



Financial Results for the Second Quarter

From June 1, 2018 to November 30, 2018

ERI Holdings Co., Ltd.

January 11, 2019

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

- New housing starts and non-residential building starts slightly decreased.
- Revenue increased continuously in all four segments.
- In Building Confirmation and Housing Performance Evaluation and its related services, revenue increased largely due to inclusion of revenue of Jyutaku Seinou Hyouka Center Co., Ltd.
- Large building related Building Confirmation and detached house related Housing Performance Evaluation and its related services were in good sales shape.
- Frequent natural disasters delayed on-site inspections for Building Inspection and Construction Performance Evaluation services.
- In Solution Services, Due Diligence services was in good shape.
- In other segments, Evaluation for Compliance with Energy Consumption Performance of Buildings kept good sales but cost increase shrank the earnings.

1. Results for the second quarter of the fiscal year ending May 2019



Consolidated results

(Millions of yen)

	FY2017 2Q (Jun. 2017 – Nov. 2017)	FY2018 2Q (Jun. 2018 – Nov. 2018)	Change	
			Amounts	Ratio
Net Sales	5,818	7,241	1,422	24.5%
Operating Profit	206	348	141	68.2%
Operating Profit Ratio	3.6%	4.8%	-	-
Ordinary Profit	214	364	149	69.6%
Ordinary Profit Ratio	3.7%	5.0%	-	-
Profit Attributable to Owners of Parent	120	232	111	92.2%
Profit per Share (Yen)	15.42	30.53	15.11	-

* In FY2018 2Q results, data of Jyutaku Seinou Hyouka Center Co., Ltd. is the results of Apr. - Sep. 2018 period.

1. Results for the second quarter of the fiscal year ending May 2019



Consolidated results by segment

(Millions of yen)

	FY2017 2Q	FY2018 2Q	Change		Segment Profit	Change
			Amounts	Ratio		
Building Confirmation and Inspection	3,143 [54.0%]	3,899 [53.9%]	756	24.1%	363	111
Housing Performance Evaluation and its related services	1,420 [24.4%]	1,800 [24.9%]	379	26.7%	48	84
Solution Services	439 [7.6%]	517 [7.1%]	78	17.8%	18	0
Others	815 [14.0%]	1,023 [14.1%]	208	25.6%	▲51	▲23
Net Sales Total	5,818 [100.0%]	7,241 [100.0%]	1,422	24.5%	380	173

* In FY2018 2Q results, data of Jyutaku Seinou Hyouka Center Co., Ltd. is the results of Apr. - Sep. 2018 period.



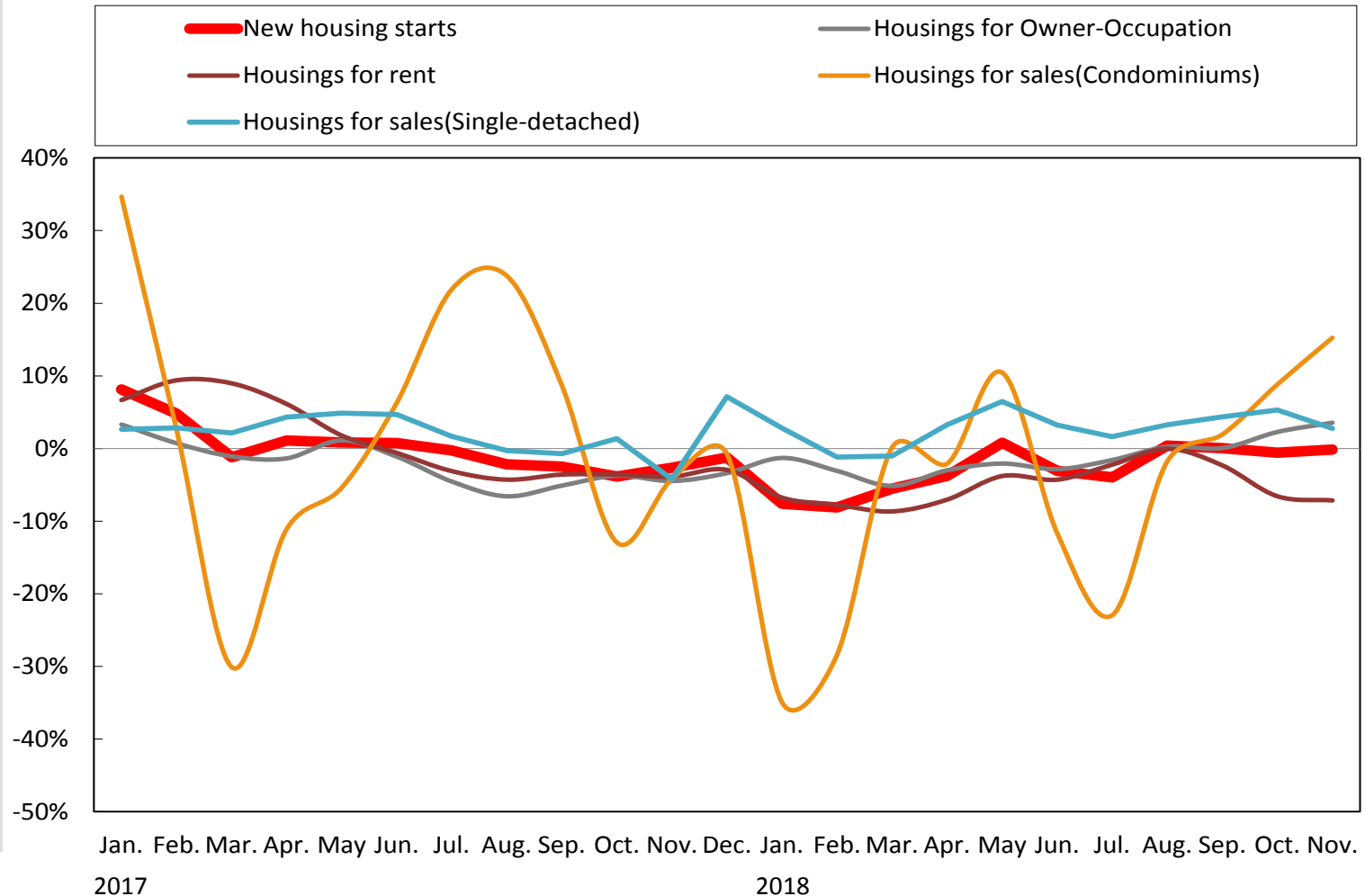
Trends in housing market

- New housing starts rebounds only gradually from downtrend.
- Accumulated changes in the first half stats are as follows.

