



2015 Full-Year Results

From June 1, 2015 to May 31, 2016

ERI Holdings Co., Ltd.

July 13, 2016

Listed on Tokyo Stock Exchange (Code 6083)

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



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Summary

Although sales and income increased in the full year, these gains slowed in the second half and targets in the revised forecast were not reached.

- Although the number of new housing starts recovered gradually, growth of owner-occupied housing was low.
- The number of Building Confirmations rose slightly, while Final Inspections fell 2.8% due to the impact of lower housing starts in the previous fiscal year.
- New services (Route 2 Structural Examination and Pre-completion Tentative Approval) introduced after the revision of the Building Standard Law performed well.
- Sales in the Housing Performance Evaluation business were solid, in part due to the Point System for Energy Saving Homes (which expired in the first half).
- Services related to existing buildings expanded significantly.
- BELS orders increased due to the expanded subsidy program and the start of residential BELS.
- Seismic Retrofit Evaluation services contracted due to the expiration of the evaluation period under the Act on Promotion of Seismic Retrofitting of Buildings.

1. Results in fiscal year Ended May 2016

Consolidated results



(Millions of Yen)

	FY2014 (Jun. 2014 - May 2015)	FY2015 (Jun. 2015 - May 2016)	Change	
			Amounts	Ratio
Gross Sales (Net Sales *)	11,949 (10,883)	11,470 (11,356)	▲478 (473)	▲4.0% (4.4%)
Operating Income	292	569	277	95.1%
Operating Income Ratio	2.4%	5.0%	-	-
Ordinary Income	331	625	294	88.8%
Ordinary Income Ratio	2.8%	5.5%	-	-
Profit Attributable to Owners of Parent	18	414	395	-
Net Income per Share (Yen)	2.37	52.96	50.59	-

* Net sales is subtracted peer check fee, which is paid to the other bodies through ERI group, from gross sales. 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. Although in this financial year, pre-revision orders from 1Q are still included, and both gross- and net-sales are described. Tokyo Bldg-Tech Center Co., Ltd (TBTC), consolidated subsidiary, changes account closing date from end of March to end of May and its 14-months results is consolidated. In above consolidated results, TBTC's net-sales is counted and this net-sales doesn't match with the numbers disclosed last year.

1. Results in fiscal year Ended May 2016

Consolidated results by segment



(Millions of Yen)

	FY2014	FY2015	Change		Operating Income	Change
			Amounts	Ratio		
Building Confirmation and Inspection (Net Sales* ¹)	7,032 (6,001) [55.2%]	6,088 (5,980) [52.6%]	▲943 (▲21)	▲13.4% (▲0.4%)	298	267
Housing Performance Evaluation and its related services	2,691 [24.7%]	2,914 [25.7%]	222	8.3%	66	3
Others (Net Sales* ¹)	2,224 (2,190) [20.1%]	2,467 (2,462) [21.7%]	242 (271)	10.9% (12.4%)	205	6
Gross Sales Total	11,949 [100.0%]* ²	11,470 [100.0%]* ²	▲478	▲4.0%	569	277

*1 Net sales is subtracted peer check fee, which is paid to the other bodies through ERI group, from gross sales. 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. Although in this financial year, pre-revision orders from 1Q are still included, and both gross- and net-sales are described. Tokyo Bldg-Tech Center Co., Ltd (TBTC), consolidated subsidiary, changes account closing date from end of March to end of May and its 14-months results is consolidated. In above consolidated results, TBTC's net-sales is counted and this net-sales doesn't match with the numbers disclosed last year.

*2 Structural ratio [] is calculated using Net sales. (FY2014 10,883 million yen, FY2015 11,356 million yen)

1. Results in fiscal year Ended May 2016

Key service figures | Consolidated



(Cases)

	FY2014 (Jun. 2014 - May 2015)	FY2015 (Jun. 2015 - May 2016)	Change	
			Amounts	Ratio
Building confirmations	56,617	56,684	67	0.1%
Final inspections	49,707	48,321	▲ 1,386	▲ 2.8%
Housing design performance evaluations of detached house	18,039	18,690	651	3.6%
Housing design performance evaluations of collective house	23,620	24,672	1,052	4.5%

