

3. Consolidated Financial Forecasts for Fiscal 2022 (April 1, 2021 to March 31, 2022)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Fiscal Year	54,000	14.5	4,000	73.9	3,800	81.3	2,500	44.9	84.70

Note: Revisions to the most recently announced financial forecasts in the current quarter: Yes

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards have been applied since the beginning of the fiscal year ending March 2022, percentage changes representing the year-on-year increase (decrease) show comparisons with figures for the fiscal year ended March 2021 calculated after the retroactive application of such standards.

* **Notes**

(1) Significant changes to subsidiaries during the period
 (Transfers of specific subsidiaries with 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 and accounting estimates, and restatement of revisions

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

Note: For details, please refer to "(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" in "2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES" on page 9 of the Attachment Materials.

(4) Number of issued shares (common stock)

1) Number of issued shares (including treasury shares)	December 31, 2021	30,823,200 shares	March 31, 2021	30,823,200 shares
2) Number of treasury shares	December 31, 2021	1,209,445 shares	March 31, 2021	1,572,645 shares
3) Average number of shares during the period	Nine months ended December 31, 2021	29,382,655 shares	Nine months ended December 31, 2020	29,070,755 shares

* **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

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards have been applied since the beginning of the first quarter of the fiscal year ending March 2022, the comparative analysis with the cumulative third quarter of the previous consolidated fiscal year, the third quarter of the previous consolidated fiscal year, and the full previous consolidated fiscal year in "Explanation regarding Operating Results" and "Explanation regarding Financial Position" for the cumulative third quarter of consolidated fiscal 2022 under review is based on figures calculated after the retroactive application of such standards.

(1) Explanation regarding Operating Results

In the cumulative first nine months of the consolidated fiscal year under review, the Japanese economy faced a tough condition as the real GDP growth rate for the July–September 2021 period turned negative for the first time in two quarters due to the impact of the spread of infections caused by the 5th wave of COVID-19. However, the economic and social activities also started returning to normal gradually with infections calming down after the fall in Japan.

In the housing section, the number of new housing starts has remained on a moderate recovery path toward the pre-pandemic level mainly due to increased customer interest in detached houses and support measures taken to promote home acquisition. On the other hand, the business outlook remained uncertain because the market prices of wood materials, resulting from the so-called "wood shock," remained high longer than expected, the supply of housing equipment stayed unstable, and the move to revise prices due to the surge in raw material prices also took place.

Under these circumstances, the Grandy House Group has made efforts not only to strengthen its business foundation and expand its business areas for sustainable growth with the aim of further enhancing corporate value but also to step up efforts to help develop a sustainable society under its third medium-term business plan (from the fiscal year ending March 2022 to the fiscal year ending March 2024) while implementing thorough infection control measures with top priority on ensuring the safety of customers and the health of employees.

With regard to new home sales, one of our core operations, we focused on purchases of land for housing projects and sales promotion with the aim of expanding our sales area in Saitama and Kanagawa Prefectures, which were our focal areas of business expansion. With respect to the Saitama Branch, we reinforced the business system by transferring and consolidating the branch functions to a new office building. Moreover, we started selling detached houses in Tokyo as a new sales area, completing our goal of establishing a foothold in all prefectures in the Kanto region. On the other hand, in existing home sales, we endeavored to expand and reinforce our product inventory by doubling down on purchases to secure an increase in the number of homes sold.

Through these efforts, both the number of homes sold and the sales of new homes and existing homes increased, in comparison with the same period of the previous year, whereby profits recovered significantly as well.

As a result of these initiatives, the Grandy House Group's consolidated cumulative operating results for the third quarter of fiscal 2022 under review were as follows: Net sales were ¥40,507 million, an increase of 20.0% year-on-year; operating income rose to ¥3,069 million, an increase of 126.0% year-on-year; ordinary income was ¥2,913 million, an increase of 140.8% year-on-year; and net income attributable to owners of the parent totaled ¥1,962 million, an increase of 156.5% year-on-year.

