



2016 Full-Year Results

From June 1, 2016 to May 31, 2017

ERI Holdings Co., Ltd.

July 13, 2017

Listed on Tokyo Stock Exchange (Code 6083)

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

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Summary

Net sales was flat, but large prior investment decreased profit.

- Housing for rent boost new housing starts (+4.4%) and non-residential market is also solid (+3.8%).
- Net sales was 11,357 million yen (+0.0%) and operating profit was 289 million yen (▲49.2%).
- Number of Building Confirmation increased but per deal sales decreased – smaller size building increased -, and Final Inspection was stagnant.
- In Housing Performance Evaluation service, Housing Construction Performance Evaluation sales shrank and decreased sales due to expiration of Point System for Energy-efficient Homes wasn't compensated.
- In Solution Service, Inspection and Diagnosis of large size bldg. decreased.
- In Other Service, BELS and other new services are booming but large prior investment decreased profit.

1. Results in fiscal year Ended May 2017

Consolidated results



(Millions of yen)

| | FY2015 (Jun. 2015 – May 2016) | FY2016 (Jun. 2016 – May 2017) | Change | |
|--|----------------------------------|----------------------------------|-------------|------------------|
| | | | Amounts | Ratio |
| Gross Sales (Net Sales *) | 11,470 (11,356) | 11,357 (11,357) | ▲113 (0) | ▲1.0% (▲0.0%) |
| Operating Profit | 569 | 289 | ▲280 | ▲49.2% |
| Operating Profit Ratio | 5.0% | 2.6% | - | - |
| Ordinary Profit | 625 | 367 | ▲258 | ▲41.3% |
| Ordinary Profit Ratio | 5.5% | 3.2% | - | - |
| Profit Attributable to Owners of Parent | 414 | 212 | ▲201 | ▲48.6% |
| Net Profit per Share (Yen) | 52.96 | 27.17 | ▲25.79 | - |

- 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 fourteen months from April 2015 to May 2016.

1. Results in fiscal year Ended May 2017

Consolidated results by segment



(Millions of yen)

| | FY2015 | FY2016 | Change | | Operating Profit | Change |
|---|----------------------------------|---|-------------|------------------|------------------|--------|
| | | | Amounts | Ratio | | |
| Building Confirmation and Inspection (Net Sales) | 6,233 (6,109) [53.8%] | 6,199 (6,199) [54.6%] | ▲23 (90) | ▲0.4% (▲1.5%) | 350 | ▲17 |
| Housing Performance Evaluation and its related services | 2,939 [25.9%] | 2,877 [25.3%] | ▲62 | ▲2.1% | 0 | ▲81 |
| Solution Services* ¹ | 993 [8.7%] | 898 [7.9%] | ▲95 | ▲9.6% | 38 | ▲97 |
| Others | 1,314 [11.6%] | 1,382 [12.2%] | 68 | 5.2% | ▲99 | ▲83 |
| Gross Sales Total | 11,470 [100.0%]* ² | 11,357 [100.0%]* ² | ▲113 | ▲1.0% | 289 | ▲280 |