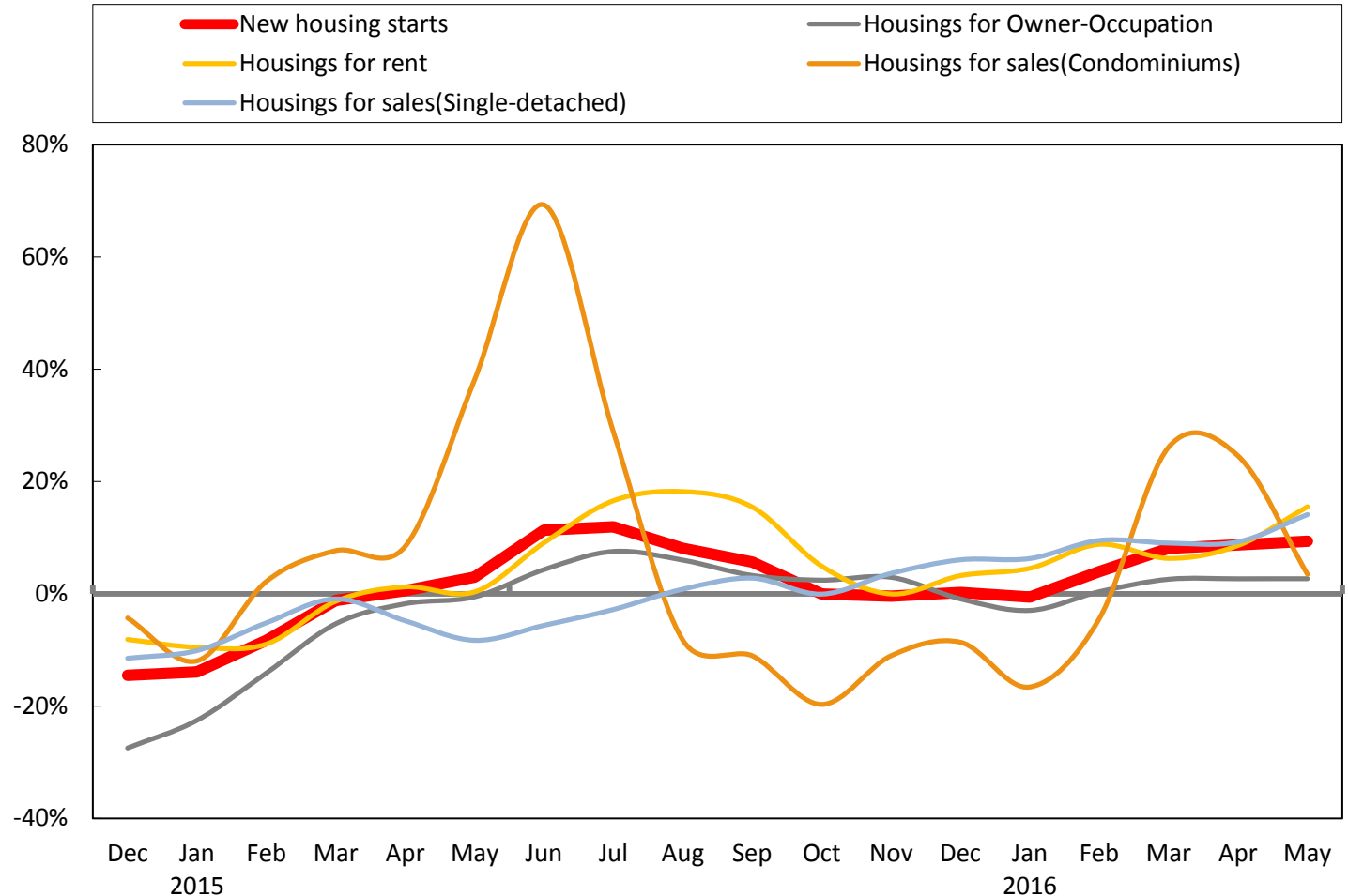
1. Results in fiscal year Ended May 2016



Trends in housing market

- The total number of new housing starts increased by 5.6% in this period.
- Housings for owner-occupation increased by 2.8%. Steady 4.6% in first half, and slowdown to 0.8% in second half.
- Housings for rent increased by 9.6%.
- Housings for sales (Single-detached) increased by 5.2%. Only 1.1% in first half and expanded to 9.7% in second half.

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



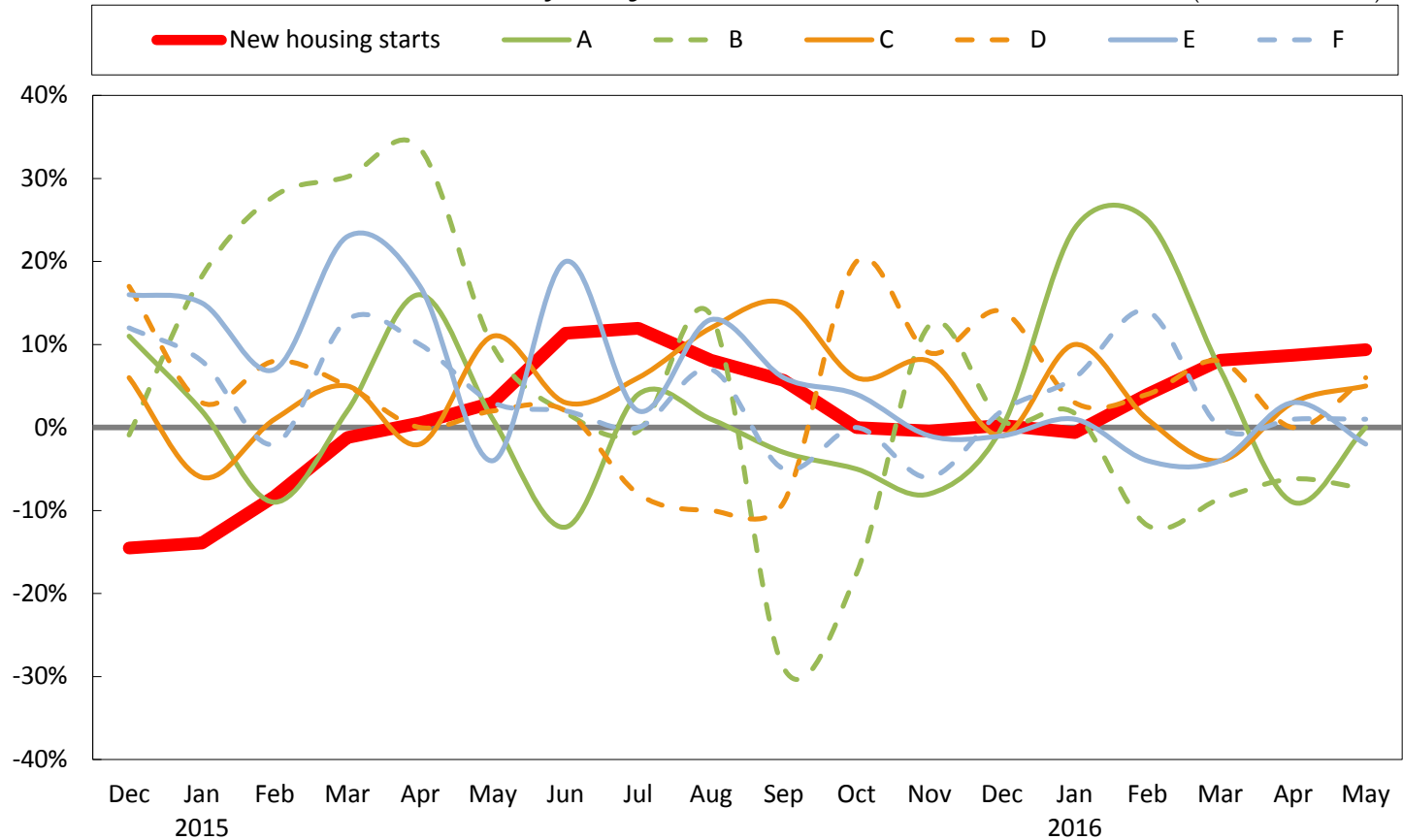
1. Results in fiscal year Ended May 2016



