

*** Notes**

(1) Significant changes to subsidiaries during the period
(Changes in significant subsidiaries resulting in changes in the scope of consolidation): None
Newly included: — Excluded: —

(2) Adoption of specific methods for preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and restatements

- 1) Changes in accounting policies due to revision to accounting standards, etc.: None
- 2) Changes in accounting policies other than 1): None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(4) Number of issued shares (common stock)

1) Number of issued shares
(including treasury shares)

June 30, 2023	30,823,200 shares	March 31, 2023	30,823,200 shares
June 30, 2023	1,330,145 shares	March 31, 2023	1,402,345 shares
Three months ended June 30, 2023	29,456,080 shares	Three months ended June 30, 2022	28,935,480 shares

2) Number of treasury shares

3) Average number of shares during the period

Note: The number of treasury shares at the end of the fiscal year includes shares in the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" (919,900 shares on June 30, 2023, 959,300 shares on March 31, 2023). The shares of the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" are included in treasury shares and deducted from the calculation of the average number of shares during the period (940,475 shares for the three months ended June 30, 2023, 1,175,375 shares for the three months ended June 30, 2022).

*** This consolidated quarterly financial report is not subject to quarterly review by a certified public accountant or an audit firm.**

*** Explanation concerning the appropriate use of financial forecasts and other special instructions**

Results forecasts and other forward-looking statements contained in this report are based on assumptions, beliefs, and uncertainties in light of information available to the Company's management as of the publication date. Actual results may differ materially from forecasts due to a variety of factors. Therefore, the Company does not guarantee the accuracy of forecasts and other forward-looking statements and its ability to achieve stated targets.

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1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS

(1) Explanation regarding Operating Results

In the cumulative first three months of the consolidated fiscal year under review, the Japanese economy saw a moderate recovery underway, such as progress in the normalization of economic activities, due to new developments in the wake of the downgrading of COVID-19 to a "Class 5" disease. On the other hand, the situation continued in which it was required to closely watch rising prices and fluctuations in the financial and capital markets inside and outside Japan.

In the housing sector, the number of new housing construction starts remained below those of the same month of the previous year as consumer appetite was affected by a prolonged rise in housing prices, and the number of construction starts for detached houses for sale, one of our core operations, in the survey for Statistics on Building Construction Started (publicized by the Ministry of Land, Infrastructure, Transport and Tourism) continued to be below the level of the same month of the previous year since November 2022.

Under those circumstances, the Grandy House Group has upheld the basic policies of "Strengthen our business foundations and expand business areas for sustainable growth in the new home sales business," "Expand the scale of the housing stock business and maximize synergies with the new home sales business" and "Strengthen our response to sustainability (ESG) issues" in the third medium-term business plan (from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024). Accordingly, the Group has made efforts to further improve its corporate value.

In new home sales, our core business, not only did we engage in business expansion through measures including strengthening our sales capabilities in the Tokyo metropolitan area, but we also made efforts to reinforce product appeal mainly by increasing the supply ratio of ZEH houses. In terms of operating results, the number of homes sold decreased from the same period of the previous fiscal year, which had benefited from special demand related to the pandemic, primarily because supplies were delayed in some areas and a decrease in order backlogs in the previous fiscal year affected the operating results of the current fiscal year.

As a result, the Grandy House Group's consolidated cumulative operating results for the first quarter of fiscal 2024 under review were as follows: net sales were ¥11,801 million, a decrease of 15.3% year-on-year; operating income was ¥264 million, a decrease of 74.8% year-on-year; ordinary income was ¥203 million, a decrease of 79.7% year-on-year; and net income attributable to owners of the parent totaled ¥108 million, a decrease of 85.1% year-on-year.

