Consolidated Financial Report
For Fiscal 2016 (The Fiscal Year Ended March 31, 2016 under Japanese GAAP)

May 9, 2016

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 29, 2016
Scheduled date of Securities Report filing: June 29, 2016
Scheduled date of dividend payment commencement: June 30, 2016
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 2016 (April 1, 2015 to March 31, 2016)

(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 2016	41,706	11.3	2,768	14.6	2,863	13.9	1,732	10.5
Fiscal 2015	37,469	0.6	2,415	(17.6)	2,514	(17.1)	1,567	(11.1)

Note: Comprehensive Income Fiscal 2016: ¥1,669 million (5.4%)
Fiscal 2015: ¥1,583 million (-10.8%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2016	60.20	—	11.0	7.6	6.6
Fiscal 2015	54.47	—	10.9	7.2	6.4

Reference: Equity in earnings of affiliates Fiscal 2016: ¥— million
Fiscal 2015: ¥— million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2016	39,545	16,623	41.6	571.58
March 31, 2015	35,846	15,084	41.9	521.57

Reference: Shareholders' equity Fiscal 2016: ¥16,448 million
Fiscal 2015: ¥15,009 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 2016	101	(507)	1,575	7,782
Fiscal 2015	700	(172)	531	6,614

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 2015	—	0.00	—	8.00	8.00	230	14.7	1.6
Fiscal 2016	—	0.00	—	12.00	12.00	345	19.9	2.2
Fiscal 2017 (Forecast)	—	0.00	—	14.00	14.00		20.4	

3. Consolidated Financial Forecasts for Fiscal 2017 (April 1, 2016 to March 31, 2017)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim Period	22,300	7.9	1,560	14.1	1,600	12.8	970	8.5	33.71
Full Fiscal Year	45,000	7.9	3,150	13.8	3,250	13.5	1,970	13.7	68.46

*** 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.: Yes
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, 2016	30,823,200 shares	March 31, 2015	30,823,200 shares
2) Number of treasury shares	March 31, 2016	2,046,245 shares	March 31, 2015	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Fiscal 2016	28,776,955 shares	Fiscal 2015	28,777,002 shares

Reference: Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for Fiscal 2016 (April 1, 2015 to March 31, 2016)

(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 2016	18,605	1.8	888	(18.1)	1,556	(12.1)	1,099	(17.2)
Fiscal 2015	18,284	(6.7)	1,084	(30.7)	1,771	(13.5)	1,327	1.4

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2016	38.21	—
Fiscal 2015	46.14	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2016	23,653	13,726	57.3	470.92
March 31, 2015	22,233	12,820	57.3	442.91

Reference: Shareholders' equity March 31, 2016: ¥13,551 million
March 31, 2015: ¥12,745 million

2. Non-Consolidated Financial Forecasts for Fiscal 2017 (April 1, 2016 to March 31, 2017)

(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	9,450	1.0	490	0.1	1,430	26.7	1,160	24.5	40.31
Full Fiscal Year	19,000	2.1	1,000	12.5	1,980	27.2	1,460	32.8	50.74

*** Disclosure concerning the implementation status of audit procedures**

This Consolidated Financial Report is not subject to the audit procedures required by the Financial Instruments and Exchange Act of Japan. At the time of this report's disclosure, audit procedures for consolidated financial statements under the Financial Instruments and Exchange Act were in progress.

*** 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 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. Please refer to "1. ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION (1) Analysis of Operating Results" 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.

Attachment Materials: Table of Contents

1. ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

(1) Analysis of Operating Results

During the consolidated fiscal year ended March 31, 2016, there were expectations for the Japanese economy to sustain its recovery owing to improvements in corporate earnings and employment and income conditions. However, the economic outlook remained uncertain as seen in the slowdown in China and emerging countries and the decline in the stock market in the beginning of 2016.

In the housing sector, a favorable environment continued due to the mortgage rates remaining at a low level, the continuation of measures to stimulate housing demand, and further improvement in the employment and income conditions, and new housing starts remained at a steady level.

Under these circumstances, the Grandy House Group has aimed at achieving a sustainable growth with the basic policies of “continuous growth through reinforcing the core operation (new homes)” and “expansion of business through enhancement of the stock business,” and implemented efforts by placing clear emphasis on these policies in the medium-term business plan announced in November 2015.

In new home sales, the Group’s core operation, we made efforts to cover the entire area stretching from southern Ibaraki Prefecture to Kashiwa City in Chiba Prefecture as the key undertaking in terms of growth strategy. As a way to cultivate existing markets more extensively, we opened two “Grandy Plaza” showrooms, which provide customers with information by allowing them to experience the features of the houses, bringing the total to four. “Grandy Plaza” showrooms serve as the venues for disseminating information such as new housing lots and holding various events that promote the “safety and assurance” of the Group, which encompasses comprehensive functions from building to selling homes, can bring to our customers.

Meanwhile, in existing home sales, we worked to expand our coverage areas as a growth strategy, and made efforts to enhance our home renovation capabilities with emphasis on functionality and design and build up inventory in order to expand our sales.