Trends in housing market

- New orders of detached houses (order amount basis) by major house builders since last June showed volatile swings and also showed considerable difference company by company.
- Given the trend shifting to the higher price zone, the number of new housing orders did not increase.

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.

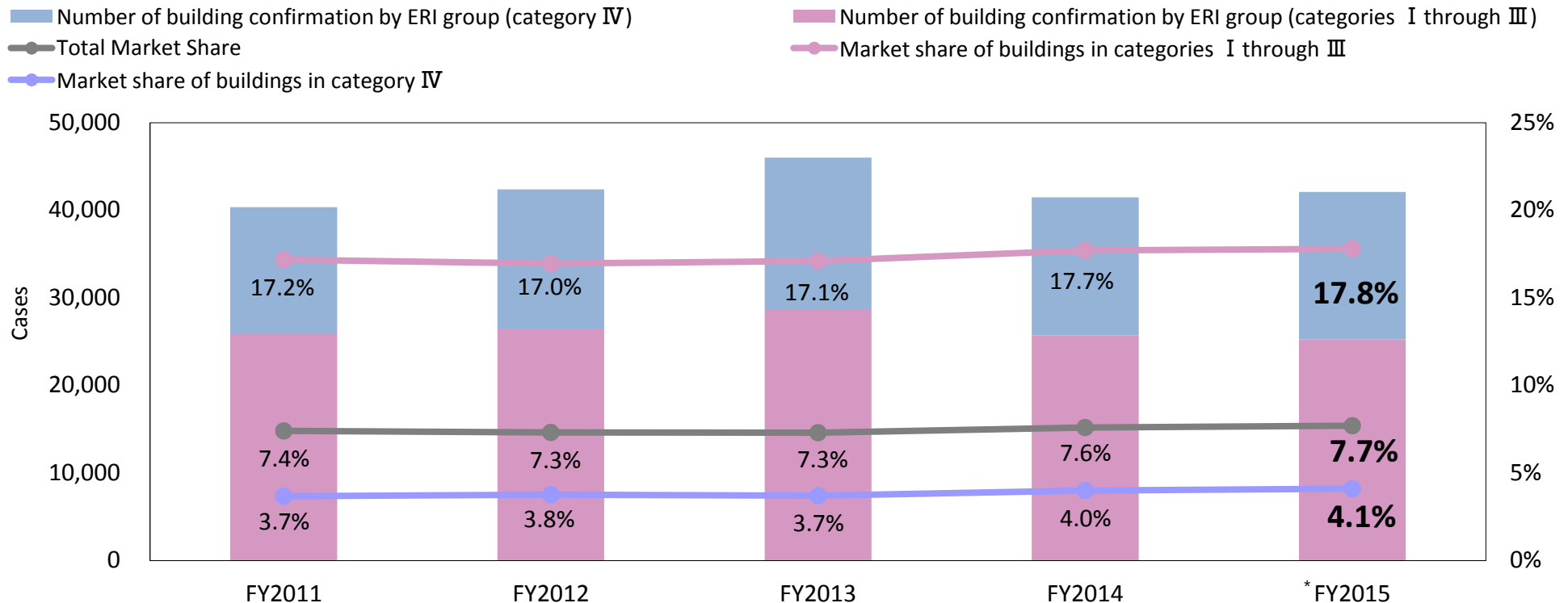
1. Results in fiscal year Ended May 2016



Trends in housing market

- The whole market number of Building Confirmation increased 1.0%(Apr-Dec 2015)
- The number of Building Confirmation by ERI group increased 2.1%(Apr-Dec 2015)
- As a results, the market share of ERI group slightly up to 7.7%.
(Both Categories I – III and Category IV increased 0.1% respectively)

Number of building confirmation and market share by ERI group



*Fiscal year end of this chart is March

*The market share data of ERI group in FY2015 were added up until the end of 3Q, because 4Q's data was not available as of July 11, 2016.

