



Financial Results for the Second Quarter

From June 1, 2017 to November 30, 2017

ERI Holdings Co., Ltd.

January 17, 2018

Listed on Tokyo Stock Exchange (Code 6083)

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



Contents



- 1. Results for the second quarter of the fiscal year ending May 2018**
- 2. Forecasts for the fiscal year ending May 2018**
- 3. Topics**
 - Acquisition of Jyutaku Seinou Hyouka Center., Ltd.
 - External wall inspection with UAVs
 - Revision in Building Lots and Buildings Transaction Business Act
(effective on April. 1, 2018)
- 4. Progress in medium-term management plan**
 - Strengthen profitability of existing core business
 - Enhance investment in new growth business
 - Expand business sphere in new business fields



Summary

Increase in revenue and earnings year-on year Incorporating M&A impact into full-year earnings forecasts

- From Q1, new housing starts has been in a downward trend consecutively.
- In Building Confirmation and Inspection services, number of Building Confirmation decreased, but year-on-year revenue increased by a benefit from fee schedule revision.
- In Housing Performance Evaluation, increase of Construction Performance Evaluation made up for decrease of Design Performance Evaluation.
- In Energy Saving related services, Evaluation for Compliance with Energy Consumption Performance of Buildings started up but the demand was slower-than-expected, but year-on-year revenue increased by expanding BELS service.
- In Solution Services, Due Diligence service was in good shape.
- Acquisition of Share transfer of Jyutaku Seinou Hyouka Center Co., Ltd. in November leads to large share up in detached houses services.

1. Results for the second quarter of the fiscal year ending May 2018



Consolidated results

(Millions of yen)

	FY2016 2Q (Jun. 2016 – Nov. 2016)	FY2017 2Q (Jun. 2017 – Nov. 2017)	Change	
			Amounts	Ratio
Net Sales	5,605	5,818	212	3.8%
Operating Profit	135	206	71	53.2%
Operating Profit Ratio	2.4%	3.6%	-	-
Ordinary Profit	140	214	74	52.7%
Ordinary Profit Ratio	2.5%	3.7%	-	-
Profit Attributable to Owners of Parent	80	120	39	49.4%
Earnings per Share (Yen)	10.32	15.42	5.1	-

1. Results for the second quarter of the fiscal year ending May 2018



Consolidated results by segment

(Millions of yen)

	FY2016 2Q	FY2017 2Q	Change		Operating Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	3,073 [54.8%]	3,143 [54.0%]	69	2.3%	252	102
Housing Performance Evaluation and its related services	1,424 [25.4%]	1,420 [24.4%]	▲3	▲0.3%	▲35	▲29
Solution Services*	398 [7.1%]	439 [7.6%]	41	10.4%	17	7
Others	709 [12.7%]	815 [14.0%]	105	14.9%	▲27	▲7
Net Sales Total	5,605 [100.0%]	5,818 [100.0%]	212	3.8%	206	71

* "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.



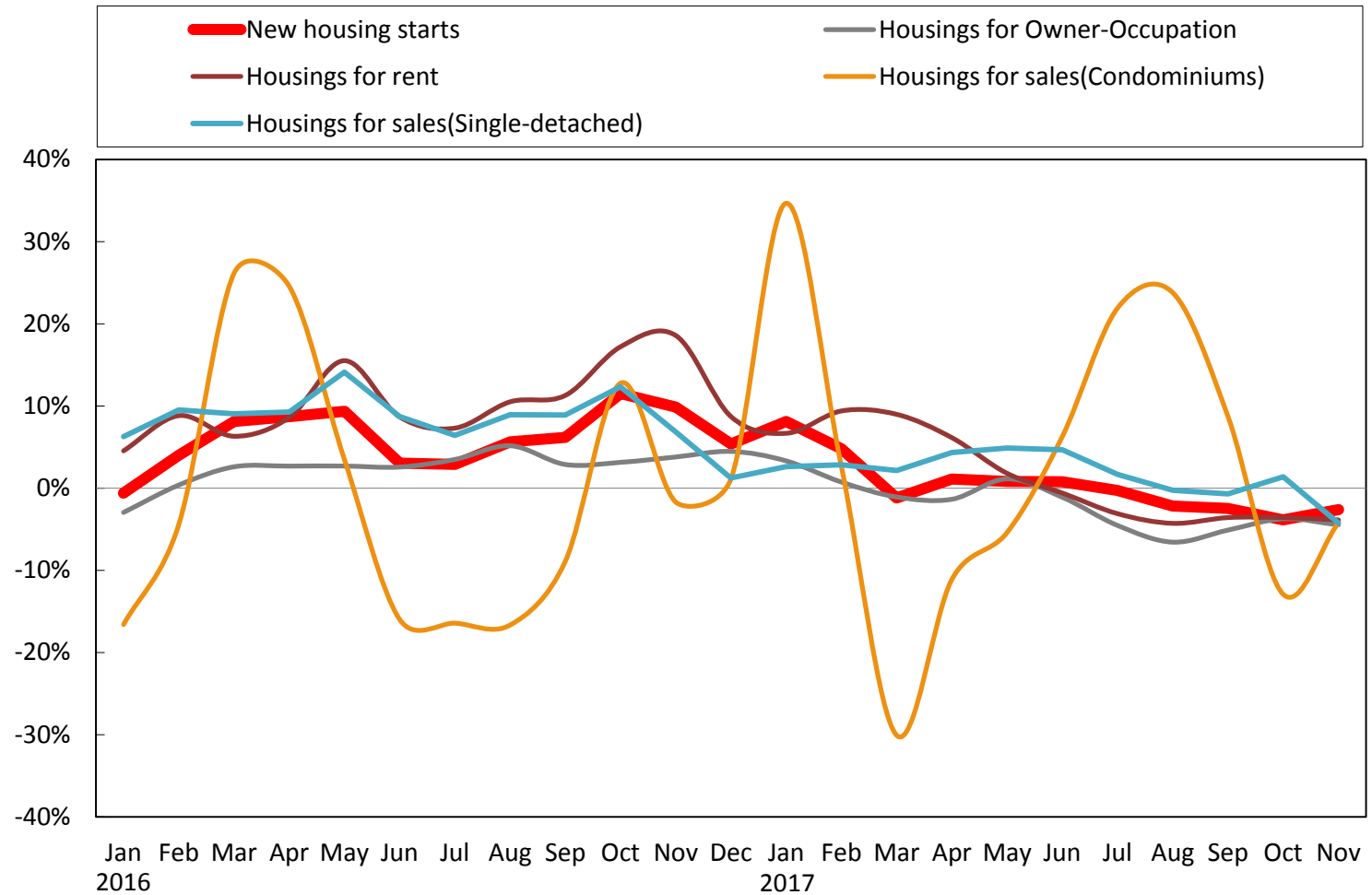
Trends in housing market

- New housing starts has been in a downward trend.
- Accumulated changes in the first half stats are as follows.

