

evaluation, rating, inspection



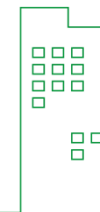
2014 Full-Year Results

From June 1, 2014 to May 31, 2015

ERI Holdings Co., Ltd.

July 15, 2015

Listed on Tokyo Stock Exchange
Code 6083



Summary



Sales slightly shrunk and operating income declined for two consecutive years

- Share-up in core business and expansion into new businesses, but not enough to offset slump of new built market ···
- Due to consumption tax increase, downturn in consumer confidence led to sales drop of year-on-year 9.3% in housing segment.
- Non-housing business was in relatively better situation but its segment sales dropped year-on-year 2.0%.
- Existing building segment sales grew year-on-year 36.8% with a robust growth in service of building legal compliance inspection .
- Service of Point System for Energy-Saving Homes was steady and, in addition, services for energy-saving market such as BELS/Energy Pass started up gradually.
- Despite ¥184 million of litigation related loss*, net income stayed positive.

* April 2015, the final appeal was rejected by the Supreme Court and Osaka High Court's judgment became final, which partially affirmed ERI's liability (¥148 million of compensation for damage).

Consolidated results



(Millions of Yen)

	FY2013 (Jun. 2013 - May 2014)	FY2014 (Jun. 2014 - May 2015)	Change	
			Amounts	Ratio
Gross Sales (Net Sales *)	12,509 (11,395)	11,949 (10,917)	▲560 (▲477)	▲4.5% (▲4.2%)
Operating Income	635	292	▲343	▲54.0%
Operating Income Ratio	5.1%	2.4%	-	-
Ordinary Income	651	331	▲319	▲49.1%
Ordinary Income Ratio	5.2%	2.8%	-	-
Net Income	▲41	18	59	-
Net Income per Share (Yen)	▲5.33	2.37	7.70	-

* 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	FY2014	Change		Operating Income	Change
			Amounts	Ratio		
Building Confirmation and Inspection (Net Sales*1)	7,418 (6,304) [55.3%]	7,032 (6,001) [55.0%]	▲385 (▲303)	▲5.2% (▲4.8%)	31	▲238
Housing Performance Evaluation and its related services	3,000 [26.3%]	2,691 [24.6%]	▲308	▲10.3%	62	▲193
Others	2,091 [18.4%]	2,224 [20.4%]	133	6.4%	198	89
Gross Sales Total	12,509 [100.0%]*2	11,949 [100.0%]*2	▲560	▲4.5%	292	▲343

*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 ¥11,395million, FY2014 ¥10,917 million)

