

* **Explanatory notes**

(1) Changes in significant subsidiaries during the term (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
 Newly included: — Excluded: —

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

(3) Changes in accounting policies, accounting estimates and restatement of revisions

- 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 of revisions: None

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

1) Number of shares issued and outstanding as of the period-end (including treasury stock)	December 31, 2013	30,823,200 shares	March 31, 2013	30,823,200 shares
2) Number of treasury stock	December 31, 2013	2,046,198 shares	March 31, 2013	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Nine months ended December 31, 2013	28,777,002 shares	Nine months ended December 31, 2012	28,777,066 shares

Note: Effective April 1, 2013, Grandy House conducted a 1:3 common stock split. Number of shares issued and outstanding (common stock) is calculated on the assumption that stock split was conducted at the beginning of the previous fiscal year.

* **Disclosure concerning the implementation status of quarterly review procedures**

This quarterly financial report is exempt from the quarterly review procedure provisions stipulated under the Financial Instruments and Exchange Act of Japan. As of the date of disclosure, quarterly review procedures in connection with quarterly consolidated financial statements as stipulated under the Financial Instruments and Exchange Act have not been completed.

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

The forecast data presented in this report are based on currently available information and contain a significant number of uncertainties. Actual results may differ from forecast data due to changes in business conditions.

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1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS

(1) Explanation regarding Operating Results

In the third quarter, or nine month period from April 1, 2013 to December 31, 2013 of fiscal 2014 (the fiscal year ending March 31, 2014) the Japanese economy exhibited signs of a modest economic recovery. Amid expanded public investment, large-scale monetary easing measures by the Bank of Japan, and other factors, trends in personal consumption were firm with indications of an improvement in corporate-sector earnings and capital investment.

In the housing sector, in order to mitigate market fluctuations accompanying the increase to consumer tax, the introduction of provisions such as expanded tax reductions for housing loans and benefits for housing acquisition (housing allowances) were announced. Despite this announcement demand spiked, and trends in new housing starts were positive. However, since October of last year, in custom-built housing orders with the period for contracts under the old tax rate expired and a downturn apparent, the industry is in a period of future uncertainty.

Under these circumstances, our Group is working diligently to strengthen housing land development site procurement capabilities, and to expand sales and marketing areas, while increasing market share in each area, as a part of the medium-term target of further bolstering the Group's core business segment (real estate sales). Due to efforts to increase market share in all areas, including the priority Chiba region, the number of new homes sold in the third quarter of fiscal 2014 were 857, up 132 from the corresponding period of the previous year. Additionally, in November 2013, the cumulative number of new homes sold (since 1996) reached 9,000.

As a result of these factors, consolidated net sales in the third quarter of fiscal 2014 were ¥27,688 million, up 14.1% compared with the corresponding period of the previous fiscal year. Operating income was ¥2,229 million, up 27.8%, ordinary income was ¥2,307 million, up 28.5%, and net income was ¥1,398 million, up 35.5% compared with the corresponding period of the previous fiscal year.

Results by business segment are presented as follows.

Real Estate Sales

In new home sales, while focusing on further strengthening our land procurement network, we worked diligently to raise market share in all areas, including strengthening our information collection capabilities in the priority Chiba area and strengthening supply network architecture. However, existing home sales were impacted by a prolonged slump in the number of properties available for procurement on the market. As a result, while the number of new homes sold during the third quarter of fiscal 2014 was 857, up 132 compared with the corresponding period of the previous fiscal year, the number of existing homes sold was 101, which is down 40 homes.

As a result of the aforementioned factors, revenues in the real estate sales segment in the third quarter of fiscal 2014 were ¥25,594 million, up 14.0% compared with the corresponding period of the previous fiscal year. Segment profit was ¥2,148 million, up 37.5% compared with the corresponding period of the previous fiscal year.