New housing starts	-1.4%
Housings for Owner-Occupation	+0.7%
Housings for rent	-3.9%
Housings for sales(condominiums)	-3.9%
Housings for sales (single-detached)	+2.9%

*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)

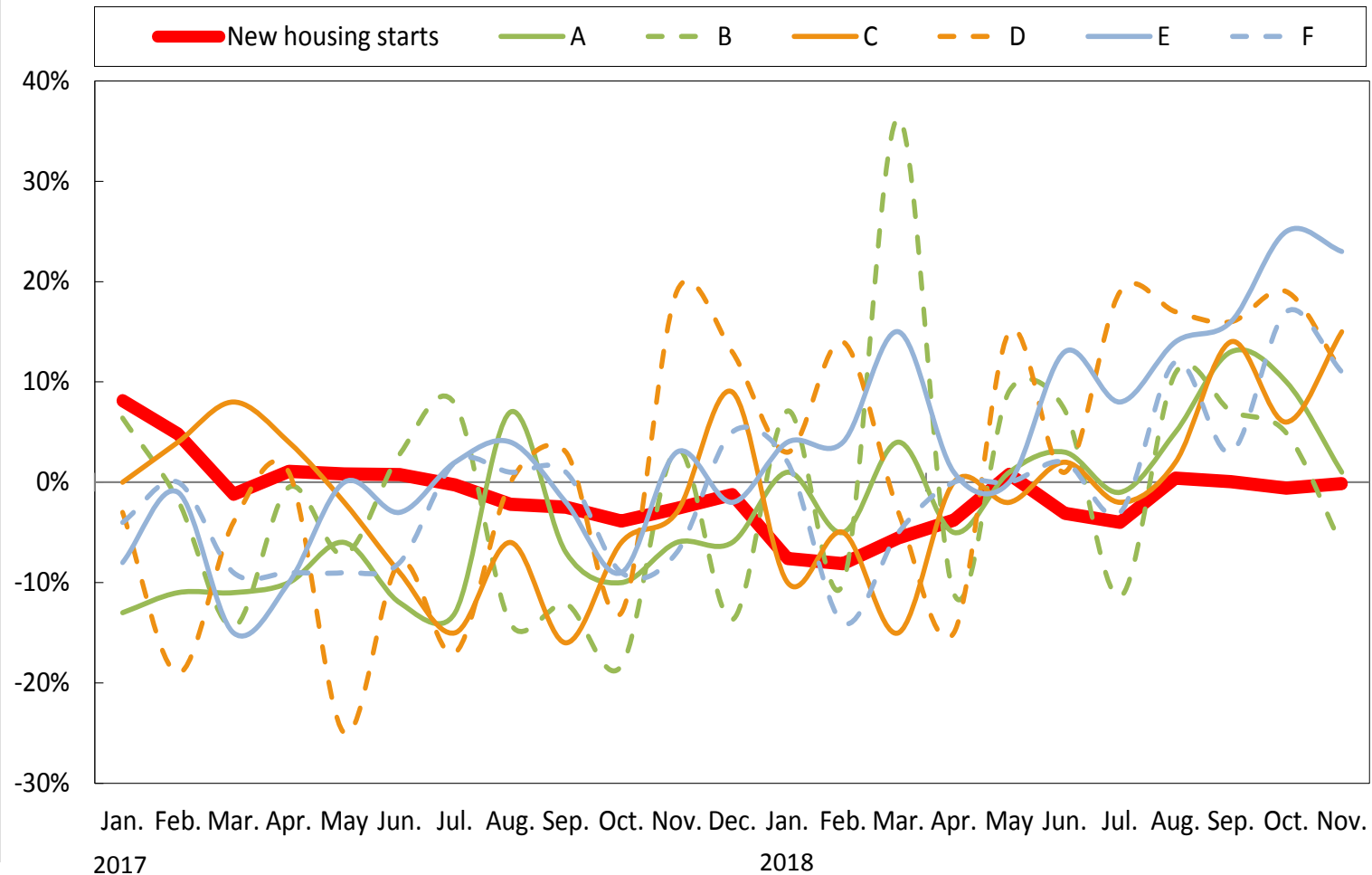




Trends in housing market

- Major house builders maintained solid new orders received for a period of our first half of FY2018 (Jun. to Nov.)
- For all six builders, each cumulative new orders in their fiscal period through Nov. end was better than their previous period ones.

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 for the second quarter of the fiscal year ending May 2019



Breakdown of Building Confirmation

FY2018 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	15,022	3,237	1,780	1,062	477	1,028	22,606
Year-on-Year	2.0%	-9.7%	-5.1%	-1.2%	-13.6%	27.2%	-0.1%
Proportion	66.5%	14.3%	7.9%	4.7%	2.1%	4.5%	100.0%
Net Sales	330.3	317.1	260.0	267.0	89.6	157.9	1,422.1
Year-on-Year	4.4%	-0.5%	1.7%	5.8%	-4.5%	12.7%	3.3%
	1.9%		4.4%				
Proportion	23.2%	22.3%	18.3%	18.8%	6.3%	11.1%	100%

(Reference; June 2018 - November 2018)

