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**Consolidated Financial Report**  
For the First Quarter of Fiscal 2019 Ending March 31, 2019 (Japanese GAAP)

August 6, 2018

Company Name: Grandy House Corporation      Stock Exchange Listing: Tokyo Stock Exchange  
Securities Code: 8999      URL: <http://www.grandy.co.jp>  
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Scheduled date of quarterly securities report filing: August 9, 2018  
Scheduled date of dividend payment commencement: —  
Preparation of quarterly supplementary explanatory materials: None  
Quarterly results briefing held: None

(Figures are rounded down to the nearest million yen unless otherwise stated.)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019**  
(April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results

(Percentage figures show the year-on-year increase (decrease).)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended June 30, 2018	10,341	1.4	709	34.7	744	34.2	293	(20.8)
Three months ended June 30, 2017	10,195	(8.2)	526	(36.4)	554	(35.5)	370	(33.5)

Note: Comprehensive income      Three months ended June 30, 2018: ¥280 million (-22.3%)  
Three months ended June 30, 2017: ¥361 million (-35.4%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Three months ended June 30, 2018	10.18	10.01
Three months ended June 30, 2017	12.89	12.78

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2018	47,599	19,375	40.3	665.16
March 31, 2018	47,281	19,556	41.0	671.43

Reference: Shareholders' equity      June 30, 2018: ¥19,181 million  
March 31, 2018: ¥19,362 million

**2. Dividends**

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2018	—	0.00	—	16.00	16.00
Fiscal 2019	—				
Fiscal 2019 (Forecast)		0.00	—	16.00	16.00

Note: Revisions to the most recently announced forecast of cash dividends in the current quarter: None

**3. Consolidated Financial Forecasts for Fiscal 2019 (April 1, 2018 to March 31, 2019)**

(Percentage figures show year-on-year increase (decrease).)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Fiscal Year	48,000	7.3	2,900	7.6	3,000	7.3	1,680	(8.1)	58.26

Note: Revisions to the most recently announced financial forecasts in the current quarter: None

\* **Explanatory Notes**

(1) Changes of important subsidiaries during the period  
 (changes in specified subsidiaries resulting in a change 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 in connection with 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 shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)	June 30, 2018	30,823,200 shares	March 31, 2018	30,823,200 shares
2) Number of treasury shares	June 30, 2018	1,985,245 shares	March 31, 2018	1,985,245 shares
3) Average number of shares issued and outstanding for the period	Three months ended June 30, 2018	28,837,955 shares	Three months ended June 30, 2017	28,776,955 shares

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

\* **Explanation concerning the appropriate use of 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

During the three months ended June 30, 2018, the Japanese economy was considered to be on a gradual recovery path, although it posted negative growth in the period of January to March this year after eight consecutive quarters of positive growth until the end of last year.

In the housing sector, new housing starts grew firmly due to the interest rate on housing loans remaining at low levels, as well as the continuation of various support measures to promote home acquisition and an improvement in employment and income conditions, but competition between business has kept intensifying.

Under these circumstances, the Grandy House Group continued to strive to expand and reinforce business under the basic policy in the second medium-term business plan (from the fiscal year ending March 2019 to the fiscal year ending March 2021) of "continuous growth through reinforcing the core operation (new homes)" and "expansion of business through enhancing the stock business."

With regard to new home sales, one of our core operations, we endeavored to boost sales of strategic large housing lots, reinforce our product appeal, and improve profits through cost reduction and other measures while proceeding to examine strategies for expanding into Saitama Prefecture among others.

In existing home sales, we continued the effort from the previous fiscal year to build up product inventory toward expanding home sales.

Although the number of homes sold for the first quarter of Fiscal 2019 increased only slightly both in new and existing homes on a year-on-year basis, operating income improved significantly due mainly to the fruits of the effort to improve profits and a year-on-year decrease in selling, general and administrative expenses.

As a result of these initiatives, the Grandy House Group's consolidated results for the first quarter of Fiscal 2019 were as follows. Net sales were ¥10,341 million, up 1.4% from the same period of the previous fiscal year; operating income rose to ¥709 million, an increase of 34.7% year-on-year; ordinary income was ¥744 million, an increase of 34.2% year-on-year. However, net income attributable to owners of the parent company declined to ¥293 million yen, a decrease of 20.8% year-on-year due primarily to the booking of the provision of directors retirement benefits accompanying the stepping down of our company founder as a director.

Results by business segment are presented as follows.