New housing starts	-1.8%
Housings for Owner-Occupation	-4.7%
Housings for rent	-3.5%
Housings for sales(condominiums)	+9.0%
Housings for sales(single-detached)	+2.4%

*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)

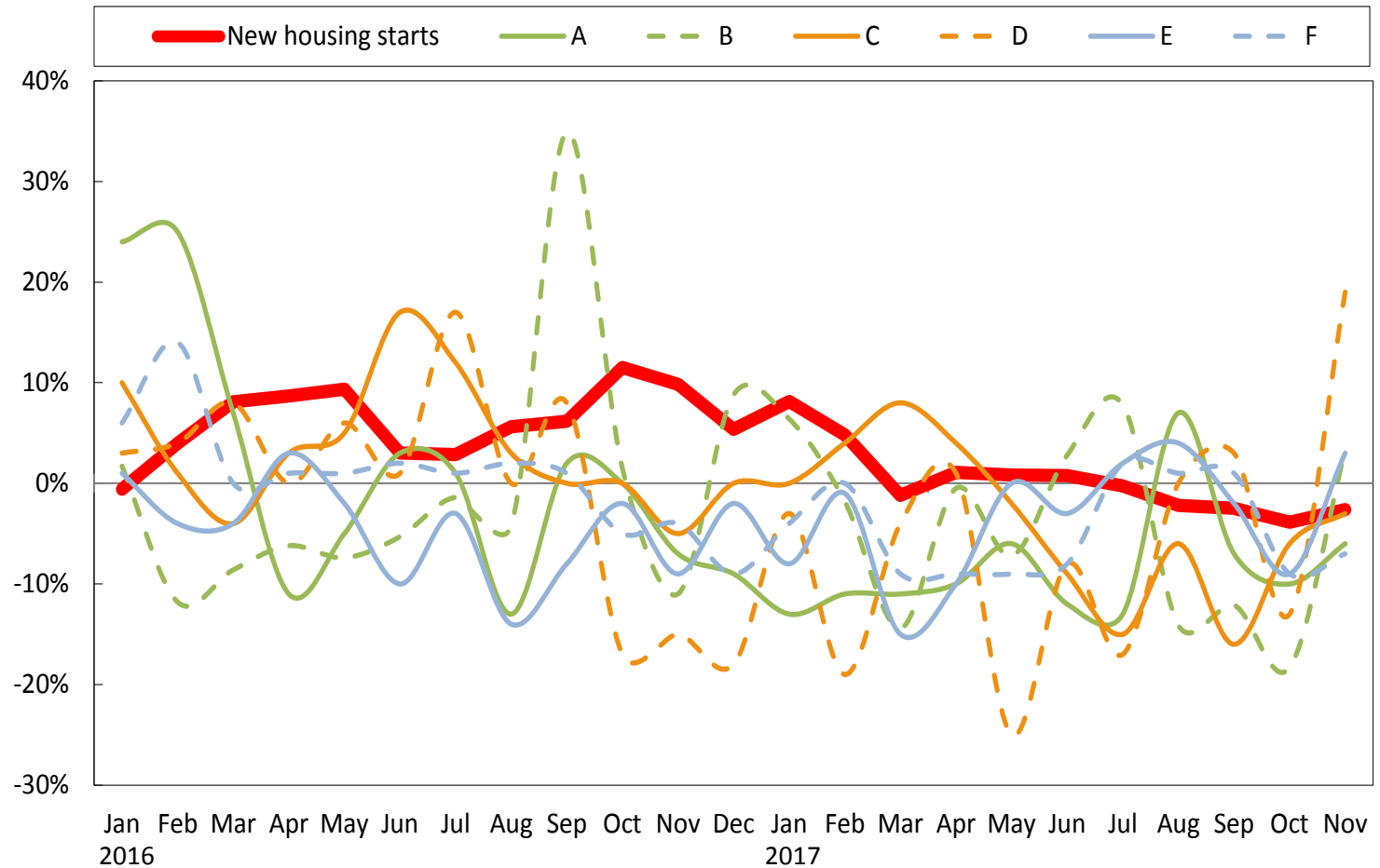




Trends in housing market

Changes in new orders of detached houses by major house builders

- Detached house sales of major house builders come up against visible downward trend.
- Major house builders headed for the business of higher quality and upper price housing.



*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 for the second quarter of the fiscal year ending May 2018



Breakdown of Building Confirmation

FY2017 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	14,724	3,583	1,876	1,075	552	808	22,618
Year-on-Year	-5.0%	-3.0%	-5.0%	-2.6%	-18.5%	23.7%	-4.1%
Proportion	65.1%	15.8%	8.3%	4.8%	2.4%	3.6%	100.0%
Net Sales	316.5	318.6	255.6	252.2	93.8	140.1	1,377.1
Year-on-Year	-5.2%	6.0%	9.1%	7.5%	-17.3%	17.5%	3.1%
Proportion	23.0%	23.1%	18.6%	18.3%	6.8%	10.2%	100.0%

(Reference; June 2017 - November 2017)

Growth rate of national newly built floor space (construction starts)	-2.7%	0.3%	12.9%	-14.2%	15.2%	0.5%
Proportion	61.8%	9.2%	14.3%	4.8%	9.9%	100.0%

(Reference; April 2017 - September 2017)

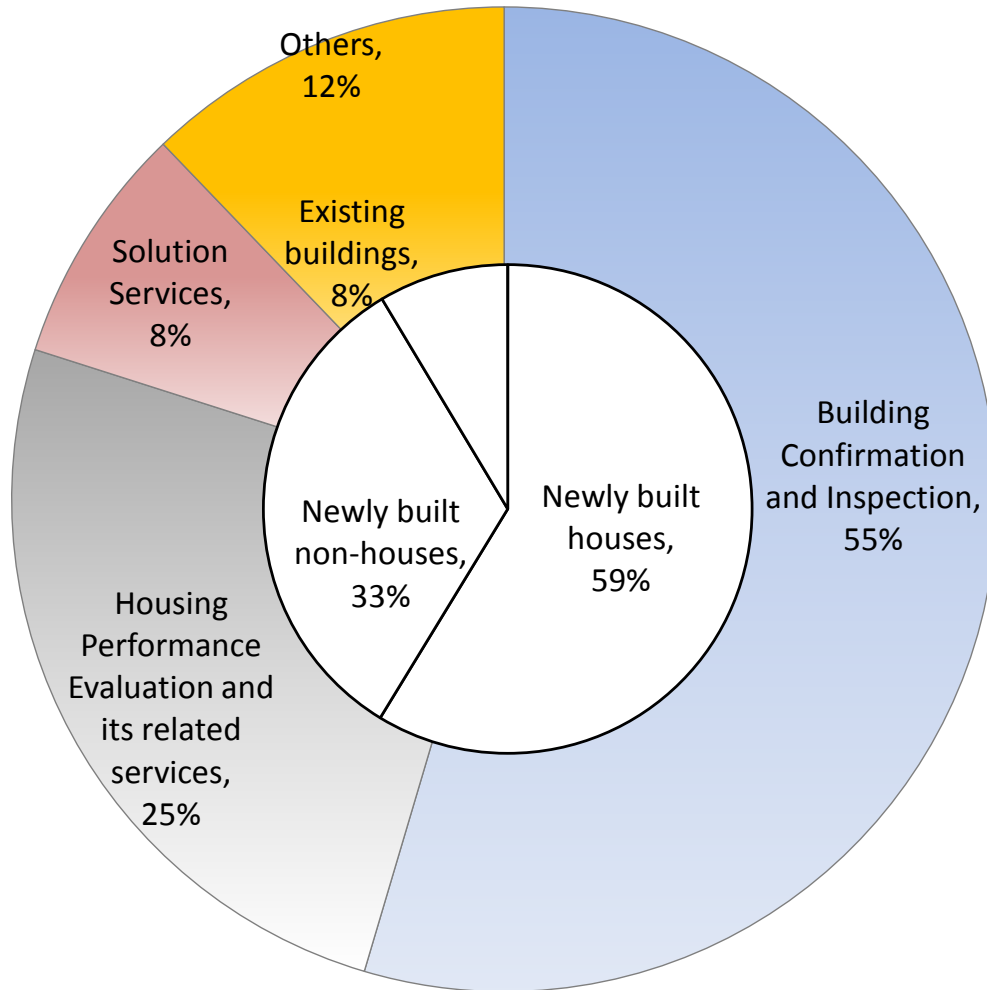
Number of national building confirmation	289,319
Year-on-Year	-2.5%

