



Financial Results for the Second Quarter

From June 1, 2016 to November 30, 2016

ERI Holdings Co., Ltd.

January 13, 2017

Listed on Tokyo Stock Exchange (Code 6083)

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



Summary

Decrease in revenue and earnings year-on year Revised down full-year earnings forecasts

- In Building Confirmation and Inspection services, the number of Building Confirmations were solid. While at the same time, due to sluggishness of mid to large size Building Confirmations and increase in delayed Final Inspection, the target was not achieved.
- In Housing Performance Evaluation and its related services, the number of Housing Design Performance Evaluations were steady but Housing Construction Performance Evaluation of collective houses were lower than the plan. All in all, it did not fully compensate for the revenue decrease by the expiration of the Point System for the Energy-Saving Homes last year.
- In Solution Services, voluntary inspection of large size buildings deals decreased.
- Among energy conservation related services, the number of BELS certification increased significantly. While at the same time, an anticipatory expenses regarding service start-up for the implementation of Evaluation for Compliance with Energy Consumption Performance of Buildings increased.
- Structural Evaluations of High-rise Buildings recovered from the slump a year ago.

Consolidated results



(Millions of yen)

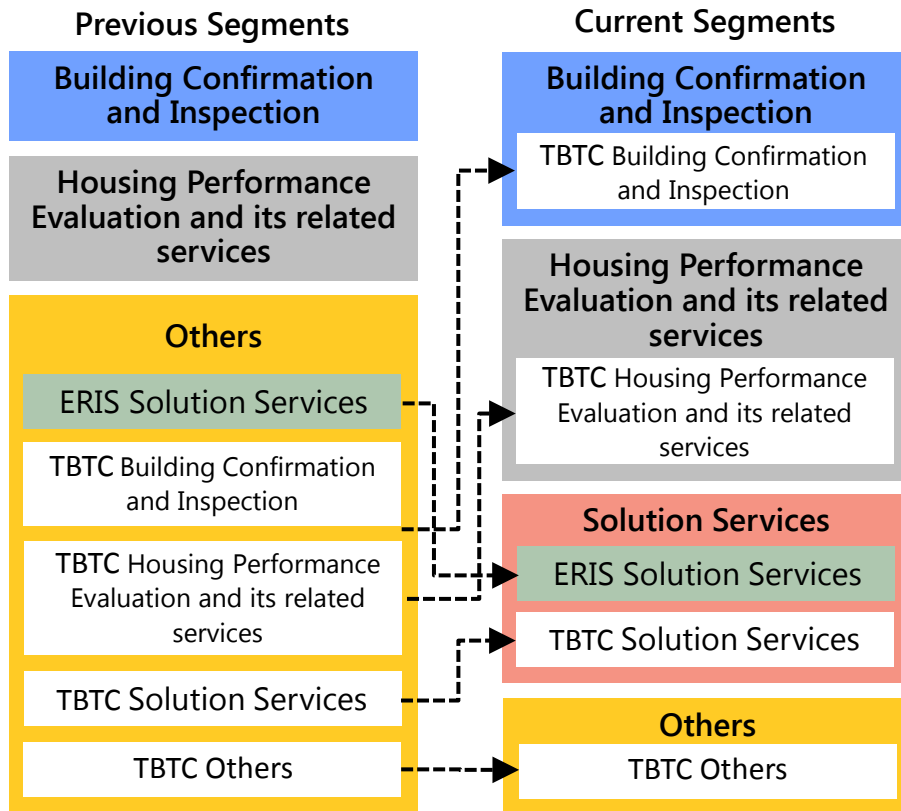
	FY2015 2Q (Jun. 2015 – Nov. 2015)	FY2016 2Q (Jun. 2016 – Nov. 2016)	Change	
			Amounts	Ratio
Gross Sales (Net Sales *)	5,923 (5,809)	5,605 (5,605)	▲318 (▲204)	▲5.4% (▲3.5%)
Operating Income	327	135	▲192	▲58.7%
Operating Income Ratio	5.5%	2.4%	-	-
Ordinary Income	338	140	▲198	▲58.5%
Ordinary Income Ratio	5.7%	2.5%	-	-
Profit Attributable to Owners of Parent	205	80	▲125	▲60.7%
Net Income per Share (Yen)	26.36	10.32	▲16.04	-

* Net sales is gross sales minus peer check fee, which was paid to a structural calculation review body through ERI group. After the revision of Building Standard Law in June 2015, the procedure of confirmation was changed and applicants directly apply to a structural calculation review body separately from Building Confirmation procedure. Both gross and net sales are described in FY 2015 disclosure, from FY 2016, however, these two sales results in one same sales, which has been previously described as net sales. In addition, as the consolidated subsidiary TBTC changed its fiscal year-end from March to May in the previous year, we have consolidated the company's settlement of accounts for the eight months from April to November 2015.

