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Consolidated Financial Report

For Fiscal 2019 (The Fiscal Year Ended March 31, 2019 under Japanese GAAP)

May 7, 2019

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 the Ordinary General Meeting of Shareholders: June 27, 2019
 Scheduled date of securities report filing: June 27, 2019
 Scheduled date of dividend payment commencement: June 28, 2019
 Preparation of annual supplementary explanatory materials: Yes
 Annual results briefing held: Yes (For analysts)

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

1. Consolidated Financial Results for Fiscal 2019 (April 1, 2018 to March 31, 2019)

(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)	%
Fiscal 2019	44,452	(0.6)	3,131	16.2	3,288	17.6	2,065	13.0
Fiscal 2018	44,726	1.7	2,695	(0.7)	2,796	(0.3)	1,827	4.8

Note: Comprehensive income Fiscal 2019: ¥2,021 million (11.4%)
 Fiscal 2018: ¥1,815 million (1.6%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2019	71.62	70.67	10.3	7.0	7.0
Fiscal 2018	63.48	62.59	9.8	6.0	6.0

Reference: Equity in earnings of affiliates Fiscal 2019: ¥— million
 Fiscal 2018: ¥— million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2019	46,864	21,124	44.7	725.35
March 31, 2018	47,281	19,556	41.0	671.43

Reference: Shareholders' equity Fiscal 2019: ¥20,932 million
 Fiscal 2018: ¥19,362 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Period
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Fiscal 2019	3,042	(503)	(2,351)	10,001
Fiscal 2018	2,155	(125)	(691)	9,813

2. Dividends

	Annual Dividend per Shares					Total Dividends	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	1Q-End	2Q-End	3Q-End	Period-End	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal 2018	—	0.00	—	16.00	16.00	461	25.2	2.5
Fiscal 2019	—	0.00	—	18.00	18.00	519	25.1	2.6
Fiscal 2020 (Forecast)	—	0.00	—	23.00	23.00		30.2	

3. Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2019 to March 31, 2020)

(Percentage figures show the 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	48,500	9.1	3,200	2.2	3,400	3.4	2,200	6.5	76.24

* **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) 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

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)	March 31, 2019	30,823,200 shares	March 31, 2018	30,823,200 shares
2) Number of treasury shares	March 31, 2019	1,965,245 shares	March 31, 2018	1,985,245 shares
3) Average number of shares issued and outstanding for the period	Fiscal 2019	28,839,493 shares	Fiscal 2018	28,792,288 shares

Reference: Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for Fiscal 2019 (April 1, 2018 to March 31, 2019)

(1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal 2019	21,321	0.7	1,799	33.9	2,856	21.0	2,068	13.2
Fiscal 2018	21,175	8.8	1,343	33.8	2,360	19.2	1,826	25.8

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2019	71.73	70.78
Fiscal 2018	63.45	62.56

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2019	29,325	17,927	60.5	614.59
March 31, 2018	26,910	16,356	60.1	560.47

Reference: Shareholders' equity March 31, 2019: ¥17,735 million
March 31, 2018: ¥16,162 million

2. Non-Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2019 to March 31, 2020)

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

	Net Sales		Ordinary Income		Net Income		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Fiscal Year	23,000	7.9	2,880	0.8	2,160	4.4	74.85

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

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

Disclaimer:

Results forecasts and other forward-looking statements contained in this report are based on certain assumptions deemed to be reasonable by the Company 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. Please refer to "1. OVERVIEW OF OPERATING RESULTS (1) Overview of Operating Results for Fiscal 2019" on page 2 of the attachment materials for information regarding the underlying assumptions for financial results forecasts and an explanation concerning the appropriate use of forecasts and other notes.

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1. OVERVIEW OF OPERATING RESULTS

(1) Overview of Operating Results for Fiscal 2019

During the consolidated fiscal year under review, the Japanese economy showed signs of slowly recovering on the whole, despite exports and production showing some signs of weakness during the quarter that registered negative growth and toward the end of the fiscal year.

In the housing sector, new housing starts have grown steadily due to the interest rate on housing loans continuing to remain 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 businesses has intensified.