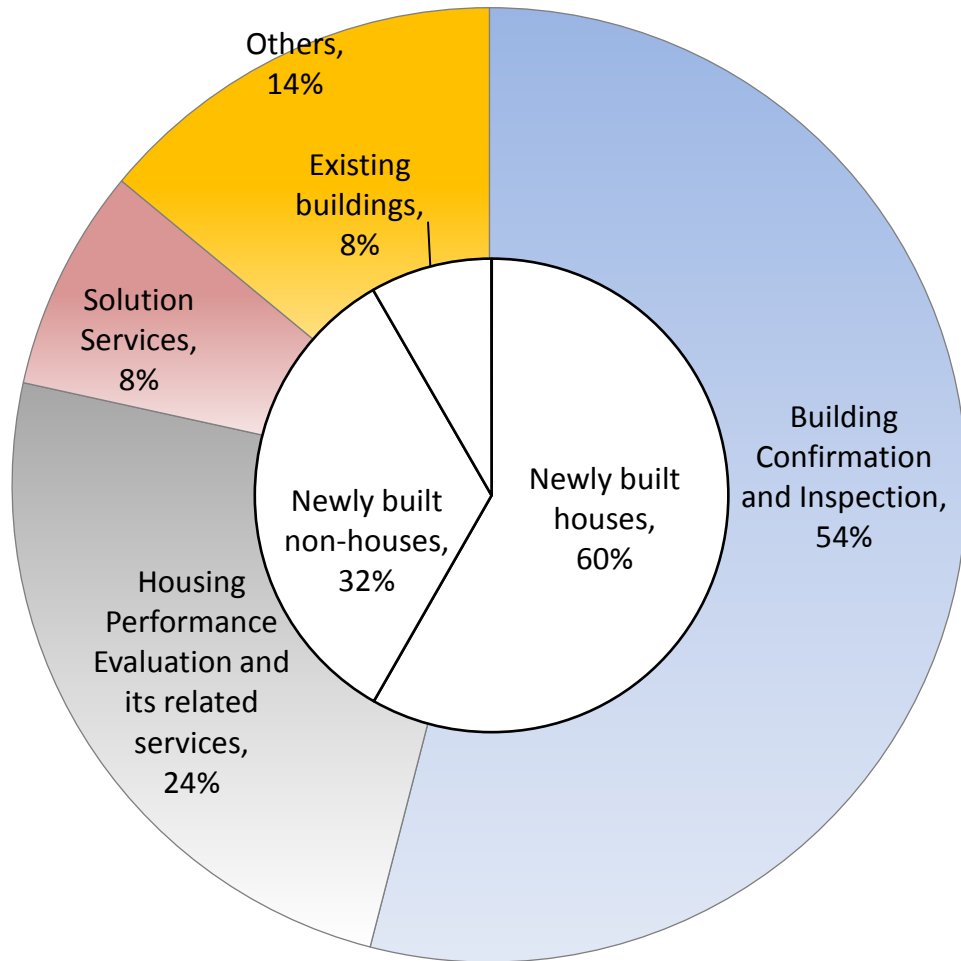
Growth rate of national newly built floor space (construction starts)	-1.5%	-7.3%	5.7%	-22.7%	0.4%	-1.8%
Proportion	62.0%	8.7%	15.4%	3.8%	10.2%	100.0%