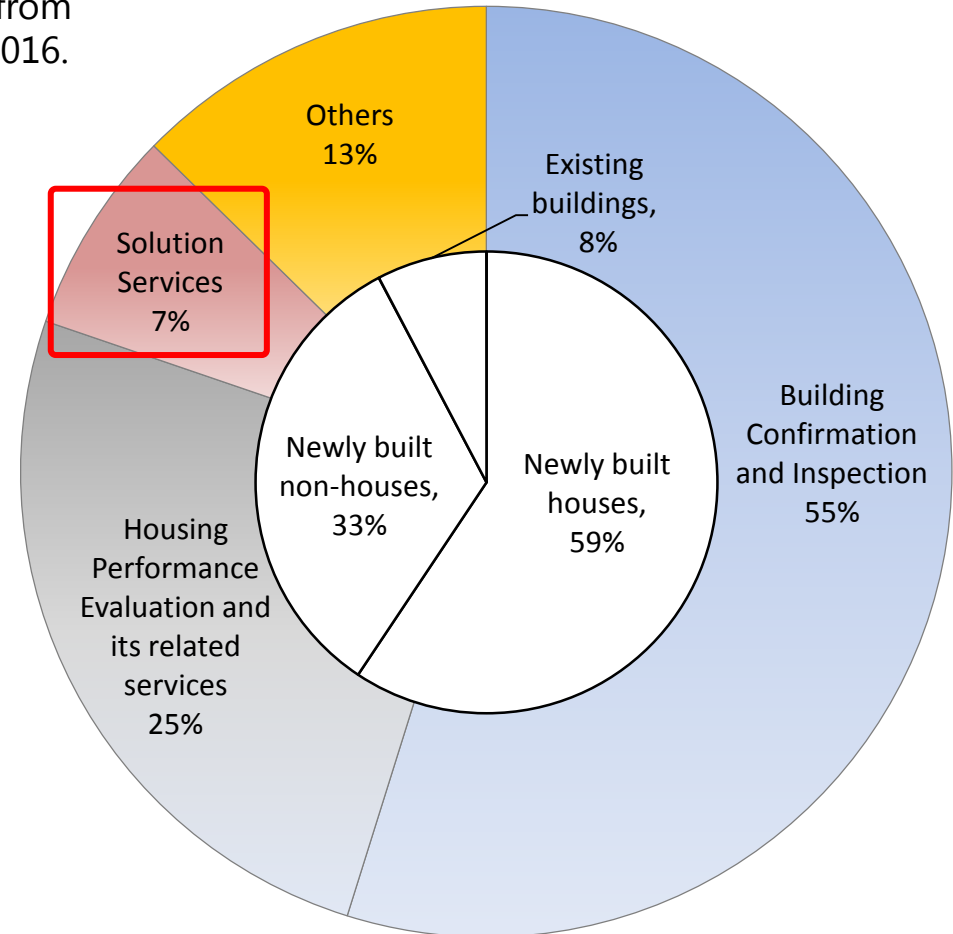
Sales breakdown | Consolidated

Changes in reporting segments

As an independent segment, "Solution Services" split off from "Others" responding to its growing importance in 1Q FY2016. In addition, TBTC's services, solely included in "Others" previously, divided into each segment.



FY2016 2Q



*TBTC : Tokyo Bldg-Tech Center Co.,Ltd.

Consolidated results by segment



(Millions of yen)

	FY2015 2Q	FY2016 2Q	Change		Operating Income	Change
			Amounts	Ratio		
Building Confirmation and Inspection (Net Sales)	3,195 (3,082) [53.0%]	3,073 (3,073) [54.8%]	▲122 (▲8)	▲3.8% (▲0.3%)	150	▲37
Housing Performance Evaluation and its related services	1,564 [26.9%]	1,424 [25.4%]	▲140	▲9.0%	▲6	▲97
Solution Services* ¹	485 [8.4%]	398 [7.1%]	▲87	▲18.0%	10	▲39
Others	677 [11.7%]	709 [12.7%]	32	4.7%	▲19	▲17
Gross Sales Total	5,923 [100.0%]* ²	5,605 [100.0%]* ²	▲318	▲5.4%	135	▲192

*1 "Solution Services" split off from "Others" as an independent segment due to its growing importance in 1Q FY2016. In addition, TBTC's services, solely included in "Others" previously, divided into each segment. 2Q FY2015 data in this table are also revised based on new segment recognition.

*2 Structural ratio [] is calculated using Net sales. (FY2015 5,809 million yen, FY2016 5,605 million yen)