Under these circumstances, the Grandy House Group continued to strive to expand and reinforce business under the basic policy in its 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, strengthen the sales structure of the northern area of Tochigi Prefecture, reinforce our product appeal, and improve profits through cost reduction and other measures while opening a new base and purchasing housing lots 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.

Through initiatives such as these, both orders received and sales for new homes exceeded the previous year's levels, reaching all-time highs, and orders received and sales for existing homes also exceeded the previous year's levels. However, consolidated net sales decreased slightly from the previous fiscal year in which sales of land in lots for single estates to business operators were recorded. Meanwhile, profit was improved significantly due to cost reduction and a year-on-year decrease in selling, general and administrative expenses among other expenses.

As a result of these initiatives, the Grandy House Group's results for the consolidated fiscal year ended March 31, 2019 were as follows. Net sales were ¥44,452 million, down 0.6% from the previous fiscal year; operating income was ¥3,131 million, up 16.2% from the previous fiscal year; ordinary income was ¥3,288 million, up 17.6% from the previous fiscal year; and net income attributable to owners of the parent company totaled ¥2,065 million, up 13.0% from the previous fiscal year. Ordinary income and net income attributable to owners of the parent company recorded all-time highs.

Results by business segment are presented as follows.

a. Real Estate Sales

In the new home sales, we boosted sales activities by displaying model houses with various concepts and hosting a variety of experience events for strategic large housing lots, in addition to our efforts to boost customer responses through a complete renewal of our website. With more than half of *Yotsuba no Mori* housing lots (211 lots in Tsukuba in Ibaraki Prefecture) sold, sales accelerated as the actual townscape and the benefits of the location were once again recognized. Sales of GRAND BEAT PARK Kaminokawa (141 lots, Kaminokawamachi in Tochigi Prefecture), which began at the end of the previous fiscal year, proceeded as planned. Moreover, in order to further develop the northern area of Tochigi Prefecture, in December 2018 we opened a next-generation experience-based showroom GRANDY PLAZA Nasushiobara (Nasushiobara in Tochigi Prefecture) and bolstered our sales structure by relocating our Kenhoku branch to the site. In terms of products, we continued to differentiate our products from those of our competitors by pursuing our "townscape creation" policy, which gave a theme to each housing lot and harmonized the distinctive appearance of homes and the uniform image of the housing lot. In this situation, we started new initiatives such as proposals for houses equipped with IoT and start of sales of housing lots consisting of products planned by our female architects, or *House Sommière*. As for expanding our sales area to include Saitama Prefecture, we opened the Saitama branch (Urawa-ku, Saitama) and made progress in purchasing housing lots with the branch as our purchasing base.

Through these initiatives, the number of new homes sold during the consolidated fiscal year ended March 31, 2019 was 1,355 homes (an increase of 14 homes year-on-year), reaching an all-time high. Meanwhile, profit was improved because the cost-cutting initiative had borne fruit.

In existing home sales, we continued making efforts to expand existing home sales, etc. by enhancing product inventory as we did in the previous fiscal year. Amid competition intensifying on the purchasing side, orders received for Fiscal 2019 were above the previous year's level as we were generally able to achieve our goal of keeping 70 completed homes in inventory at any time as a result of our efforts to reinforce procurement and shorten the construction period for commercialization. As a result, the number of homes sold during the consolidated fiscal year ended March 31, 2019 was 151 homes (an increase of 13 homes year-on-year).

As a result, sales in the real estate sales segment during the fiscal year under review decreased 0.7% year-on-year to ¥41,212 million. Segment profit was ¥2,976 million, up 19.8% from the previous fiscal year.

b. Construction Material Sales

In construction material sales, new housing starts for wooden houses, including custom-made houses, bottomed out on the whole, despite a noticeable decline in rental houses, and were around the previous year's level. Meanwhile, in terms of wood material prices, the prices of North American logs have trended downward since May due to the slowdown of housing investment arising from the interest rate increase in the United States, and the prices of structural materials remained weak. Under such circumstances, the Grandy House Group expanded sales of materials to wood material processing businesses while continuing to make efforts, such as boosting sales of building materials/housing equipment other than pre-cut materials.