1. Results for the second quarter of the fiscal year ending May 2019

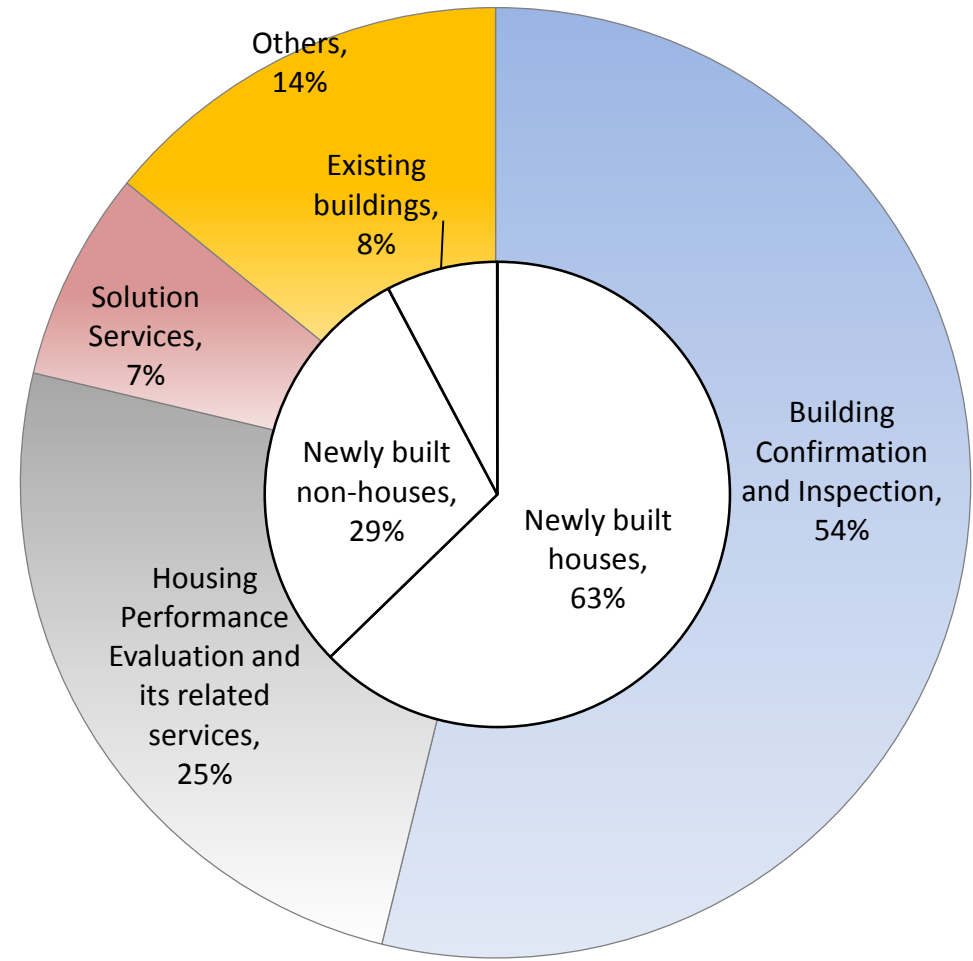


Sales breakdown | Consolidated

FY2017



FY2018 2Q

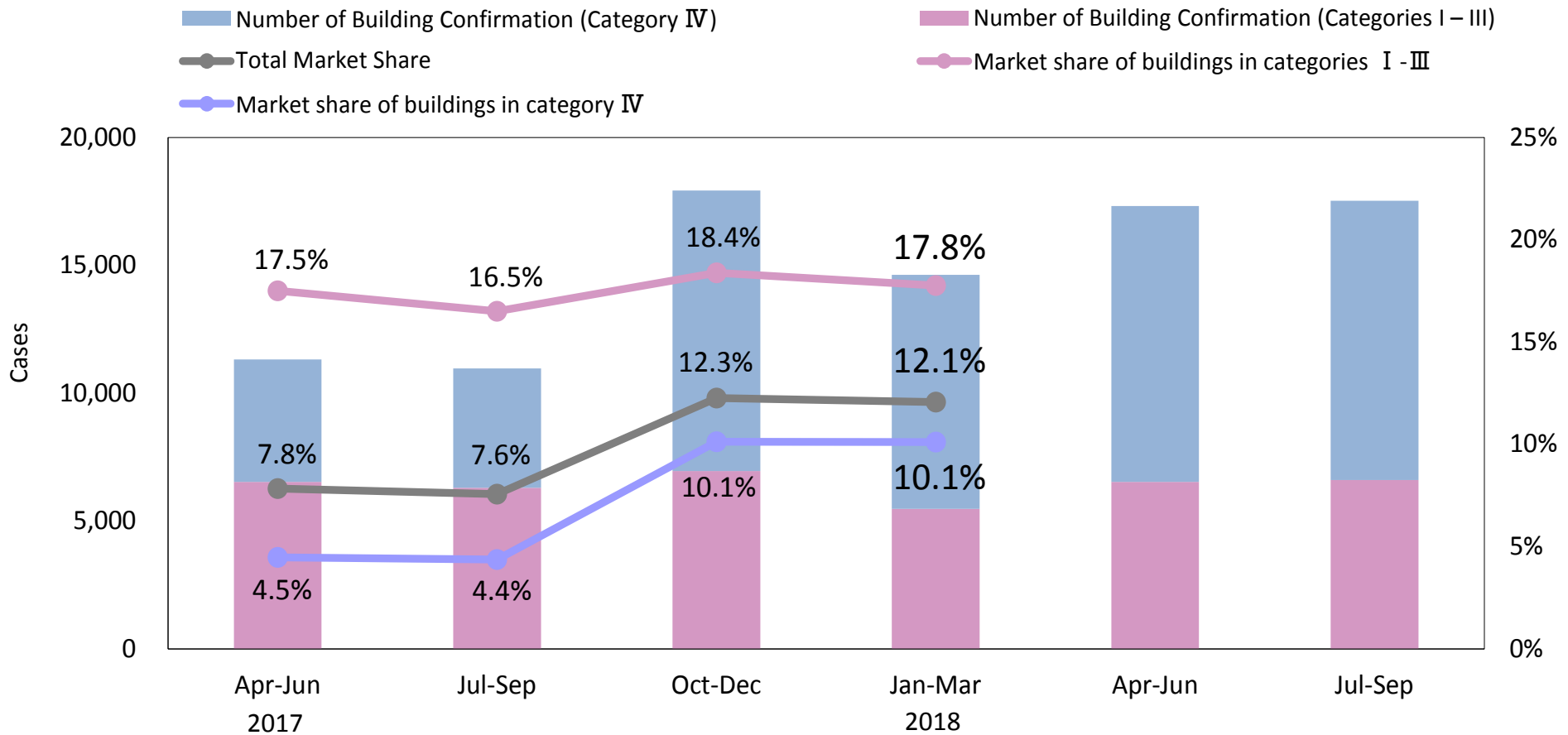


1. Results for the second quarter of the fiscal year ending May 2019



Number of Building Confirmation and market share

Number of Building Confirmation and market share by ERI group



* As of January 9, 2019, market data by MLIT was updated until March 2018, so share data of ERI group is not available after April 2018.

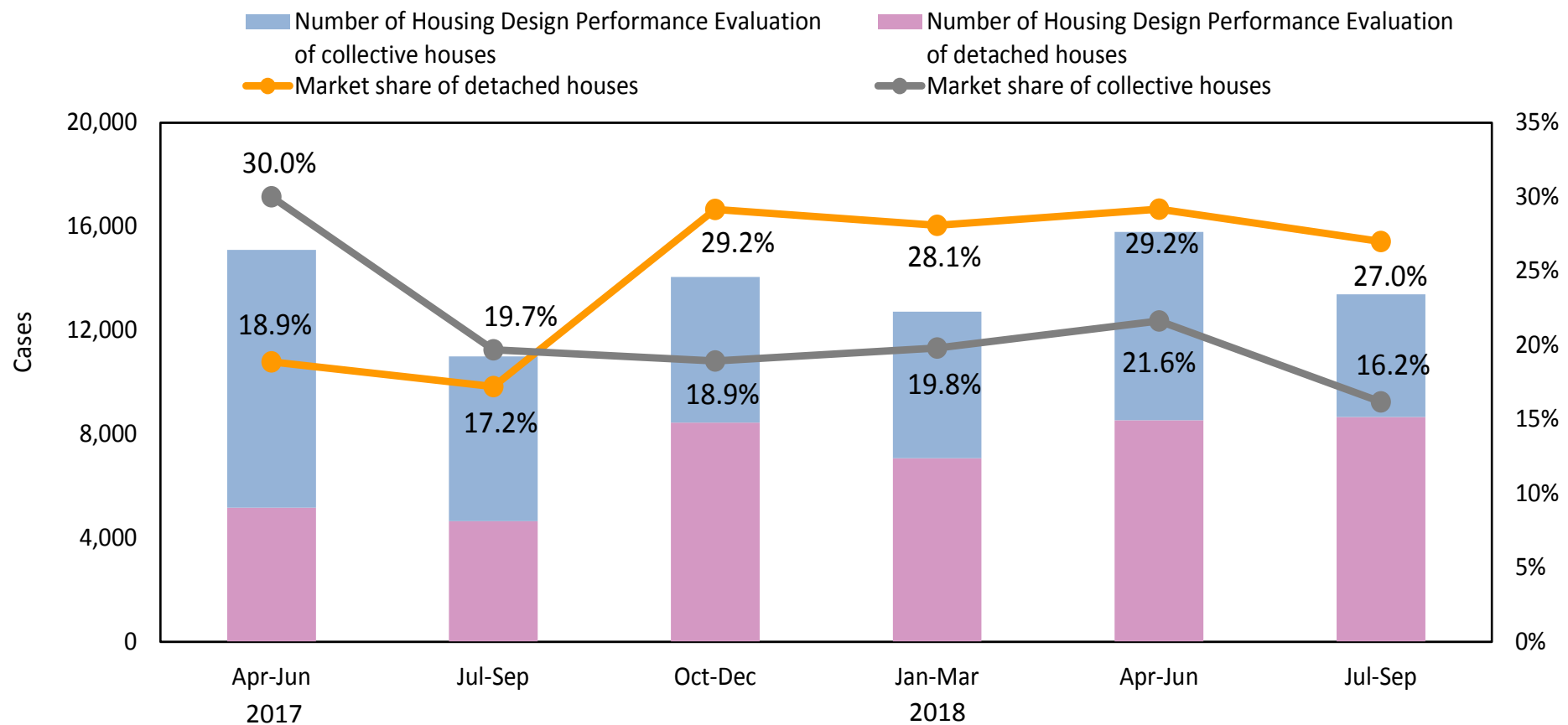
* From the data period of Oct. - Dec. 2017, Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is included in the chart.

