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Consolidated Financial Report
For the First Quarter of Fiscal 2015 Ending June 30, 2014 (Japanese GAAP)

August 4, 2014

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Scheduled date of quarterly securities report filing: August 7, 2014
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, 2015 (April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results (Percentage figures show the year-on-year increase (decrease))

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended June 30, 2014	8,041	(11.6)	426	(43.9)	459	(41.8)	271	(43.1)
Three months ended June 30, 2013	9,097	11.7	759	14.4	789	19.3	477	24.3

Note: Comprehensive income Three months ended June 30, 2014: ¥263 million (-44.9%) Three months ended June 30, 2013: ¥477 million (24.3%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Three months ended June 30, 2014	9.44	—
Three months ended June 30, 2013	16.60	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2014	34,572	13,688	39.6	475.68
March 31, 2014	33,524	13,655	40.7	474.53

Reference: Shareholders' equity June 30, 2014: ¥13,688 million March 31, 2014: ¥13,655 million

2. Dividends

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2014	—	0.00	—	8.00	8.00
Fiscal 2015	—				
Fiscal 2015 (Forecast)		0.00	—	8.00	8.00

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

3. Consolidated Financial Forecasts for Fiscal 2015 (April 1, 2014 to March 31, 2015)

(Percentage figures show the year-on-year increase (decrease) for each corresponding period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim Period	19,000	3.1	1,470	1.2	1,520	0.6	940	1.8	32.66
Full Fiscal Year	40,000	7.4	3,050	4.0	3,150	3.8	1,880	6.7	65.33

Note: Revisions to the most recently announced financial forecasts: None

* Explanatory Notes

(1) Changes in the number 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, 2014	30,823,200 shares	March 31, 2014	30,823,200 shares
2) Number of treasury shares	June 30, 2014	2,046,198 shares	March 31, 2014	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Three months ended June 30, 2014	28,777,002 shares	Three months ended June 30, 2013	28,777,002 shares

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

This Quarterly Consolidated Financial Report is exempt from the quarterly review procedures required by the Financial Instruments and Exchange Act of Japan. At the time of this report's disclosure, the quarterly review process for quarterly consolidated financial statements under the Financial Instruments and Exchange Act has not been completed.

* **Explanation concerning the appropriate use of 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

During the three months ended June 30, 2014, the Japanese economy continued to see a moderate recovery buoyed by continuing improvement in the employment situation and maintaining of business sentiment at a favorable level, albeit with a drop in consumer spending and housing investment following the increased demand experienced prior to the increase in Japanese consumption tax.

In the housing sector, home orders were sluggish during the period under review—new housing starts in and after February 2014 fell for both custom-built and built-for-sale houses on a year-on-year basis. This decline was mainly attributed to a pullback following the demand increase, despite there being measures implemented in order to mitigate the burden of the consumption tax increase, such as expanded income tax credit for housing loans and a provision of benefits for housing acquisition (housing allowances).

Under these circumstances, the Grandy House Group worked diligently to expand its operating base and increase market share in line with its medium-term target to “further strengthen the Group’s core business (real estate sales).” Orders for new homes, the main business of the Group, were robust in key areas—Gunma prefecture in which a branch opened in March 2014 and Chiba prefecture, particularly in Kashiwa City, which we position as a new and priority area. However, consumers became more cautious in making home-buying decisions after the tax increase in spite of their firm eagerness to buy homes, resulting in a slowdown in the growth of orders in operating areas as a whole.