As a result of these initiatives, sales in the construction material sales segment during the fiscal year under review increased 0.7% year-on-year to ¥2,992 million. Segment profit was ¥151 million, up 2.6% from the previous fiscal year.

c. Real Estate Leasing

In the real estate leasing, while 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, office vacancies increased due to the resumption of offering for lease in some offices where offering for lease had been suspended for a long period. In the parking lot market, competition remained intense among parking lots in the vicinity. In this context, while the Grandy House Group made efforts to improve the operation rate of existing assets and reduce management costs, the impact of the rise in vacancy rates in the second half of the previous year persisted, one pay-by-the-hour parking lot was sold, and repair expenses for rental properties were incurred. Consequently, sales in the real estate leasing segment during the fiscal year under review were ¥248 million, a decrease of 5.6% year-on-year, and segment profit was ¥151 million, a decrease of 12.3% year-on-year.

(2) Overview of Financial Position for Fiscal 2019

As of March 31, 2019, total consolidated assets fell to ¥46,864 million, a decrease of ¥416 million compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease in inventories following sales of large housing lots for the current fiscal year, in terms of new home sales.

Liabilities decreased to ¥25,740 million, down ¥1,984 million compared to the end of the previous consolidated fiscal year due mainly to a decrease 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 part of our loans in order to reduce the burden of interest payments and to flexibly use funds.

Total net assets increased by ¥1,567 million compared to the previous consolidated fiscal year to reach ¥21,124 million. This is largely due to the acquisition of net income attributable to owners of the parent company despite the payment of dividends.

(3) Overview of Cash Flows for Fiscal 2019

Cash and cash equivalents (hereinafter, "cash flows") as of March 31, 2019 increased by ¥187 million compared to the previous consolidated fiscal year as a result of increased cash flows from operating activities and decreased cash flows from investing and financial activities, to reach ¥10,001 million.

Factors contributing to movements in the Company's cash flows during the consolidated fiscal year under review are presented as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥3,042 million (an increase of ¥2,155 million in the previous fiscal year). This was mainly because of acquisition of net income before income taxes and a decrease in inventories following sales of large housing lots for the current fiscal year, as noted above, despite payment of income taxes.

(Cash Flows from Investing Activities)

The decreased cash flow from investing activities was ¥503 million (a decrease of ¥125 million in the previous fiscal year). This was mainly due to the purchase of property, plant and equipment such as land for branches and employee parking lots as well as additional deposits made as a security deposit to warrant against housing defects.

(Cash Flows from Financing Activities)

The decreased cash flow from financing activities was ¥2,351 million (a decrease of ¥691 million in the previous fiscal year). This was due to payments of dividends and the progress made in the repayments of loans following a decrease in inventories. Additionally, we switched our fund procurement method to financing by bonds for part of our loans, as noted above.

Trends in the Group's cash flow-related indices are presented as follows.

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Shareholders' equity ratio (%)	39.2	41.0	44.7
Equity ratio on market value basis (%)	25.9	27.5	27.5
Interest-bearing liabilities to cash flow ratio (years)	—	10.3	6.7
Interest coverage ratio (times)	—	7.0	12.3

Shareholders' equity ratio: Shareholders' equity/total assets

Equity ratio on a market value basis: Market capitalization/total assets

Interest-bearing liabilities to cash flow ratio: Interest-bearing liabilities/cash flows

Interest coverage ratio: Cash flows/interest payments

Notes: 1. Each index is calculated based on consolidated financial data.

2. Market capitalization is calculated based on the number of shares issued and outstanding as of the period-end (after deducting treasury shares).

3. Cash flows from operating activities are used as "cash flows" in the above calculation. As operating cash flows for the fiscal year ended March 31, 2017 were negative, interest-bearing liabilities to cash flow ratio and interest coverage ratio data have been omitted for the year.
4. Interest-bearing liabilities include all liabilities that bear interest under the liabilities section recorded on consolidated balance sheets.