1. Results for the second quarter of the fiscal year ending May 2019



Number of Housing Design Performance and market share

Number of Housing Design Performance and market share by ERI group



* From the data period of Oct. - Dec. 2017, Jyutaku Seinou Hyouka Center Co., Ltd. consolidated in Nov. 2017 is included in the chart.

1. Results for the second quarter of the fiscal year ending May 2019



Main operating figures | Consolidated

		FY2017 2Q (Jun. 2017 – Nov. 2017)		FY2018 2Q (Jun. 2018 – Nov. 2018)		Change	
		Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations		27,263	1,513	40,068	1,831	12,805	318
Final Inspections		23,261	1,135	34,573	1,426	11,312	291
Housing Design Performance Evaluations	Detached Houses	9,954	356	17,626	500	7,672	144
	Collective Houses	10,805	128	11,082	129	277	1
Housing Construction Performance Evaluations	Detached Houses	8,418	600	13,531	816	5,113	216
	Collective Houses	9,354	140	7,946	130	▲1,408	▲10

* FY2018 2Q includes FY2018 2Q (Jun. 2018 - Nov. 2018) data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and FY2018 2Q (Apr. 2018 - Sep. 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 "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 for the second quarter of the fiscal year ending May 2019



Key service figures | Consolidated

	FY2017 2Q (Jun. 2017 – Nov. 2017)		FY2018 2Q (Jun. 2018 – Nov. 2018)		Change		
	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)	
Building Confirmations for medium to large size buildings (over 500 sqm)	2,680	751	2,911	841	231	90	
Technical Assessments for Long-life Quality Housings	12,330	192	15,262	225	2,932	33	
Inspections for Housing Defect Liability Insurance	13,430	157	21,014	203	7,584	46	
Evaluation for Compliance with Energy Consumption Performance of Buildings	368	67	543	98	175	31	
BELS certifications	Non-housings	60	8	87	15	27	7
	Housings	3,146	49	3,217	56	71	7

* FY2018 2Q includes FY2018 2Q (Jun. 2018 - Nov. 2018) data of Japan ERI Co., Ltd. and Tokyo Bldg-Tech Center Co., Ltd., and FY2018 2Q (Apr. 2018 - Sep. 2018) data of Jyutaku Seinou Hyouka Center Co., Ltd.

* "Building Confirmations for medium to large size buildings (over 500 sqm)" includes the numbers of plan change.

* "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. From FY2017 4Q report, the numbers of plan change is included.

* From FY2018 3Q, 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.

* "Inspections for Housing Defect Liability Insurance" data in the Financial Results for FY2018 1Q(released on Sep. 28, 2018) was corrected as follows.
Amounts: Error 80, Correct 99

* "Evaluation for Compliance with Energy Consumption Performance of Buildings" excludes the numbers of plan change.

1. Results for the second quarter of the fiscal year ending May 2019



Consolidated financial statements | Assets

(Millions of yen)

	FY2017 (Jun. 2017 – May 2018)	FY2018 2Q (Jun. 2018 – Nov. 2018)	Change
Total assets	6,346	6,459	112
Total current assets	4,139	4,179	39
Cash and deposits	2,804	2,684	▲120
Accounts receivable - trade	713	756	43
Work in process	446	492	46
Total non-current assets	2,206	2,280	73
Total Property, plant and equipment	397	443	46
Total intangible assets	944	919	▲24
goodwill	648	611	▲37
Total investments and other assets	865	917	51

1. Results for the second quarter of the fiscal year ending May 2019



Consolidated financial statements | Liabilities

(Millions of yen)

	FY2017 (Jun. 2017 – May 2018)	FY2018 2Q (Jun. 2018 – Nov. 2018)	Change
Total liabilities	4,050	4,145	95
Total current liabilities	2,622	2,425	▲197
Accrued expenses	819	789	▲30
Advances received	827	934	107
Total non-current liabilities	1,427	1,720	292
Total net assets	2,296	2,314	17
Total shareholders' equity	2,267	2,287	19
Retained earnings	1,469	1,586	117
Total liabilities and net assets	6,346	6,459	112

2. Forecasts for the fiscal year Ending May 2019

Forecasts for FY2018



(Millions of yen)

	FY2017 (Jun. 2017 – May 2018)	FY2018 (Jun. 2018 – May 2019)	Change
Net Sales	13,097	14,916	1,818
Operating Profit	690	757	66
Vs. Net Sales	5.3%	5.1%	-
Ordinary Profit	702	765	63
Vs. Net Sales	5.4%	5.1%	-
Profit Attributable to Owners of Parent	429	488	58
Profit per Share (Yen)	55.37	64.01	8.64
Dividends per Share (Yen)	30	30	0