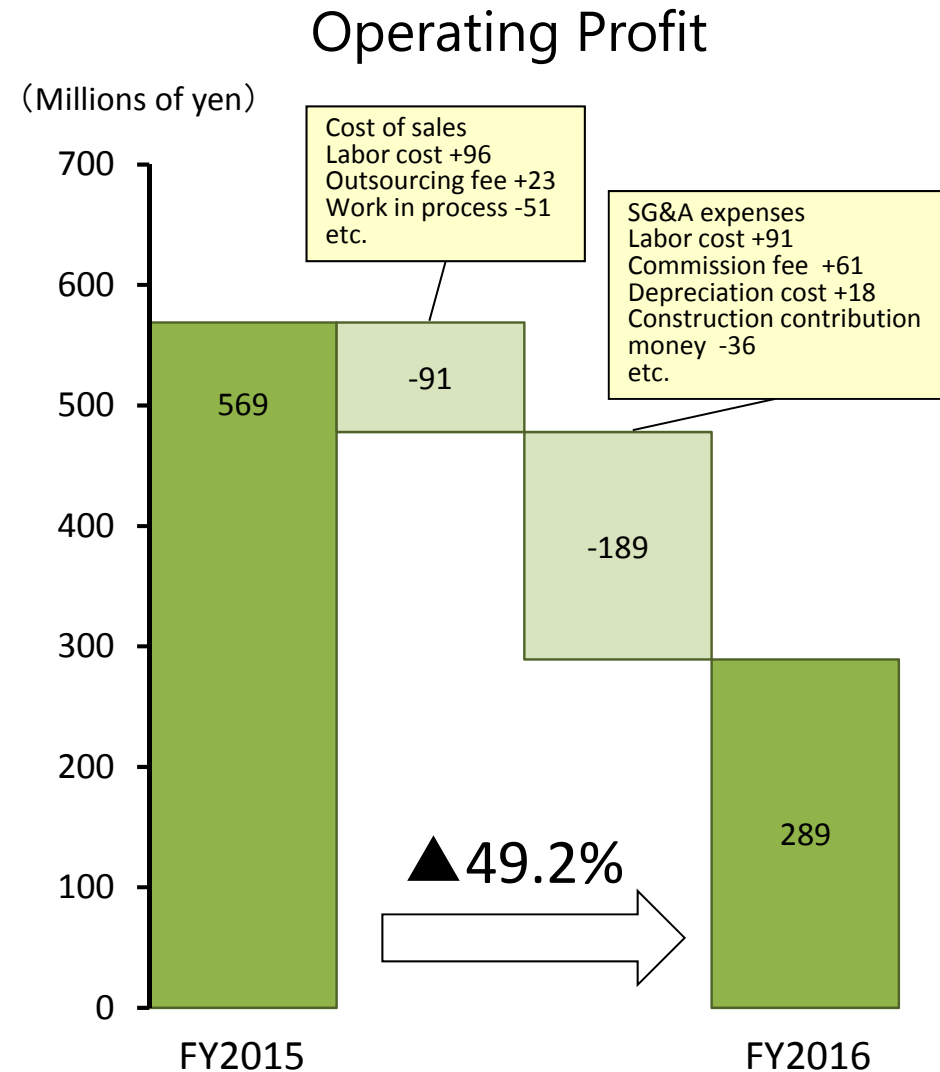
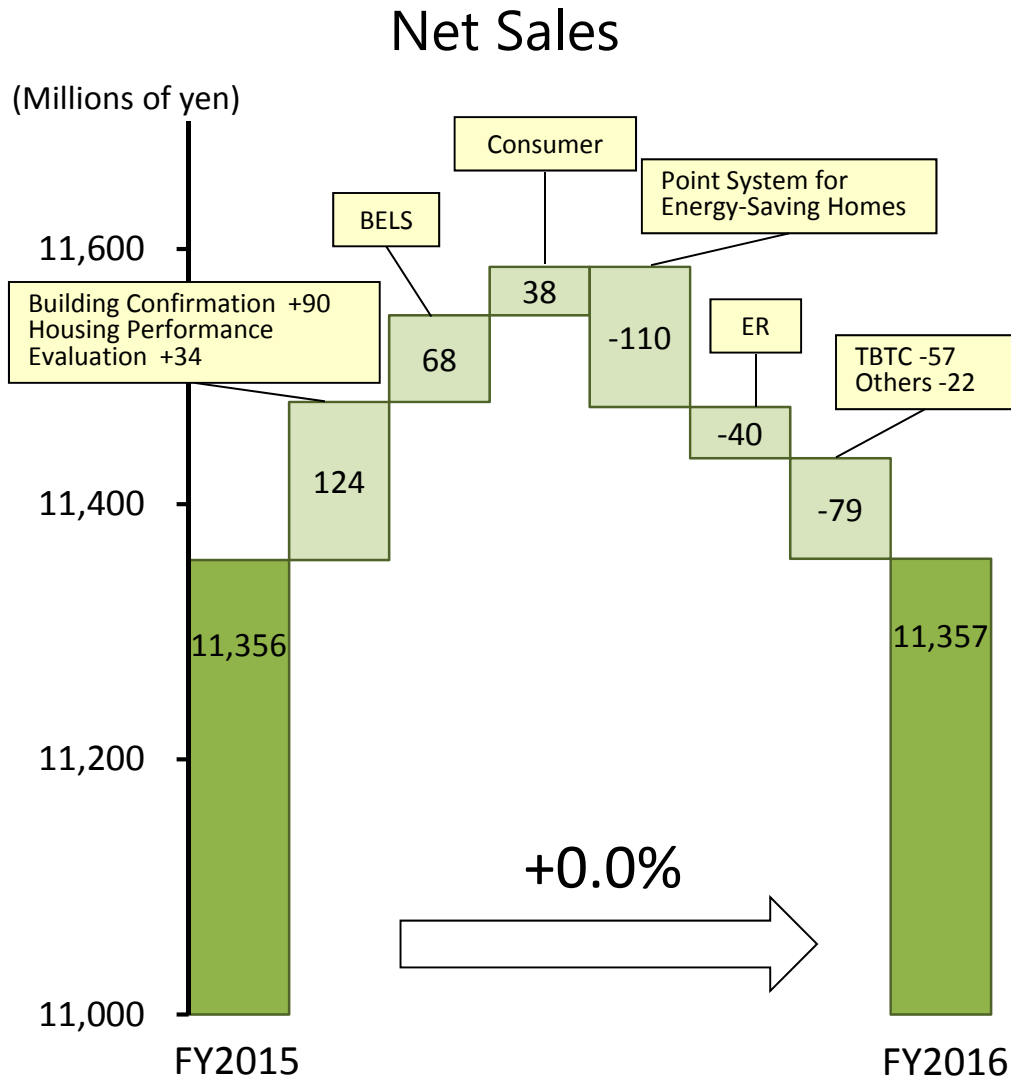
*1 "Solution Services" split off from "Others" as an independent segment due to its growing importance in 1Q FY2016. In addition, TBTC's services, solely included in "Others" previously, divided into each segment. FY2015 data in this table are also revised based on new segment recognition.

*2 Structural ratio [] is calculated using Net sales. (FY2015 11,356 million yen, FY2016 11,357 million yen)

1. Results in fiscal year Ended May 2017



Change in Net Sales and Operating Profit



1. Results in fiscal year Ended May 2017

Main operating figures | Consolidated



(Cases)

| | FY2015 | FY2016 | Change | |
|--|------------------------|------------------------|---------|-------|
| | (Jun. 2015 – May 2016) | (Jun. 2016 – May 2017) | Amounts | Ratio |
| Building confirmations | 56,684 | 59,048 | 2,364 | 4.2% |
| Final inspections | 48,321 | 49,656 | 1,335 | 2.8% |
| Housing design performance evaluations of detached house | 18,690 | 19,984 | 1,294 | 6.9% |
| Housing design performance evaluations of collective house | 24,672 | 29,272 | 4,600 | 18.6% |