Trends in housing market

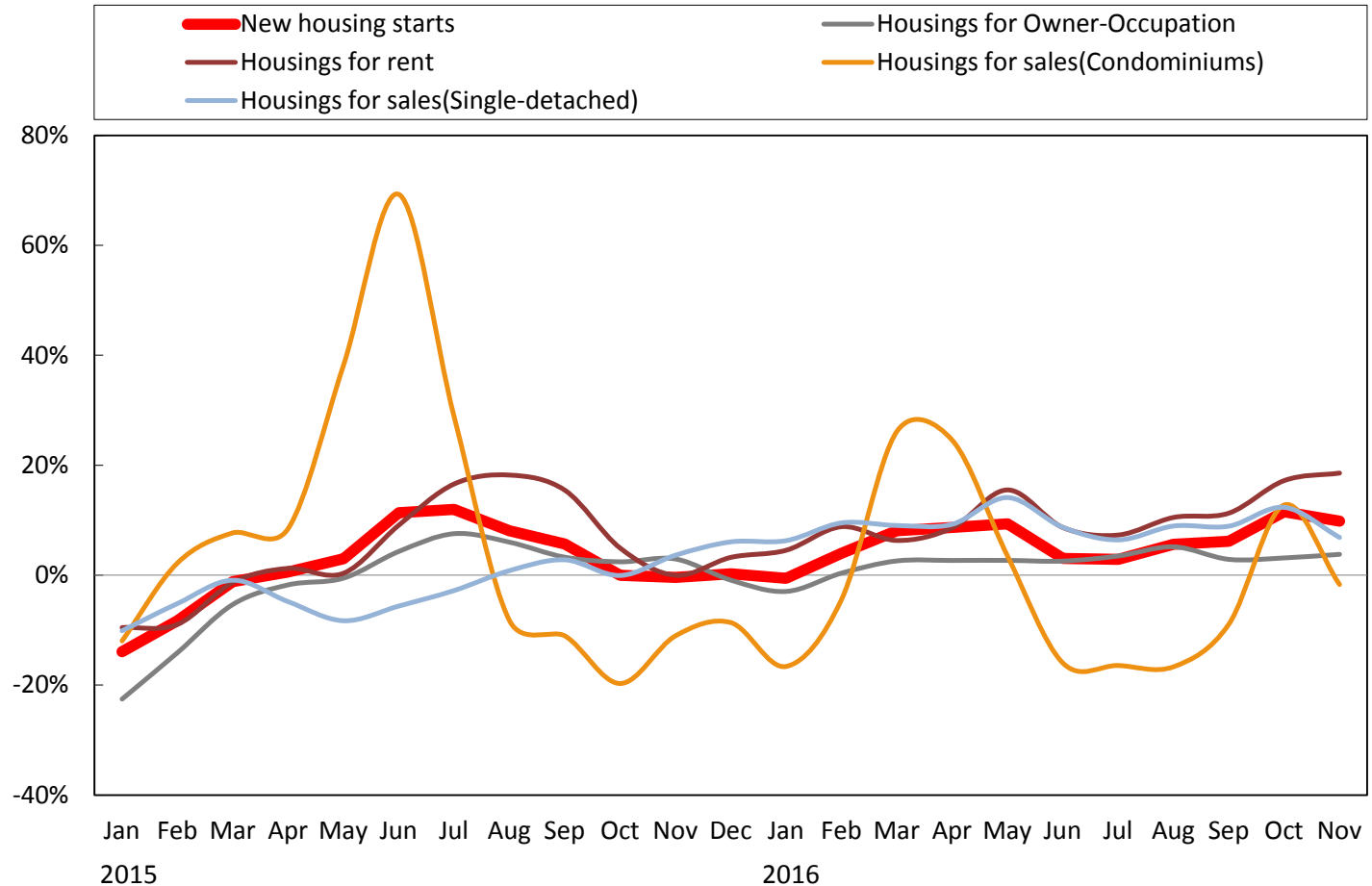


- The total number of new housing starts increased gradually.
- Changes in the first half cumulative total is as follows.

New housing starts	+6.2%
Housings for Owner-Occupation	+3.4%
Housings for rent	+12.3%
Housings for sales(condominiums)	-9.5%
Housings for sales(single-detached)	+7.4%

*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)