3. 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	✓ Structural Calculation Review	Establish systems and reach top of industry.
	Japan ERI TBTC	✓ Structural Evaluation	Use technical strengths to maintain high share of market.
New growth businesses <Increase in investments>	Japan ERI SHC 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 Solution	✓ 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	✓ Information and education-related services	Establishment of stable revenue foundation.
Business in new fields <Expand business sphere>	ERI 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

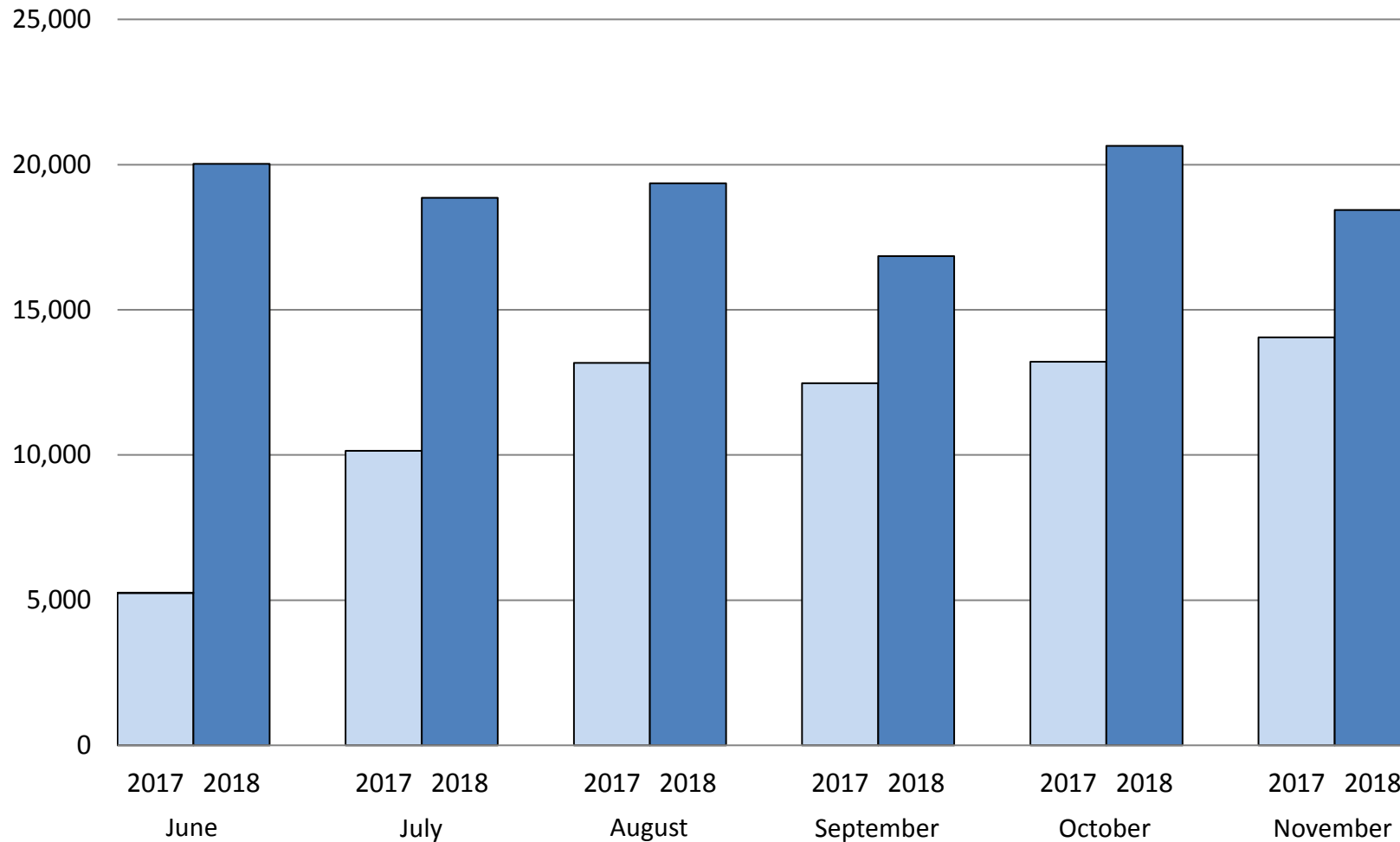


New growth business

- Growth in the energy conservation related service

Month-to-month comparison chart in sales of Conformity Review for Energy Saving Standard service (ERI group's total)

(Thousands of yen)