Operating results by business segment are presented as follows.

a. Real Estate Sales

In new home sales, we have continued to implement thorough infection prevention measures and expanded and strengthened our non-contact sales activities by making better use of IT. In Saitama Prefecture and Kanagawa Prefecture, both of which were key areas for business expansion, we focused on measures including broadening sales areas. In Saitama Prefecture, we opened the Fujimino Branch (in Fujimi City) in April of last year, and we transferred and consolidated the branch functions, which had been split into two bases, to the new office building (Midori Ward, Saitama City) of the Saitama Branch in October to reinforce the production and sales structures and upgrade the showroom functions. In parallel, we strove to enhance the brand recognition of Grandy House through an initiative to start broadcasting new commercials. In Kanagawa Prefecture, we have increased our personnel to expand our business and made efforts to reinforce the production and sales structures for homes from in-house construction.

Furthermore, we started selling properties in "~Sakura~ Oizumi" (a total of four lots) in the first sales phase of our first housing project in Tokyo, Nishi-Oizumi, Nerima Ward (a planned total of 21 lots) in December. With this, we completed our goal of establishing a foothold in all prefectures in the Kanto Region.

In terms of projects, we have continued to differentiate ourselves from competitors by developing high added value products, such as proposals for new homes that accommodate new lifestyles and creating a safe and secure townscape that pay special attention to child-rearing generations in response to changes in demand for the housing environment caused by the Coronavirus (COVID-19) crisis. Furthermore, we started selling homes in the "Sora Town Tsukuba Matsushiro," a strategic large-scale housing project (with a total of 96 lots, Tsukuba City, Ibaraki Prefecture), in which all new homes employed the zero-net-energy house system (ZEH). With these projects, we also proceeded with new efforts for proposing sustainable lifestyles.

Thanks to these efforts, the number of new homes sold in the consolidated cumulative third quarter of fiscal 2022 under review was 1,127, which was a record high for the same nine month period (an increase of 148 homes year-on-year).

In existing-home sales, we have continued our efforts to expand the number of homes sold by enhancing product inventory. Despite the continuing impact of intensified competition among other things, the number of homes sold for the consolidated cumulative third quarter of fiscal 2022 under review was 116 (an increase of 14 homes year-on-year). This was achieved mainly by the expansion and reinforcement of online advertising, increased coordination with brokers, and a focus on purchases through auctions, thereby building up both purchases and sales.

As a result, sales in the real estate sales segment in the consolidated cumulative third quarter of fiscal 2022 increased by 19.7% year-on-year to ¥37,718 million, with a segment profit of ¥2,508 million, an increase of 162.0% year-on-year.

b. Construction Material Sales

In construction material sales, although the shortage of imported wood materials and the surge in their prices, which is called the "wood shock," started calming down, business remained tough as the shortage of domestic wood materials such as plywood continued, and their highest prices kept being renewed. Nevertheless, new housing starts for wooden houses had risen year-on-year for the nine straight months until December of last year. Under these circumstances, we have focused on measures such as maintaining purchase volumes through strengthening the supply chain and making the prices of received orders reasonable, leading to year-on-year increases in both net sales and profits. As a result, sales of the construction material sales segment in the consolidated cumulative third quarter of fiscal 2022 under review increased by 26.5% year-on-year to ¥2,579 million, with a segment profit of ¥319 million, an increase of 103.8% year-on-year.

c. Real Estate Leasing

In real estate leasing, more stores were opened in or relocated to the city center in the office building market in and around Utsunomiya City, which is our main market, leading to a recovery trend in the vacancy rate. The parking market continues to face a difficult situation although the operation rate in parking lots has started to recover.

Under these circumstances, we endeavored to improve the operation rate of existing assets and reduce management costs. Sales increased year-on-year due to a sharp decline in rent reductions and exemptions for tenants, which were relief measures during the Coronavirus (COVID-19) crisis, and acquisitions of new leasing assets. However, profits decreased mainly due to an increase in the costs of regular renovation of properties for leasing. As a result, sales in the real estate leasing segment in the consolidated cumulative third quarter of fiscal 2022 under review were ¥209 million, an increase of 5.0% year-on-year, with a segment profit of ¥93 million, a decrease of 18.4% year-on-year.

(2) Explanation regarding Financial Position

As of the end of the third quarter of consolidated fiscal 2022 under review, consolidated total assets had risen to ¥60,008 million, an increase of ¥1,938 million compared to the end of the previous consolidated fiscal year. This was primarily the result of 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, although cash and deposits decreased mainly thanks to loan repayments.

Liabilities increased to ¥35,467 million, an increase of ¥557 million from the end of the previous consolidated fiscal year. Total liabilities increased but slightly as we proceeded with repaying loans that we had increased for the purpose of securing liquidity on hand during the Coronavirus (COVID-19) crisis while we

borrowed funds accompanying an increase in inventories. We switched our fund procurement method to financing by bonds for part of our loans with the primary goal of promoting the flexible usage of funds.