(4) Outlook for Fiscal 2020

The Japanese economy is forecast to remain on a moderate recovery trend, but there are concerns over effects on the economy of the consumption tax increase scheduled in October 2019 as well as over unstable economic factors such as the trade frictions between the United States and China, and developments in the United Kingdom's exit from the European Union. In terms of home purchasing, we currently expect that the effects of the tax increase on home sales will be neutral throughout the fiscal year ending March 31, 2020, given that solid government measures to stimulate home purchasing are scheduled and that the tax increase will be implemented during the fiscal year. Nevertheless, competition among the business operators will likely intensify ahead of the tax increase.

Under these circumstances, based on the second medium-term business plan, we will strive to achieve the management targets, grow our business, and further improve our corporate value.

Our financial forecast for the period ending March 31, 2020 is now sales of ¥48,500 million (up 9.1% compared to the same period of the previous year), operating income of ¥3,200 million (up 2.2% compared to the same period of the previous year), ordinary income of ¥3,400 million (up 3.4% compared to the same period of the previous year) and net income attributable to owners of the parent company of ¥2,200 million (up 6.5% compared to the same period of the previous year).

(5) Basic Policy Concerning the Allocation of Profits and Dividends for Fiscal 2019 and Fiscal 2020

Grandy House focuses on increasing the corporate value and returning more profits to shareholders as one of its priority management issues. For shareholders, we will follow a dividend policy that is based on business performance and work to enhance the policy while aiming for a consolidated dividend payout ratio of 25% (30% for the next fiscal year and onward). Purchase of treasury shares will be made in a timely manner and in accordance with the Company's financial position in order to enhance shareholder returns and capital efficiency.

Based on the policy above, Grandy House has declared an annual dividend of ¥18 per share for the fiscal year under review, up ¥2 from ¥16 per share in the initial forecast, reflecting the increase in profits. The annual dividend forecast for the year ending March 31, 2020 is ¥23 per share.

Under its Articles of Incorporation, Grandy House has adopted a flexible and fluid approach toward the payment of dividends from surplus based, which is subject to a resolution of the Company's Board of Directors. In accordance with standard practice, however, Grandy House plans to continue paying a single annual dividend to shareholders of record as of March 31 each year.

2. OVERVIEW OF THE CORPORATE GROUP

The Grandy House Group (Grandy House Corporation and its affiliates) consists of Grandy House Corporation and six subsidiaries. The Group is mainly engaged in real estate sales, construction material sales, and real estate leasing.

The business operations of the Group and the positions of the Grandy House Corporation and its subsidiaries in those operations are as follows.

(1) Real Estate Sales

The Grandy House Group purchases housing lots, obtains permits and approvals for development, manages residential construction works, designs and builds houses, and handles sales and after-sales maintenance.

Sales, design, and construction of detached houses, which are our main business, are in general supervised by Grandy House Corporation and its subsidiaries by trading area, from the perspective of promoting region-based sales. General sales areas of each company are as follows:

Grandy House Corporation: Tochigi Prefecture, western part of Ibaraki Prefecture, etc.

Ibaraki Grandy House Co., Ltd.: Ibaraki Prefecture (excluding the western part)

Gunma Grandy House Co., Ltd.: Gunma Prefecture

Chiba Grandy House Co., Ltd.: Chiba Prefecture

Furthermore, Chuko Jutaku Joho Kan Co., Ltd. is engaged in sales of existing homes and Grandy Reform Co., Ltd. is engaged in the after-sales maintenance and renovation business.