1. Results for the second quarter of the fiscal year ending May 2018

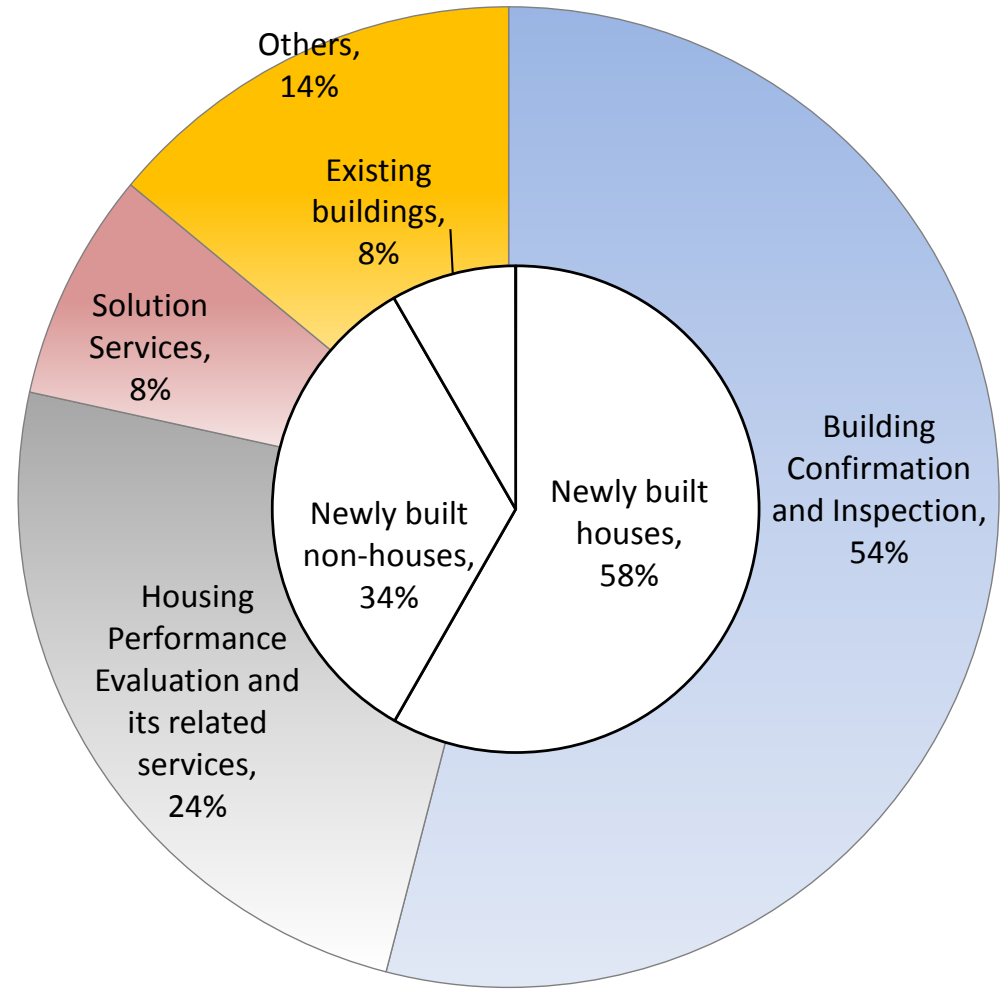


Sales breakdown | Consolidated

FY2016



FY2017 2Q



1. Results for the second quarter of the fiscal year ending May 2018



Main operating figures | Consolidated

(Cases)

	FY2016 2Q (Jun. 2016 – Nov. 2016)	FY2017 2Q (Jun. 2017 – Nov. 2017)	Change	
			Amounts	Ratio
Building Confirmations	31,235	30,249	▲ 986	▲ 3.2%
Final Inspections	23,289	23,261	▲ 28	▲ 0.1%
Housing Design Performance Evaluations of Detached House	10,602	9,929	▲ 673	▲ 6.3%
Housing Design Performance Evaluations of Collective House	13,154	10,800	▲ 2,354	▲ 17.9%

1. Results for the second quarter of the fiscal year ending May 2018



Key service figures | Consolidated

	FY2017 2Q		Change in previous year	
	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations for medium to large size buildings (over 500 sqm)	2,680	751	▲112	47
Housing Performance Evaluations of detached houses* ¹	9,929	351	▲673	▲24
Technical Assessments for Long-life Quality Housings* ²	11,810	186	▲564	▲6
Inspections for Housing Defect Liability Insurance* ³	12,373	146	▲360	▲9
Evaluations of Seismic Capacity and Seismic Retrofitting Plans	76	24	▲4	▲2
Structural Evaluations of High-rise Buildings (Skyscraper and/or Base isolation)	67	75	▲18	▲32

*1 Cases and amounts by housing design performance evaluation.

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

*3 Jutaku Anshin Hosyo's cases and amounts.

1. Results for the second quarter of the fiscal year ending May 2018



New services operating figures | Consolidated

(Cases)

	FY2016 2Q	FY2017 2Q	Change	
			Amounts	Ratio
Route-2 Structural Examination* ¹	464	444	▲20	▲4.3%
Pre-completion Tentative Approval* ¹	121	57	▲64	▲52.9%
Assessment of Compliance with the Building Standard Law services* ²	42	36	▲6	▲14.3%
BELS certification (Non-housings)* ³	40	60	20	50.0%
BELS certification (Housings)* ³	1,321* ⁵	3,146	1,825	138.2%
Energy Pass certification* ⁴	188	74	▲114	▲60.6%

*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.

*5 BELS data in the Financial Results for the Second Quarter May 2017 (released on Jan. 13, 2017) was corrected as follows.
BELS certification (Housings) total number: Error 1,299, Correct 1,321

1. Results for the second quarter of the fiscal year ending May 2018

Consolidated financial statements | Assets



(Millions of yen)

	FY2016 (Jun. 2016 - May 2017)	FY2017 2Q (Jun. 2017 – Nov. 2017)	Change
Total assets	4,109	6,235	2,126(2,027*)
Total current assets	3,256	4,352	1,096(985*)
Cash and deposits	2,104	2,695	591
Accounts receivable – trade	500	767	266
Work in process	352	456	103
Total non-current assets	853	1,882	1,029(1,042*)
Total Property, plant and equipment	153	398	244
Total intangible assets	220	962	741
goodwill	58	686	627
Total investments and other assets	478	522	43

* Accompanying Jyutaku Seinou Hyouka Center.,Ltd. becoming a subsidiary.

1. Results for the second quarter of the fiscal year ending May 2018

Consolidated financial statements | Liabilities



(Millions of yen)

	FY2016 (Jun. 2016 - May 2017)	FY2017 2Q (Jun. 2017 – Nov. 2017)	Change
Total liabilities	1,811	3,931	2,120(1,338*)
Total current liabilities	1,621	3,691	2,070
Accrued expenses	598	759	160
Advances received	656	884	228
Total non-current liabilities	189	239	50
Total net assets	2,298	2,303	5
Total shareholders' equity	2,293	2,296	3
Retained earnings	1,274	1,277	3
Total liabilities and net assets	4,109	6,235	2,126(1,338*)

* Accompanying Jyutaku Seinou Hyouka Center.,Ltd. becoming a subsidiary.