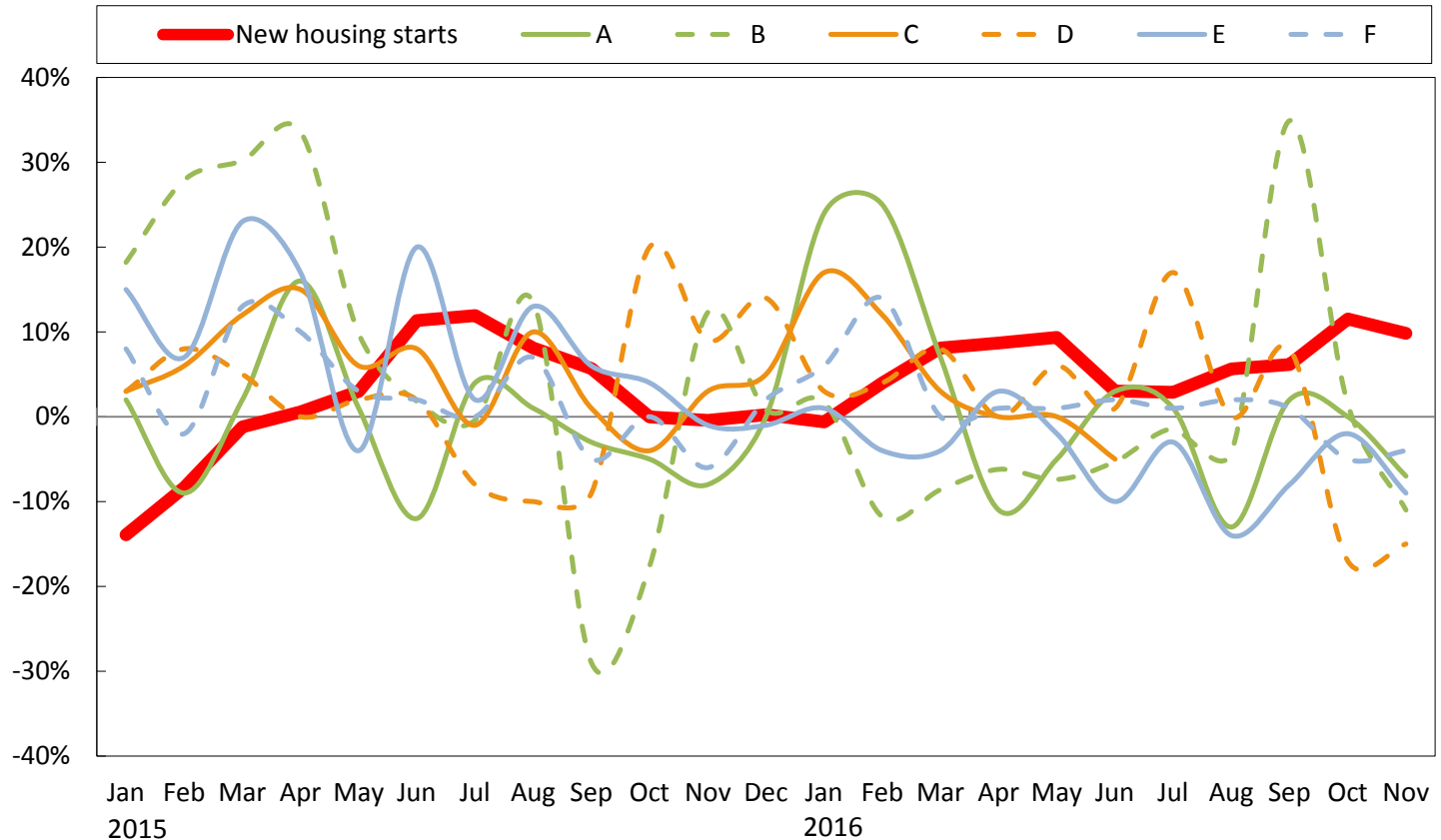


Trends in housing market



- New orders of detached houses (order amount basis) in major house builders showed volatile swings and also showed considerable difference by the builders.
- All the new orders of detached houses by major house builders turned negative changes in November.

Changes in new orders of detached houses by Major house builders (Year-on-Year)



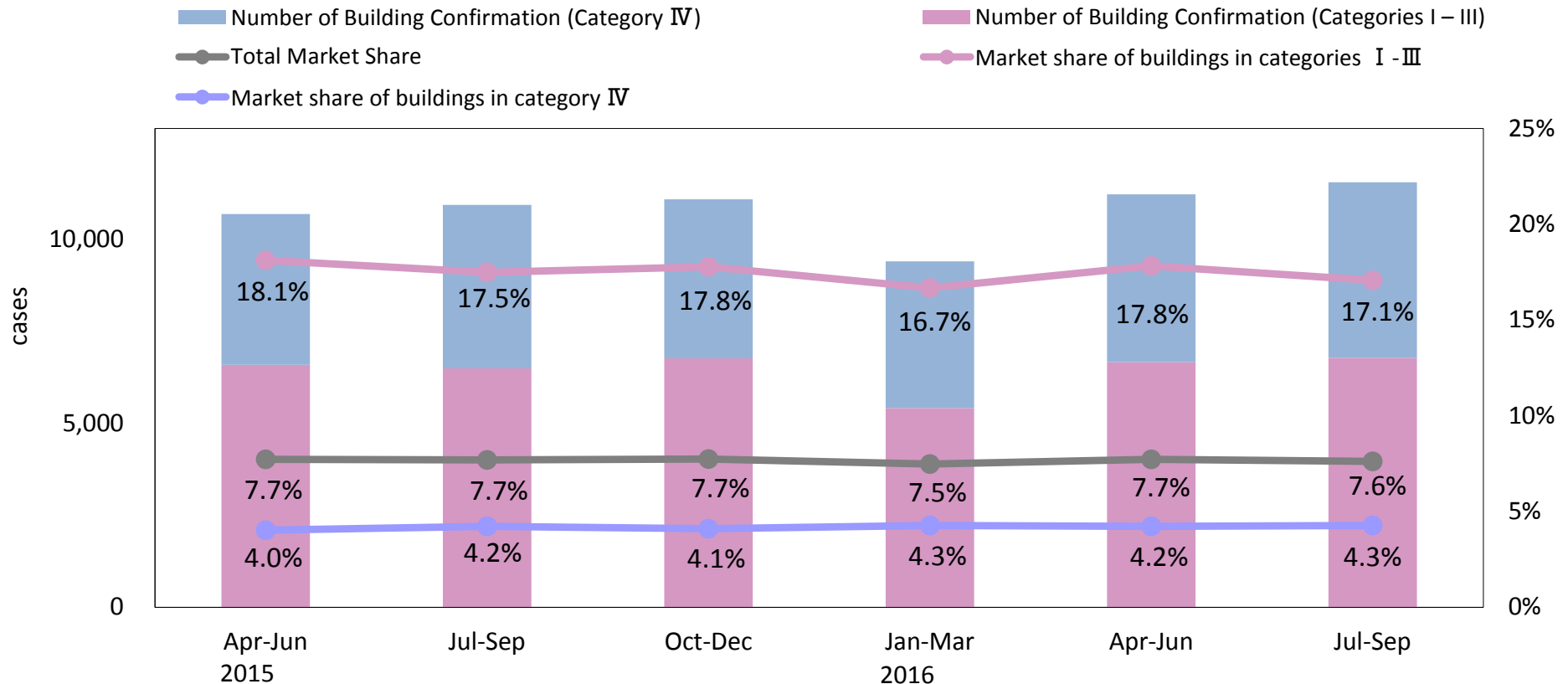
*New housing starts are on the basis of the number of houses, and the results of major house builders are on the basis of amounts of money which was disclose on each company's website.