(2) Construction Material Sales

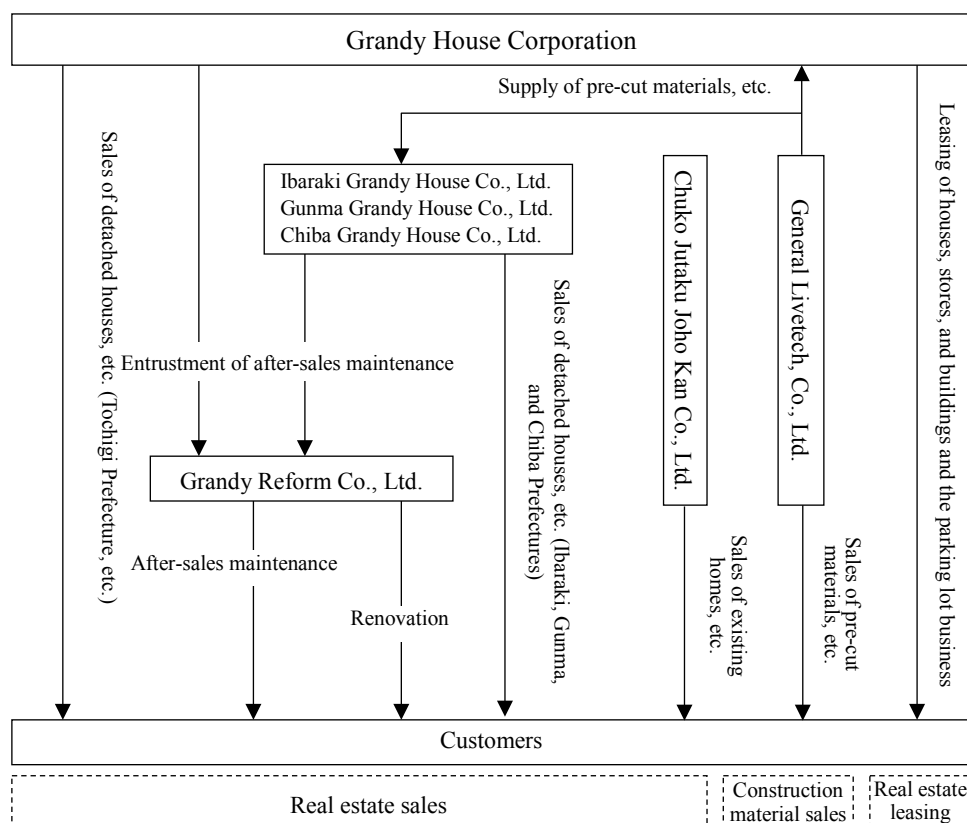
General Livetech Co., Ltd. is engaged in sales of construction materials and components, mainly pre-cut materials.

(3) Real Estate Leasing

Grandy House Corporation is engaged in the leasing business of tenant buildings and apartments owned by the Company and the parking lot business.

[Business Group Organization Chart] (As of March 31, 2019)

The matters described above are shown in the following Business Group Organization Chart.



3. BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS

At present, the Grandy House Group operates its business only in Japan and most of its stakeholders are shareholders, lenders, and business partners in Japan. There is no plan to raise funds from overseas markets. Against this background, the Group will prepare its consolidated financial statements based on Japanese GAAP for the time being.

For the application of International Financial Reporting Standards (IFRS), we will take adequate actions while paying attention to various situations inside and outside Japan.

4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Consolidated Balance Sheets

(Thousands of Yen)

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	9,813,941	10,001,725
Notes and accounts receivable – trade	672,527	547,282
Real estate for sale	16,588,298	17,322,784
Costs on uncompleted construction contracts	2,414	7,244
Real estate for sale in process	8,936,229	7,062,704
Merchandise and finished goods	211,897	244,048
Raw materials and supplies	166,467	128,188
Other	413,250	816,802
Allowance for doubtful accounts	(4,348)	(3,305)
Total current assets	36,800,680	36,127,474
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,135,282	5,232,271
Accumulated depreciation	(1,878,573)	(2,030,651)
Buildings and structures, net	3,256,709	3,201,619
Machinery, equipment and vehicles	53,167	53,496
Accumulated depreciation	(46,992)	(49,325)
Machinery, equipment and vehicles, net	6,175	4,171
Tools, furniture and fixtures	342,790	351,017
Accumulated depreciation	(280,227)	(282,493)
Tools, furniture and fixtures, net	62,563	68,523
Land	5,319,659	5,576,884
Leased assets	136,776	143,586
Accumulated depreciation	(67,773)	(63,129)
Lease assets, net	69,002	80,456
Construction in progress	–	1,011
Total property, plant and equipment	8,714,109	8,932,666
Intangible assets	66,862	80,077
Investments and other assets		
Investment securities	428,336	363,031
Long-term loans receivable	14,859	13,701
Deferred tax assets	381,203	413,834
Other	846,788	897,508
Allowance for doubtful accounts	(4,901)	(1,030)
Total investments and other assets	1,666,286	1,687,045
Total non-current assets	10,447,258	10,699,789
Deferred assets		
Bond issuance costs	33,388	37,512
Total deferred assets	33,388	37,512
Total assets	47,281,326	46,864,776