1. Results in fiscal year Ended May 2016



Breakdown of Building Confirmation

FY2014 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	27,912	6,549	3,431	1,971	1,150	1,184	42,197
Year-on-Year	4.2%	-0.8%	-4.8%	1.6%	-9.3%	7.9%	2.2%
Proportion	66.1%	15.5%	8.1%	4.7%	2.7%	2.8%	100.0%
Net Sales	617.3	579.7	442.5	423.3	190.7	214.5	2,468.3
Year-on-Year	0.9%	4.1%	-2.8%	7.2%	-16.9%	17.7%	1.5%
Proportion	2.4%		0.7%				100.0%
	25.0%	23.5%	17.9%	17.2%	7.7%	8.7%	100.0%

(Reference; April 2015 - March 2016)

Growth rate of national newly built floor space (construction starts)	2.1%	-6.1%	7.6%	-24.3%	9.2%	0.7%
Proportion	63.1%	9.6%	13.9%	5.2%	8.3%	100.0%

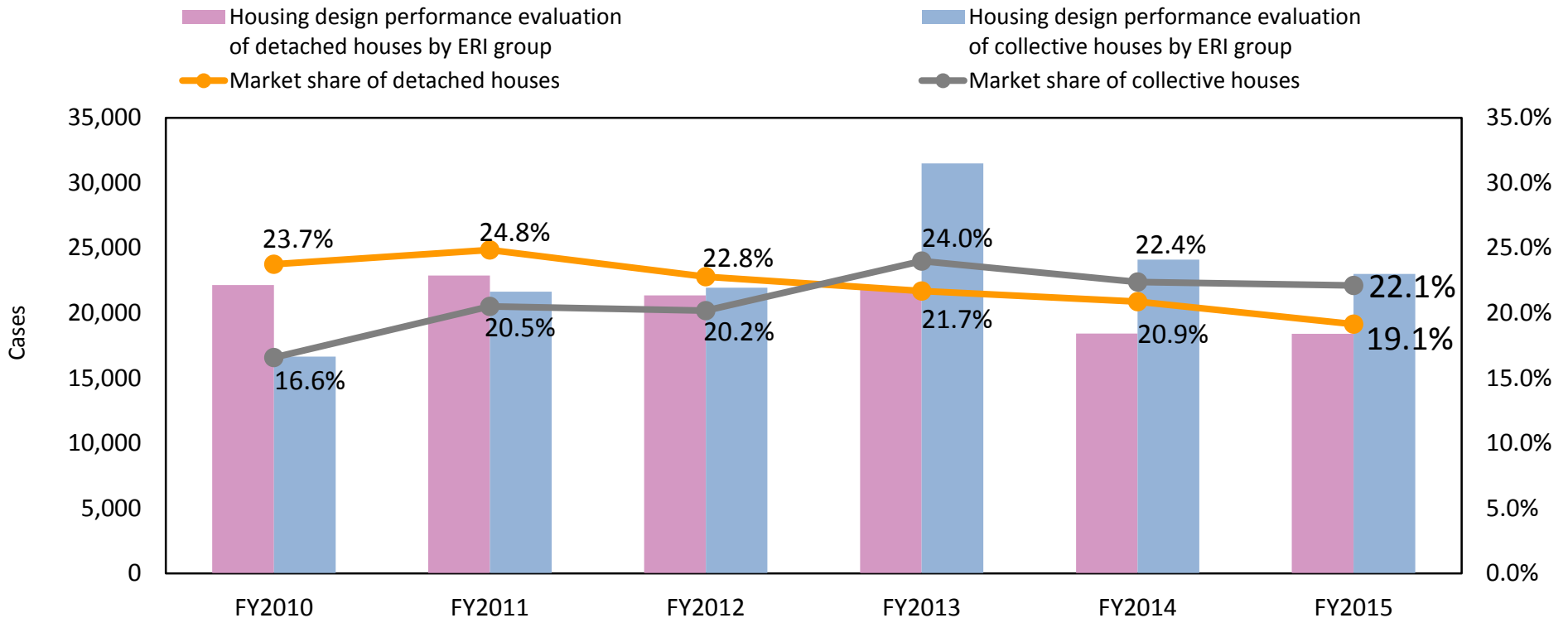
1. Results in fiscal year Ended May 2016



Trends in housing market

- ERI group's market share of Housing Design Performance Evaluation of detached houses fell 1.8% while the whole market number increased 8.9%.
- ERI group's market share of Housing Design Performance Evaluation of collective houses decreased 0.3% while the whole market number decreased 3.4%.

Number of Housing Design Performance and market share by ERI group



*Fiscal year end of this chart is March

1. Results in fiscal year Ended May 2016

Key service figures | Consolidated



	FY2015		Change	
	Cases	Amounts (Millions of Yen)	Cases	Amounts (Millions of Yen)
Building Confirmations for medium to large size buildings (over 500 sqm)	5,227	1,350	144	10
Housing Performance Evaluations of detached houses* ¹	18,690	720	652	14
Technical Assessments for Long-Life Quality Housings* ²	22,001	345	562	▲2
Inspections for Housing Defect Liability insurance* ³	23,892	286	2,214	18
Evaluations of seismic capacity and Seismic retrofitting plans	291	98	▲248	▲73
Structural evaluations of high-rise buildings (Skyscraper and/or Base isolation)	93	112	▲31	▲51

*1 Cases and amounts by housing design performance evaluation.