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

Trends in housing market

- The whole market number of Building Confirmation increased 5.8%(Apr.-Sep.)
- The number of Building Confirmation by ERI group increased 5.3%(Apr.-Sep.)
- As a results, the updated market share of ERI group slightly down by 0.1% to 7.6%.

Number of building confirmation and market share by ERI group



Breakdown of Building Confirmation



FY2016 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 (Educations, Lodgings and more)	
Number of Building Confirmation	15,493	3,694	1,974	1,104	677	653	23,595
Year-on-Year	3.6%	6.3%	11.8%	0.4%	12.5%	4.1%	4.7%
Proportion	65.7%	15.7%	8.4%	4.7%	2.9%	2.8%	100.0%
Net Sales	333.9	300.6	234.3	234.6	113.4	119.2	1,336.1
Year-on-Year	-0.3%	-0.1%	2.2%	-0.3%	19.1%	10.6%	2.5%
	-0.2%		5.1%				
Proportion	25.0%	22.5%	17.5%	17.6%	8.5%	8.9%	100.0%

(Reference; June 2016 - November 2016)

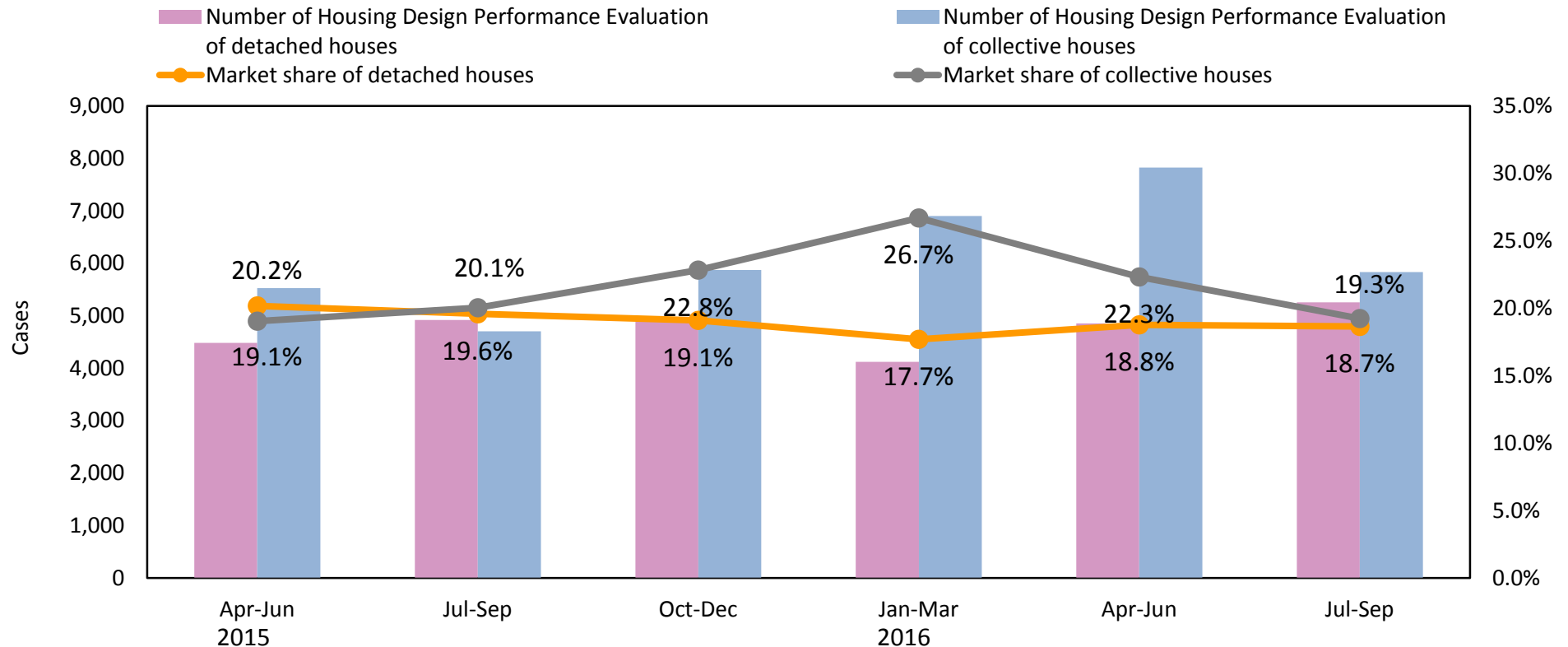
Growth rate of national newly built floor space (construction starts)	3.8%	-3.6%	-0.9%	13.4%	15.9%	3.9%
Proportion	63.8%	9.2%	12.7%	5.6%	8.7%	100.0%



Trends in housing market

- The whole market and ERI group, number of Housing Design Performance Evaluation of detached houses increased 14.2% and 7.6% respectively. ERI group's market share decreased slightly.
- The whole market and ERI group, number of Housing Design Performance Evaluation of collective houses increased 24.6% and 33.5% respectively. ERI group's market share increased slightly.