Total net assets stood at ¥24,541 million as of December 31, 2021. This represents an increase of ¥1,381 million from the balance recorded as of March 31, 2021. This was due to acquiring net income attributable to owners of the parent despite the payment of dividends.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

In regard to the consolidated financial forecasts for fiscal 2022, taking recent business performance into consideration, the Grandy House Group has revised the consolidated financial forecasts for the full fiscal year, which were originally announced on August 4, 2021. For additional details, please refer to the "Notice of Adjustment of the Financial Full-Year Forecast and Dividend Forecast" (Japanese language only), which was announced today (February 7, 2022).

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2021 (As of March 31, 2021)	Third Quarter of FY2022 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	13,363,516	10,068,685
Notes and accounts receivable – trade and contract assets	496,993	743,032
Securities	201,921	200,192
Real estate for sale	7,451,307	7,953,706
Costs on uncompleted construction contracts	7,725	5,580
Real estate for sale in process	22,584,961	26,603,973
Merchandise and finished goods	237,434	333,552
Raw materials and supplies	114,678	268,876
Other	920,828	981,946
Allowance for doubtful accounts	(2,362)	(5,007)
Total current assets	45,377,005	47,154,538
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,306,457	3,669,061
Machinery, equipment and vehicles, net	29,124	27,216
Tools, furniture and fixtures, net	50,851	60,720
Land	6,021,604	6,061,045
Leased assets, net	74,390	62,038
Construction in progress	150,319	53,882
Total property, plant and equipment	9,632,747	9,933,965
Intangible assets		
Goodwill	1,165,571	1,062,726
Other	67,192	54,905
Total intangible assets	1,232,763	1,117,632
Investments and other assets		
Investment securities	145,500	133,500
Long-term loans receivable	18,993	15,708
Deferred tax assets	562,494	539,908
Other	1,067,323	1,077,005
Allowance for doubtful accounts	(4,272)	—
Total investments and other assets	1,790,038	1,766,122
Total non-current assets	12,655,549	12,817,720
Deferred assets		
Bond issuance costs	38,025	36,706
Total deferred assets	38,025	36,706
Total assets	58,070,579	60,008,966

(Thousands of Yen)

	FY2021 (As of March 31, 2021)	Third Quarter of FY2022 (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,255,232	3,423,319
Short-term loans payable	20,696,600	15,883,100
Current portion of bonds	21,000	—
Current portion of long-term loans payable	1,014,044	2,129,200
Lease obligations	30,980	25,873
Income taxes payable	399,719	490,604
Provision for warranties for completed construction	185,503	182,477
Other	955,601	886,015
Total current liabilities	26,558,680	23,020,590
Non-current liabilities		
Bonds payable	2,303,000	2,800,000
Long-term loans payable	4,904,321	8,406,227
Lease obligations	50,559	42,382
Provision for directors' retirement benefits	218,520	243,370
Net defined benefit liability	810,289	876,924
Other	64,878	77,907
Total non-current liabilities	8,351,569	12,446,812
Total liabilities	34,910,250	35,467,402
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,343,929	2,450,347
Retained earnings	18,836,131	20,096,797
Treasury shares	(270,372)	(207,901)
Total shareholders' equity	22,987,189	24,416,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,500	8,500
Total accumulated other comprehensive income	20,500	8,500
Subscription rights to shares	152,640	116,320
Total net assets	23,160,329	24,541,563
Total liabilities and net assets	58,070,579	60,008,966

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

(Thousands of Yen)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	33,761,249	40,507,662
Cost of sales	27,983,723	32,618,997
Gross profit	5,777,525	7,888,665
Selling, general and administrative expenses	4,419,480	4,819,158
Operating income	1,358,045	3,069,506
Non-operating income		
Interest income	1,237	740
Dividends income	5,653	5,611
Office work fee	20,734	24,250
Other	56,586	20,251
Total non-operating income	84,211	50,853
Non-operating expenses		
Interest expenses	214,271	178,263
Commission for syndicate loan	7,474	8,974
Other	10,810	19,904
Total non-operating expenses	232,556	207,143
Ordinary income	1,209,700	2,913,216
Extraordinary income		
Gain on sales of non-current assets	3,802	18,620
Total extraordinary income	3,802	18,620
Extraordinary loss		
Loss on retirement of non-current assets	11,907	16,124
Loss on cancellation of lease contracts	2,354	358
Total extraordinary loss	14,261	16,482
Net income before income taxes	1,199,240	2,915,354
Income taxes – current	462,358	930,089
Income taxes – deferred	(28,263)	22,585
Total income taxes	434,094	952,675
Net income	765,146	1,962,679
Net income attributable to owners of the parent	765,146	1,962,679