Operating results by business segment are presented as follows.

a. Real Estate Sales

In new home sales, we strove to expand and reinforce business areas in the Tokyo metropolitan area (Tokyo, Saitama, Chiba and Kanagawa) through initiatives including starting the sale of "Sora Town Kashiwanoha Campus Liwie" (a total of 40 lots in the city of Kashiwa) in Chiba Prefecture and "~takumi~Kichijoji" (with a total of five lots in Tateno-cho, Nerima ward) in Tokyo, all of which were certified as long-life quality housing. Additionally, we made efforts to solidify our business foundations through measures such as expanding "Sora Town" as a series, in which all new homes employed the zero-net energy house system (ZEH), in response to positive feedback on "Sora Town Tsukuba Matsushiro" (with a total of 96 lots) in the city of Tsukuba, Ibaraki Prefecture.

Through these efforts, orders received in the first quarter of the fiscal year under review started recovering from the deterioration in the second half of the previous fiscal year. Nonetheless, the low level in the number of houses in order backlogs at the end of the previous fiscal year brought the number of homes sold in the cumulative three months of the consolidated fiscal year under review to 299, a decrease of 68 year-on-year.

In existing home sales, their selling prices kept rising as those of new homes surged. In terms of purchasing, the task of identifying prime properties entered a critical phase as the tough situation continued in which the price of properties and costs for renovation went up. Under these circumstances, the number of homes sold in the cumulative three months of the consolidated fiscal year fell to 27, a decrease of 8 year-on-year, due to a weakening in the consumer appetite for homes in the wake of the price rise and the continued environment in which capturing orders was difficult in the face of intensifying competition.

As a result, sales in the real estate sales segment in the consolidated cumulative first quarter of fiscal 2024 under review decreased by 14.9% year-on-year to ¥10,918 million. We had a segment profit of ¥44 million, a decrease of 94.7% year-on-year.

b. Construction Material Sales

In construction material sales, demand for construction wood and pre-cut wood remained weak as the number of new housing starts for wooden houses kept decreasing year-on-year for the 15 consecutive months up to June 2023. Prices of lumber as raw materials were on a downward trend from the high level that had lasted until the second quarter of the previous fiscal year, amid the demand for housing slowing down.

Under these circumstances, although we not only started cultivating new customers in the area of Saitama Prefecture, which has a large market size, but also focused on strengthening relationships with existing excellent customers, operating results posted lower sales and profits year-on-year due to competition for orders intensified by poor demand, and selling price adjustments resulting from the decline in lumber prices.

As a result, sales of the construction material sales segment in the consolidated cumulative first quarter of fiscal 2024 under review decreased by 24.2% year-on-year to ¥772 million, with a segment profit of ¥85 million, a decrease of 22.1% year-on-year.

c. Real Estate Leasing

Real estate leasing saw the earnings of businesses including office leasing expand as the vacancy ratio of offices for leasing generally remained below 5 percent, keeping the operational ratio high, and in house leasing, Sun Village Shonan (with a total of 173 units), which we had acquired in the city of Kashiwa, Chiba Prefecture, in the fourth quarter of the previous fiscal year, contributed to operating results. In the parking business, the parking lots for pay-by-the-hour and monthly rental totaled 585 lots at the end of the first quarter of the fiscal year under review (an increase of 46 lots year-on-year) as a result of the new acquisition of 63 pay-by-the-hour parking lots (in front of the railway station of Koganei, Tochigi Prefecture) in June 2023. The operational ratio of pay-by-the-hour parking lots improved in the wake of the revitalization of social and economic activities, resulting us in securing earnings of a similar level to the same period of the previous fiscal year.

As a result, the operating results for the cumulative three months of the fiscal year under review posted higher sales and profits year-on-year. Net sales were ¥110 million, an increase of 47.1% year-on-year with a segment profit of ¥69 million, an increase of 46.8% year-on-year.

(2) Explanation regarding Financial Position

As of the end of the first quarter of consolidated fiscal 2024 under review, consolidated total assets rose to ¥75,873 million, an increase of ¥3,227 million compared to the end of the previous consolidated fiscal year. This was primarily due to an increase in inventories due to various factors, such as the acquisition of housing lots to reflect the expanded area of the real estate sales business and other developments.

Liabilities stood at ¥50,497 million, an increase of ¥4,048 million compared to the end of the previous consolidated fiscal year. This was mainly due to an increase in interest-bearing debt resulting from the acquisition of housing lots and others.