Number of Housing Design Performance and market share by ERI group



Main operating figures | Consolidated



(Cases)

	FY2015 2Q (Jun. 2015 – Nov. 2015)	FY2016 2Q (Jun. 2016 – Nov. 2016)	Change	
			Amounts	Ratio
Building confirmations	30,043	31,235	1,192	4.0%
Final inspections	22,986	23,289	303	1.3%
Housing design performance evaluations of detached house	10,132	10,602	470	4.6%
Housing design performance evaluations of collective house	10,421	13,154	2,733	26.2%

Key service figures | Consolidated



	FY2016 2Q		Change	
	Cases	Amounts (Millions of Yen, Tax Excluded)	Cases	Amounts (Millions of Yen, Tax Excluded)
Building Confirmations for medium to large size buildings (over 500 sqm)	2,792	704	11	7
Housing Performance Evaluations of detached houses ^{*1}	10,602	375	470	12
Technical Assessments for Long-life Quality Housings ^{*2}	12,374	192	425	1
Inspections for Housing Defect Liability Insurance ^{*3}	12,732	155	253	6
Evaluations of Seismic Capacity and Seismic Retrofitting Plans	76	25	▲81	▲30
Structural Evaluations of High-rise Buildings (Skyscraper and/or Base isolation)	79	105	28	40

*1 Since the first quarter financial results explanation material (announced on September 30, 2016), the amount of Housing Performance Evaluations of detached houses is indicated by tax excluded amount. Along with that, the figures for the change from previous year is calculated by the tax excluded amount.

*2 The number of cases which the certification of Long-Life Quality Housing were issued.

*3 Jutaku Anshin Hosyo's cases and amounts.

New services operating figures | Consolidated



(Cases)

	FY2015 2Q	FY2016 2Q	Change	
			Amounts	Ratio
Route-2 Structural Examination ^{*1}	307	464	157	51.1%
Pre-completion Tentative Approval ^{*1}	35	121	86	245.7%
Assessment of Compliance with the Building Standard Law services ^{*2}	44	42	▲2	▲4.5%
BELS certification ^{*3} (Assessment of Compliance with the Building Energy-efficiency Labeling System)	15	1,339	1,324	8,826.7%
Energy Pass certification ^{*4}	50	188	138	276.0%

*1 The service started responding to the revision of Building Standard Law in June 2015.

*2 The service started responding to the release of "Guideline for conformity inspection of Building Standard Law on existing buildings with no Inspection Certificate by utilizing Designated Confirmation and Inspection Bodies" (MLIT) in July 2014.

*3 The service started responding to the release of "Guideline for the Building Energy-efficiency Labeling (2013)" (MLIT) in October 2013. Coverage of BELS system expanded to housings in April 2016.

*4 The service, evaluation on insulating performance and HVAC efficiency of housings promoted by Japan Energy Pass Association, started to add third-party certification system in January 2014.

Forecasts for FY2016

Revised down full-year consolidated earnings forecasts*

- Net Sales : 11,492 million yen (▲386 million yen)
 - Operating Income : 421 million yen (▲210 million yen)
 - Profit Attributable to Owners of parent : 256 million yen (▲143 million yen)
 - Dividend per Share (unchanged) : Fiscal year end 15 yen (Annual 30 yen)
-
- Anticipating continuing moderate increase in Building Confirmation services.
 - Anticipating recovery in Interim Inspection, Final Inspection and Housing Construction Performance Evaluation services in the second half.
 - Evaluation for Compliance with Energy Consumption Performance of Buildings will start up in April 2017.

*We announced "Notice on Revision of Earnings Forecast for the Fiscal Year Ending May 2017" on December 20, 2016.

Forecasts for FY2016



(Millions of yen)

	FY2015	FY2016 Previous Forecast (B)	FY2016 New Forecast (A)*	Change (A-B)
Gross Sales (Net Sales)	11,470 (11,356)	11,879 (11,879)	11,492 (11,492)	▲386
Operating Income	569	632	421	▲210
Vs. Gross Sales	5.0%	5.3%	3.7%	—
Ordinary Income	625	628	425	▲203
Vs. Gross Sales	5.5%	5.3%	3.7%	—
Profit Attributable to Owners of Parent	414	400	256	▲143
Net Income per Share (Yen)	52.96	51.15	32.78	—
Dividend per Share (Yen)	30	30	30	0

*We announced "Notice on Revision of Earnings Forecast for the Fiscal Year Ending May 2017" on December 20, 2016.

Topics in FY2016

Acquisition of shares of EPA SYSTEM Inc.

- Entering into an memorandum of understandings with respect to the acquisition of all stocks in November 2016

Company Outline

Company name	EPA SYSTEM Inc.	Genbaeye Inc.
Head office	Shibuya-ku, Tokyo	Shibuya-ku, Tokyo
Main business contents	Development of Building Integration CAD	Design, development, sales and maintenance of software
Establishment	June 1989	April 2007
Capital	10 million yen	5 million yen
Net sales	144 million yen (FY ended March 2016)	36 million yen (FY ended September 2015)

- Purpose of stock acquisition

The company has competitive advantages on the software development in the housing industry.