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

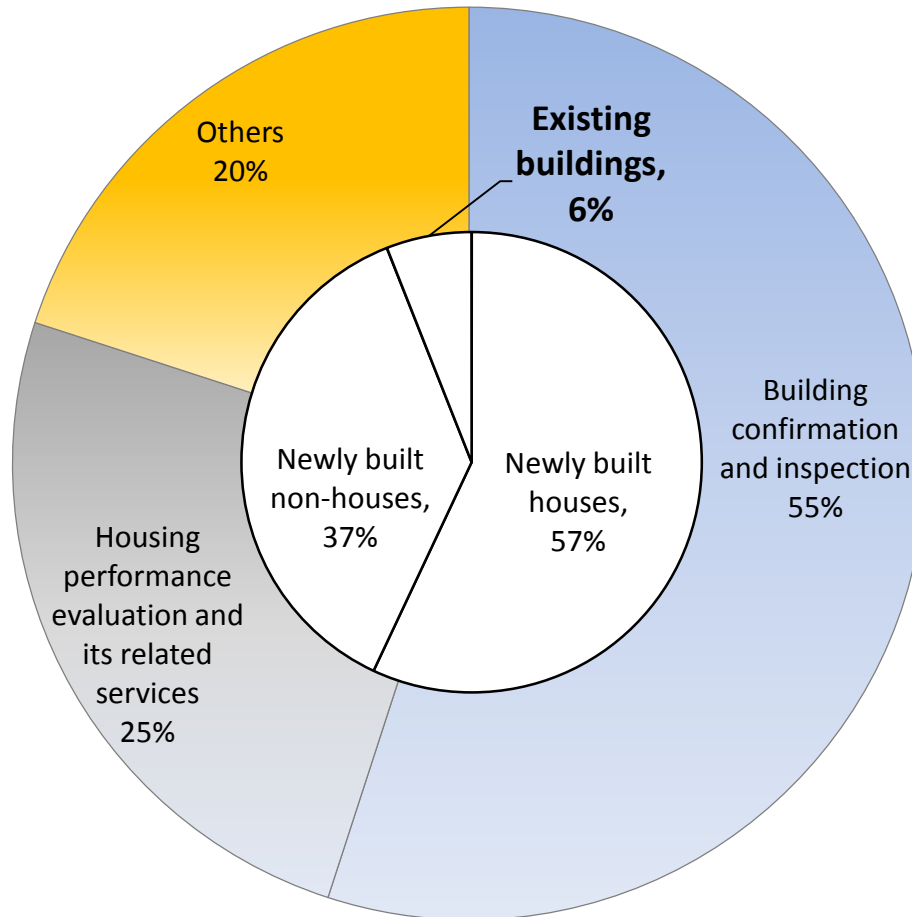
*3 Jutaku Anshin Hosyo's cases and amounts.

1. Results in fiscal year Ended May 2016

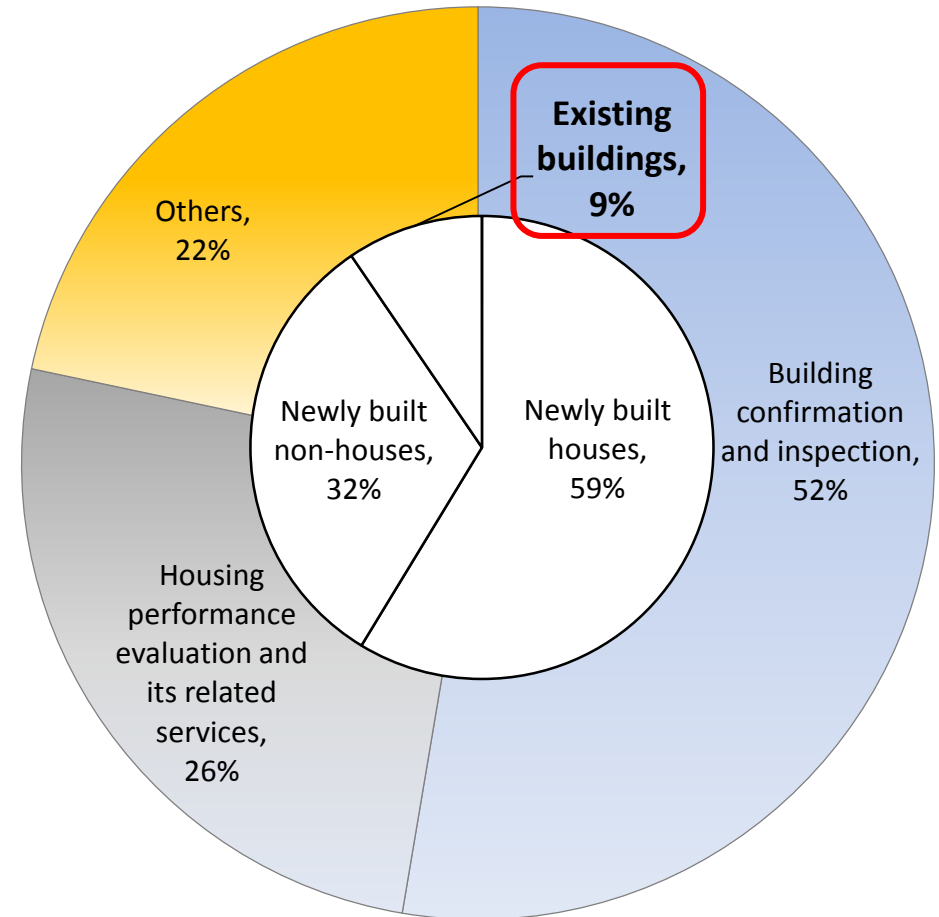
Sales breakdown | Consolidated



FY2014



FY2015



2. Topics



Demand for energy saving-related services picks up in earnest

- The Building Energy Conservation Act was partially enacted in April 2016, and programs incentivizing compliance with Energy-Saving Standards began.