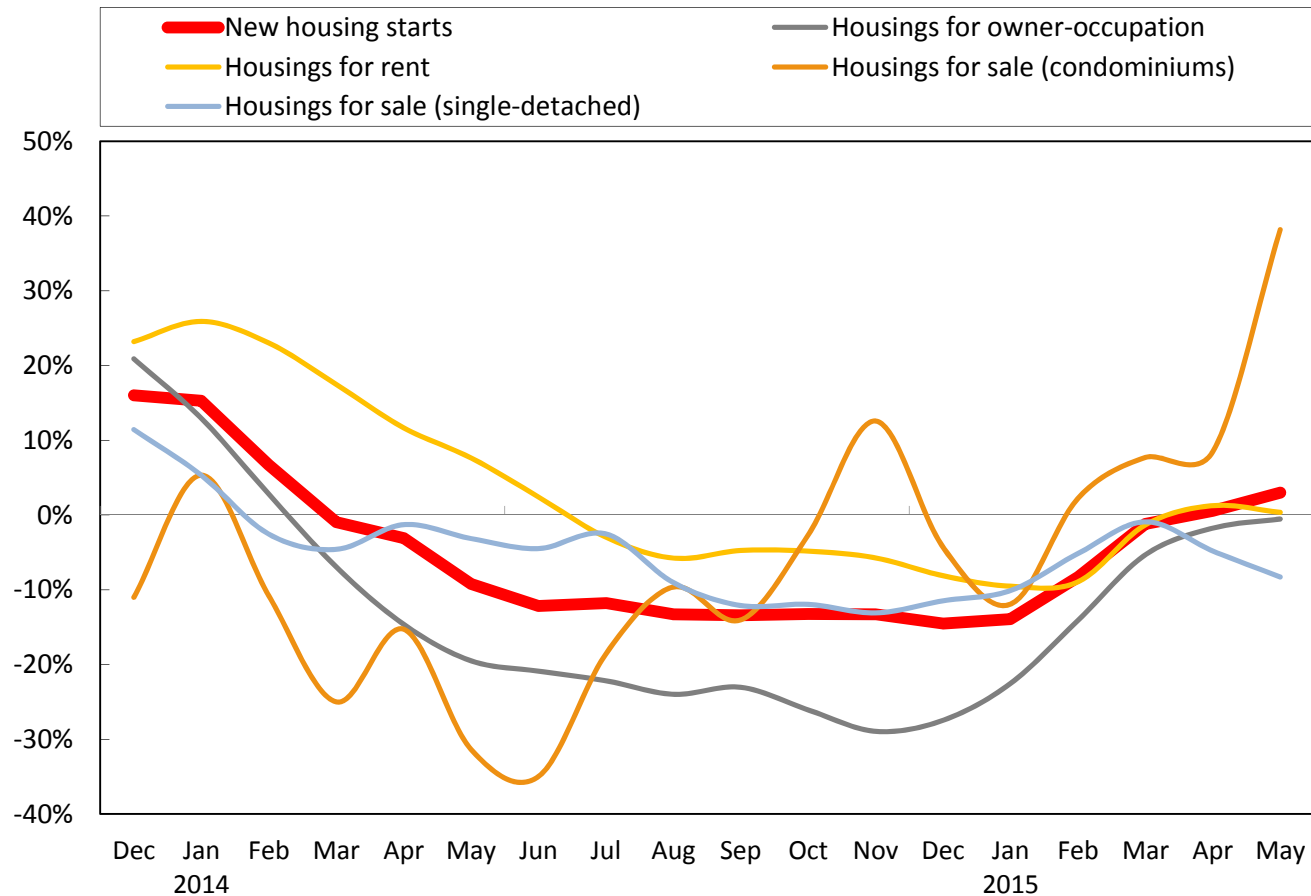
Trends in housing market



- The total number of new housing starts decreased by 9% during this period.
- Moderately, but 3 consecutive months, new housing starts had started rising since March 2015.
- Housing for sale (condominiums) became steady recently.
- Housings for owner-occupation increased in May 2015, for the first time in 16 months.

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

(Year-on-Year)

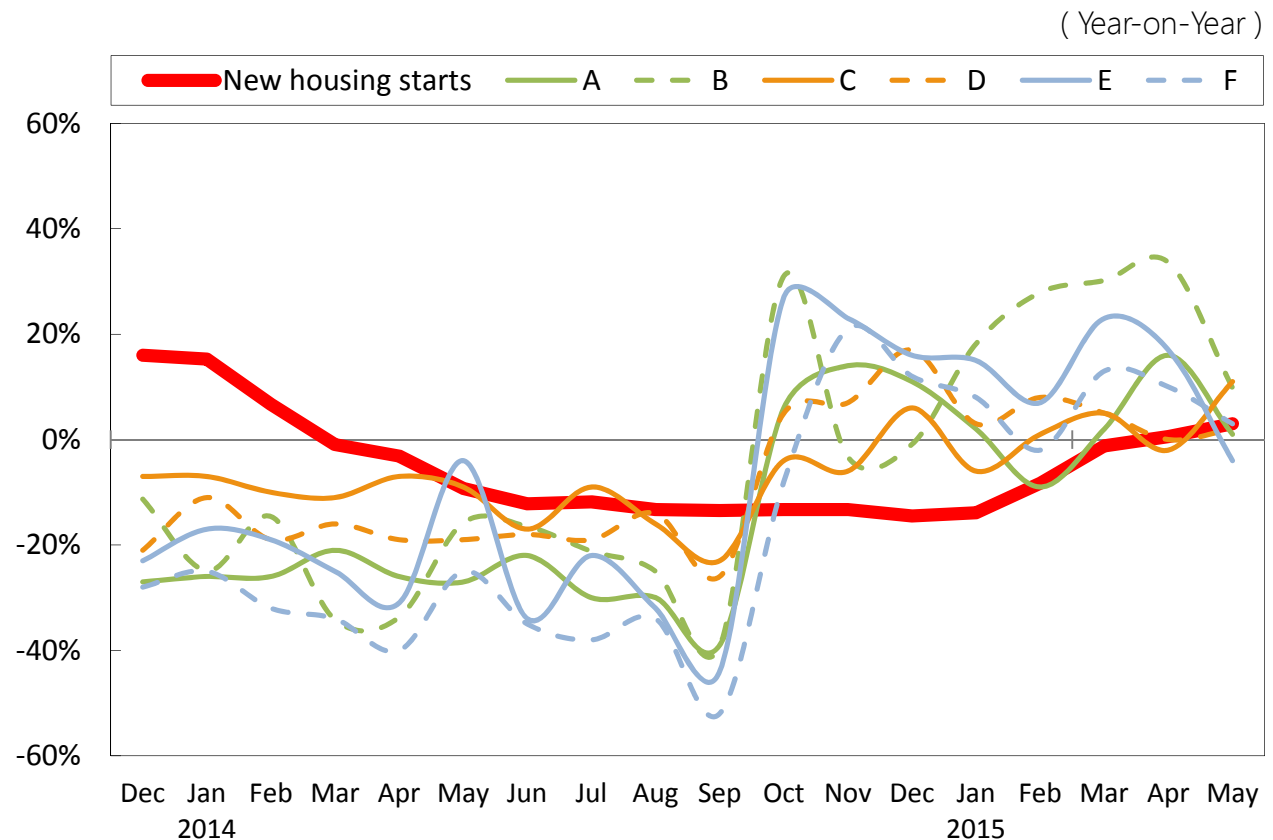


Trends in housing market (continued)



- New orders of detached houses by major house builders hit the bottom in last September and rebound to year-on-year increase.
- However, the momentum wouldn't appear so strong because the growth rate have been lower than that of two years ago.