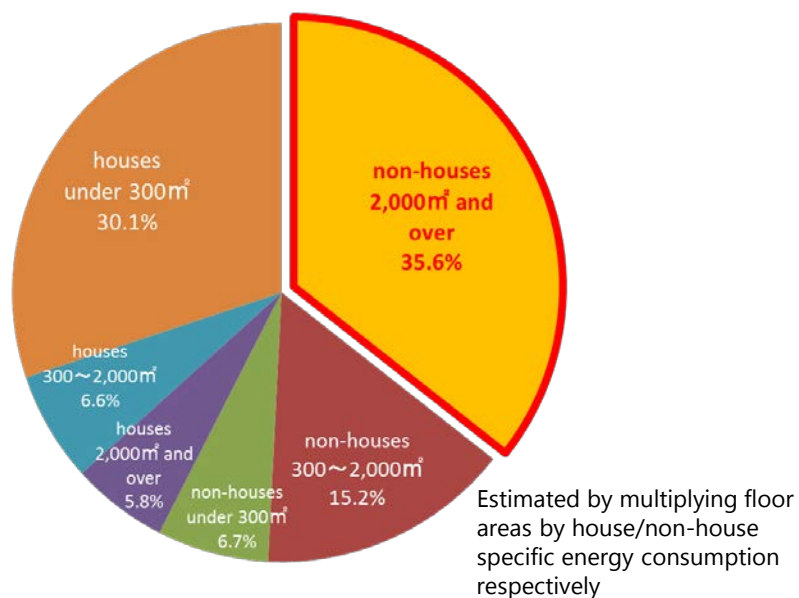
⇒ Accelerating in-house system development in ERI Group (to improve operational efficiency and prepare for new business)

Topics in FY2016

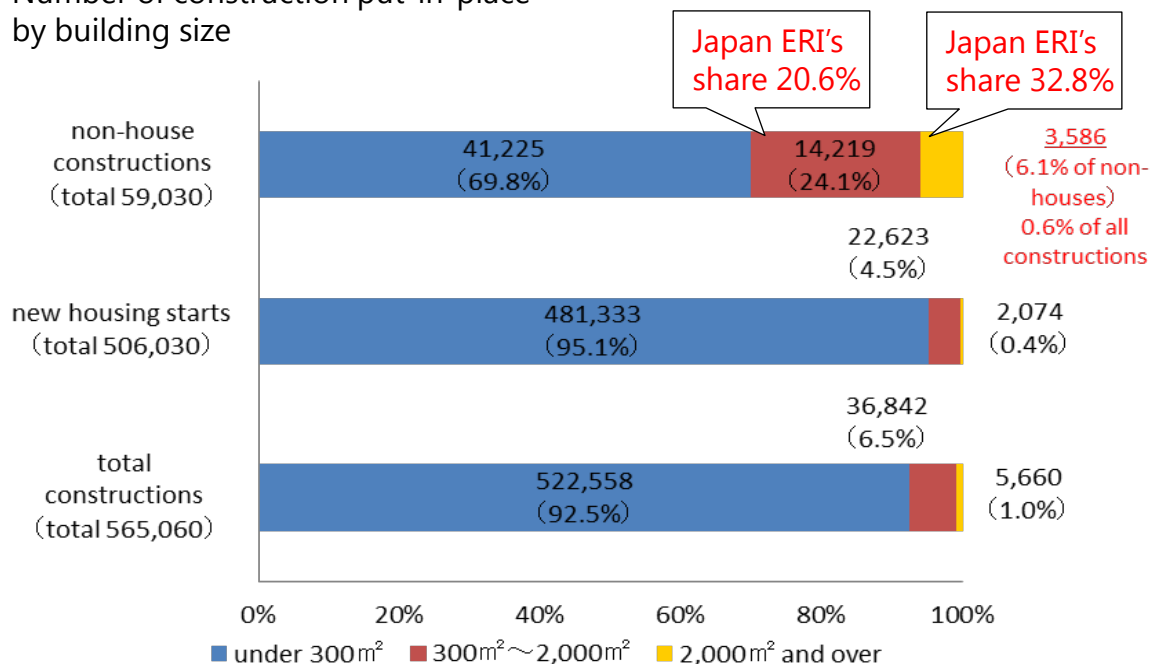
From April 2017, compliance with Energy Efficiency Standards become mandatory for newly constructed non-houses of 2,000m² and over

- Japan ERI Co.,Ltd. occupies a large share in the regulated zone, large-sized non-houses.

Energy-consumption (new building flow) [estimated]