Total net assets stood at ¥25,375 million, down ¥820 million compared to the end of the previous consolidated fiscal year. This was due to the payment of dividends despite the acquisition of net income attributable to owners of the parent.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There have been no changes from the consolidated financial forecasts announced on May 12, 2023.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal 2023 (As of March 31, 2023)	First Quarter of Fiscal 2024 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	10,839,975	9,770,018
Notes and accounts receivable – trade and contract assets	574,709	510,584
Real estate for sale	11,352,157	12,314,296
Costs on uncompleted construction contracts	17,584	17,555
Real estate for sale in process	33,998,068	36,880,046
Merchandise and finished goods	376,807	366,204
Raw materials and supplies	176,128	138,530
Other	989,203	1,420,802
Allowance for doubtful accounts	(1)	(0)
Total current assets	58,324,634	61,418,039
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,818,539	3,767,759
Machinery, equipment and vehicles, net	18,980	17,620
Tools, furniture and fixtures, net	52,580	48,559
Land	7,261,402	7,415,102
Leased assets, net	77,202	68,657
Construction in progress	20,000	20,000
Total property, plant and equipment	11,248,706	11,337,699
Intangible assets		
Goodwill	891,319	857,037
Other	65,246	60,092
Total intangible assets	956,566	917,130
Investments and other assets		
Investment securities	177,000	185,800
Long-term loans receivable	9,217	11,268
Deferred tax assets	618,717	643,955
Other	1,227,394	1,223,805
Total investments and other assets	2,032,329	2,064,829
Total non-current assets	14,237,601	14,319,658
Deferred assets		
Bond issuance costs	83,078	135,381
Total deferred assets	83,078	135,381
Total assets	72,645,313	75,873,079

(Thousands of Yen)

	Fiscal 2023 (As of March 31, 2023)	First Quarter of Fiscal 2024 (As of June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,668,472	3,626,174
Short-term loans payable	15,262,600	16,964,900
Current portion of bonds	500,000	—
Current portion of long-term loans payable	3,103,044	3,316,194
Lease obligations	34,124	32,487
Income taxes payable	367,833	135,240
Provision for warranties for completed construction	189,175	179,003
Other	1,039,922	1,296,843
Total current liabilities	24,165,172	25,550,842
Non-current liabilities		
Bonds payable	4,600,000	6,600,000
Long-term loans payable	16,232,236	16,848,087
Lease obligations	50,805	43,188
Provision for directors' retirement benefits	257,787	247,625
Net defined benefit liability	1,014,424	1,051,315
Other	128,876	156,268
Total non-current liabilities	22,284,129	24,946,485
Total liabilities	46,449,301	50,497,327
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,674,902	2,684,513
Retained earnings	21,983,746	21,119,980
Treasury shares	(629,596)	(601,221)
Total shareholders' equity	26,106,551	25,280,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,000	60,800
Total accumulated other comprehensive income	52,000	60,800
Subscription rights to shares	37,460	34,180
Total net assets	26,196,011	25,375,751
Total liabilities and net assets	72,645,313	75,873,079

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Consolidated cumulative first quarter)

(Thousands of Yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net Sales	13,925,325	11,801,593
Cost of sales	11,294,854	9,910,447
Gross profit	2,630,471	1,891,145
Selling, general and administrative expenses	1,580,718	1,626,587
Operating income	1,049,752	264,558
Non-operating income		
Interest income	23	11
Dividends income	2,861	2,861
Commission	7,697	7,544
Reversal of provision for warranties for completed construction	—	10,172
Other	15,447	12,947
Total non-operating income	26,029	33,537
Non-operating expenses		
Interest expenses	60,509	85,233
Commission for syndicate loan	4,554	1,857
Other	4,997	7,050
Total non-operating expenses	70,060	94,141
Ordinary income	1,005,721	203,954
Extraordinary income		
Gain on sales of non-current assets	84,432	—
Total extraordinary income	84,432	—
Extraordinary loss		
Loss on retirement of non-current assets	3,585	4,371
Total extraordinary loss	3,585	4,371
Net income before income taxes	1,086,568	199,582
Income taxes – current	252,890	116,421
Income taxes – deferred	105,274	(25,237)
Total income taxes	358,165	91,183
Net income	728,403	108,398
Net income attributable to owners of the parent	728,403	108,398