Changes in new orders of detached houses by Major house builders



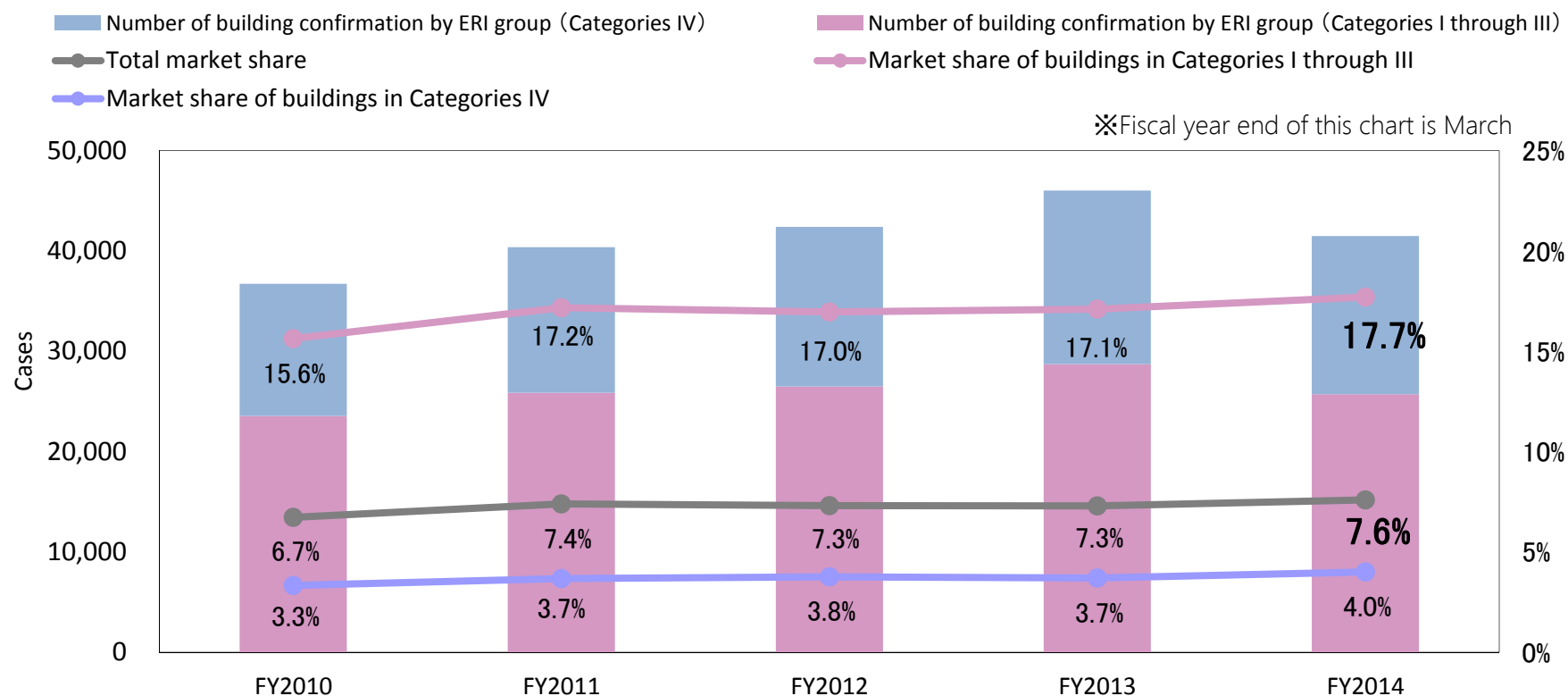
※ New housing starts are on the basis of the number of houses , and the results of major house builders are on the basis of amounts of money which was disclose on each company's website.

Trends in housing market (continued)



- The number of building confirmation by ERI group decreased 10.4%.
- On the other hand, the whole market number of building confirmation decreased 14.1%. As a results, the market share of our group expanded to 7.6% and the market share of large buildings (Categories I - III) expanded to 17.7%.