2. Forecasts for the fiscal year ending May 2018

Forecasts for FY2017



(Millions of yen)

	FY2016	FY2017 Previous Forecast (B)	FY2017 New Forecast (A)*	Change (A-B)
Net Sales	11,357	12,187	13,144	957
Operating Profit	289	635	595	▲40
Vs. Net Sales	2.6%	5.2%	4.5%	—
Ordinary Profit	367	643	601	▲41
Vs. Net Sales	3.2%	5.3%	4.6%	—
Profit Attributable to Owners of Parent	212	410	360	▲50
Earning per Share (Yen)	27.17	52.45	45.98	▲6.48
Dividends per Share (Yen)	30	30	30	0

*We announced "Notice on Revision of Earnings Forecast for the Fiscal Year Ending May 2018" on December 19, 2017.

3. Topics



Acquisition of Jyutaku Seinou Hyouka Center., Ltd.

- Nov. 2017 – Jyutaku Seinou Hyouka Center acquired 960 own share out of 2,000 outstanding shares. ERI holdings acquired 980 out of remaining 1,040 shares.
- Dec. 2017 - ERI holdings additionally acquired 960 shares from Jyutaku Seinou Hyouka Center. (Ownership ratio of ERI holdings is 97.0%)

Company Outline

Company name	Jyutaku Seinou Hyouka Center., Ltd.
Head office	Shinjuku-ku, Tokyo
Main business contents	Building confirmation and inspection, Housing performance evaluation, Various services related to building and housing evaluation
Establishment	June 2000
Capital	100 million yen
Net sales	2,238 million yen (FY ended March 2017)

3. Topics

Acquisition of Jyutaku Seinou Hyouka Center., Ltd.



Comparison of Jyutaku Seinou Hyouka Center and Japan ERI

	Jyutaku Seinou Hyouka Center	Japan ERI
Branches	12	34
Employee (As of Dec. 1, 2017)	243	865
1st-class Kenchikushi	144	630
Qualified Building Regulation Conformity Inspectors	113	538
Housing Performance Evaluators	118	594
Number of certificates issued (FY ended March 2017)		
Building Confirmations	23,758	43,836
Housing Design Performance Evaluation	10,113	19,633
Housing Construction Performance Evaluation	8,742	16,534

3. Topics

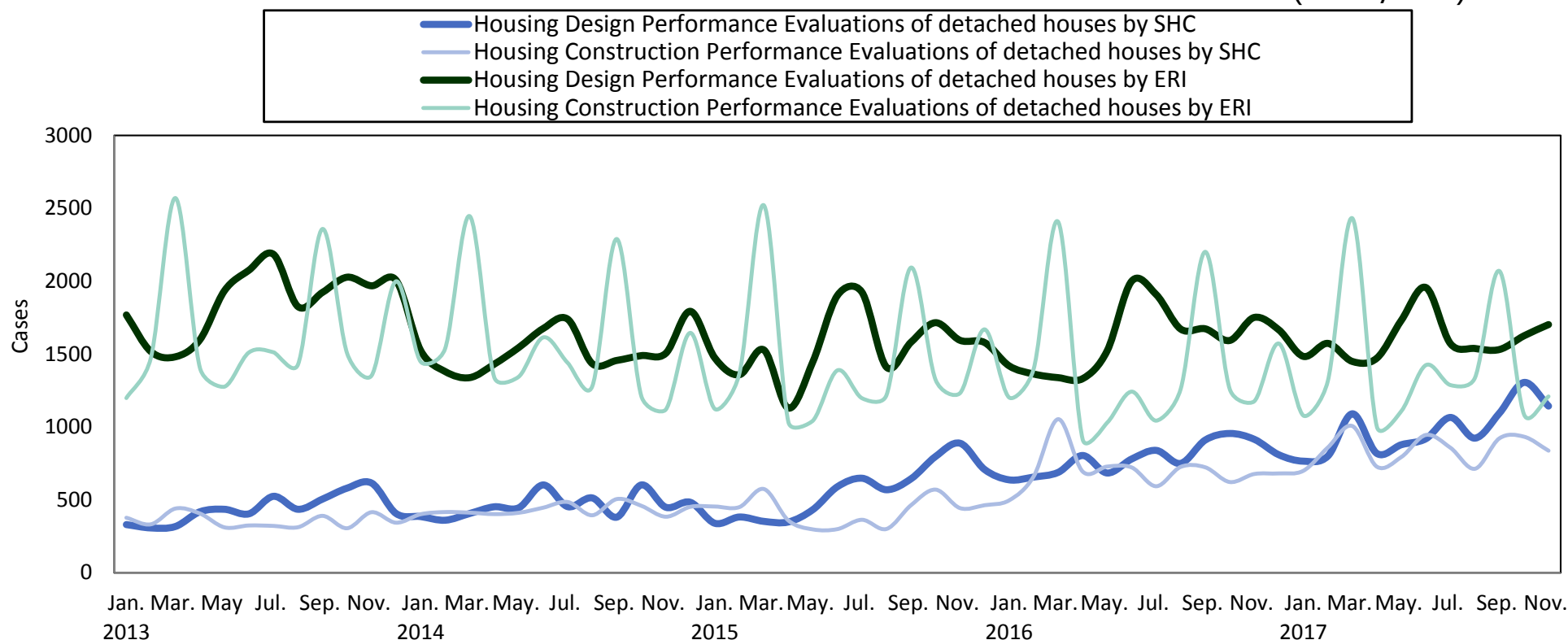


Acquisition of Jyutaku Seinou Hyouka Center., Ltd.

Advantages of Jyutaku Seinou Hyouka Center Co., Ltd. (SHC)

- Efficient operation handling wide customer network of major ready-built house supplier and local wooden house builder
- Market leader of Bldg. Confirmation service leveraging an electronic application and BIM interfacing application
- Similar to Japan ERI Co., Ltd. (ERI), high ratio in set-application with Design and Construction Performance Evaluation

Track record of number of Performance Evaluation of detached house (SHC / ERI)



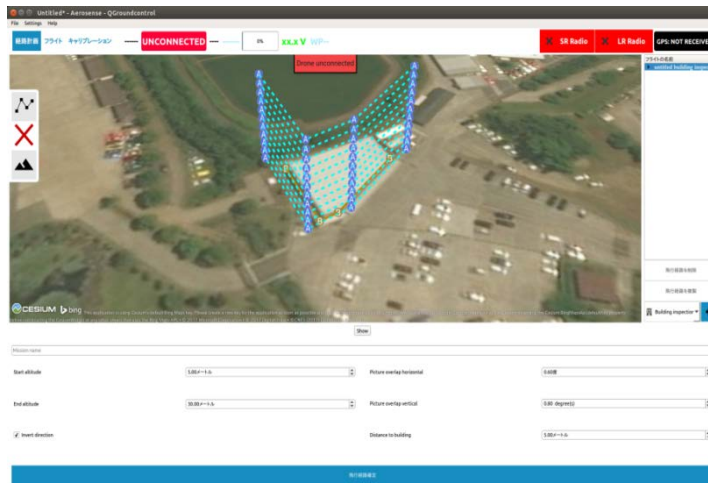
3. Topics

External wall inspection with UAVs



- Develop an autonomous flight controlled UAVs tracing a preset flight plan*
- Inspect a building utilizing visible and infrared image shots from UAVs

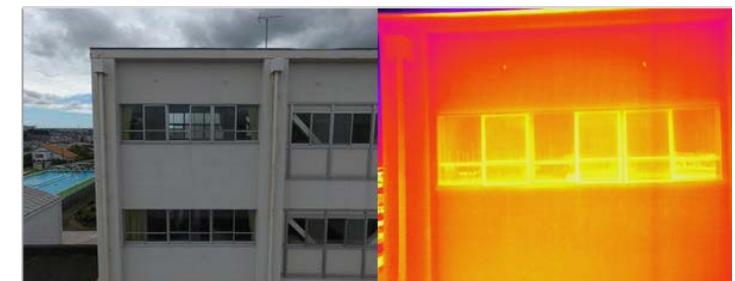
* Joint development project with Aerosense Inc.