1. Results in fiscal year Ended May 2017



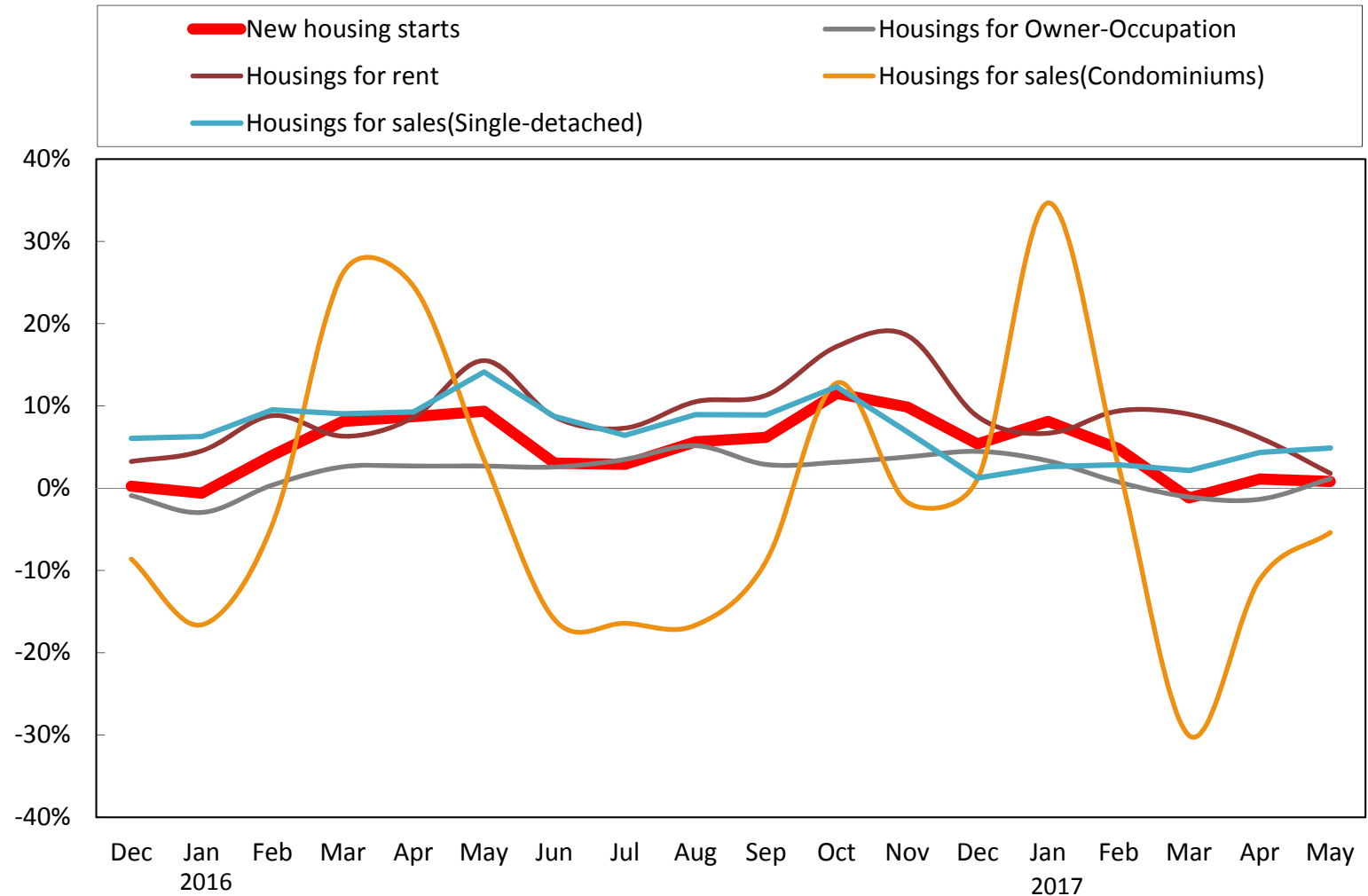
Trends in housing market

- The total number of new housing starts gradually increased.
- Changes in the cumulative total is as follows.

| | |
|-------------------------------------|-------|
| New housing starts | +4.4% |
| Housings for Owner-Occupation | +2.3% |
| Housings for rent | +9.1% |
| Housings for sales(condominiums) | -6.8% |
| Housings for sales(single-detached) | +5.3% |

*Cumulative contrast of our fiscal year (from Jun. to May)

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



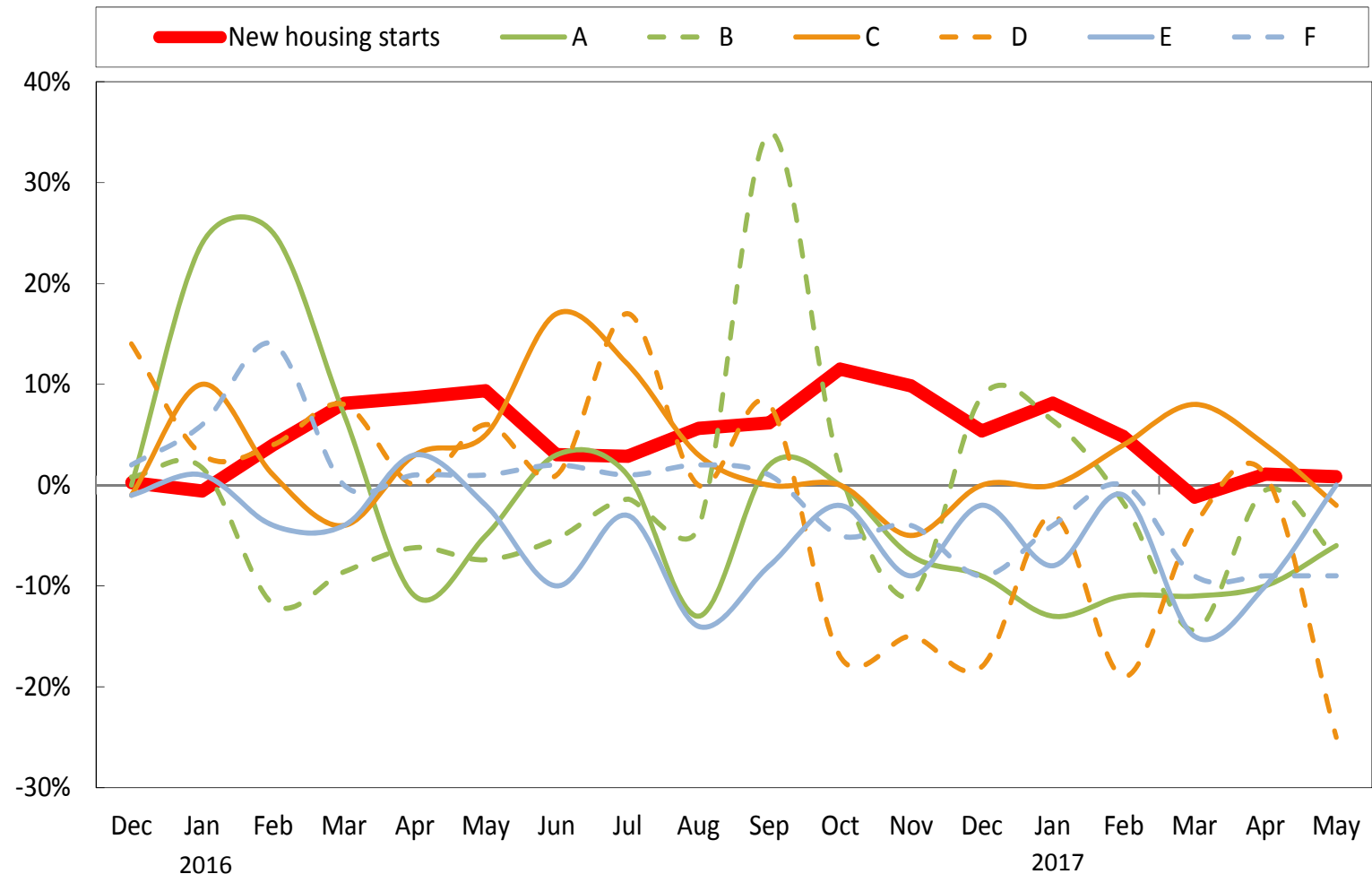
1. Results in fiscal year Ended May 2017

