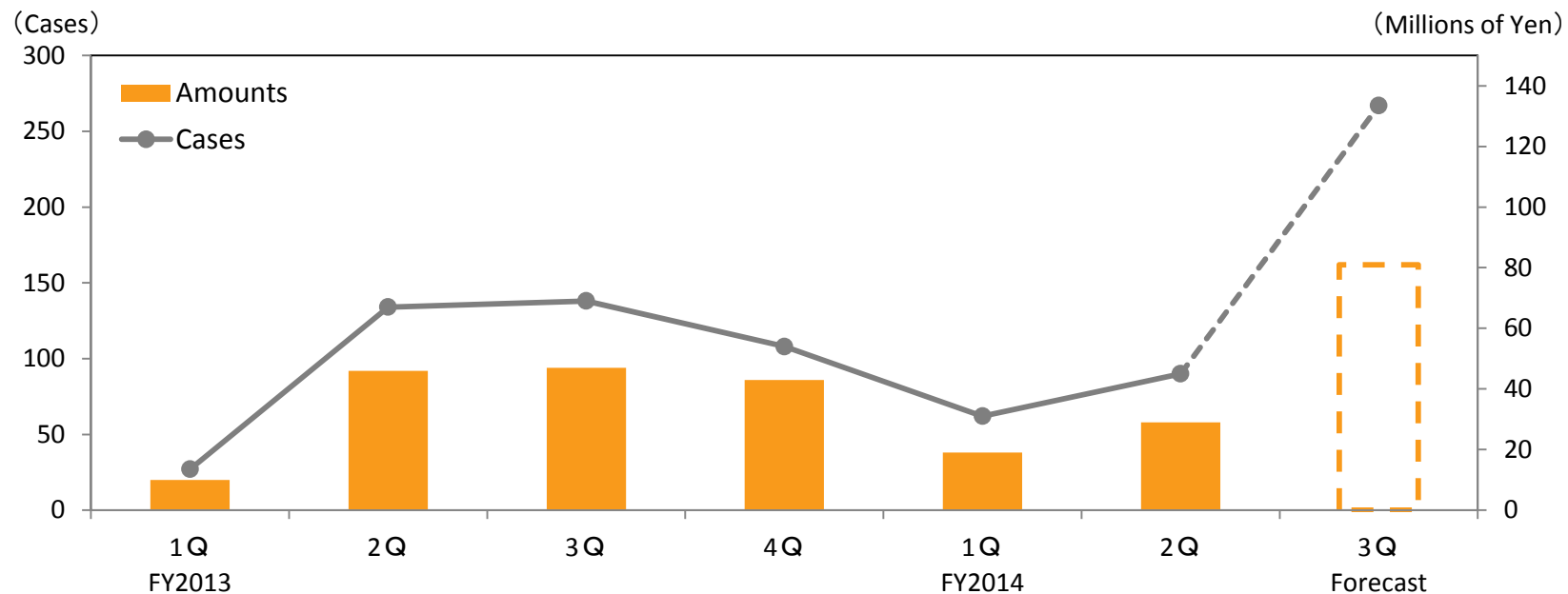
Dec. 27, 2014, implementation of point system for energy-saving homes was endorsed by the Cabinet.

- New construction of environmental-friendly eco housing: grant some points to new housing that meet the energy saving standards
- Environmental-friendly retrofit: grant some points based on energy saving performance and others

* Eco-Point will be available for the projects contracted after the date of Cabinet approval and completed after the date of passing supplementary budget.

Seismic qualification service

Seismic retrofit qualifications tend to increase as it approaches deadline of subsidy program.



