



Financial Results for the Third Quarter

From June 1, 2016 to February 28, 2017

ERI Holdings Co., Ltd.

March 30, 2017

Listed on Tokyo Stock Exchange (Code 6083)

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

Summary

Decrease in revenue and earnings year-on-year

- Thanks largely to a strong growth of housings for rent construction, the number of new housing starts was expanding but owner-occupied housings market was sluggish.
- In Building Confirmation and Inspection services, the number of Building Confirmations increased but decrease in sales per unit and delay in large buildings' Final Inspections dampened growth.
- In Housing Performance Evaluation and its related services, Housing Construction Performance Evaluation was still in slump.
- In Solution Services, recently performing well but it was still not enough to catch up with the previous year's result in the cumulative period.
- In other segments, BELS and other new businesses performed well and Structural Evaluation of High-rise Buildings kept going on a recovery trend.
- In addition to upfront investment for energy conservation related new service, temporary expenses associated with resolution of litigation were recorded.

Consolidated results



(Millions of yen)

	FY2015 3Q (Jun. 2015 – Feb. 2016)	FY2016 3Q (Jun. 2016 – Feb. 2017)	Change	
			Amounts	Ratio
Gross Sales (Net Sales [*])	8,685 (8,571)	8,412 (8,412)	▲272 (▲158)	▲3.1% (▲1.9%)
Operating Income	490	171	▲319	▲65.1%
Operating Income Ratio	5.6%	2.0%	-	-
Ordinary Income	502	187	▲314	▲62.7%
Ordinary Income Ratio	5.8%	2.2%	-	-
Profit Attributable to Owners of Parent	339	109	▲230	▲67.8%
Net Income per Share (Yen)	43.44	13.95	▲29.49	-

* 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 eleven months from April 2015 to February 2016.

Consolidated results by segment



(Millions of yen)

	FY2015 3Q	FY2016 3Q	Change		Operating Income	Change
			Amounts	Ratio		
Building Confirmation and Inspection (Net Sales)	4,674 (4,560) [53.2%]	4,552 (4,552) [54.1%]	▲121 (▲7)	▲2.6% (▲0.2%)	199	▲75
Housing Performance Evaluation and its related services	2,278 [26.6%]	2,146 [25.5%]	▲132	▲5.8%	▲11	▲118
Solution Services* ¹	723 [8.4%]	654 [7.8%]	▲68	▲9.5%	30	▲49
Others	1,008 [11.8%]	1,058 [12.6%]	50	5.0%	▲46	▲75
Gross Sales Total	8,685 [100.0%]* ²	8,412 [100.0%]* ²	▲272	▲3.1%	171	▲319

*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. 3Q FY2015 data in this table are also revised based on new segment recognition.

*2 Structural ratio [] is calculated using Net sales. (FY2015 8,571 million yen, FY2016 8,412 million yen)



Main operating figures | Consolidated

(Cases)

	FY2015 3Q (Jun. 2015 – Feb. 2016)	FY2016 3Q (Jun. 2016 – Feb. 2017)	Change	
			Amounts	Ratio
Building confirmations	43,218	44,890	1,672	3.9%
Final inspections	35,337	36,112	775	2.2%
Housing design performance evaluations of detached house	14,496	15,328	832	5.7%
Housing design performance evaluations of collective house	16,351	17,761	1,410	8.6%

Key service figures | Consolidated

	FY2016 3Q		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)	3,959	1,009	91	14
Housing Performance Evaluations of detached houses* ¹	15,328	542	832	24
Technical Assessments for Long-life Quality Housings* ²	17,569	267	477	1
Inspections for Housing Defect Liability Insurance* ³	18,395	221	441	4
Evaluations of Seismic Capacity and Seismic Retrofitting Plans	138	44	▲119	▲43
Structural Evaluations of High-rise Buildings (Skyscraper and/or Base isolation)	117	150	45	65

*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 3Q	FY2016 3Q	Change	
			Amounts	Ratio
Route-2 Structural Examination ^{*1}	429	636	207	48.3%
Pre-completion Tentative Approval ^{*1}	70	165	95	135.7%
Assessment of Compliance with the Building Standard Law services ^{*2}	56	64	8	14.3%
BELS certification (Non-housings) ^{*3}	79	138	59	74.7%
BELS certification (housings) ^{*3}	-	1,964	1,964	-%
Energy Pass certification ^{*4}	68	211	143	210.3%

*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.