As a result of these factors, the Grandy House Group’s consolidated results for the first quarter of Fiscal 2015 were as follows. Net sales were ¥8,041 million, down 11.6% from the same period of the previous fiscal year; operating income fell to ¥426 million, a decline of 43.9%; ordinary income was ¥459 million, a decline of 41.8%; and net income totaled ¥271 million, a decline of 43.1%.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, we focused on sales promotion activities with the aim of expanding our operating base and increasing market share. The activities included the holding of promotional campaigns, such as a housing fair during Golden Week holidays and private viewing of model houses, and contributed to a favorable growth in orders in Chiba Prefecture as a new and priority area and in Gunma Prefecture, in which a branch opened in March 2014. However, overall operating areas witnessed a pullback following the surge in demand and cautious consumer behaviors—namely, they took longer to make purchasing decisions. A similarly cautious trend continued in the existing home sales business as well. As a result, new home sales for the first quarter of Fiscal 2015 were down 27 units at 250 units and existing home sales were down 18 units at 25 units on a year-on-year basis.

Accounting for each of these factors, revenues in the real estate sales segment declined 13.4% year-on-year to ¥7,310 million. Segment profit lowered to ¥432 million, down 42.9% from the same period of the previous fiscal year.

Construction Material Sales

In the construction material sales segment, we worked hard to improve profitability through careful sales targeting of customers and focused on selling processed construction materials in addition to pre-cut materials amid the harsh circumstances due to a drop in housing starts caused by a pullback following the increased demand and sustained high timber prices.

As a result from these initiatives taken, revenues in the construction material sales segment increased 11.0% year-on-year to ¥661 million. Segment profit rose ¥44 million, up 42.3% from the same period of the previous fiscal year.

Real Estate Leasing

In the real estate leasing segment, although there was no acquisition or sale of leasing properties during the period under review, we continued to work to increase the occupancy rate of existing properties by obtaining new clients and discouraging existing tenants from leaving. Specific approaches include the offering of flexible pricing schemes after analyzing competitors’ prices.

As a result, revenues in the real estate leasing segment totaled ¥69 million, up 7.9% from the same period of the previous fiscal year. Segment profit rose 14.1% to ¥39 million.

(2) Explanation regarding of Financial Position

Total assets stood at ¥34,572 million as of June 30, 2014, up ¥1,047 million compared with the end of the previous fiscal year. This upswing was mainly due to an increase of ¥1,069 million in the current assets reflecting the higher balance of land for sale (real estate for sale) as of June 30, 2014 resulted from a slowdown in the growth of orders after the tax increase as well as the pullback following the demand surge experienced prior to the tax rise.

Total liabilities grew ¥20,884 million as of June 30, 2014, up ¥1,014 million compared with the end of the previous fiscal year. This increase mainly consisted of the rise in total current liabilities (up ¥920 million), which reflected the higher levels of short-term loans payable as of June 30, 2014 accompanying the higher balance of land for sale (real estate for sale).

Total net assets stood at ¥13,688 million as of June 30, 2014. This represents an increase of ¥33 million from the balance recorded as of March 31, 2014. After accounting for the payment of dividends, this increase was largely attributable to net income for the three months under review.

(3) Explanation regarding Future Prospects Including Consolidated Financial Forecasts

There is no change to financial forecasts announced on May 7, 2014

2. MATTERS CONCERNING SUMMARY INFORMATION (Notes)

(1) Changes of 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 Restatements of Revisions

Not applicable.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2014 (As of March 31, 2014)	First Quarter of FY2015 (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	5,562,541	5,377,395
Notes and accounts receivable – trade	584,984	623,446
Real estate for sale	8,903,433	10,870,012
Costs on uncompleted construction contracts	9,388	11,877
Real estate for sale in process	7,373,275	6,461,676
Merchandise and finished goods	174,064	205,179
Raw materials and supplies	138,064	118,295
Deferred tax assets	126,944	82,408
Other	321,913	514,767
Allowance for doubtful accounts	(4,196)	(4,973)
Total current assets	23,190,415	24,260,087
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,244,425	3,217,064
Machinery, equipment and vehicles, net	12,009	11,206
Tools, furniture and fixtures, net	42,038	40,246
Land	5,817,230	5,817,230
Leased assets, net	141,378	128,127
Construction in progress	—	17,957
Total property, plant and equipment	9,257,082	9,231,833
Intangible assets	68,487	69,196
Investments and other assets		
Investment securities	744,408	731,414
Long-term loans receivable	41,707	41,250
Deferred tax assets	100,514	113,833
Other	155,166	157,748
Allowance for doubtful accounts	(32,818)	(32,654)
Total investments and other assets	1,008,979	1,011,592
Total non-current assets	10,334,548	10,312,622
Total assets	33,524,964	34,572,710