#### *Real Estate Sales*

In new housing sales, we opened a new block with a different concept in addition to two ones already on sale in *Yotsuba no Mori* housing lots, a strategic project that had entered the second year since its sale started, (211 lots in Tsukuba in Ibaraki Prefecture) in an attempt to add product variations and, at the same time, boosted sales activities for large housing lots, such as GRAND BEAT PARK Kaminokawa (141 lots, Kaminokawamachi, Tochigi Prefecture), which we started selling from the end of the previous fiscal year. In terms of products, we continued to differentiate our products from those of our competitors by pursuing our "Townscape creation" policy that gave a theme to each housing lot and harmonized the distinctive appearance of homes and the totality of the housing lot, as well as to launch a new initiative, such as building model homes that were equipped with IoT. As for expanding our sales area, we made progress in examining a practical strategy with an eye on opening a store in Saitama Prefecture within this current fiscal year.

Through initiatives such as these, orders received for new homes for the first quarter of Fiscal 2019 were 329 homes, an increase of six homes year on year, but new home sales marginally increased to 308 homes, an increase of two homes year on year. On the other hand, in respect of profit improvement that became an issue in the previous fiscal year, operating income was improved mainly because the initiative for cost reduction had started bearing fruit, and selling, general and administrative expenses made a year-on-year decrease.

In existing home sales, we continued making efforts to expand existing home sales by enhancing product inventory as we did in the previous fiscal year. Amid competition intensifying through auctions, we managed to increase the total inventory as a result of reinforcing procurement by setting up a goal of keeping 70 completed homes in inventory at any time. Nevertheless, existing home sales for the first quarter of Fiscal 2019 edged up to 31, an increase of one home year-on-year, due partly to the fact that the inventory of complete homes remained below the goal.

As a result of these initiatives, sales in the real estate sales segment increased by 1.3% year-on-year to ¥9,522 million. Segment profit rose to ¥664 million, up 41.7% from the same period of the previous fiscal year.

### *Construction Material Sales*

In construction material sales, new housing starts for wooden houses including custom-made houses have stayed below those in the same period of the previous fiscal year since July of last year. Meanwhile, wood material prices remain high.

Under such circumstances, the Grandy House Group made efforts, such as boosting sales of building materials (other than pre-cut materials) and housing equipment and switching sales to our best customers in terms of earnings.

As a result of these factors, sales in the construction materials sales segment increased by 3.9% year-on-year to ¥755 million. Segment profit rose to ¥46 million, up 8.5% from a year earlier.

### *Real Estate Leasing*

In the real estate leasing, more stores were opened in or relocated to the city center in the office building market in and around Utsunomiya, which is our main market. In the parking lot market, competition remained intense between parking lots in the vicinity.

In this context, while we made efforts to improve the operation rate of existing assets and reduce management costs, the impact of the rise of vacancy rates, which started toward the end of last year, persisted. Consequently, sales in the real estate leasing segment were ¥63 million, a decrease of 4.7% year on year, and segment profit was ¥42 million, a decrease of 5.4% on year on year.

## (2) Explanation regarding Financial Position

As of the end of the first quarter of Fiscal 2019, total consolidated assets slightly rose to ¥47,599 million, an increase of ¥318 million compared to the end of the previous consolidated fiscal year. This was due to a successful effort to curb an increase in inventories through our selective and restrictive approach to purchasing, based on the situation of inventory with sales of large housing lots for the current fiscal year factored in, in terms of new home sales.

Liabilities slightly increased to ¥28,223 million, up ¥498 million compared to the end of the previous consolidated fiscal year due mainly to curbing an increase in inventories, also ending up limiting new loans. Furthermore, we are making efforts that are continued from the previous fiscal year to switch our fund procurement method to financing by bonds for a part of our loans in order to reduce the burden of interest payments and to make flexible use of funds.

Total net assets stood at ¥19,375 million as of June 30, 2018, down ¥180 million compared with the end of the previous fiscal year. After accounting for the acquisition of net income attributable to owners of the parent company, this decrease was largely due to the payment of dividends.

## (3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There is no change to financial forecasts announced on May 7, 2018.

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### (1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2018 (As of March 31, 2018)	First Quarter of FY2019 (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	9,813,941	9,775,984
Notes and accounts receivable – trade	672,527	599,151
Real estate for sale	16,588,298	16,636,866
Costs on uncompleted construction contracts	2,414	7,045
Real estate for sale in process	8,936,229	9,066,308
Merchandise and finished goods	211,897	235,221
Raw materials and supplies	166,467	178,713
Other	413,250	677,526
Allowance for doubtful accounts	(4,348)	(3,775)
Total current assets	36,800,680	37,173,042
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,256,709	3,226,107
Machinery, equipment and vehicles, net	6,175	5,101
Tools, furniture and fixtures, net	62,563	57,264
Land	5,319,659	5,319,659
Leased assets, net	69,002	62,163
Construction in progress	–	25,000
Total property, plant and equipment	8,714,109	8,695,296
Intangible assets	66,862	62,795
Investments and other assets		
Investment securities	428,336	409,260
Long-term loans receivable	14,859	14,572
Deferred tax assets	381,203	361,244
Other	846,788	843,330
Allowance for doubtful accounts	(4,901)	(4,783)
Total investments and other assets	1,666,286	1,623,624
Total non-current assets	10,447,258	10,381,716
Deferred assets		
Bond issuance costs	33,388	44,665
Total deferred assets	33,388	44,665
Total assets	47,281,326	47,599,424