Number of building confirmation and market share by ERI group

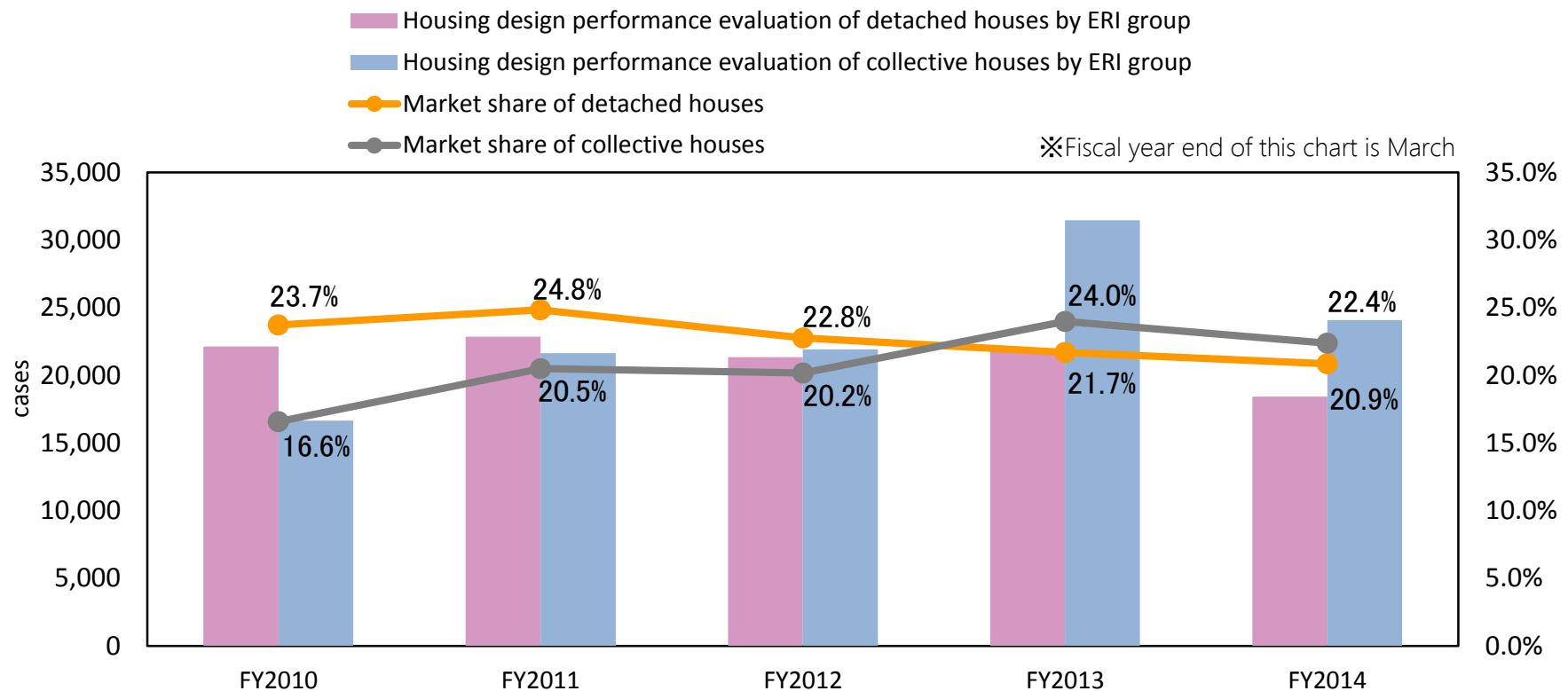


Trends in housing market (continued)



- The number of housing design performance evaluations of detached houses by ERI group decreased 20.2%.
- Partly due to the major house builders' slump in detached house sector in the first half of the year and condominiums decrease in collective house sector.

Number of housing design performance and market share by ERI group





Breakdown of building confirmation

FY2014 Japan ERI's results of building confirmation by category of buildings.
(exc. 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	26,782	6,602	3,605	1,940	1,268	1,097	41,294
Year-on-Year	-11.1%	-1.7%	-1.2%	17.6%	-18.5%	-4.4%	-7.9%
Proportion	64.9%	16.0%	8.7%	4.7%	3.1%	2.7%	100.0%
Net Sales	612.0	557.1	455.3	395.0	229.6	182.2	2,431.3
Year-on-Year	-9.3%	-8.5%	1.1%	14.4%	-22.3%	-2.4%	-5.1%
Proportion	25.2%	22.9%	18.7%	16.2%	9.4%	7.5%	100.0%

(April 2014 - March 2015)

Growth rate of national newly built floor space (construction starts)	-15.2%	-7.1%	5.1%	-17.6%	-7.3%	-11.8%
Proportion	62.2%	10.3%	13.0%	6.9%	7.6%	100.0%

Key service figures | Consolidated



(Cases)

	FY2013 (Jun. 2013 - May 2014)	FY2014 (Jun. 2014 - May 2015)	Change	
			Amounts	Ratio
Building confirmations (exc. antennas)	62,065 (60,653)	56,617 (56,127)	▲5,448 (▲4,526)	▲8.8% (▲7.5%)
Final inspections (exc. antennas)	54,113 (51,324)	49,707 (48,928)	▲4,406 (▲2,396)	▲8.1% (▲4.7%)
Housing design performance evaluations of detached house	21,236	18,039	▲3,197	▲15.1%
Housing design performance evaluations of collective house	30,590	23,620	▲6,970	▲22.8%

Key service figures | Consolidated (continued)



	FY2014		Change	
	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building confirmations for medium to large size buildings (over 500 sqm)	5,083	1,340	▲76	15
Housing performance evaluations of detached houses	18,038	706	▲3,199	▲102
Technical assessments for Long-Life Quality Housings*	21,439	347	▲3,285	▲38
Inspections for housing defect liability insurance	21,678	268	▲3,564	▲119
Evaluations of seismic capacity and seismic retrofitting plans	539	171	132	25
Structural evaluations of high-rise buildings (Skyscraper and/or Base isolation)	124	163	▲55	▲34