(Thousands of Yen)

	FY2014 (As of March 31, 2014)	First Quarter of FY2015 (As of June 30, 2014)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,636,832	2,773,773
Short-term loans payable	13,347,080	14,580,900
Current portion of long-term loans payable	410,495	427,224
Lease obligations	49,770	47,921
Income taxes payable	735,391	104,475
Provision for warranties for completed construction	63,040	47,951
Other	666,258	847,563
Total current liabilities	17,908,869	18,829,808
Non-current liabilities		
Long-term loans payable	1,461,426	1,542,936
Lease obligations	103,482	89,894
Provision for directors' retirement benefits	45,166	48,929
Net defined benefit liability	286,655	311,125
Other	63,825	61,446
Total non-current liabilities	1,960,555	2,054,331
Total liabilities	19,869,425	20,884,140
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,205,165
Retained earnings	9,712,087	9,753,518
Treasury shares	(351,814)	(351,814)
Total shareholders' equity	13,642,938	13,684,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,600	4,200
Total accumulated other comprehensive income	12,600	4,200
Total net assets	13,655,539	13,688,569
Total liabilities and net assets	33,524,964	34,572,710

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

(Thousands of Yen)

	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Net sales	9,097,354	8,041,238
Cost of sales	7,364,033	6,612,488
Gross profit	1,733,320	1,428,749
Selling, general and administrative expenses	973,487	1,002,469
Operating income	759,833	426,279
Non-operating income		
Interest income	151	131
Dividend income	138	2,141
Operations consignment fee	47,877	49,408
Office work fee	37,849	29,878
Other	5,961	19,958
Total non-operating income	91,978	101,518
Non-operating expenses		
Interest expenses	62,757	68,755
Total non-operating expenses	62,757	68,755
Ordinary income	789,054	459,042
Extraordinary loss		
Loss on retirement of non-current assets	3,346	2,494
Loss on cancellation of leases	—	1,143
Total extraordinary loss	3,346	3,638
Income before income taxes and minority interests	785,708	455,404
Income taxes – current	273,605	147,940
Income taxes – deferred	34,330	35,816
Total income taxes	307,936	183,757
Income before minority interests	477,772	271,647
Net income	477,772	271,647

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Income before minority interests	477,772	271,647
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(8,400)
Total other comprehensive income	—	(8,400)
Comprehensive income	477,772	263,246
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	477,772	263,246
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 Amount of Shareholders' Equity)
 Not applicable.

(Segment and Other Information)
 Segment Information

I. The first quarter of the fiscal year ended March 31, 2014 (April 1, 2013 to June 30, 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	8,437,474	595,503	64,376	9,097,354	—	9,097,354
Intersegment sales and transfers	—	734,583	19,894	754,478	(754,478)	—
Total	8,437,474	1,330,086	84,271	9,851,832	(754,478)	9,097,354
Segment profit	757,669	30,979	34,544	823,194	(34,139)	789,054

Notes: 1 Adjustments of segment profit (¥-34,139 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 the impairment loss of non-current assets and goodwill by reportable segment
 Not applicable.

II The first quarter of the fiscal year ending March 31, 2015 (April 1, 2014 to June 30, 2014)

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	7,310,665	661,101	69,471	8,041,238	—	8,041,238
Intersegment sales and transfers	—	734,996	16,430	751,426	(751,426)	—
Total	7,310,665	1,396,097	85,901	8,792,664	(751,426)	8,041,238
Segment profit	432,681	44,070	39,399	516,151	(57,108)	459,042

Notes: 1 Adjustments of segment profit (¥-57,108 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 the impairment loss of non-current assets and goodwill by reportable segment
 Not applicable.