Trends in housing market



Changes in new orders of detached houses by Major house builders

- New orders of detached houses (order amount basis) in major house builders continued weak trend.
- Given the trend shifting to the higher price zone, the number of new housing orders were likely to be more sluggish.



*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 2017



Breakdown of Building Confirmation

FY2016 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 | 28,918 | 6,904 | 3,813 | 2,061 | 1,217 | 1,254 | 44,167 |
| Year-on-Year | 3.6% | 5.4% | 11.1% | 4.6% | 5.8% | 5.9% | 4.7% |
| Proportion | 65.5% | 15.6% | 8.6% | 4.7% | 2.8% | 2.8% | 100.0% |
| Net Sales | 614.0 | 579.3 | 471.2 | 446.5 | 205.5 | 230.4 | 2,547.3 |
| Year-on-Year | -0.5% | -0.1% | 6.5% | 5.5% | 7.8% | 7.4% | 3.2% |
| | -0.3% | | 6.5% | | | | |
| Proportion | 24.1% | 22.7% | 18.5% | 17.5% | 8.1% | 9.0% | 100.0% |

(Reference; June 2016 - May 2017)

| | | | | | | |
|---|-------|------|-------|------|-------|--------|
| Growth rate of national newly built floor space (construction starts) | 3.1% | 0.1% | 0.3% | 6.3% | 12.5% | 3.4% |
| Proportion | 63.4% | 9.1% | 13.5% | 5.2% | 8.9% | 100.0% |

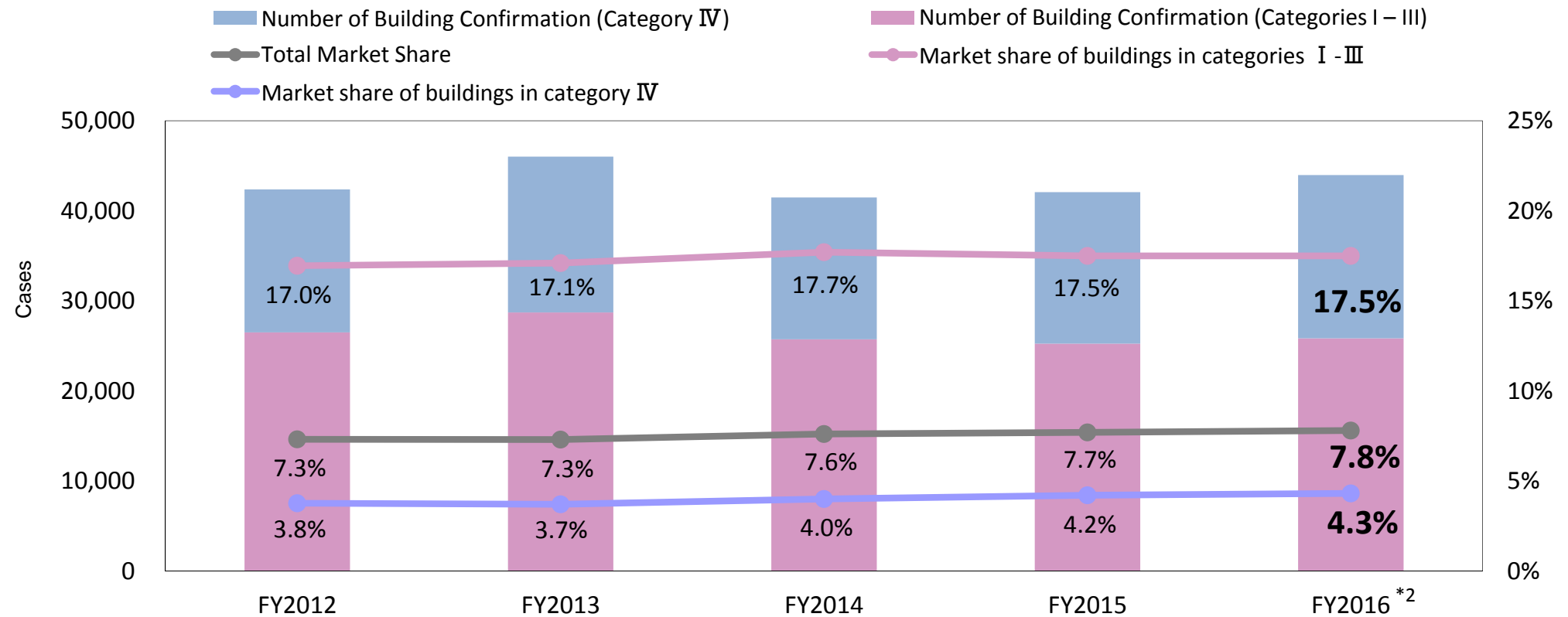
1. Results in fiscal year Ended May 2017



Trends in housing market

- The whole market number of Building Confirmation increased 4.1%(Apr-Dec 2016)
- The number of Building Confirmation by ERI group increased 4.7%(Apr-Dec 2016)
- As a results, the market share of ERI group slightly up to 7.8%.
(Categories I – III unchanged and Category IV increased 0.1%)

Number of building confirmation and market share by ERI group*1



*1 Fiscal year end of this chart is March

*2 The market share data of ERI group in FY2016 were added up until the end of 3Q, because 4Q's data was not available as of July 11, 2017.