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

(Thousands of Yen)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net income	765,146	1,962,679
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,500)	(12,000)
Total other comprehensive income	(8,500)	(12,000)
Comprehensive income	756,646	1,950,679
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	756,646	1,950,679
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.

(Changes in Accounting Policies)

(Application of Accounting Standard and Other Standards for Revenue Recognition)

The Grandy House Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard") and other standards since the beginning of the first quarter of the fiscal year ending March 2022. Accordingly, we have decided to recognize revenue of the amount that we expect to receive in exchange for promised goods or services upon the transfer of control over such promised goods or services to the customer. With this change of accounting policies being applied retroactively in principle, the quarters of the previous fiscal year and the previous consolidated fiscal year are presented in the quarterly consolidated financial statements and the consolidated financial statements after the relevant retroactive application.

As a result, compared to the figures calculated prior to the retroactive application of such policies, net sales for the cumulative third quarter of the previous consolidated fiscal year increased by ¥92,850 thousand, cost of sales decreased by ¥164,482 thousand, selling, general and administrative expenses increased by ¥4,838 thousand, operating income increased by ¥252,493 thousand, and ordinary income and quarterly net income before income taxes decreased by ¥4,838 thousand, respectively. Furthermore, retained earnings at the beginning of the previous consolidated fiscal year decreased by ¥125,241 thousand as a result of the cumulative financial impact being reflected in net assets at the beginning of the previous consolidated fiscal year.

Due to the application of the "Revenue Recognition Accounting Standard" and other standards, "Notes and accounts receivable – trade," which was presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, has been included and presented under "Notes and accounts receivable – trade and contract assets" since the first quarter of fiscal 2022.

(Additional Information)

(Changes in Presentation Methods)

(Quarterly Consolidated Balance Sheets)

Housing lots for built-for-sale homes that had yet to be completed were included under "Real estate for sale" in the previous consolidated fiscal year, but they have been included and presented under "Real estate for sale in process" since the first quarter of fiscal year ending March 2022 to enhance the clarity of the consolidated balance sheet. To reflect this change in our presentation methods, a reclassification of accounts has been conducted for the consolidated balance sheet of the previous consolidated fiscal year.

As a result, the ¥9,675,070 thousand that was presented under "Real estate for sale" in the consolidated balance sheet of the previous consolidated fiscal year has been reclassified into "Real estate for sale in process."

(Accounting Estimates concerning the Impact of COVID-19)

Note that there has been no significant change to our assumptions concerning the impact of COVID-19 that we described as additional information in our securities report for fiscal 2021.

(Segment Information)

I. The cumulative nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

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	31,521,687	2,040,211	199,350	33,761,249	—	33,761,249
Inter-segment sales or transfers	41,760	2,073,464	60,412	2,175,636	(2,175,636)	—
Total	31,563,447	4,113,675	259,763	35,936,886	(2,175,636)	33,761,249
Segment profit	957,443	156,827	115,120	1,229,391	(19,691)	1,209,700

Notes: 1 Adjustments of segment profit (¥19,691 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 nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

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	37,718,493	2,579,884	209,284	40,507,662	—	40,507,662
Inter-segment sales or transfers	37,530	2,888,881	60,923	2,987,334	(2,987,334)	—
Total	37,756,023	5,468,766	270,207	43,494,997	(2,987,334)	40,507,662
Segment profit	2,508,652	319,668	93,931	2,922,252	(9,035)	2,913,216

Notes: 1 Adjustments of segment profit (¥9,035 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.

3. Matters concerning changes by reportable segment

As described in "(Changes in Accounting Policies)," the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards have been applied since the beginning of the first quarter of the fiscal year ending March 2022, and the accounting method concerning revenue recognition has been changed. Accordingly, the method used to measure income in business segments has also been changed.

Segment information for the cumulative third quarter of the previous consolidated fiscal year is created with the above-stated method.