(Thousands of Yen)

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,408,906	3,132,890
Short-term loans payable	19,177,700	17,324,800
Current portion of long-term loans payable	494,513	503,345
Current portion of bonds	21,000	21,000
Lease obligations	24,403	28,366
Income taxes payable	495,419	544,514
Provision for warranties for completed construction	58,686	85,853
Other	755,677	758,230
Total current liabilities	24,436,306	22,398,999
Non-current liabilities		
Bonds payable	1,066,000	1,545,000
Long-term loans payable	1,384,806	881,461
Lease obligations	50,099	58,582
Provision for directors' retirement benefits	166,279	168,654
Net defined benefit liability	571,584	629,972
Asset retirement obligations	4,296	12,227
Other	45,483	45,730
Total non-current liabilities	3,288,549	3,341,627
Total liabilities	27,724,855	25,740,627
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,223,038	2,228,898
Retained earnings	15,407,196	17,011,385
Treasury shares	(341,339)	(337,899)
Total shareholders' equity	19,366,395	20,979,883
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3,824)	(47,634)
Total accumulated other comprehensive income	(3,824)	(47,634)
Subscription rights to shares	193,900	191,900
Total net assets	19,556,471	21,124,148
Total liabilities and net assets	47,281,326	46,864,776

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Thousands of Yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Net sales	44,726,118	44,452,833
Cost of sales	37,082,208	36,415,450
Gross profit	7,643,910	8,037,383
Selling, general and administrative expenses	4,948,754	4,906,276
Operating income	2,695,156	3,131,106
Non-operating income		
Interest income	1,257	869
Dividends income	6,203	5,703
Operations consignment fee	233,712	224,634
Office work fee	156,426	161,523
Other	46,476	31,010
Total non-operating income	444,076	423,741
Non-operating expenses		
Interest expenses	328,820	248,648
Commission for syndicate loan	7,738	6,666
Other	6,630	11,334
Total non-operating expenses	343,189	266,649
Ordinary income	2,796,043	3,288,197
Extraordinary loss		
Loss on sales of non-current assets	–	75
Loss on retirement of non-current assets	15,888	16,373
Impairment loss	70,253	–
Loss on cancellation of lease contracts	–	2,528
Directors' retirement benefits	–	300,000
Total extraordinary loss	86,141	318,978
Net income before income taxes	2,709,901	2,969,219
Income taxes – current	899,993	917,064
Income taxes – deferred	(17,903)	(13,440)
Total income taxes	882,089	903,623
Net income	1,827,811	2,065,595
Net income attributable to owners of the parent company	1,827,811	2,065,595

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Net income	1,827,811	2,065,595
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,517)	(43,810)
Total other comprehensive income	(12,517)	(43,810)
Comprehensive income	1,815,294	2,021,785
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	1,815,294	2,021,785
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2018 (From April 1, 2017 to March 31, 2018)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of the beginning of the period	2,077,500	2,205,165	13,982,262	(351,831)	17,913,096
Changes of items during the period					
Dividends from surplus			(402,877)		(402,877)
Net income attributable to owners of parent company			1,827,811		1,827,811
Exercise of subscription rights to shares		17,873		10,492	28,365
Net changes to items other than shareholder equity					
Total changes of items during the period	–	17,873	1,424,934	10,492	1,453,299
Balance as of the end of the period	2,077,500	2,223,038	15,407,196	(341,339)	19,366,395

(Thousands of Yen)

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance as of the beginning of the period	8,692	8,692	200,000	18,121,788
Changes of items during the period				
Dividends from surplus				(402,877)
Net income attributable to owners of parent company				1,827,811
Exercise of subscription rights to shares			(6,100)	22,265
Net changes to items other than shareholder equity	(12,517)	(12,517)		(12,517)
Total changes of items during the period	(12,517)	(12,517)	(6,100)	1,434,682
Balance as of the end of the period	(3,824)	(3,824)	193,900	19,556,471