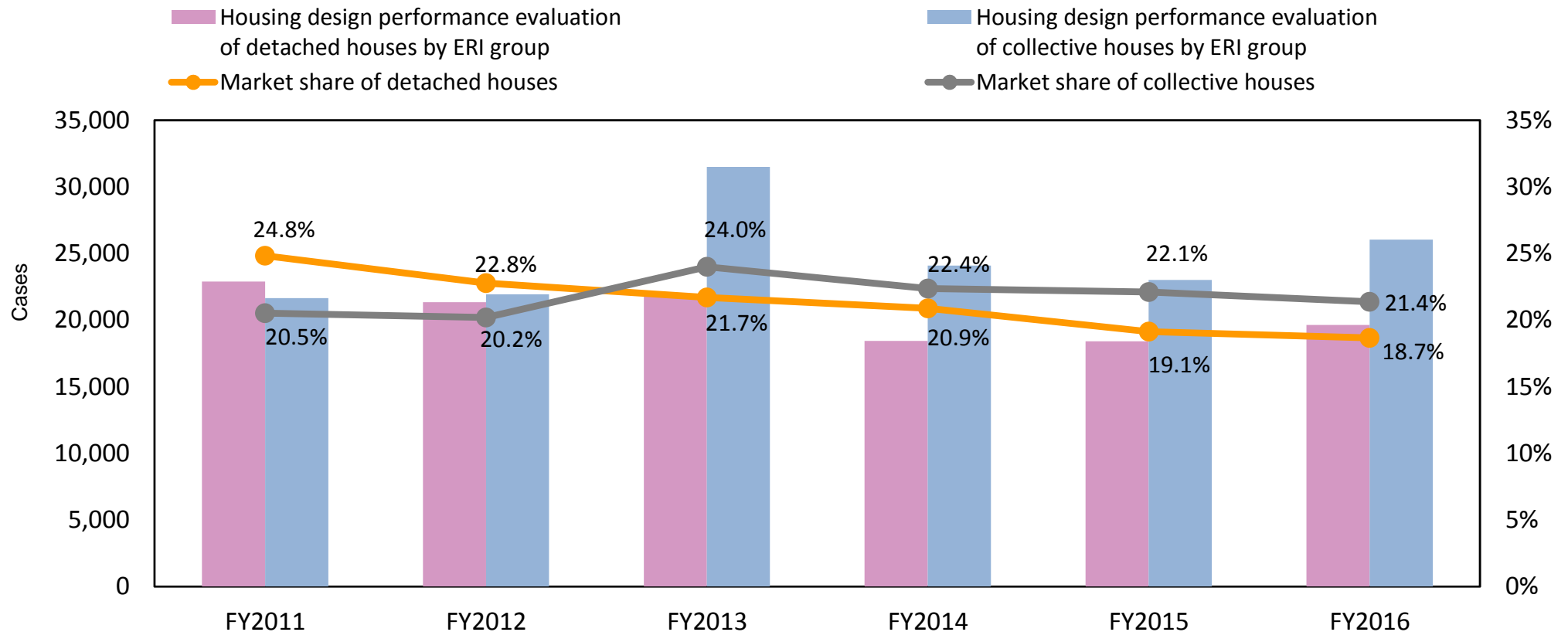
1. Results in fiscal year Ended May 2017



Trends in housing market

- The whole market number of Housing Design Performance Evaluation of detached house increased 9.3%. ERI group's number increased 6.6% and market share decreased 0.4%.
- The whole market number of Housing Design Performance Evaluation of collective house increased 17.1%. ERI group's number increased 13.2% and market share decreased 0.7%.

Number of Housing Design Performance and market share by ERI group



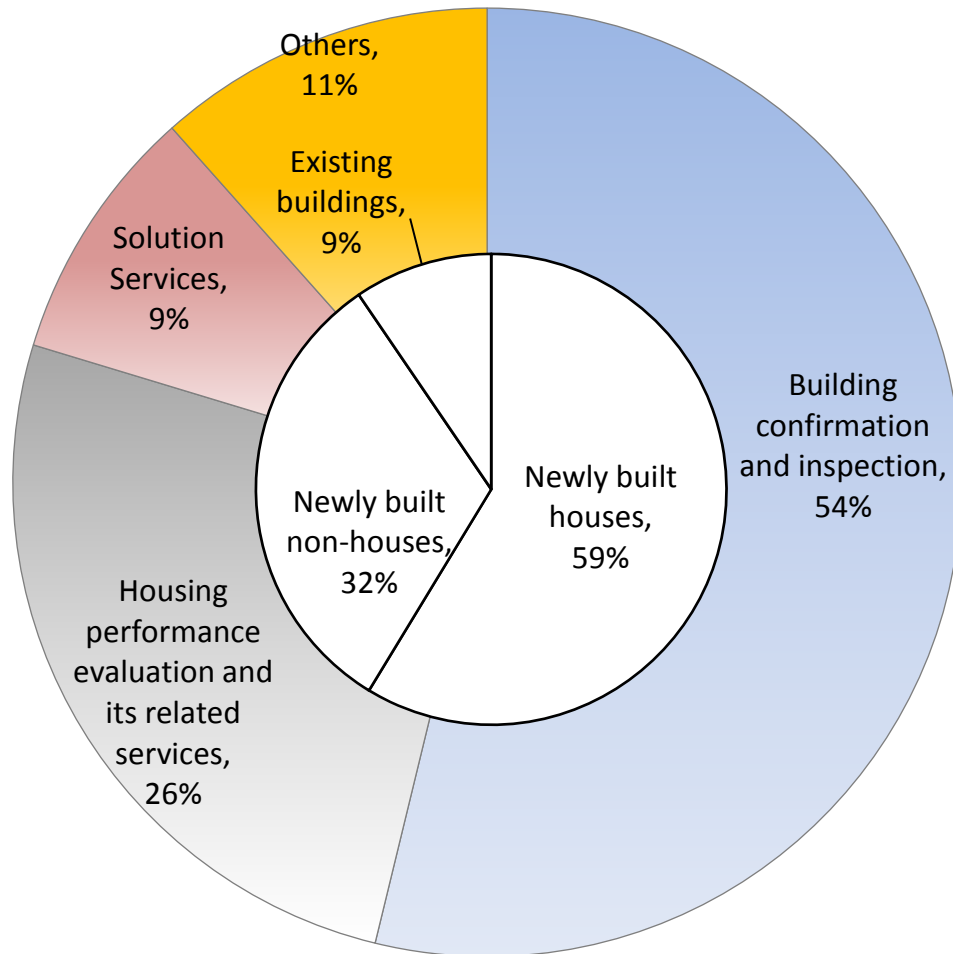
* Fiscal year end of this chart is March