Construction Material Sales

In the construction material sales segment, we experienced increased revenue due to efforts to strengthen our sales network and production system. However, after a brief lull in summer, the cost of material began to rise once again, which in turn affected profits. As a result, revenues in the construction material sales segment in the third quarter of fiscal 2014 were ¥1,897 million, up 22.3% compared with the corresponding period of the previous fiscal year, while segment profit was ¥81 million, down 37.2% compared with the corresponding period of the previous fiscal year.

Real Estate Leasing

In the real estate leasing segment, as leasing demand near Utsunomiya City (Tochigi Prefecture), a principal area for business development, showed no signs of significant recovery, revenues in the real estate leasing segment in the third quarter of fiscal 2014 were ¥196 million, down 25.2% compared with the corresponding period of the previous fiscal year. This largely reflected the transfer of real estate (¥64 million of revenues in the corresponding period of the previous fiscal year) temporarily used for leasing purposes in the previous fiscal year to its originally planned use of site for sale (Moka Oyadai New Town). Segment profit was ¥104 million, down 34.3% compared with the corresponding period of the previous fiscal year.

(2) Explanation regarding Financial Position

Total assets stood at ¥33,676 million as of December 31, 2013, up ¥3,557 million compared with the end of the previous fiscal year. Amid persistently strong new housing sales, the major factor was an increase in the balance of real estate for sale following the acquisition and development of sites in preparation for the next period.

Total liabilities stood at ¥20,393 million as of December 31, 2013, up ¥2,385 million compared with the end of the previous fiscal year. With the increased acquisition and development of sites, the principal reason for the increase in liabilities was the increase in short-term loans payable as project funding.

Total net assets stood at ¥13,282 million as of December 31, 2013, up ¥1,171 million compared with the end of the previous fiscal year. While there was payment of dividends to shareholders, this increase is largely due to quarterly net income of ¥1,398 million.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There is no change to financial forecasts announced on October 28, 2013.

2. MATTERS CONCERNING SUMMARY INFORMATION (Notes)

(1) Changes in Significant Subsidiaries during the Term

Not applicable.

(2) Adoption of Specific Accounting Methods for Preparation of the Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement of Revisions

Not applicable.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2013 (As of March 31, 2013)	Third Quarter of FY2014 (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	5,218,245	5,290,754
Notes and accounts receivable-trade	394,082	591,693
Real estate for sale	6,171,787	9,011,948
Costs on uncompleted construction contracts	10,159	12,930
Real estate for sale in process	7,404,313	7,617,770
Merchandise and finished goods	252,665	146,005
Raw materials and supplies	113,328	111,817
Deferred tax assets	124,336	107,147
Other	256,258	385,059
Allowance for doubtful accounts	(2,788)	(4,100)
Total current assets	19,942,389	23,271,027
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,339,538	3,278,468
Machinery, equipment and vehicles, net	4,543	13,031
Tools, furniture and fixtures, net	44,989	41,909
Land	5,915,880	5,915,880
Lease assets, net	154,738	142,009
Total property, plant and equipment	9,459,690	9,391,299
Intangible assets	64,062	67,513
Investments and other assets		
Investment securities	514,882	729,901
Long-term loans receivable	29,987	42,279
Deferred tax assets	86,295	94,158
Other	57,245	116,377
Allowance for doubtful accounts	(36,283)	(36,496)
Total investments and other assets	652,127	946,221
Total noncurrent assets	10,175,880	10,405,034
Total assets	30,118,269	33,676,061

(Thousands of Yen)

	FY2013 (As of March 31, 2013)	Third Quarter of FY2014 (As of December 31, 2013)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,299,933	2,394,319
Short-term loans payable	11,639,900	14,168,470
Current portion of long-term loans payable	482,612	420,447
Lease obligations	49,630	45,423
Income taxes payable	579,313	453,679
Provision for warranties for completed construction	55,433	57,674
Other	644,494	802,467
Total current liabilities	15,751,317	18,342,479
Noncurrent liabilities		
Long-term loans payable	1,828,171	1,576,247
Lease obligations	123,134	109,612
Provision for retirement benefits	221,276	269,044
Provision for directors' retirement benefits	17,241	37,804
Other	66,493	58,295
Total noncurrent liabilities	2,256,316	2,051,003
Total liabilities	18,007,633	20,393,482
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,205,165
Retained earnings	8,179,785	9,348,497
Treasury stock	(351,814)	(351,814)
Total shareholders' equity	12,110,636	13,279,347
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	–	3,231
Total valuation and translation adjustments	–	3,231
Total net assets	12,110,636	13,282,578
Total liabilities and net assets	30,118,269	33,676,061