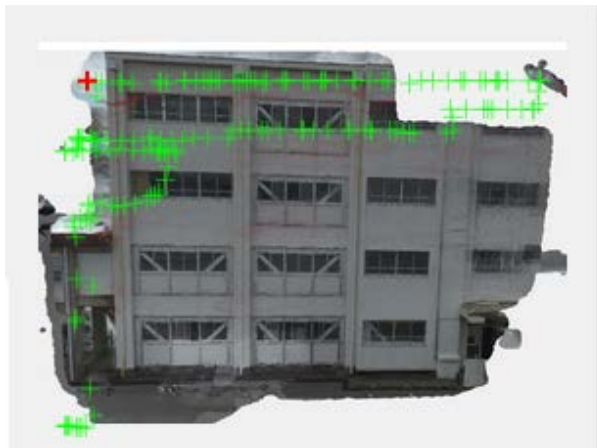
1. Preset UAVs flight plan upon a map



2. UAVs autonomous flying



3. Inspect an external wall condition by a pair of image shot taken in the morning and afternoon



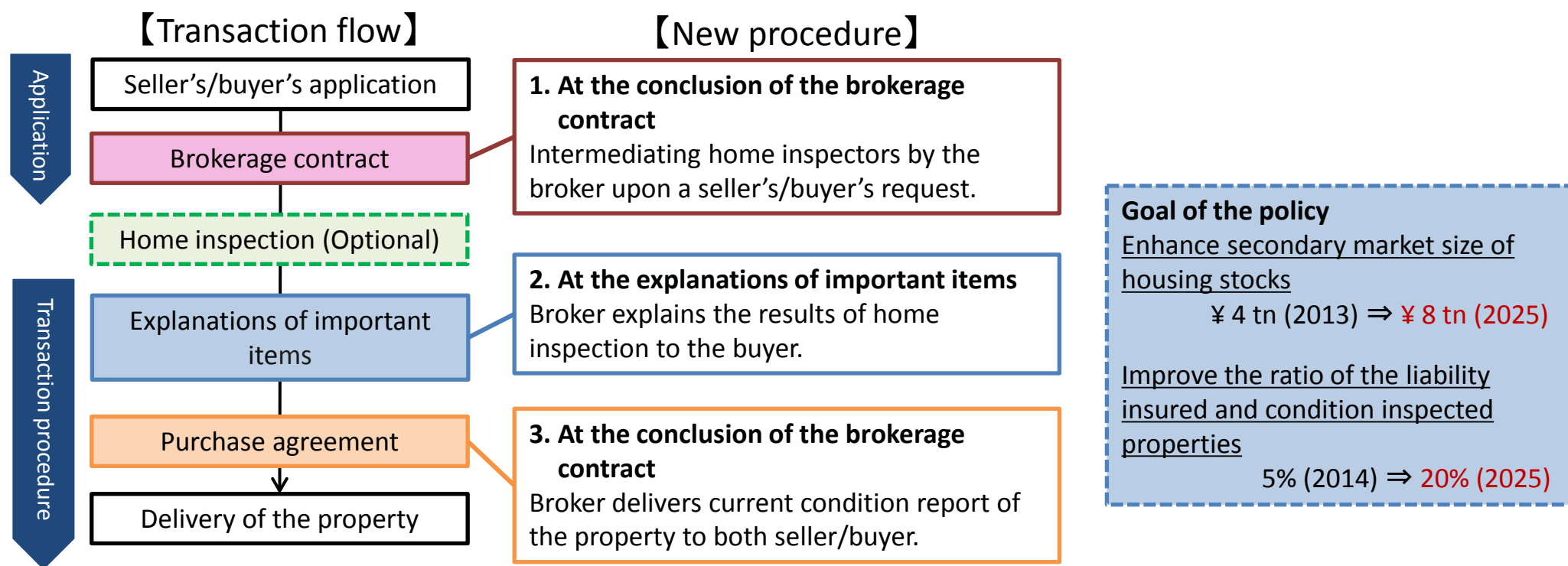
4. Image processing system produce a 3D image of whole external wall of the bldg.

3. Topics



Revision in Building Lots and Buildings Transaction Business Act (effective on April. 1, 2018)

- Enhance an accountability of real estate brokers to promote a smooth distribution of housing stocks
- Popularization of home inspection service coming
- Stimulate a demand for legal compliance inspection of existing buildings which haven't got Inspection Certificate



Source: MLIT press release "Partial Revision of Building Lots and Buildings Transaction Business Act", Feb. 2016.

4. Progress in medium-term management plan

Medium-term management plan

(FY2016 - FY2018)



Business strategy	Providers	Business field	Basic policy
Existing core business <Strengthen profitability>	Japan ERI SHC TBTC	<ul style="list-style-type: none"> ✓ Building Confirmation and Inspection ✓ Housing Performance Evaluation 	<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&As.</p>
	TBTC	<ul style="list-style-type: none"> ✓ Structural Calculation Review 	Establish systems and reach top of industry.
	Japan ERI TBTC	<ul style="list-style-type: none"> ✓ Structural Evaluation 	Use technical strengths to maintain high share of market.
New growth businesses <Increase in investments>	Japan ERI SHC TBTC	<ul style="list-style-type: none"> ✓ 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 Solution	<ul style="list-style-type: none"> ✓ Building stock 	<p>Actively invest management resources to create third core business.</p> <p>Utilize M&As, including securing human resources (full-scale entry into non-destructive inspections).</p>
	ERI Academy	<ul style="list-style-type: none"> ✓ Information and education-related services 	Establishment of stable revenue foundation.
Business in new fields <Expand business sphere>	ERI Solution	<ul style="list-style-type: none"> ✓ Infrastructure stock 	Utilize M&As, expanding business sphere from buildings to Infrastructures.
	-	<ul style="list-style-type: none"> ✓ Overseas 	Continue to collect information to accurately identify opportunities for business expansion.