(Thousands of Yen)

	FY2018 (As of March 31, 2018)	First Quarter of FY2019 (As of June 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	3,408,906	3,308,767
Short-term loans payable	19,177,700	19,181,500
Current portion of long-term loans payable	494,513	579,224
Current portion of bonds	21,000	21,000
Lease obligations	24,403	23,319
Income taxes payable	495,419	128,766
Provision for warranties for completed construction	58,686	58,070
Other	755,677	1,378,334
<b>Total current liabilities</b>	<b>24,436,306</b>	<b>24,678,982</b>
<b>Non-current liabilities</b>		
Bonds payable	1,066,000	1,555,500
Long-term loans payable	1,384,806	1,168,109
Lease obligations	50,099	43,838
Provision for directors' retirement benefits	166,279	145,629
Net defined benefit liability	571,584	582,547
Asset retirement obligations	4,296	4,308
Other	45,483	44,675
<b>Total non-current liabilities</b>	<b>3,288,549</b>	<b>3,544,607</b>
<b>Total liabilities</b>	<b>27,724,855</b>	<b>28,223,590</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,077,500	2,077,500
Capital surplus	2,223,038	2,223,038
Retained earnings	15,407,196	15,239,425
Treasury shares	(341,339)	(341,339)
<b>Total shareholders' equity</b>	<b>19,366,395</b>	<b>19,198,624</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(3,824)	(16,689)
<b>Total accumulated other comprehensive income</b>	<b>(3,824)</b>	<b>(16,689)</b>
<b>Subscription rights to shares</b>	<b>193,900</b>	<b>193,900</b>
<b>Total net assets</b>	<b>19,556,471</b>	<b>19,375,834</b>
<b>Total liabilities and net assets</b>	<b>47,281,326</b>	<b>47,599,424</b>

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

(Thousands of Yen)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net sales	10,195,571	10,341,270
Cost of sales	8,400,824	8,398,019
Gross profit	1,794,746	1,943,250
Selling, general and administrative expenses	1,268,307	1,234,066
Operating income	526,439	709,183
Non-operating income		
Interest income	323	197
Dividends income	3,453	2,953
Operations consignment fee	59,487	58,574
Office work fee	35,044	36,500
Other	22,586	10,338
Total non-operating income	120,895	108,564
Non-operating expenses		
Interest expenses	85,270	69,356
Commission for syndicate loan	2,738	1,666
Other	4,531	2,382
Total non-operating expenses	92,540	73,404
Ordinary income	554,794	744,343
Extraordinary loss		
Loss on retirement of non-current assets	5,309	5,925
Loss on cancellation of lease contracts	–	439
Directors' retirement benefits	–	300,000
Total extraordinary loss	5,309	306,365
Net income before income taxes	549,484	437,978
Income taxes – current	179,287	118,748
Income taxes – deferred	(594)	25,594
Total income taxes	178,692	144,342
Net income	370,792	293,635
Net income attributable to non-controlling interests	–	–
Net income attributable to owners of the parent company	370,792	293,635



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

(Thousands of Yen)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net income	370,792	293,635
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,387)	(12,864)
Total other comprehensive income	(9,387)	(12,864)
Comprehensive income	361,404	280,770
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	361,404	280,770
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.

(Supplemental Information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

We adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Corporate Accounting Standards No. 28: February 16, 2018), etc. from the beginning of the first quarter of Fiscal 2019, and deferred tax assets are reported in Investment and other assets.

(Segment and Other Information)

Segment Information

I. The three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)

1. Information relating to the amounts of net sales, profit and 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 outside customers	9,401,532	727,629	66,409	10,195,571	—	10,195,571
Inter-segment sales and transfers	—	835,807	19,870	855,677	(855,677)	—
Total	9,401,532	1,563,436	86,279	11,051,249	(855,677)	10,195,571
Segment profit	468,772	43,002	45,442	557,217	(2,422)	554,794

Notes: 1 Adjustments of segment profit (¥2,422 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted to 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 three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)

1. Information relating to the amounts of net sales, profit and 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 outside customers	9,522,175	755,780	63,314	10,341,270	—	10,341,270
Inter-segment sales and transfers	—	789,868	20,748	810,617	(810,617)	—
Total	9,522,175	1,545,649	84,062	11,151,887	(810,617)	10,341,270
Segment profit	664,374	46,664	42,991	754,030	(9,686)	744,343

Notes: 1 Adjustments of segment profit (¥9,686 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted to 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.