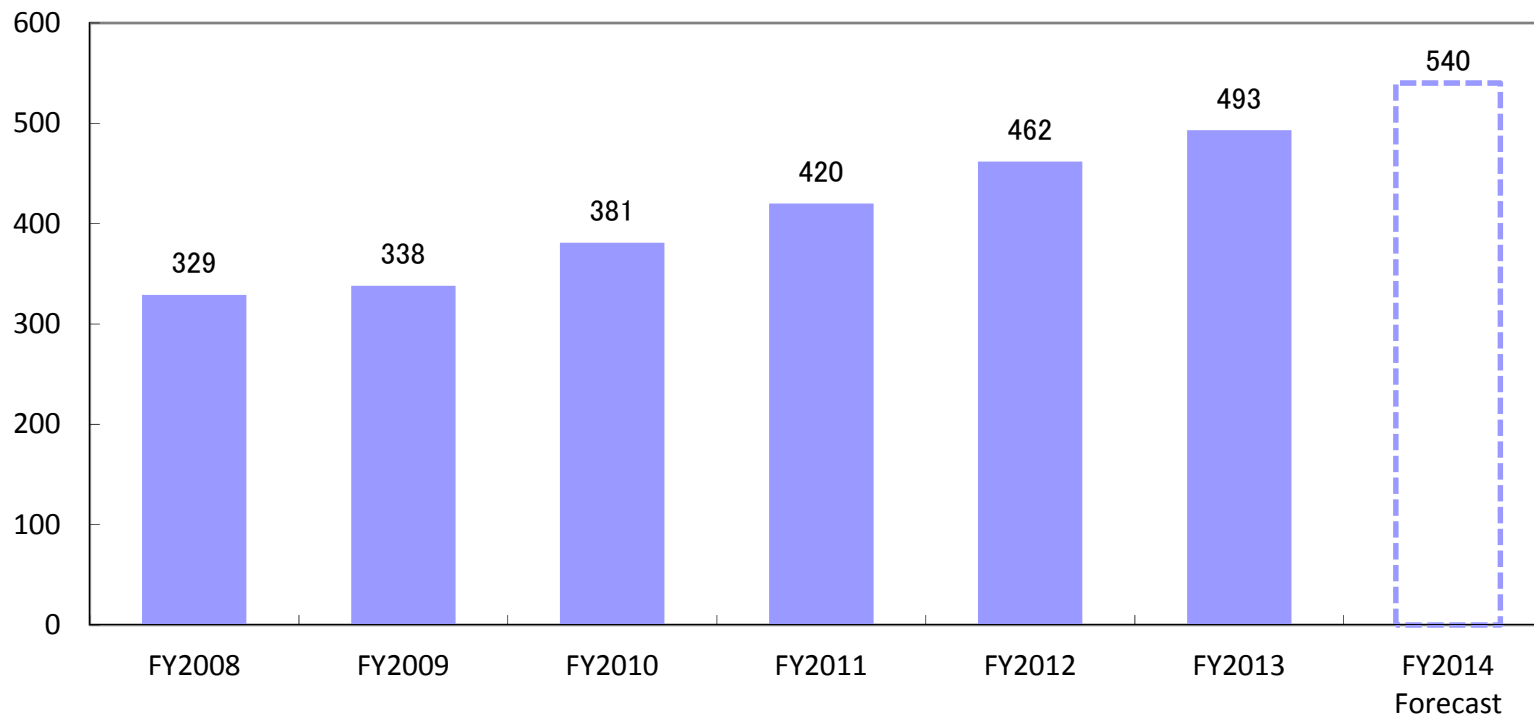
Topics in FY2014



In 2014, 47 employees passed a licensing examination for Qualified Building Regulation Conformity Inspector*
- account for 12% of 391 total successful applicants

* A licensing examination for Qualified Building Regulation Conformity Inspector is a MLIT- administrated national examination to which 1st-class Architects with 2-years or more specific work experience can apply.

Changes in a Number of Qualified Building Regulation Conformity Inspector in ERI Group



Topics in FY2014



Nikkei newspaper, Jan. 6, 2015, ecology feature article on p.28 “Japanese houses, why it’s cold? - Low insulating performance of windows and others”

Japanese houses are colder than one in Western countries. Popularization of “thermal insulation” for healthy life depends on consumers’ recognition.

- Energy Pass certification
It’s a labeling system of energy amount required to keep indoor temperatures comfortable and promoted by Japan Energy Pass Association.
- Jan. 2014, JAPAN ERI CO., LTD. launched Energy Pass certification service as the one and only third-party certification body.



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