Fiscal 2019 (From April 1, 2018 to March 31, 2019)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of the beginning of the period	2,077,500	2,223,038	15,407,196	(341,339)	19,366,395
Changes of items during the period					
Dividends from surplus			(461,407)		(461,407)
Net income attributable to owners of parent company			2,065,595		2,065,595
Exercise of subscription rights to shares		5,860		3,440	9,300
Net changes to items other than shareholder equity					
Total changes of items during the period	–	5,860	1,604,188	3,440	1,613,488
Balance as of the end of the period	2,077,500	2,228,898	17,011,385	(337,899)	20,979,883

(Thousands of Yen)

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance as of the beginning of the period	(3,824)	(3,824)	193,900	19,556,471
Changes of items during the period				
Dividends from surplus				(461,407)
Net income attributable to owners of parent company				2,065,595
Exercise of subscription rights to shares			(2,000)	7,300
Net changes to items other than shareholder equity	(43,810)	(43,810)		(43,810)
Total changes of items during the period	(43,810)	(43,810)	(2,000)	1,567,677
Balance as of the end of the period	(47,634)	(47,634)	191,900	21,124,148

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2018 (From April 1, 2017 to March 31, 2018)	Fiscal 2019 (From April 1, 2018 to March 31, 2019)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,709,901	2,969,219
Depreciation and amortization	280,971	248,990
Impairment loss	70,253	-
Increase (decrease) in provision for directors' retirement benefits	33,325	2,374
Increase (decrease) in provision for warranties for completed construction	1,462	27,166
Increase (decrease) in allowance for doubtful accounts	(13,910)	(4,913)
Increase (decrease) in net defined benefit liability	62,667	58,388
Interest and dividends income	(7,460)	(6,572)
Interest expenses	328,820	248,648
Loss (gain) on sales of property, plant and equipment	-	75
Loss on retirement of non-current assets	15,888	16,373
Decrease (increase) in notes and accounts receivable-trade	(69,990)	125,602
Decrease (increase) in inventories	(458,298)	1,140,337
Increase (decrease) in notes and accounts payable-trade	177,274	(276,016)
Other	83,718	(399,835)
Subtotal	3,214,622	4,149,839
Interest and dividends income received	9,887	8,878
Interest expenses paid	(306,693)	(247,794)
Income taxes paid	(761,817)	(868,012)
Net cash provided by (used in) operating activities	2,155,999	3,042,911
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	500,000	-
Purchase of property, plant and equipment	(94,544)	(491,188)
Proceeds from sale of property, plant and equipment	-	90,034
Purchase of intangible assets	(23,234)	(37,040)
Collection of loans receivable	1,127	1,157
Payments for guarantee deposits	(514,807)	(68,827)
Proceeds from collection of guarantee deposits	1,271	2,145
Other proceeds	4,267	-
Net cash provided by (used in) investing activities	(125,919)	(503,719)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,048,000)	(1,852,900)
Proceeds from long-term loans payable	418,300	-
Repayment of long-term loans payable	(621,852)	(494,513)
Proceeds from issuance of bonds	1,000,000	500,000
Redemption of bonds	(21,000)	(21,000)
Proceeds from disposal of treasury shares due to exercise of subscription rights to shares	22,265	7,300
Cash dividends paid	(402,281)	(460,176)
Repayments of lease obligations	(39,088)	(30,119)
Net cash provided by (used in) financing activities	(691,657)	(2,351,408)
Net increase (decrease) in cash and cash equivalents	1,338,423	187,783
Cash and cash equivalents at beginning of the period	8,475,518	9,813,941
Cash and cash equivalents at end of the period	9,813,941	10,001,725

(5) Notes to Consolidated Financial Statements
(Notes on Going Concern Assumptions)
Not applicable.

(Segment and Other Information)

1. Overview of reportable segments

The reportable segments of the Group are components for which separate financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors when making decisions about the allocation of management resources and assessing performance.