Incentive plans	(1) Requirement that companies selling or renting buildings make their best efforts to indicate energy-saving performance (start of residential BELS). Labeling based on third-party certification → Assessment of Compliance with the BELS(Building-Housing Energy-efficiency Labeling System)
	(2) Program to certify and indicate compliance with standards (energy-saving renovation for existing buildings). Energy saving standards compatibility certification mark → Technical inspection service
	(3) Program for Approval of Plan for Energy-Saving Performance Improvements (to ease building volume regulations). Building Energy-saving Performance Improvement Plan → Technical inspection service

- Once the subsidy program requiring display of BELS certification began, it spread at a fast pace.

Subsidy program	Energy-saving Promotion Projects for Existing Buildings, Leading Projects for Sustainable Buildings, etc. (CO2 reduction type), Regional Residence-Greening Projects (zero energy, prime buildings), Model Projects to Promote CO2 Reductions in Rental Housing, Projects to Promote Innovative Energy-efficiency Technologies for Housing and Buildings (ZEH, ZEB), etc.
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- Regulatory measures will begin in April 2017 (tentative).

Regulatory measures	(1) Mandatory compliance with energy-saving standards for non-residential buildings with floor areas exceeding 2,000 m2 (tentative) → Conformity Review for Energy Saving Standards
	(2) Mandatory notification, instructions and orders from government agency with jurisdiction, (3) Ministerial certification program for special structures and facilities, (4) Top-runner system

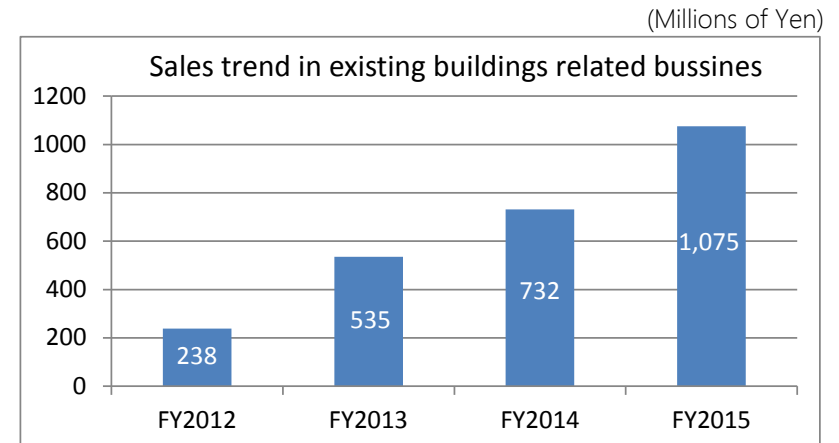
2. Topics

Existing building inspection service continues to expand



● Existing building inspection service

- Assessment of Compliance with the Building Standard Law services.
Effective use of buildings and compliance assessments, etc.
- Due diligence services
Robust J-REITs market
- Home inspection services
Establishment of law revising part of the Building Lots and Building Transaction Business Act



● Start of building degradation survey service using UAVs

- Subsidiary ERI Solution Co., Ltd. has formed a business affiliation with Skyrobot Inc.
- The purpose of this affiliation is to establish an efficient survey method using visible images from a highly accurate camera and an infrared camera.



3. Forecasts for the fiscal year Ending May 2017

Forecasts for FY 2016



(Millions of Yen)

	FY2015 (Jun. 2015 – May 2016)	FY2016 (Jun. 2016 – May 2017)	Change
Gross Sales (Net Sales *)	11,470 (11,356)	11,879 (11,879)	408 (522)
Operating Income	569	632	62
Vs. Gross Sales	5.0%	5.3%	—
Ordinary Income	625	628	2
Vs. Gross Sales	5.5%	5.3%	—
Profit Attributable to Owners of Parent	414	400	▲13
Net Income per Share (Yen)	52.96	51.15	▲1.81
Dividend per Share (Yen)	30	30	0

Changes in management environment

【Market Changes】

- ✓ Contraction in new construction (flow) market
- ✓ Expansion of stock market
- ✓ Growth in energy conservation market
- ✓ Concentration in major urban areas and hollowing out of outlying areas



【Reorganization of Industry】

- ✓ Heightened competition due to market saturation
- ✓ Aging of technicians, labor shortages
- ✓ Adaptations to revised laws
- ✓ Introduction of ICT and new technology