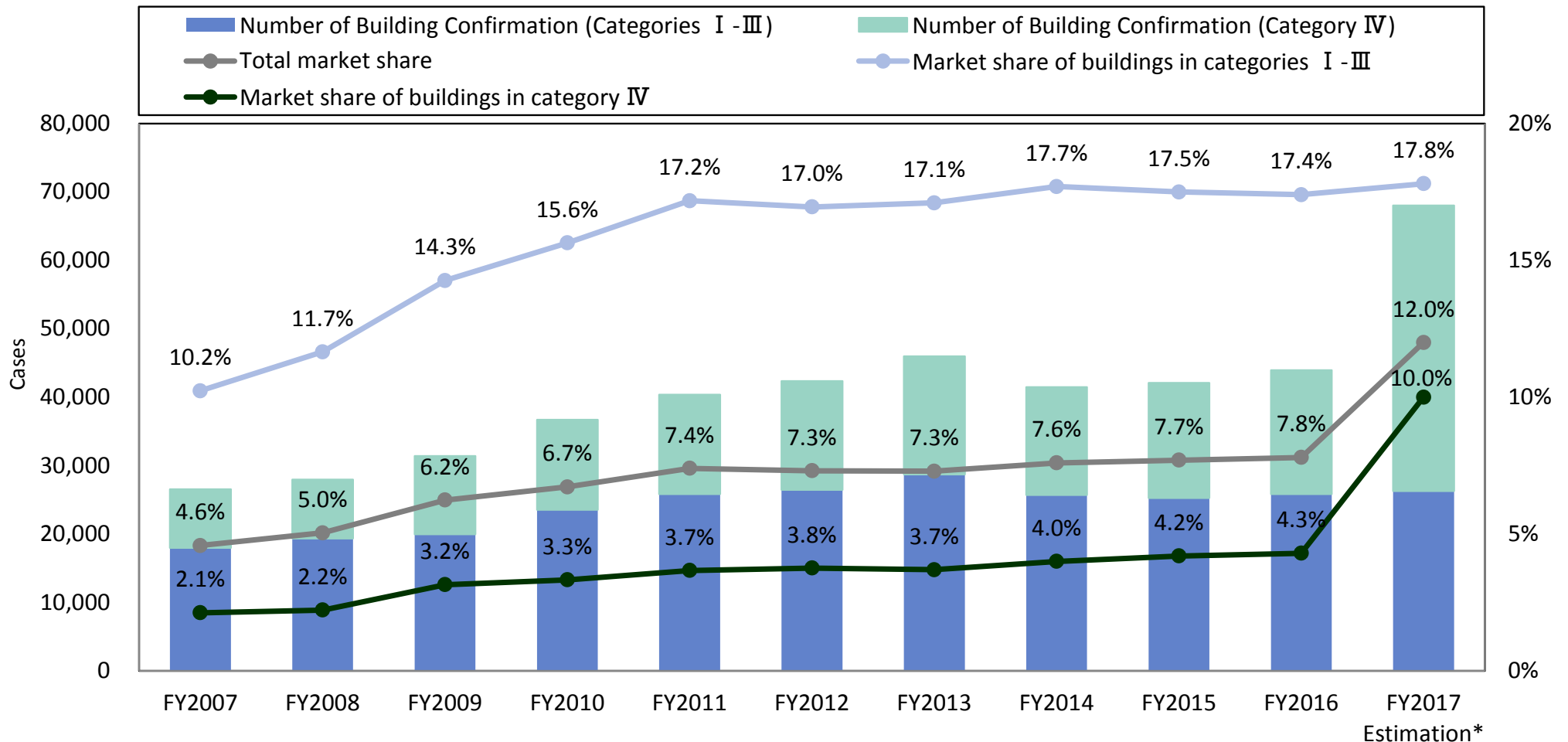
4. Progress in medium-term management plan

Strengthen profitability of existing core business ①



● Building Confirmation and Inspection

Number of Building Confirmation and market share by ERI group



* FY2017 estimation includes SHC's full year expected number.

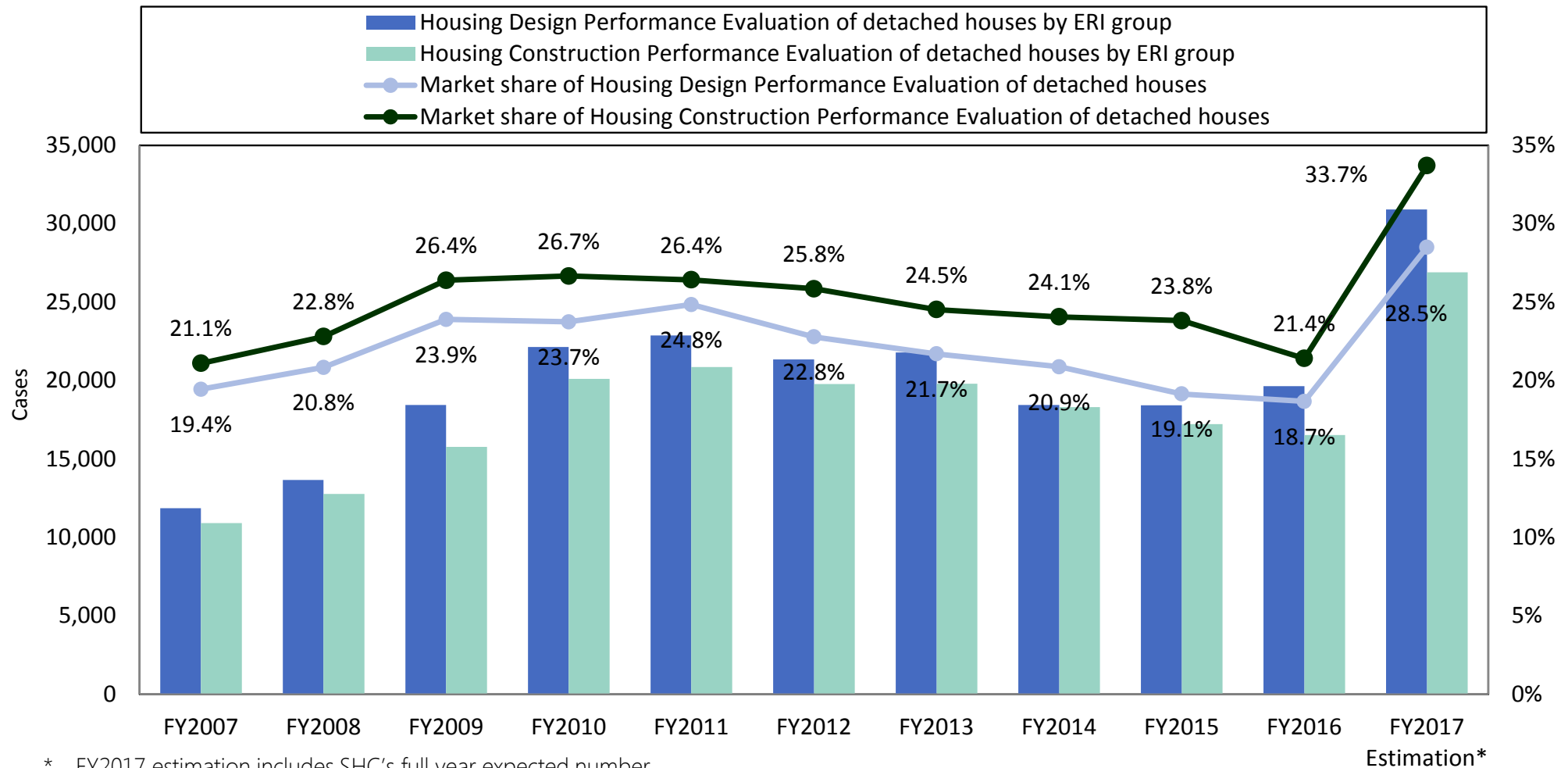
4. Progress in medium-term management plan

Strengthen profitability of existing core business ②



● Housing Performance Evaluation services

Number of Housing Performance Evaluation and market share by ERI group



* FY2017 estimation includes SHC's full year expected number.

4. Progress in medium-term management plan

Strengthen profitability of existing core business ③



● IT investment for operating efficiency and application of advanced technology

- Inspector delivery & technical assessment support, promotion of back-office efficiency (system development with EPA System Inc.)