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



Prospect of focused services

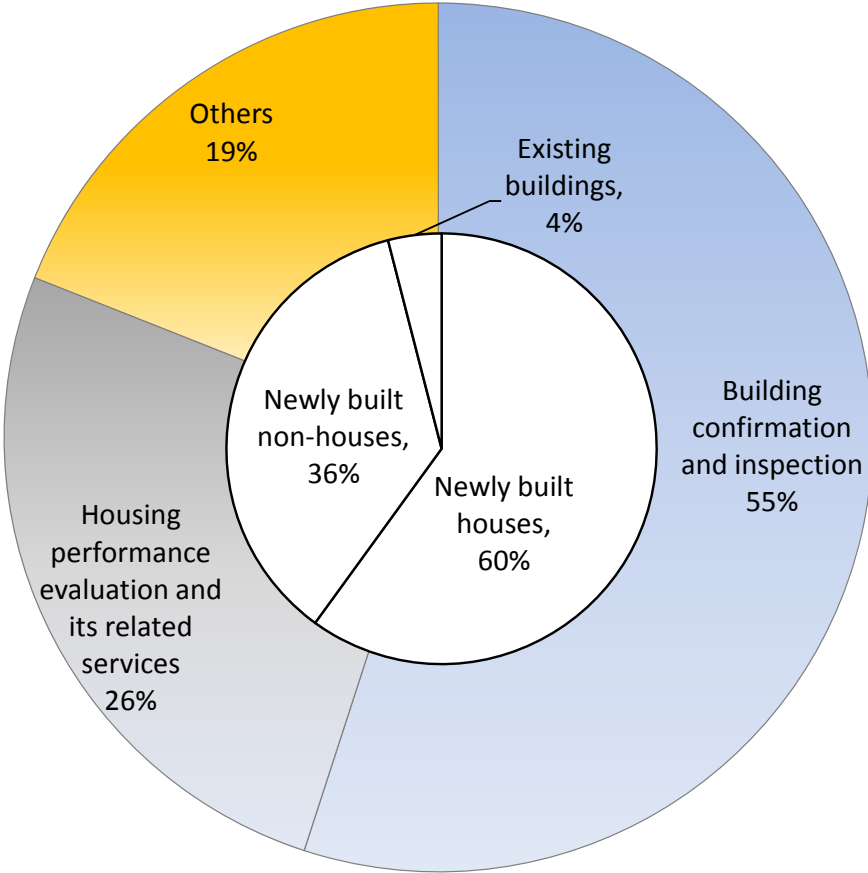
Previous period performance and outlook of earthquake-proofing, energy-saving and stock-utilization services

	Earthquake-proofing	Energy-saving	Stock-utilization
Newly built market	 	 	
Existing building market			

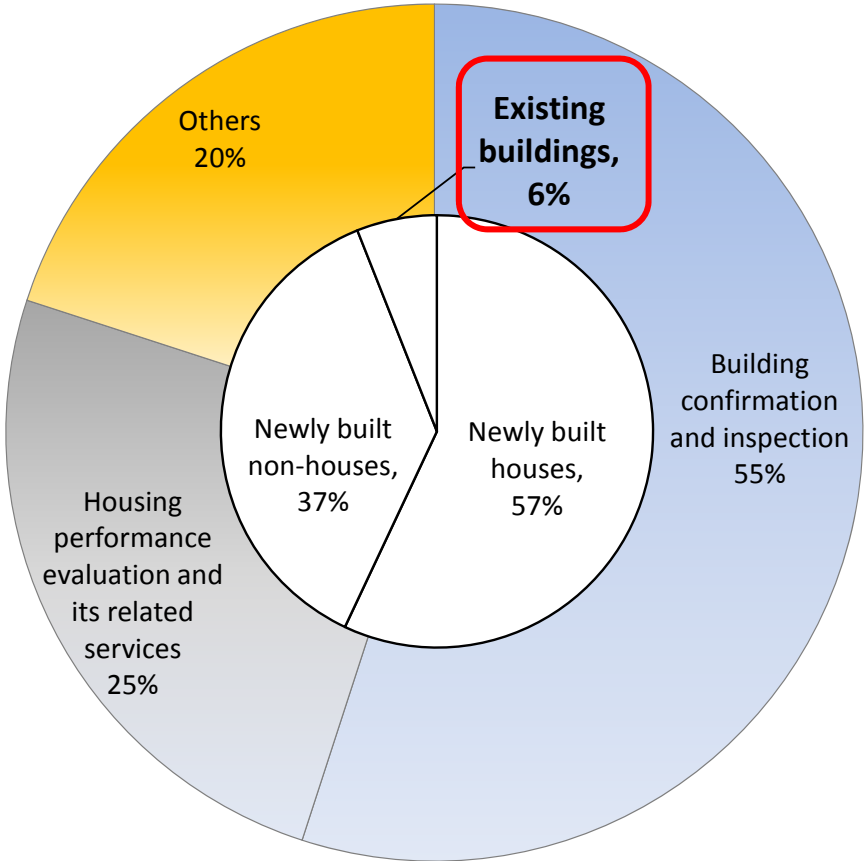
Sales breakdown | Consolidated



FY2013



FY2014



Consolidated financial statements | Assets



(Millions of Yen)

	FY2013 (Jun. 2013 - May 2014)	FY2014 (Jun. 2014 - May 2015)	Change
Total assets	4,382	4,296	▲86
Total current assets	3,372	3,556	184
Cash and deposits	1,851	2,341	490
Accounts receivable	486	480	▲5
Work in process	339	350	11
Total noncurrent assets	1,009	739	▲270
Total property, plant and equipment	123	104	▲18
Total intangible assets	110	138	28
Total investments and other assets	775	495	▲280
Statutory deposit *	135	-	▲135

* April 2015, the final appeal rejected by the Supreme Court and Osaka District Court's judgment became final, which affirmed ERI's partial liability (¥148 million compensation for damage). Financial compensation for damage was paid and statutory deposit was refunded.