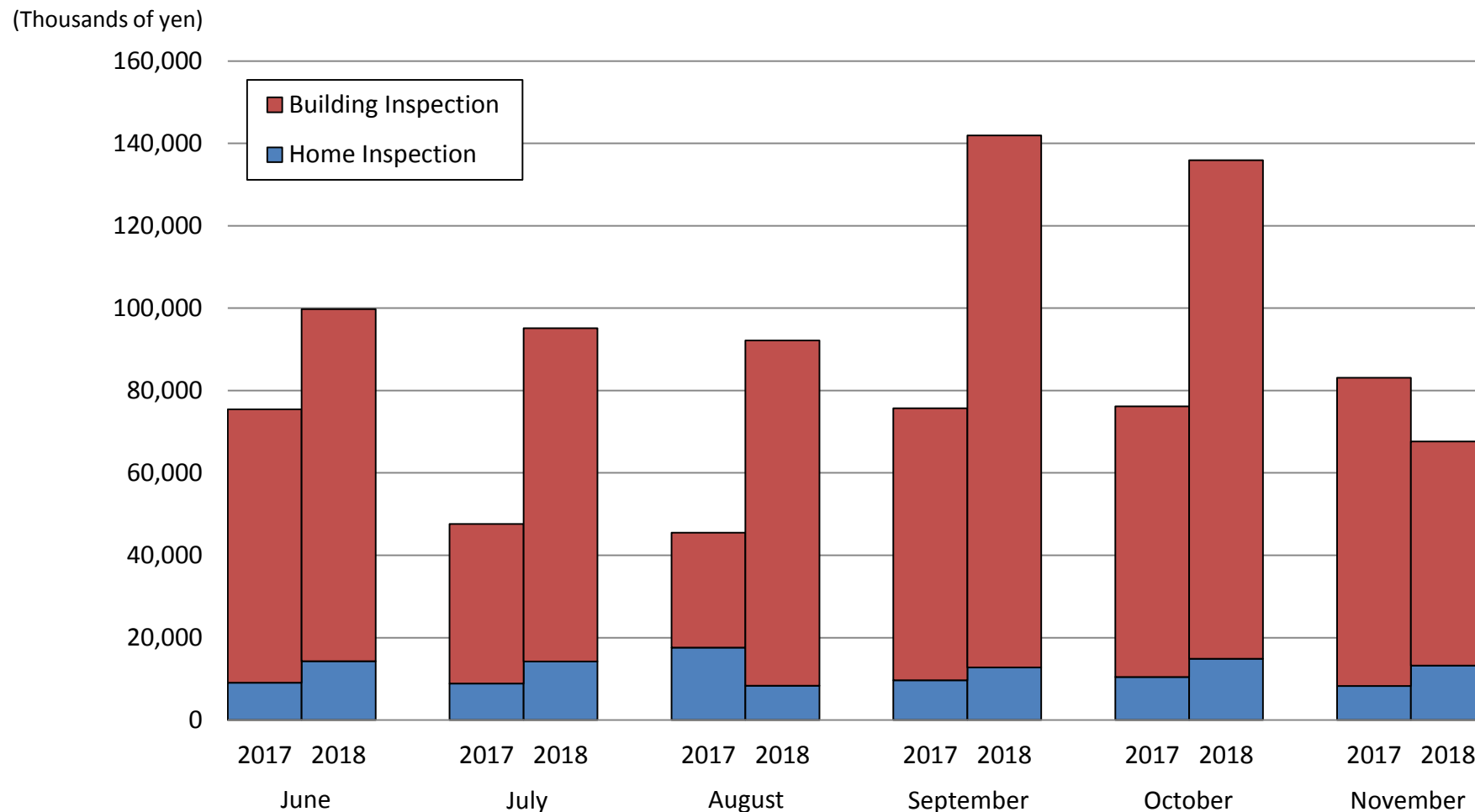
3. Progress in medium-term management plan



New growth business

- Growth in building stock related services

Month-to-month comparison chart of solution services
(New orders received in ERI group's total)

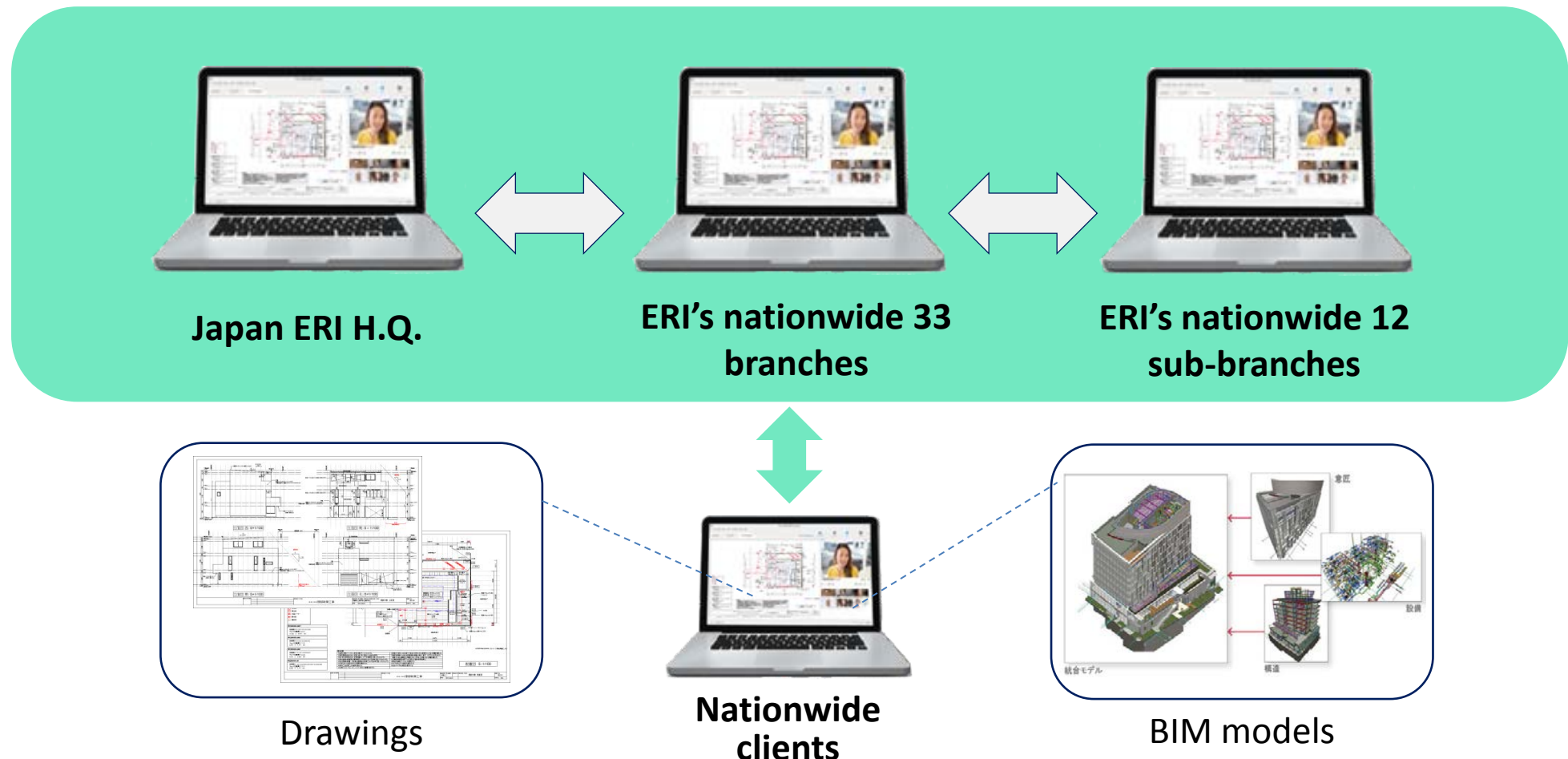


4. Topics

Operational improvement by IoT Investments



- Japan ERI Co., Ltd. is expanding an operation of web meeting system both internally and externally
 - Technical Q&A with clients by the web system in Building Confirmation service (Testing started)
 - Both drawings and BIM model available
 - Introducing the system to Japan ERI's nationwide branches in 2019