Inspector delivery support system :

Tablet device for onsite inspection, online reservation service of inspection (Japan ERI – start by the end of this fiscal year, SHC – already in-place)

Technical assessment support system :

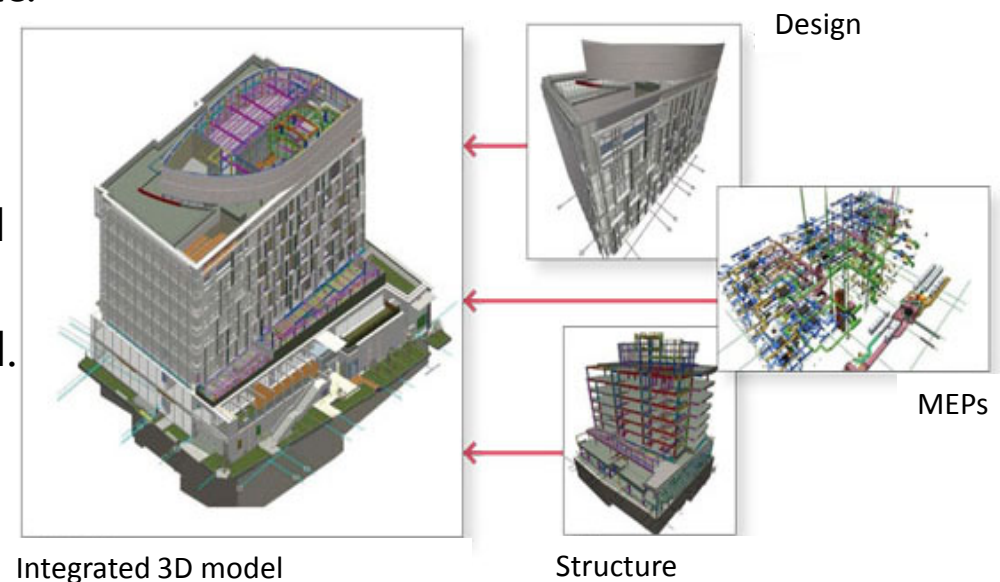
Building code digital database, area information retrieval system, etc.

System for promoting back-office efficiency, etc.

- BIM (Building Information Modeling) application

SHC: Building Confirmation application by BIM data of detached house started.

Japan ERI: BIM promotion center is established. Feasibility study of BIM is progressed jointly with counterparties, e.g. architect offices, general contractors, developers, house builders, etc.



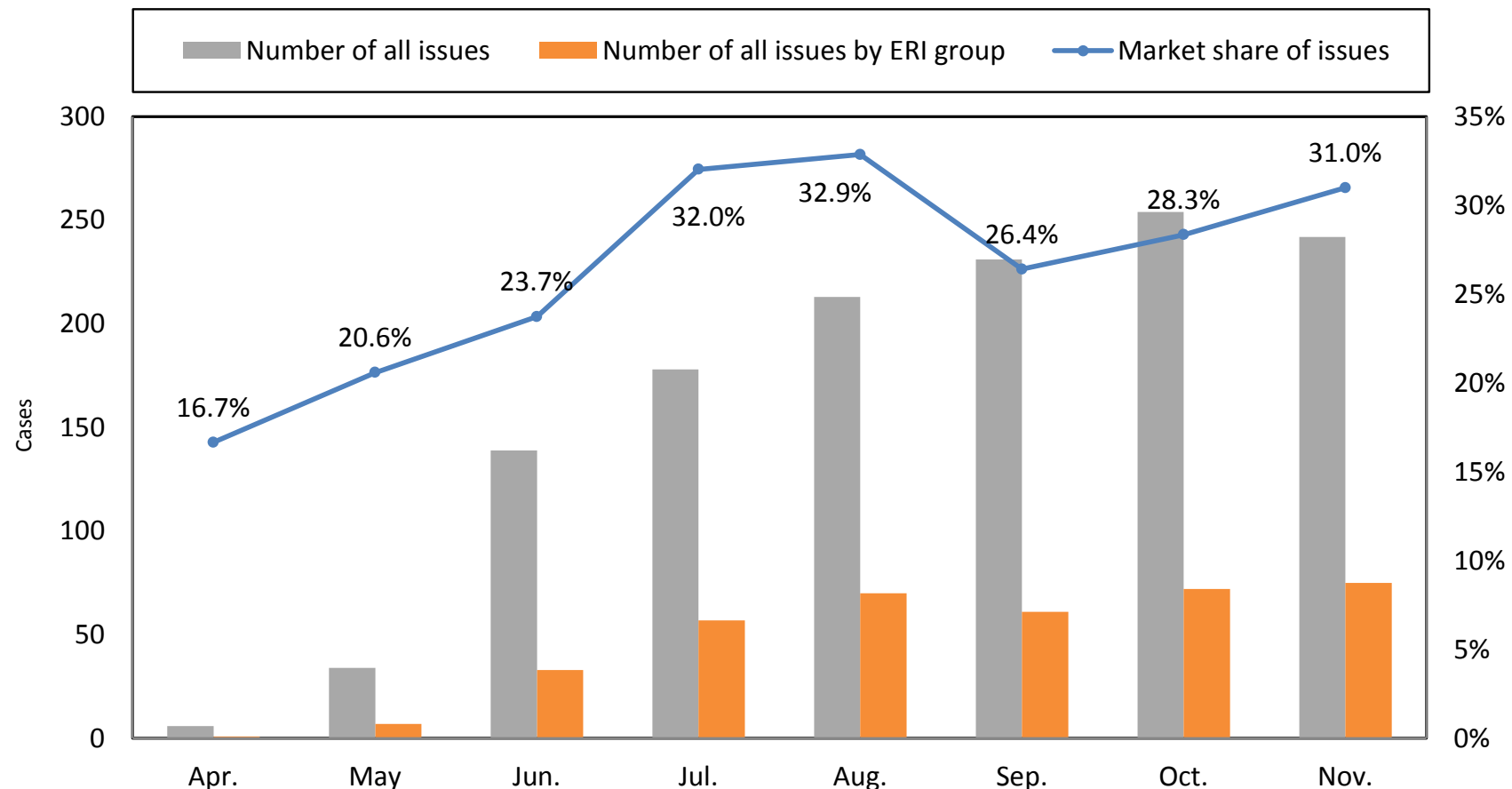
4. Progress in medium-term management plan

Enhance investment in new growth business ①-1



- Qualified Building Energy Efficiency Standard Conformity Inspection Service
(Mandatory only for non-houses buildings over 2000m² or more)

Number of Qualified Building Energy Efficiency Standard Conformity Inspection and market share by ERI group



4. Progress in medium-term management plan

Enhance investment in new growth business ①-2



● Roadmap of Energy Efficiency Standards implementation (by MLIT)

(FY)			Today	2020	2030	2050
Targets regarding Basic Energy Plan, etc.			Starting ZEB on new public building, etc.	Accomplish ZEH as new bldg. standard		
			Starting ZEH on standard new housing	Accomplish ZEH as new housing standard		
			Mandatory compliance with energy efficiency standards			
Regulation of new building	Mandatory compliance with energy efficiency standards	Large size	Mandatory (non-housing bldg.)	Mandatory (housing)	Enhance regulation responding to technical development and cost down, etc.	Ensure energy efficiency of all new bldg.
		Middle size	Enhance regulatory regimes	Mandatory		
		Small size	Assessment rationalization study with pros	Mandatory		
	Structural improvements for suppliers and assessors		Enhance implementation by education and utilization of private institution			
			Technical education and level up of engineers who play design, construction and assessment			
			Reducing burden of designers and mid-to-small builders – improvement program usability			