Consolidated financial statements | Liabilities



(Millions of Yen)

	FY2013 (Jun. 2013 - May 2014)	FY2014 (Jun. 2014 – May 2015)	Change
Total liabilities	2,182	2,223	41
Total current liabilities	1,768	1,999	231
Long-term debt due within one year*	-	86	86
Total noncurrent liabilities	413	223	▲189
Long-term loans payable *	185	-	▲185
Total net assets	2,199	2,072	▲127
Total shareholders' equity	2,194	2,067	▲127
Retained earnings	1,349	1,101	▲247
Treasury stock *	▲173	▲52	120
Total liabilities and net assets	4,382	4,296	▲86

* Having introduced "Japanese version Trust-Type Employee Stocks Ownership Plan i.e. J- ESOP" on October 2013, book value of 40,700 treasury stock (¥52 million) and borrowing for acquisition of the stock (¥86 million) are included.



FY2015 Earnings forecast

- **Construction market condition**

Non-housing market will continue moderate growth. Housing market will rebound from negative repercussions of consumption tax increase and will be expanded by the government's incentive plans.

- **Key operating figures**

1. Being prepared for implementation of the energy saving standards, and focusing on share-up in core business, especially on large building services
2. Developing existing building related business, new services derived from the revision of Building Standard Law and energy-saving initiatives
3. Improving operational efficiency by promoting electronic application procedures

Private-sector non-housing construction investment and new housing starts (FY)

(100 million yen, units)

Fiscal year	FY1995	FY2000	FY2005	FY2010	FY2011	FY2012 (forecast)	FY2013 (forecast)	FY2014 (forecast)	FY2015 (forecast)
Private-sector non-housing investment (ex Civil Eng. Works)	110,095	93,429	92,357	69,116	69,618	71,800	79,800	82,800	84,300
YoY change	(-6.8%)	(-0.5%)	(3.4%)	(-9.5%)	(0.7%)	(3.1%)	(11.1%)	(3.8%)	(1.8%)
New housing starts	1,484	1,213	1,249	819	841	893	987	878	917
YoY change	(-4.9%)	(-1.1%)	(4.7%)	(5.6%)	(2.7%)	(6.2%)	(10.6%)	(-11.0%)	(4.4%)

Source: The Research Institute of Construction and Economy "QUARTERLY OUTLOOK OF CONSTRUCTION AND MACRO ECONOMY" (April 22, 2015)

FY2015 Earnings forecast



- Net sales forecasts: 11,741 million yen (+823 million yen)
- Ordinary income forecasts: 649 million yen (+357 million yen)
Expecting 2% growth in both houses and non-houses newly built market
Share-up in core business and pursuing growth opportunity in energy-saving service, seismic qualification service and building-stock business including assessment of compliance with the Building Standard Law
- Development of management structure
Organization enhancing specialty of each group company
Structural calculation review service is consolidated into TBTC from Japan ERI and starts to provide nationwide service (from October).
Holding company improves corporate governance of ERI group and also focus on strategic resource management and new business development.

Forecasts for FY2015



(Millions of Yen)

	FY2014 (Jun. 2014 – May 2015)	FY2015 (Jun. 2015 – May 2016)	Change
Gross Sales (Net Sales *)	11,949 (10,917)	11,741	823
Operating Income	292	649	357
Vs. Gross Sales	2.4%	5.5%	—
Ordinary Income	331	643	312
Vs. Gross Sales	2.8%	5.5%	—
Net Income	18	378	360
Net Income per Share (Yen)	2.37	48.39	46.01
Dividend per Share (Yen)	30	30	0

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

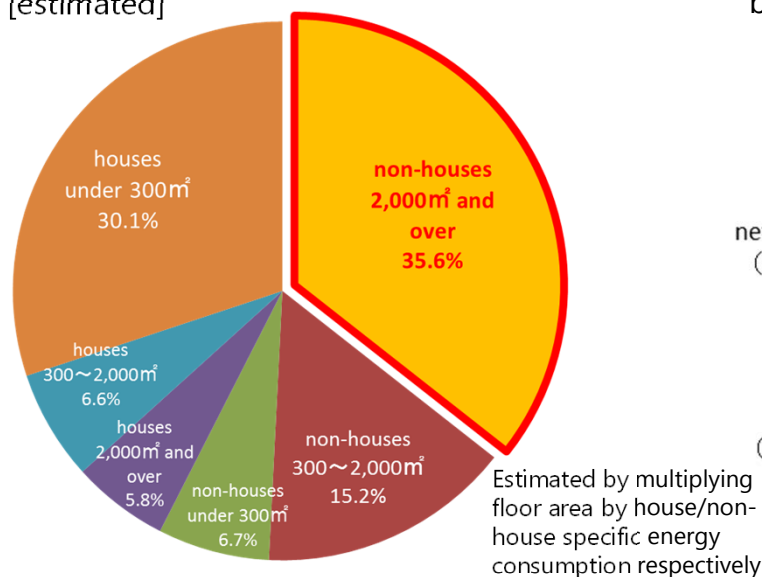
Due to the revision of Building Standard Law in June 2015, applicants directly apply to structural calculation review body and, from FY 2016, our group sales result in the same number that was previously net sales.