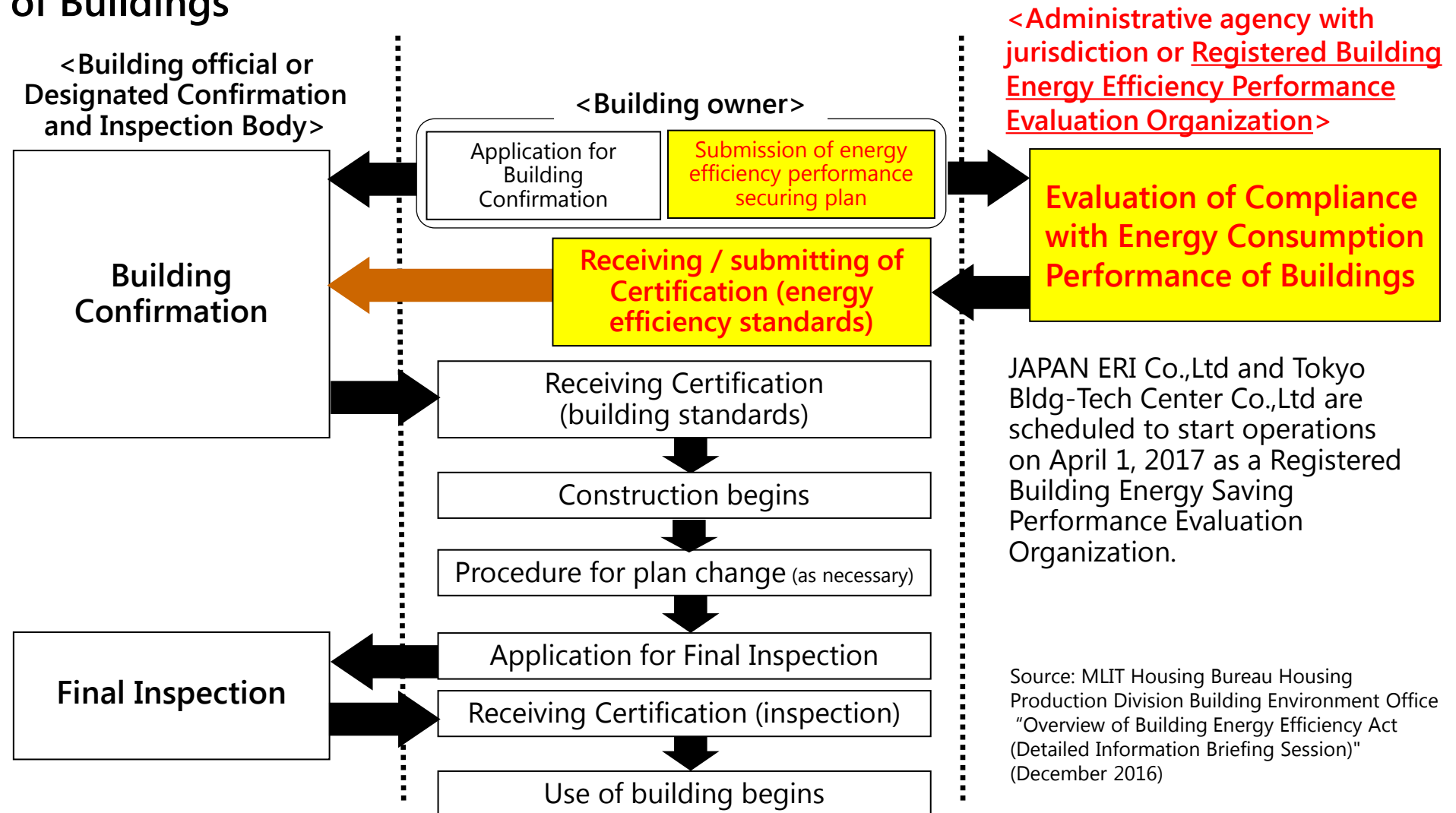
Number of construction put-in-place by building size



Source: MLIT "houses/buildings energy-saving policies in the future (initial report)", January 2015

Topics in FY2016

Start of Evaluation for Compliance with Energy Consumption Performance of Buildings





Appendix : Outline of Building Energy Efficiency Act

Regulatory Measures

Specified buildings

Non-residential buildings at or over a certain size (Government ordinance: 2,000m²)

Mandatory compliance with energy efficiency standards / Mandatory certification

1. Mandatory compliance with energy efficiency performance standards (energy efficiency standards) for newly-constructed buildings.
2. Mandatory evaluation for compliance with energy efficiency performance standards by administrative agency with jurisdiction or Registered Building Energy Efficiency Performance Evaluation Organization (founded).
3. Ensuring regulatory effectiveness incorporated in building confirmation procedures based on Building Standards Law.

Other buildings

notifications

Any building at or over a certain size (Government ordinance: 300m²) *Excludes buildings obligated to comply with energy efficiency standards

Mandatory notifications to administrative agencies with jurisdiction of plan for new construction/extension/renovations.

<Instructions/orders issued by administrative agencies with jurisdiction when deemed necessary without compliance with energy efficiency standards.>

New detached houses by residential construction companies*

*A builder who performs the construction of houses as a business.

Housing Top-Runner Program

To define standards for energy efficiency performance related to houses to be supplied (Housing Top-Runner Program) to the residential construction companies and induce improvement in energy efficiency performance.

<Recommends/announces/orders issued by the Minister of MLIT to residential construction companies that build specified number of new houses (Government ordinance: 150 units per year), when deemed necessary without compliance with Housing Top-Runner Program.>

Incentive Measures

Labeling System for Energy Efficiency

Receiving certification of conformity with energy efficiency standards from the administrative agency with jurisdiction in their area, the owner of building is allowed to indicate the legally-sanctioned Compliance Label.

Performance Improvement Planning Certification System / exception of floor-area ratio regulation

When plans for new construction of buildings, or extensions, renovations etc. are compliant with certification standards, the plans may receive certification from the administrative agency with jurisdiction. By acquiring certification for the performance improvement plan, construction clients are eligible to receive benefits, such as exception of floor-area ratio regulation (the portion exceeds the normal floor space of a building for equipment meant to improve energy efficiency performance is not calculated [upper limit of 10%]).

Source: This summary is based on the document "Overview of Building Energy Efficiency Act (Detailed Information Briefing Session)" (December 2016) distributed by MLIT Housing Bureau Housing Production Division Building Environment Planning.



IR Contact

ERI Holdings Co., Ltd.

Investor Relations and Public Relations Group

info@j-eri.co.jp