【ERI's Reforms】

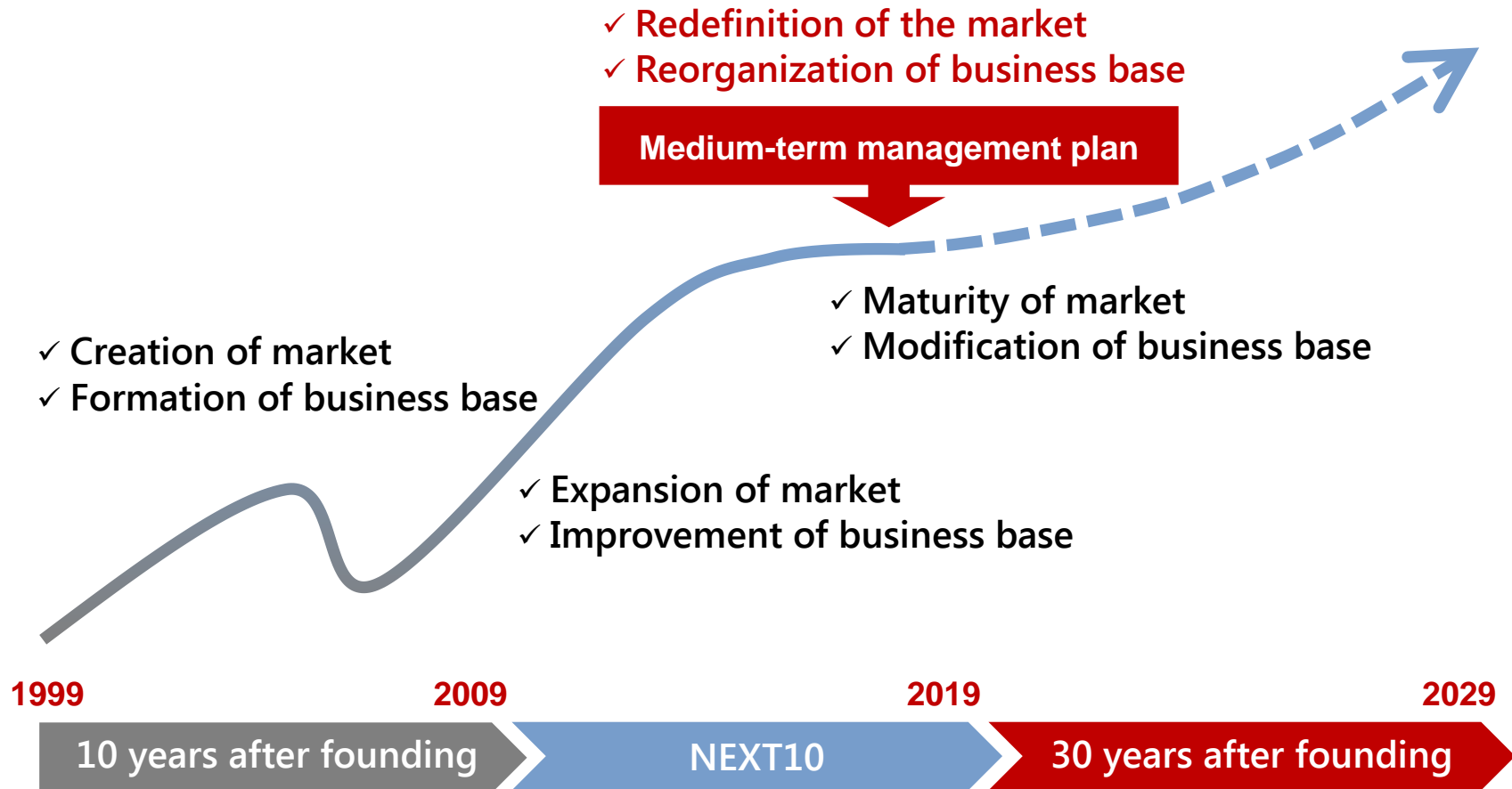
- ✓ Reforms in awareness and action
- ✓ Reformulation of growth strategy
- ✓ Development of human resources (managers, women)
- ✓ Stronger Group management



4. Medium-term management plan



Positioning of the medium-term management plan



4. Medium-term management plan

Concept



We will develop new business models by making active investments, including M&As, in anticipation of a future contraction in the new construction market.

【Basic policy for plan】

The medium-term management plan identifies priority measures enabling ERI to adapt to the changing management environment. ERI will actively and efficiently invest management resources into necessary fields to create new value that will be praised by customers.

【Period covered by medium-term management plan】

From FY2016 to FY2018

4. Medium-term management plan

Growth strategy for ERI Group



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

4. Medium-term management plan



Numerical targets in the final fiscal year of medium-term management plan for FY2016-2018

	Results of FY2015	Targets of FY2018
Net Sales	11.47 billion yen	More than 16 billion yen (incl. M&A's contribution about 3 billion yen)
Operating Income	0.57 billion yen	More than 1.2 billion yen
Operating Income / Net Sales	5.0%	More than 7.5%
ROE	18.9%	More than 20%
Dividend	30.00 yen	Keep up stable dividend (More than 30% dividend payout ratio)

4. Medium-term management plan

Appendix : Deterioration of the Social Infrastructure



Ratio of social capital which passed 50 years after construction

*All the number below are around figure

	Quantity	Mar. 2013	Mar. 2023	Mar. 2033
Road bridges (within 700,000 bridges with more than 2 m long)	400,000	18%	43%	67%
Tunnels	10,000	20%	34%	50%
River management facilities (Water gates, etc.)	10,000	25%	43%	64%
Sewer imaginaries	Total extension 45,000 km	2%	9%	24%
Harbor quay-walls (Water depth of 4.5 m or deeper)	5,000	8%	32%	58%