Topics in FY2015

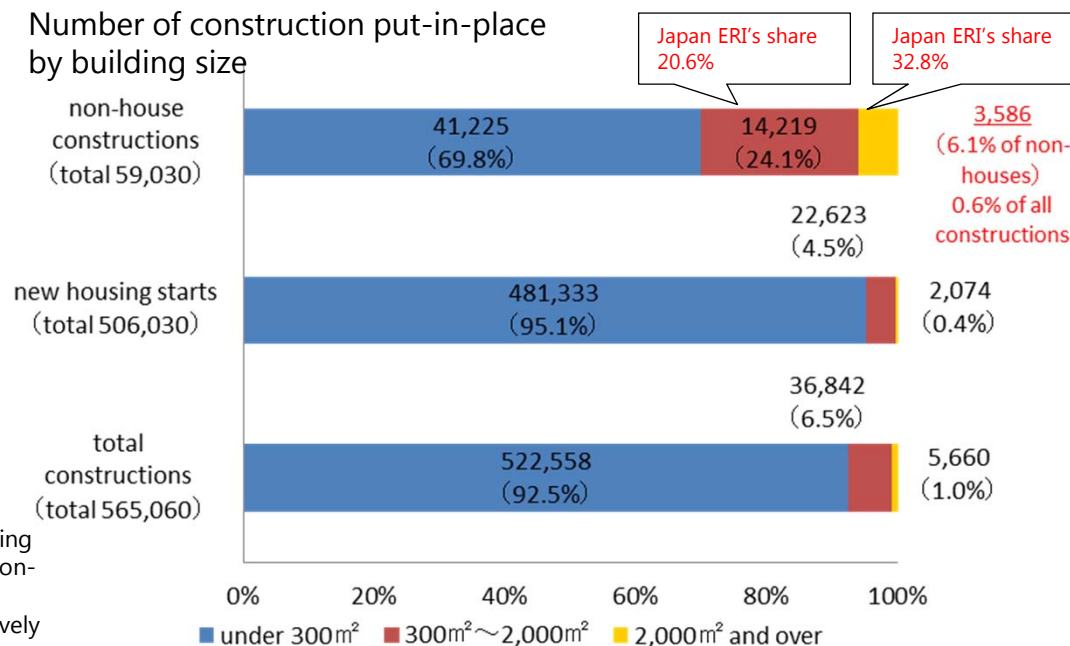
Heading for implementation of the Energy-Saving Standards

- July 2015, Bill for Enhancement of Building Energy Performance passed and became effective. All new buildings will meet the energy-saving standards by 2020 in a phased manner.
- From 2017, 2,000 sqm and over non-housing building of new construction (about 3,600 buildings per year) must meet the energy-saving standards and new buildings from 300 sqm to 2,000 sqm (about 37,000 buildings per year) must be registered energy-saving plan.
- In 2020, it'll expand to 300 sqm and under new housing (about 480,000 buildings per year), while some uncertainty remains, and huge demand is anticipated depend on major house builders' action.

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 FY2015



Evaluation service of BELS (Assessment of compliance with the Building Energy-efficiency Labeling System)

- Utilized as a requirement of some government-subsidized projects

2015 existing building energy-saving promotion program
2015 regional residence greening program (good building type)

- From 2015 GRESB survey, which is emphasized by J-REITs, incorporate BELS as a credit factor



- As sustainability focused more than ever, BELS is expected to be ever more popular among REOCs, landlords, brokers, tenants, investors and financial institutions, etc.

- To promote BELS, Japan ERI launch special discount campaign for these government-subsidized projects.

BELS

Established by MLIT's initiative in April 2014

Streamlined labeling system for non-residential buildings based on primary energy consumption



Topics in FY2015



Eco-Point system for energy-saving housing

- Dec. 27, 2014, implementation of point system for energy-saving homes was endorsed by the Cabinet.
- ERI Group starts certification service for the Point application.
 - 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
- ※Applicable for the housing contracted after cabinet approval date and completed construction after extra budget approval date.
- ※Expiring November 30, 2015, however, depends on budget implementation status, the date could be accelerated.
- Growing steadily soon after service start in February 2015, it's a promising service contributing to first half sales.

Energy Pass certification

- Among EU countries, mandatory labeling system of house energy consumption, which is required to maintain indoor temperature comfortable through a year.
- January 2014, Japan ERI started third party certification as sole agent in Japan.
- Track record shows new detached houses certification predominating, but new condominium certification also initiated.



Topics in FY2015



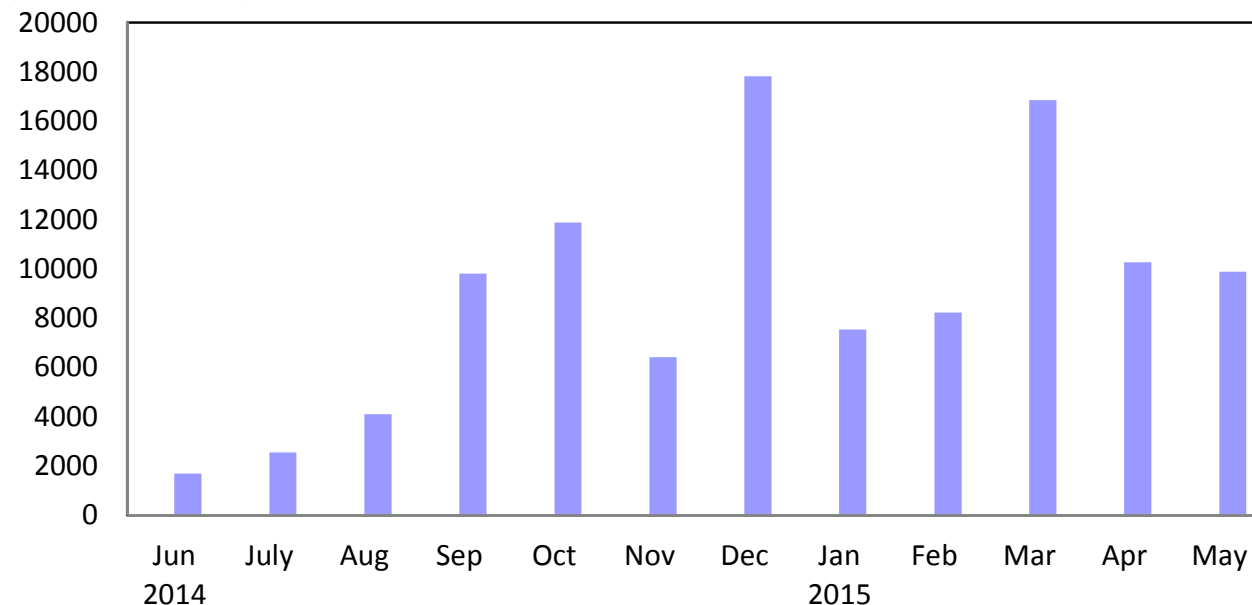
Robust growth in inspection service for legal compliance of existing buildings