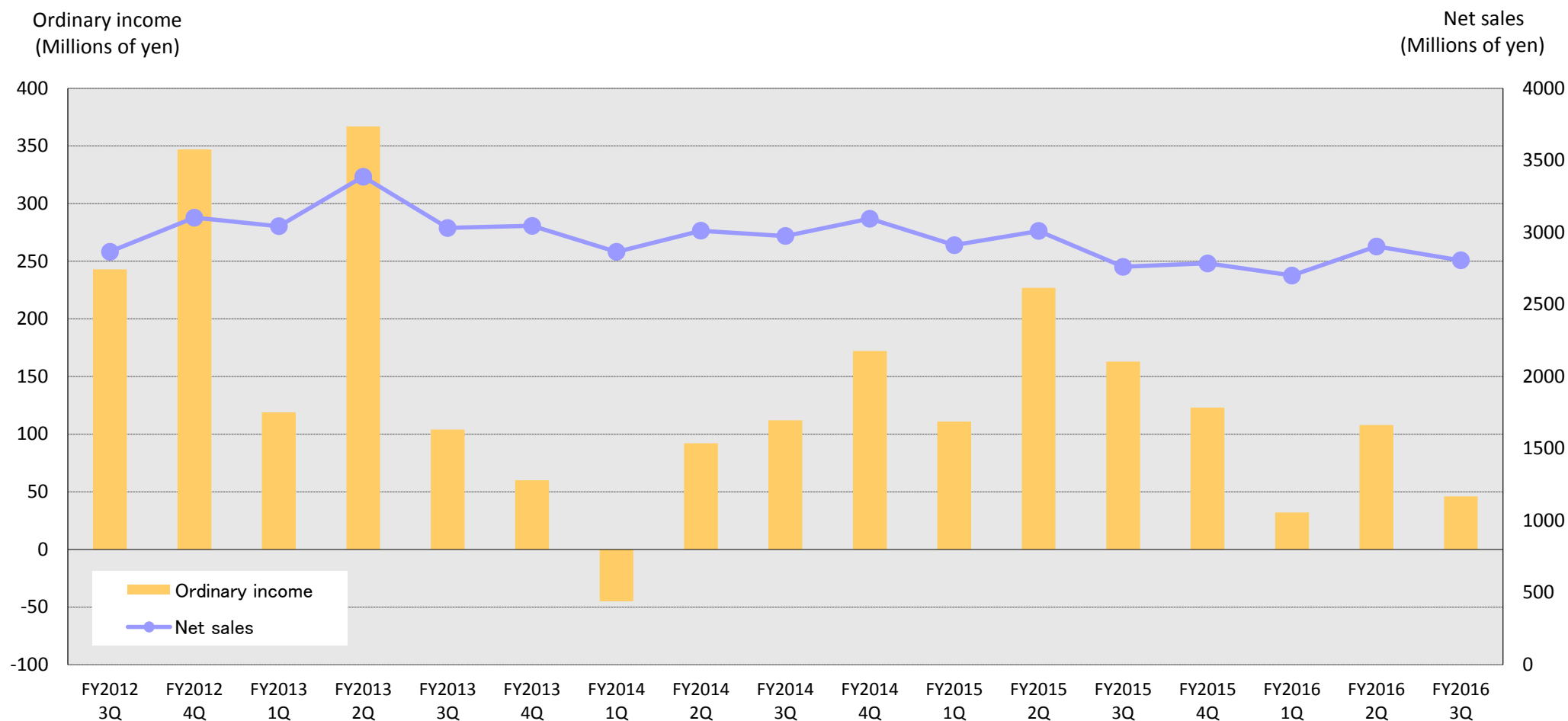
*3 The service started responding to the release of "Guideline for the Building Energy-efficiency Labeling (2013)" (MLIT) in October 2013. Coverage of BELS system expanded to housings in April 2016.

*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.

Changes of quarterly results | Consolidated



Quarterly net sales and ordinary income



Until third quarter of FY2013, data is financial results announced by JAPAN ERI CO.,LTD.

Forecasts for FY2016



(Millions of yen)

	FY2015	FY2016 Forecast *	Change
Gross Sales	11,470	11,492	21
(Net Sales)	(11,356)	(11,492)	(135)
Operating Income	569	421	▲148
Vs. Gross Sales	5.0%	3.7%	—
Ordinary Income	625	425	▲200
Vs. Gross Sales	5.5%	3.7%	—
Profit Attributable to Owners of Parent	414	256	▲157
Net Income per Share (Yen)	52.96	32.78	—
Dividend per Share (Yen)	30	30	0

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

Topics

- The Hiroshima high court confirmed Japan ERI's overall lawsuit victory on the case concerned with the breach of seismic standards. (February)
Then, all the cases reported in Annual Securities Report were finished.
- M&A with EPA System Co., Ltd. was successfully completed. (March) Investment for strengthening system division and improving work efficiency.
- Comprehensively revise the Building Confirmation and Inspection services fee for the first time in ten years. (implemented on April)
Reflect expanding operation costs corresponding to increased workload and complexity, etc. through the review process.
- Evaluation for Compliance with Energy Consumption Performance of Buildings will start up .(scheduled in April)
Opportunity to share up in large size buildings services.
Held specialized seminar for customers at nationwide 34 branch offices and preliminary counseling started.