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

(Thousands of Yen)

	Nine months ended December 31, 2012 (From April 1, 2012 to December 31, 2012)	Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)
Net sales	24,266,411	27,688,827
Cost of sales	19,719,917	22,375,407
Gross profit	4,546,493	5,313,419
Selling, general and administrative expenses	2,802,033	3,084,104
Operating income	1,744,459	2,229,314
Non-operating income		
Interest income	425	838
Dividends income	139	138
Operations consignment fee	120,970	148,177
Office work fee	101,608	108,152
Other	20,856	16,725
Total non-operating income	244,001	274,032
Non-operating expenses		
Interest expenses	159,242	195,666
Commission for syndicate loan	32,198	-
Other	537	-
Total non-operating expenses	191,977	195,666
Ordinary income	1,796,483	2,307,680
Extraordinary loss		
Loss on retirement of noncurrent assets	15,745	15,592
Impairment loss	25,571	-
Loss on cancel of lease contracts	41	107
Total extraordinary loss	41,358	15,700
Net income before income taxes	1,755,125	2,291,980
Income taxes-current	698,981	885,495
Income taxes-deferred	23,982	7,556
Total income taxes	722,964	893,052
Income before minority interests	1,032,160	1,398,927
Net income	1,032,160	1,398,927

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Nine months ended December 31, 2012 (From April 1, 2012 to December 31, 2012)	Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)
Income before minority interests	1,032,160	1,398,927
Other comprehensive income		
Valuation difference on available-for-sale securities	—	3,231
Total other comprehensive income	—	3,231
Comprehensive income	1,032,160	1,402,158
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,032,160	1,402,158
Comprehensive income attributable to minority 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.

(Segment and Other Information)

I. The third quarter of the fiscal year ended March 31, 2013 (April 1, 2012 to December 31, 2012)

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	22,451,877	1,552,149	262,384	24,266,411	–	24,266,411
Intersegment sales and transfers	–	1,649,518	44,491	1,694,009	(1,694,009)	–
Total	22,451,877	3,201,667	306,876	25,960,421	(1,694,009)	24,266,411
Segment profit	1,562,538	129,980	158,690	1,851,209	(54,726)	1,796,483

Notes: 1. Adjustments of segment profit (¥54,726 thousand) are eliminations of intersegment transactions.

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

2. Information concerning impairment losses on noncurrent assets, goodwill, and other items by reportable segment

(Material impairment losses on noncurrent assets)

In the real estate sales business, Grandy House recorded an impairment loss. This impairment loss represented the write-down of the relevant asset group to the recoverable amount in accordance with the change in classification from business assets to assets for sale. The amount of impairment loss was ¥25,571 thousand for the third quarter of the fiscal year under review.

(Material changes in the amount of goodwill)

Not applicable.

(Gain on negative goodwill of a material nature)

Not applicable.

II. The third quarter of the fiscal year ending March 31, 2014 (April 1, 2013 to December 31, 2013)

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	25,594,691	1,897,942	196,192	27,688,827	–	27,688,827
Intersegment sales and transfers	–	2,040,494	57,068	2,097,563	(2,097,563)	–
Total	25,594,691	3,938,437	253,261	29,786,390	(2,097,563)	27,688,827
Segment profit	2,148,682	81,613	104,318	2,334,614	(26,934)	2,307,680

Notes: 1. Adjustments of segment profit (¥26,934 thousand) are eliminations of intersegment transactions.

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

2. Information concerning impairment losses on noncurrent assets, goodwill, and other items by reportable segment

Not applicable.