1. Results in fiscal year Ended May 2017

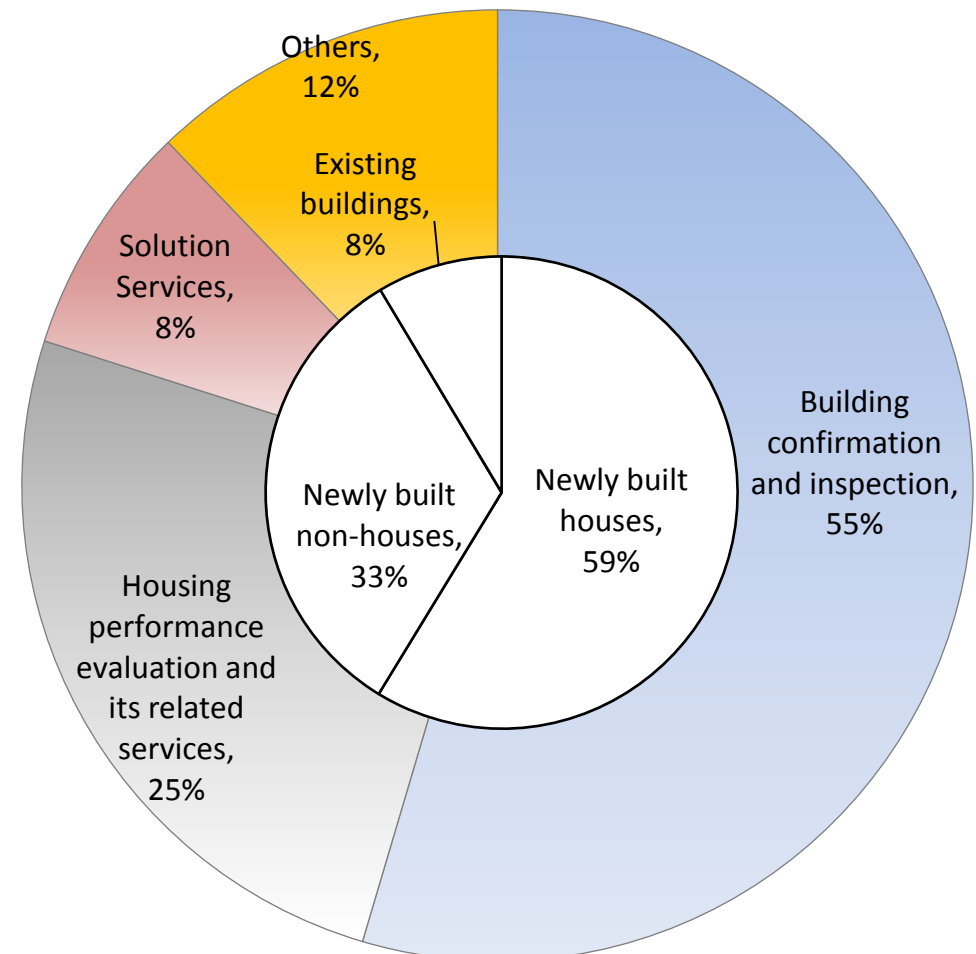
Sales breakdown | Consolidated



FY2015



FY2016



1. Results in fiscal year Ended May 2017

Key service figures | Consolidated



| | FY2016 | | 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) | 5,343 | 1,396 | 116 | 46 |
| Housing Performance Evaluations of detached houses* ¹ | 19,984 | 707 | 1,294 | 40 |
| Technical Assessments for Long-life Quality Housings* ² | 23,085 | 355 | 1,084 | 10 |
| Inspections for Housing Defect Liability Insurance* ³ | 24,226 | 290 | 334 | 4 |
| Evaluations of Seismic Capacity and Seismic Retrofitting Plans | 175 | 58 | ▲116 | ▲40 |
| Structural Evaluations of High-rise Buildings (Skyscraper and/or Base isolation) | 140 | 178 | 47 | 66 |

*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.

1. Results in fiscal year Ended May 2017

Consolidated financial statements | Assets



(Millions of yen)

| | FY2015 (Jun. 2015 - May 2016) | FY2016 (Jun. 2016 - May 2017) | Change |
|-------------------------------------|----------------------------------|----------------------------------|-----------|
| Total assets | 4,110 | 4,109 | ▲1(242*) |
| Total current assets | 3,355 | 3,256 | ▲99(172*) |
| Cash and deposits | 2,337 | 2,104 | ▲233 |
| Accounts receivable - trade | 453 | 500 | 47 |
| Work in process | 298 | 352 | 53 |
| Total non-current assets | 754 | 853 | 98(69*) |
| Total Property, plant and equipment | 112 | 153 | 41 |
| Total intangible assets | 175 | 220 | 45 |
| *goodwill | 1 | 58 | 57(58*) |
| Total investments and other assets | 466 | 478 | 11 |

* Accompanying EPA SYSTEM Inc. becoming a subsidiary.

1. Results in fiscal year Ended May 2017

Consolidated financial statements | Liabilities



(Millions of yen)

| | FY2015 (Jun. 2015 - May 2016) | FY2016 (Jun. 2016 - May 2017) | Change |
|----------------------------------|----------------------------------|----------------------------------|---------|
| Total liabilities | 1,790 | 1,811 | 20(46*) |
| Total current liabilities | 1,629 | 1,621 | ▲8(10*) |
| Accrued expenses | 578 | 598 | 20 |
| Advances received | 572 | 656 | 84 |
| Total non-current liabilities | 160 | 189 | 29(35*) |
| Other | - | 30 | 30 |
| Total net assets | 2,320 | 2,298 | ▲22 |
| Total shareholders' equity | 2,315 | 2,293 | ▲22 |
| Retained earnings | 1,296 | 1,274 | ▲22 |
| Total liabilities and net assets | 4,110 | 4,109 | ▲1(46*) |

* Accompanying EPA SYSTEM Inc. becoming a subsidiary.