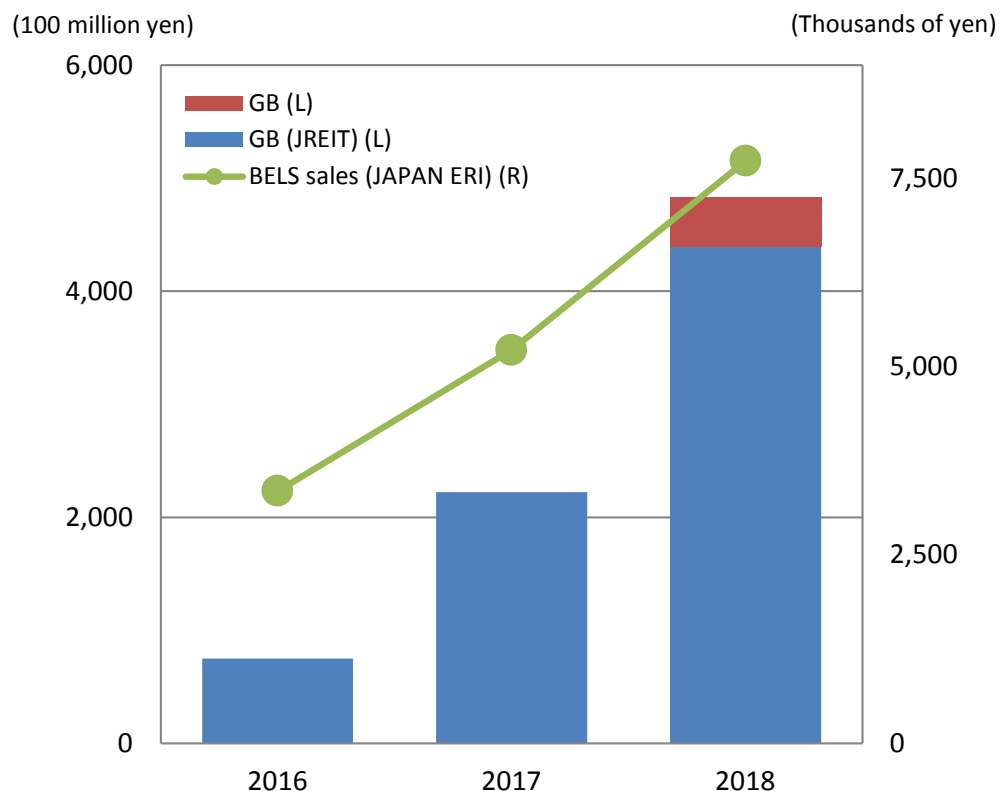


Expanding Global Sustainable Investment

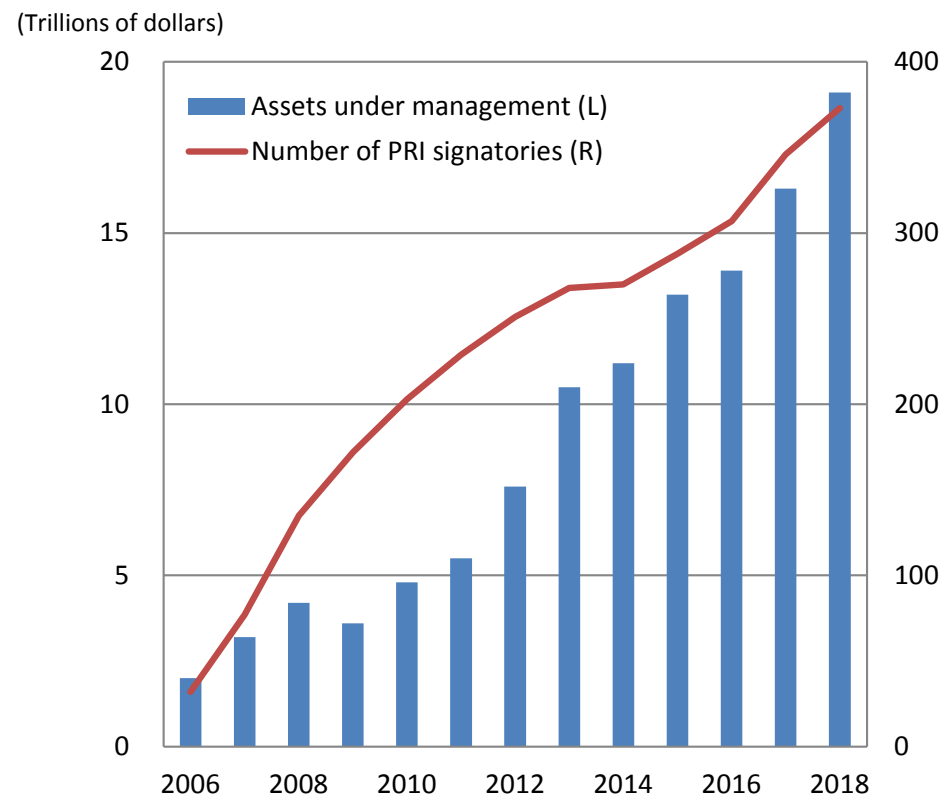
Expanding ESG Investment and Green Certifications

- Green Bonds issued by JREIT activated (7 REITs, total 43.5 billion yen)
- BELS and CASBEE are used for eligible green assets requirement
- Expanding ESG investment would enhance green certification needs

Domestic volume of Green Bond issue and JREITs related BELS sales (Japan ERI)



PRI signatories and amount of assets under management





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