- For facilitating Building Permit Request of alteration and/or extension of buildings without Inspection Certificate
- For negotiation tool of property transaction
- For assurance of compliance for tenant leasing



Changes in monthly sales of inspection service for legal compliance of existing buildings
(Including newly launched service based on the MLIT's guideline)

(Thousands of Yen)



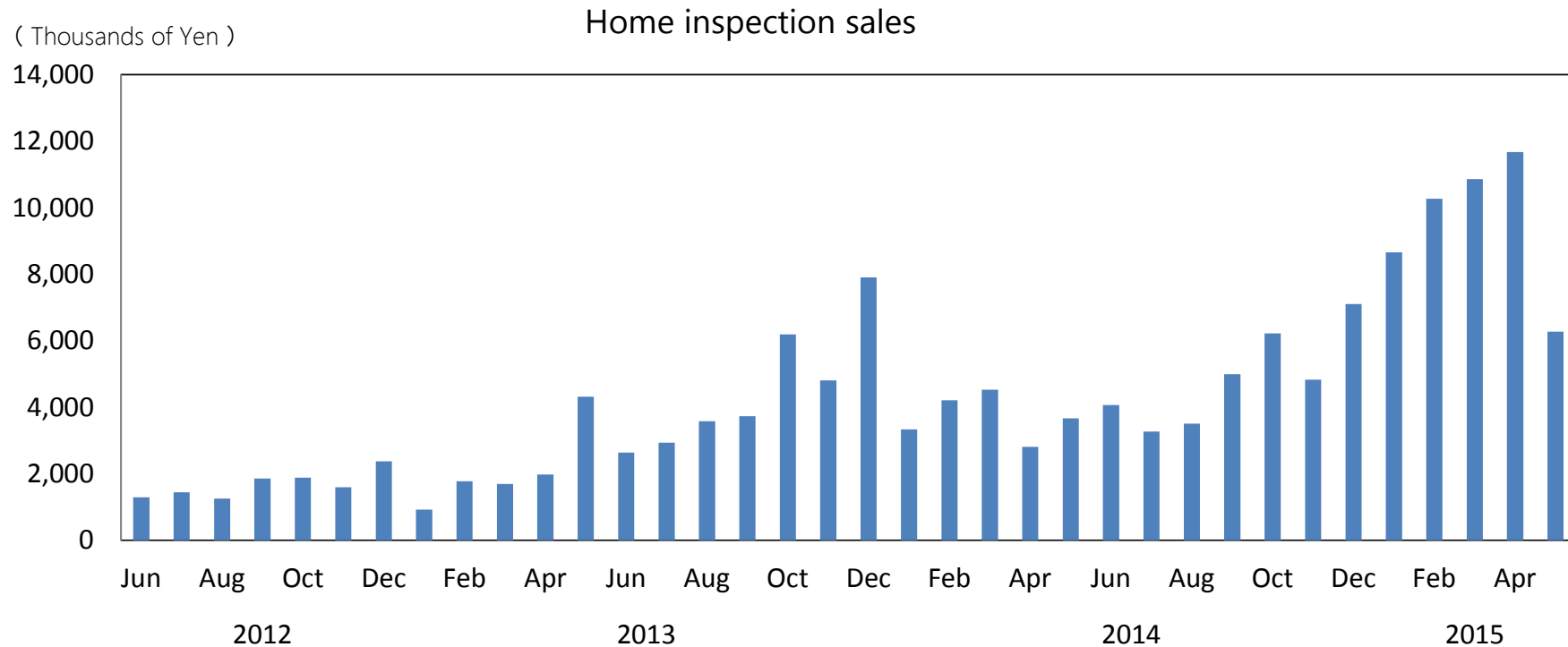
July 2014, Japan ERI started this service based on the MLIT's guideline as the first service provider registered by the MLIT.

Topics in FY2015



Home inspection sales increase year-on-year 62.3%

- Record-high sales of home inspection by ERI Solution Co., Ltd.
- In addition to business alliance with Mitsui Fudosan Realty Co., Ltd. from 2012, newly starting several business alliances with Panasonic Corporation and others.



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