1. Results in fiscal year Ended May 2017

New services operating figures | Consolidated



(Cases)

| | FY2015 | FY2016 | Change | |
|--|--------|--------------|---------|----------|
| | | | Amounts | Ratio |
| Route-2 Structural Examination* ¹ | 641 | 822 | 181 | 28.2% |
| Pre-completion Tentative Approval* ¹ | 132 | 202 | 70 | 53.0% |
| Assessment of Compliance with the Building Standard Law services* ² | 79 | 82 | 3 | 3.8% |
| BELS certification (Non-housings)* ³ | 119 | 175 | 56 | 47.1% |
| BELS certification (housings)* ³ | 147 | 3,252 | 3,105 | 2,112.2% |
| Energy Pass certification* ⁴ | 87 | 242 | 155 | 178.2% |

*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.

2. Topics

Topics



| | |
|-----------|--|
| Jun. 2016 | <p>Inspection of deterioration on existing bldg. by UAVs</p> <ul style="list-style-type: none"> -Start Business alliance with SKYROBOT Inc. |
| Sep. 2016 | <p>Tokyo Bldg-Tech Center Co.,Ltd. opened Structural Calculation Center in Okinawa.</p> |
| Nov. 2016 | <p>“ERI Students Design Competition 2016 final Selection”</p> |
| Feb. 2017 | <p>The court confirmed Japan ERI’s overall lawsuit victory on the case concerned with the breach of seismic standards.</p> <ul style="list-style-type: none"> - All the cases reported in Annual Securities Report were finished. |
| Mar. 2017 | <p>Acquisition of EPA SYSTEM Inc.</p> <ul style="list-style-type: none"> - Enhance IT development and operating efficiency. |
| Apr. 2017 | <p>Full revision of fee schedule for Building Confirmations and inspection services for the first time in 10 years. - Price adjustment for increased evaluative workloads.</p> |
| | <p>Evaluation for Compliance with Energy Consumption Performance of Buildings service start.</p> |
| Jun. 2017 | <p>Business alliance with Aerosense Inc.</p> <ul style="list-style-type: none"> - UAVs autonomous flight system development start. |

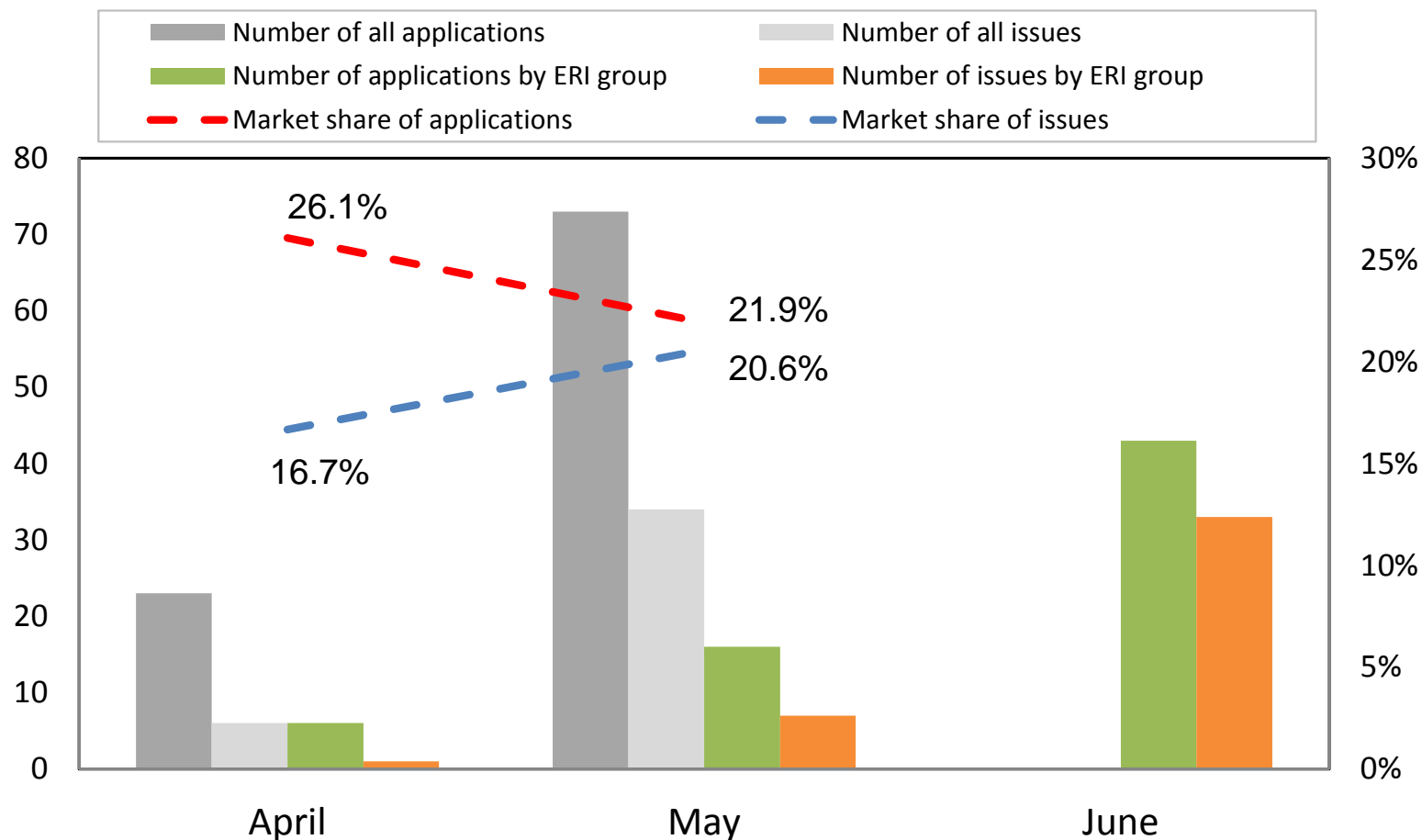
2. Topics

Evaluation for Compliance with Energy Consumption Performance of Buildings service



- In April, Mandatory compliance with energy efficiency standards on large-sized non-residential bldg. is in effect.
- It started up moderately due to transitional measures which exempt the projects submitted energy saving plan in advance to the enforcement of the Act.
- Anticipated 100 deals per month, i.e. roughly 30% share.