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated cumulative first quarter)

(Thousands of Yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net income	728,403	108,398
Other comprehensive income		
Valuation difference on available-for-sale securities	5,500	8,800
Total other comprehensive income	5,500	8,800
Comprehensive income	733,903	117,198
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	733,903	117,198
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Transactions for Distributing the Company's Own Stock to Employees, etc. through Trusts)

The Company has adopted the "trust-type employee stock holding incentive plan (E-Ship[®])" (hereinafter referred to as "the Plan") for the purpose of providing its employees with incentives to enhance the corporate value of the Company on a medium-to long-term basis in the fiscal year ended March 31, 2022.

(1) Overview of transactions

The Plan is an incentive plan for all employees who are members of "the Grandy House Employee Stock Holding Partnership" (hereinafter referred to as "the Stock Partnership"). The Company has established the "Grandy House Employee Stock Holding Partnership Exclusive Trust" (hereinafter referred to as "the Trust") in a trust bank. The Trust will acquire in advance after its establishment the number of Grandy House shares to be expected to be acquired by the Stock Partnership over a six-year period. At a later date, the Trust will sell its holdings of Grandy House shares to the Stock Partnership on a continual basis. If an amount equivalent to the gains from sale of shares is accumulated at the end of the term of the Trust, the relevant amount equivalent to the gains from the sale of shares will be distributed as residue assets to those who satisfy the criteria of beneficiaries. The Company warrants the repayment of loans payable for the Trust to acquire shares of the Company. Therefore, if an amount equivalent to the loss from sale of shares accumulates due to a decline in the price of shares of the Company, causing a debt equivalent to a loss from sale of the relevant shares remains in the Trust at the end of the term of the Trust, the Company will assume the repayment of the relevant remaining borrowing.

(2) Grandy House's own company stock remaining in the Trust

Grandy House's own company stock remaining in the Trust is recorded as treasury shares in net assets in accordance with the book value (excluding the amount of incidental expenses) in the Trust. The book value and the number of the relevant treasury shares are ¥553,516 thousand and 959,300 shares for the previous consolidated fiscal year, and ¥530,782 thousand and 919,900 shares for the consolidated first quarter of fiscal 2024 under review.

(3) The book value of loans payable recorded by the application of the gross method

The previous consolidated fiscal year: ¥534,370 thousand

The consolidated first quarter of fiscal 2024 under review: ¥534,370 thousand

(Segment Information)

I. The cumulative three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

1. Information concerning the amounts of net sales and profit or loss by reportable segment

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Quarterly Consolidated Statements of Income (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net Sales						
Sales to external customers	12,830,516	1,019,751	75,057	13,925,325	—	13,925,325
Inter-segment sales or transfers	13,380	1,180,061	20,464	1,213,905	(1,213,905)	—
Total	12,843,896	2,199,812	95,522	15,139,231	(1,213,905)	13,925,325
Segment profit	844,731	109,738	47,570	1,002,040	3,680	1,005,721

Notes: 1 Adjustments of segment profit (¥3,680 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted with ordinary income described in quarterly consolidated statements of income.

2. Information concerning the impairment loss of non-current assets and goodwill by reportable segment

Not applicable.

II. The cumulative three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

1. Information relating to the amounts of net sales and profit or loss by reportable segment

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Quarterly Consolidated Statements of Income (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net Sales						
Sales to external customers	10,918,208	772,963	110,420	11,801,593	—	11,801,593
Inter-segment sales or transfers	13,170	1,040,918	20,952	1,075,041	(1,075,041)	—
Total	10,931,378	1,813,881	131,373	12,876,634	(1,075,041)	11,801,593
Segment profit	44,703	85,495	69,848	200,047	3,906	203,954

Notes: 1 Adjustments of segment profit (¥3,906 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted with ordinary income described in quarterly consolidated statements of income.

2. Information concerning the impairment loss of non-current assets and goodwill by reportable segment

Not applicable.