The Grandy House Group is engaged in the following businesses: new home sales, existing home sales, home renovation, construction material sales and real estate leasing (all of which are operated in Japan). A portion or all of operations for new home sales, existing home sales and home renovation are conducted by subsidiaries. From the perspective of similarity, relationships, and sharing of common management resources, these three businesses are regarded as one business segment, Real Estate Sales. The Company devises overall strategies for this real estate sales segment and conducts business activities.

Accordingly, the Group's three reportable segments are classified as Real Estate Sales, Construction Material Sales, and Real Estate Leasing.

The Real Estate Sales business includes sales of new homes (including building contract and sale of land, etc.) and existing homes and home renovation. The Construction Material Sales business comprises of production and sale of pre-cut materials for housing and sale of construction materials and home facilities and equipment. In the Real Estate Leasing business, activities comprise the leasing of office, homes, related properties, and parking facilities, etc.

2. Calculation method of net sales, profit and loss, assets, liabilities, and other items by reportable segment

The accounting method for reportable segments is the same as that outlined under "Important Items Fundamental to the Preparation of Consolidated Financial Statements (This part is omitted on this translation)." Segment profit and loss are based on ordinary income. Inter-segment sales or transfers are calculated based on market prices.

3. Information relating to the amounts of net sales, profit and loss, assets, liabilities, and other items by reportable segment

The fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Consolidated Financial Statements (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	41,492,209	2,970,910	262,999	44,726,118	—	44,726,118
Inter-segment sales and transfers	—	3,205,503	79,469	3,284,972	(3,284,972)	—
Total	41,492,209	6,176,413	342,468	48,011,091	(3,284,972)	44,726,118
Segment profit	2,485,266	147,685	172,579	2,805,531	(9,487)	2,796,043
Segment assets	34,246,141	2,112,857	3,725,023	40,084,022	7,197,304	47,281,326
Segment liabilities	26,416,289	1,604,276	66,322	28,086,888	(362,033)	27,724,855
Other items						
Depreciation and amortization	189,881	43,622	47,467	280,971	—	280,971
Interest income	1,248	8	—	1,257	—	1,257
Interest expenses	319,997	8,822	—	328,820	—	328,820
Increase in property, plant and equipment and intangible assets	106,777	8,342	3,204	118,323	—	118,323

The fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Consolidated Financial Statements (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	41,212,359	2,992,211	248,262	44,452,833	–	44,452,833
Inter-segment sales and transfers	–	3,123,472	83,876	3,207,349	(3,207,349)	–
Total	41,212,359	6,115,684	332,139	47,660,183	(3,207,349)	44,452,833
Segment profit	2,976,984	151,461	151,315	3,279,761	8,435	3,288,197
Segment assets	33,466,252	2,109,797	3,578,817	39,154,867	7,709,909	46,864,776
Segment liabilities	24,406,096	1,603,723	69,756	26,079,576	(338,948)	25,740,627
Other items						
Depreciation and amortization	176,180	26,106	46,704	248,990	–	248,990
Interest income	863	6	–	869	–	869
Interest expenses	241,325	7,322	–	248,648	–	248,648
Increase in property, plant and equipment and intangible assets	559,887	10,937	5,424	576,249	–	576,249

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2018	Fiscal 2019
Eliminations of inter-segment transactions	(9,487)	8,435
Total	(9,487)	8,435

Segment assets

(Thousands of Yen)

	Fiscal 2018	Fiscal 2019
Eliminations of inter-segment receivables	(360,148)	(337,184)
Eliminations of inter-segment unrealized profit	(52,371)	(46,021)
Corporate assets	7,609,824	8,093,115
Total	7,197,304	7,709,909

Note: Corporate assets mainly comprise cash and deposits as well as investment securities which are not attributable to reportable segments.

Segment liabilities

(Thousands of Yen)

	Fiscal 2018	Fiscal 2019
Eliminations of inter-segment payables	(362,033)	(338,948)
Total	(362,033)	(338,948)

Note 2: Segment profit is adjusted with the ordinary income recorded in consolidated financial statements.