Number of applications/issues and market share



3. Forecasts for the fiscal year Ending May 2018

Forecasts for FY2017



(Millions of yen)

| | FY2016 (Jun. 2016 – May 2017) | FY2017 (Jun. 2017 – May 2018) | Change |
|---|----------------------------------|----------------------------------|--------|
| Net Sales | 11,357 | 12,187 | 829 |
| Operating Profit | 289 | 635 | 345 |
| Vs. Net Sales | 2.6% | 5.2% | - |
| Ordinary Profit | 367 | 643 | 275 |
| Vs. Net Sales | 3.2% | 5.3% | - |
| Profit Attributable to Owners of Parent | 212 | 410 | 197 |
| Profit per Share (Yen) | 27.17 | 52.45 | 25.28 |
| Dividend per Share (Yen) | 30 | 30 | 0 |

4. Progress in medium-term management plan

Medium-term management plan (released Jun. 2016)



| 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.</p> <p>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. Progress in medium-term management plan

Numerical targets of medium-term management plan



| | Results of FY2016 | Forecasts of FY2017 | Targets of FY2018 |
|---------------------------------|----------------------|------------------------|---|
| Net sales | 11.35 billion yen | 12.18 billion yen | More than 16 billion yen (incl. M&A's contribution about 3 billion yen) |
| Operating profit | 0.28 billion yen | 0.63 billion yen | More than 1.2 billion yen |
| Operating Profit / Net Sales | 2.6% | 5.2% | More than 7.5% |
| ROE | 9.2% | 17.3% | More than 20% |
| Dividend | 30.00 yen | 30.00 yen | Keep up stable dividend (More than 30% dividend payout ratio) |

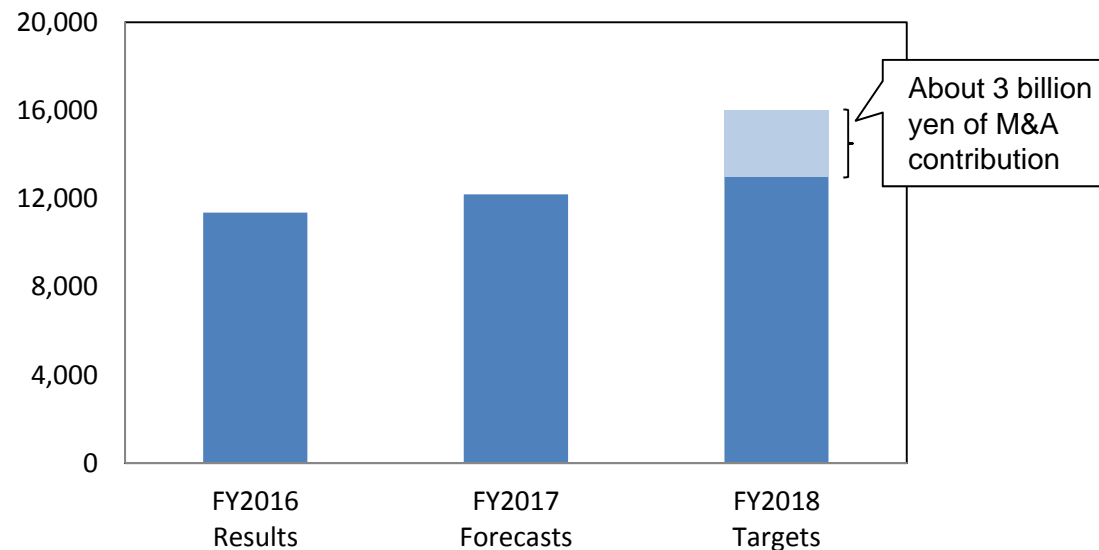
4. Progress in medium-term management plan



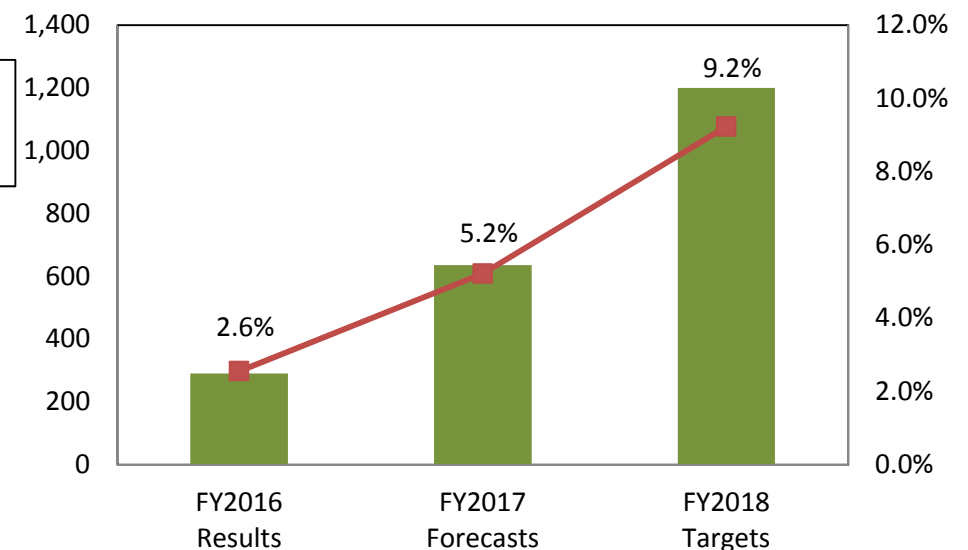
Progress in medium-term management plan

| Business challenges | Achievement in FY 2016 |
|--|---|
| Existing core business <Strengthen profitability> | - Drastic revise of fee schedule - IOT investment for operational efficiency (acquisition of EPA system) |
| New growth businesses <Increase in investments> | - Secured sufficient staff for starting-up Evaluation for Compliance with Energy Consumption Performance of Buildings service and Building stock business - Started-up inspection of existing building deterioration by UAVs |
| Business in new fields <Expand business sphere> | - Developing next M&A seeds |

Sales



Operating Profit/Operating Profit Ratio





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