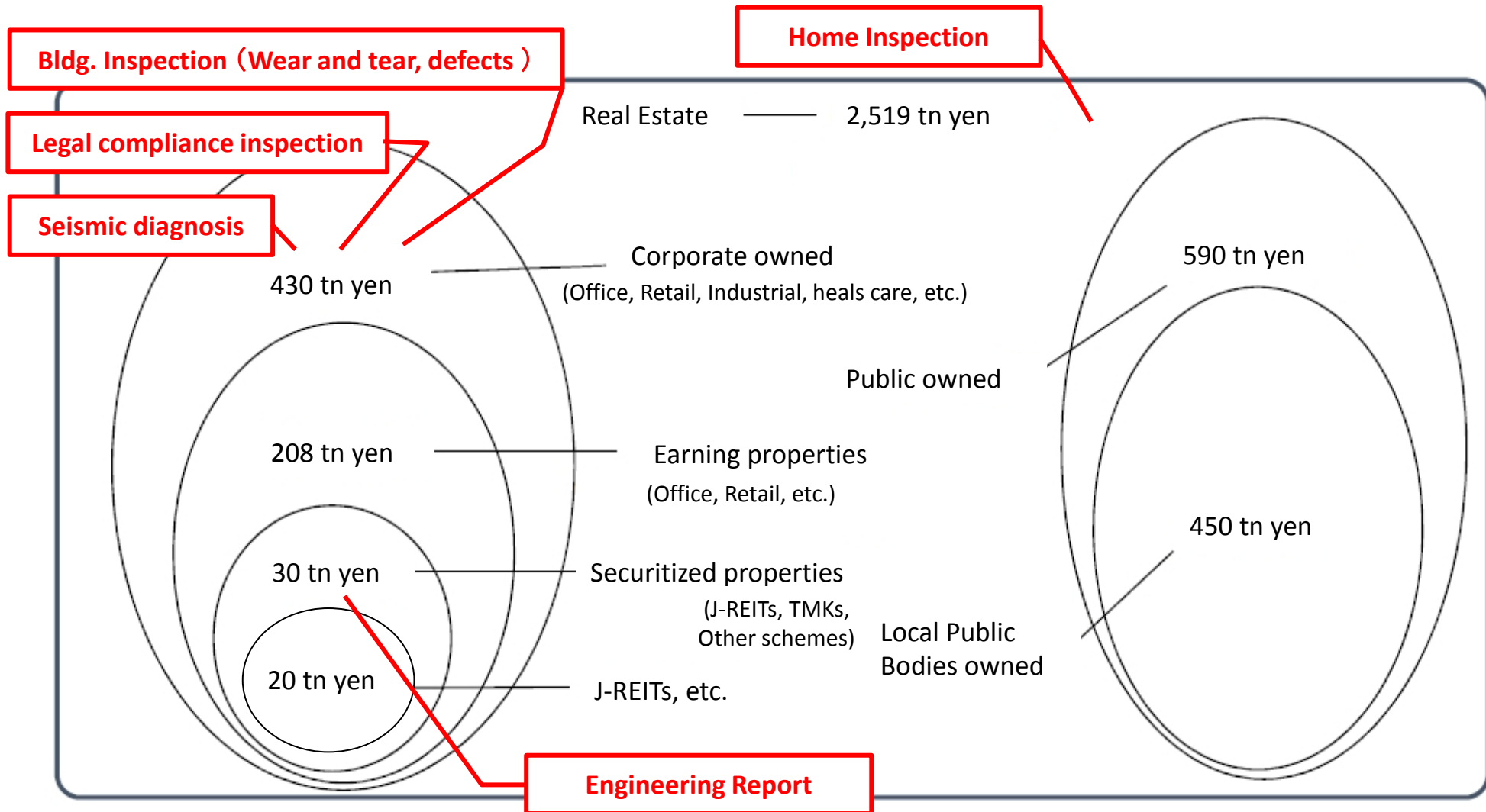
Source: MLIT press release “Ideal energy saving policy for housings and buildings (initial report)”, (summarized draft) reference material’, Dec. 2017.

4. Progress in medium-term management plan

Enhance investment in new growth business ②



● Bird's-eye view of Japan real estate investment market



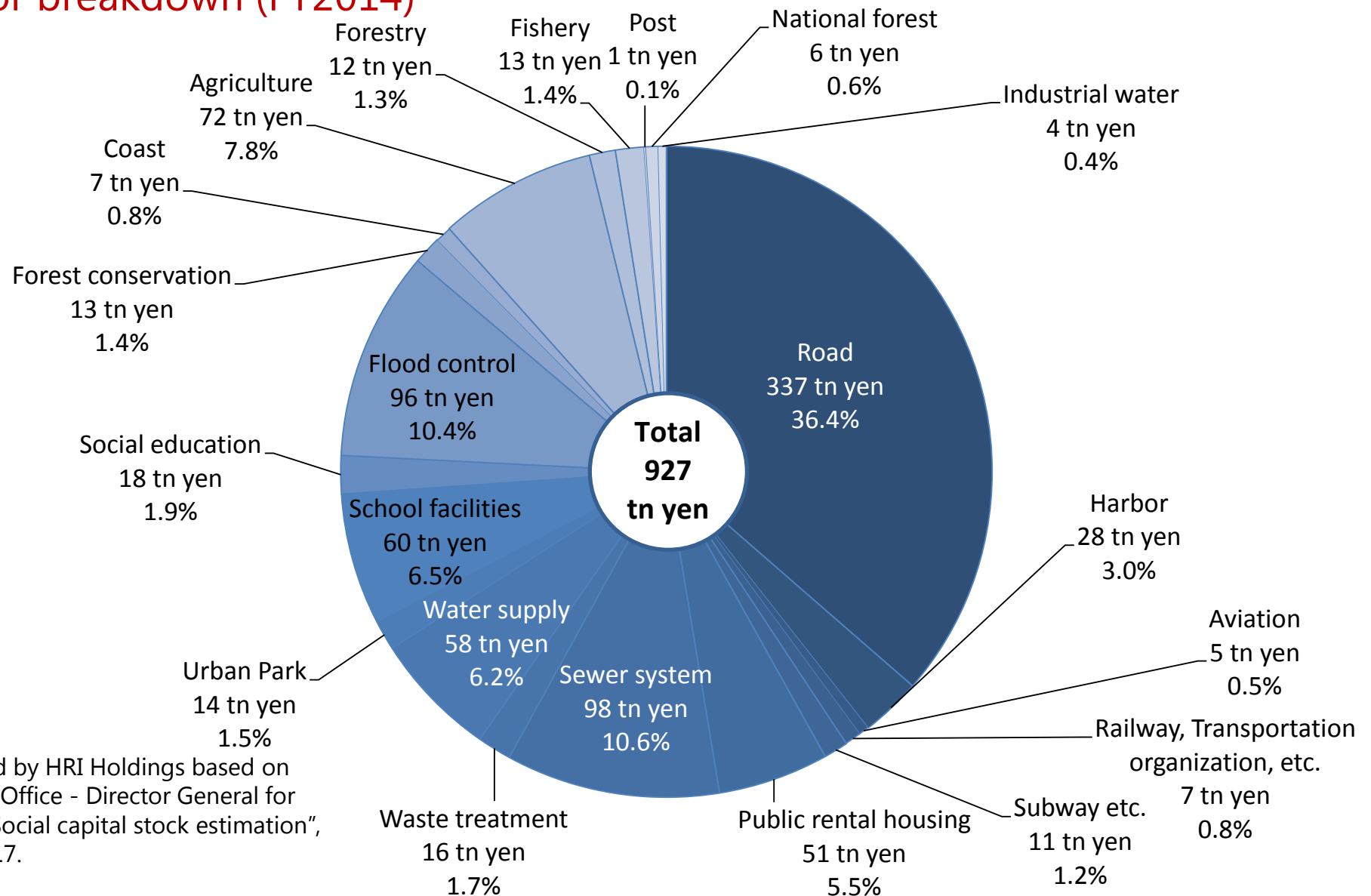
Source: MLIT press release "Action plan for promotion of real estate investment market (reference)", Jun 2017.

4. Progress in medium-term management plan

Expand business sphere in new business fields



● Infrastructure volume chart based on national gross capital stock and its sector by sector breakdown (FY2014)



Source: Prepared by HRI Holdings based on Cabinet Office - Director General for Policy "Social capital stock estimation", Dec. 2017.