Source: MLIT "WHITE PAPER ON LAND, INFRASTRUCTURE, TRANSPORT AND TOURISM IN JAPAN 2015, Chapter I Section I" (June 2016)

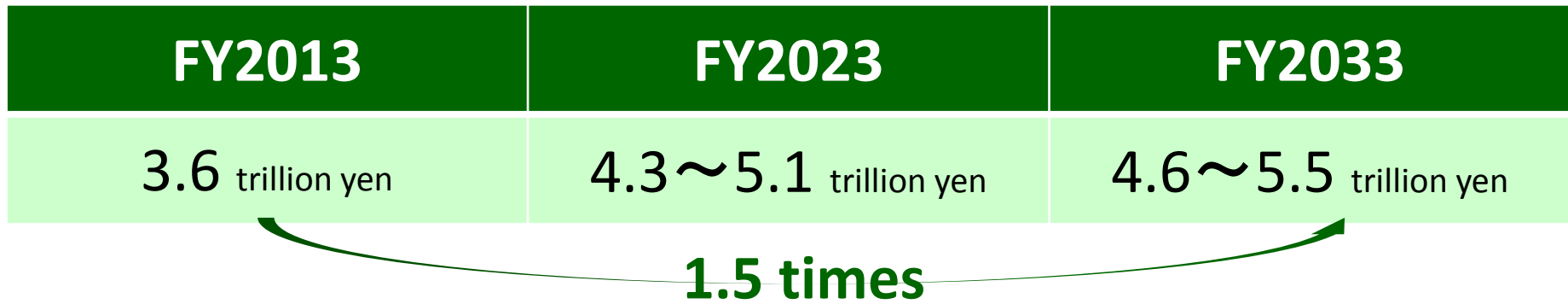
4. Medium-term management plan



Appendix : Market of the Social Infrastructure

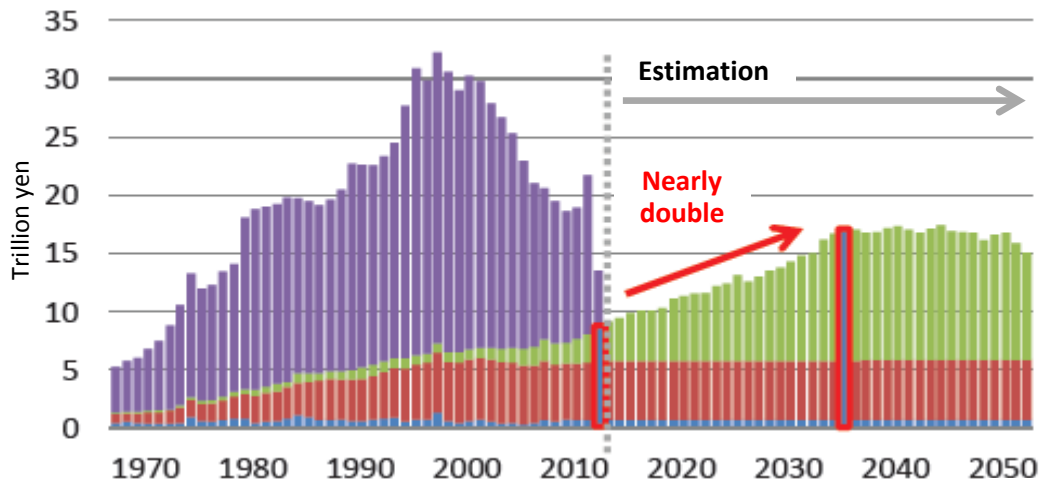
Cost estimation of maintenance and renewal in the future

(Social Infrastructure administrated by MLIT *All the number above are around figure)

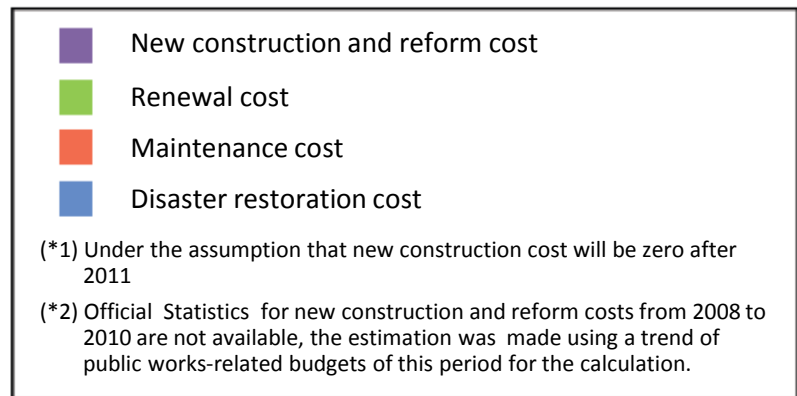


Source: MLIT "WHITE PAPER ON LAND, INFRASTRUCTURE, TRANSPORT AND TOURISM IN JAPAN 2015, Chapter I Section I" (June 2016)

Cost estimation of maintenance and renewal in the future (Nationwide)



(Total stock of country foundation including other than MLIT jurisdiction)



Source: MLIT "The long-term prospects of the country – Interim Summary" (February 2011)



IR Contact

ERI Holdings Co., Ltd.

Investor Relations and Public Relations Dept.

info@j-eri.co.jp