As a result of these factors, the Grandy House Group’s consolidated results for Fiscal 2016 were as follows. Net sales were ¥41,706 million, up 11.3% from the previous fiscal year; operating income was ¥2,768 million, up 14.6% from the previous fiscal year; ordinary income was ¥2,863 million, up 13.9% from the previous fiscal year; and net income attributable to owners of the parent company totaled ¥1,732 million, up 10.5% from the previous fiscal year.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, in the key area from southern Ibaraki Prefecture to Kashiwa City in Chiba Prefecture, we established the Moriya Branch (Moriya City, Ibaraki Prefecture) in April 2015 in an effort to cover the wide areas stretching along the Joban Line and Tsukuba Express Line, building up inventory and bolstering our sales capabilities. To strengthen sales efforts in existing areas, we opened two “Grandy Plaza” experience-oriented showrooms—one in Utsunomiya City in Tochigi Prefecture in May, and the other one in Mito City in Ibaraki Prefecture in December. With the “Grandy Plaza” showrooms serving as the venues for disseminating information, we put forward “Town Opening” information about new housing lots, established a comprehensive set-up from development of housing lots to building homes and after-sales maintenance, provided “assurance and safety” by offering a long-term warranty and other efforts to enable customers to experience the high quality of our houses. Also, we made efforts to promote sales such as holding events including an open house event for the entire families to enjoy and “Mortgage Loan Counseling Event” by a partner bank. As a result, home sales for the quarter ended March 31, 2016 came to 350, the largest quarterly sales on record.

Home sales for the consolidate fiscal year ended March 31, 2016, despite the paltry increase in the Tochigi area, marked a robust increase in the key area from southern Ibaraki Prefecture to Kashiwa City in Chiba Prefecture and in the Gunma area where we boosted the sales structure to raise our share, and came to 1,290—up 120 from 1,170 for the previous consolidated fiscal year—renewing the record sales.

In existing home sales, we broadened the area subject to procuring properties and constructed an information network, and increased the number of properties we handled thereby diversifying the sources of information and reviewing the procurement routes, and increased our inventory to around 100 homes most of which were fairly new and worked to expand sales. In terms of homes for sale, we worked on “design renovation” which enhanced functionality and design at the level of renovation and remodeling planning, but price competition with low-cost homes continued to be intense and the number of homes sold came out to be 117, up five from the previous fiscal year.

Accounting for each of these factors, revenues in the real estate sales segment rose 11.5% year-on-year to ¥38,549 million. Segment profit was ¥2,533 million, up 12.3% from the previous fiscal year.

Construction Material Sales

In the construction material sales segment, demand for pre-cut materials remained strong thanks to the continued moderate improvement in the housing starts, but the prices of main materials were flat as the balance between supply and demand did not tighten due to the increase in the imports of such materials.

Against the backdrop of such market conditions, as demand within the group expanded, we reinforced our production structure such as by outsourcing part of the production to aim to expand external orders. In sales, we worked to expand orders in non-housing segments and worked to boost sales of building materials other than pre-cut materials. As a result, both sales and profits for this consolidated fiscal year grew from the year before.

As a result, revenues in the construction material sales segment increased 11.3% year-on-year to ¥2,894 million, while segment profit was ¥188 million, up 23.0% from the previous fiscal year.

Real Estate Leasing

In the real estate leasing segment, in the office leasing market in and around Utsunomiya City, Tochigi Prefecture, which is our main market, there was not much movement with regard to larger offices but the vacancy ratio showed a moderate improvement especially with smaller offices. In the parking market, the situation continued to be tough owing to the increase of pay-by-the-hour parking lots run by competitors.

Under these circumstances, mainly due to the decrease in managed assets during the previous and current fiscal years, both sales and profits for this consolidated fiscal year decreased. The decrease in assets came from the sale of a rental apartment building and a pay-by-the-hour parking lot in the previous year, and this year, we changed the use of some apartments from rental to commercial during the third quarter, and sold one pay-by-the-hour parking lot (in Mito City, Ibaraki Prefecture) during the fourth quarter.

As a result, revenues in the real estate leasing segment decreased 6.6% year-on-year to ¥262 million, while segment profit fell to ¥165 million, a decline of 4.0%.

Outlook

For the Japanese economy, there are expectations for a recovery coming from an improvement in employment and wage conditions, but concerns remain about the impact on corporate earnings from the reversal of the weakening of the yen and about the adverse effect of the planned consumption tax hike, while the global economy remains fluid as seen in the slowdown in the Chinese economy; the economic outlook does not therefore allow for optimism. For home buyers, the circumstances remain favorable as seen in low mortgage rates and tax credits for housing loans and grants for home buyers.

Against this background, with a view to achieving the medium-term business plan which will end in the year ending in March 2018, we continue to work on expanding our coverage area and increasing our share under the policy of focusing our management resources on the core operation of new home sales, and bolster our management foundation to support ongoing business expansion.

Taking into account the above factors, Grandy House is forecasting consolidated net sales of ¥45,000 million for the fiscal year ending March 31, 2017. This represents a 7.9% increase year-on-year. Operating income is forecast to rise 13.8% to ¥3,150 million. Ordinary income is forecast to increase 13.5% to ¥3,250 million, with net income attributable to owners of the parent company improving 13.7% to ¥1,970 million.

(2) Analysis of Financial Position

a. Consolidated Balance Sheet

Total assets stood at ¥39,545 million as of March 31, 2016, up ¥3,698 million compared with the end of the previous fiscal year. This was largely due to the increase of ¥1,168 million in the balance of cash and deposits, and increases of ¥1,571 million and ¥458 million in real estate for sale in process with respect to new homes and existing homes respectively.

Total liabilities grew ¥2,159 million compared with the previous fiscal year-end to ¥22,921 million. This was largely because we funded the increase in real estate for sale for the purpose of expanding the operation with short-term loans (project funds), and to the increase in accounts payable for construction contracts.

Net assets increased ¥1,539 million compared to the previous fiscal year-end to ¥16,623 million owing to the net income of ¥1,732 million and the increase in subscription rights to shares, while there was a decrease in dividend payout and valuation difference on available-for-sale securities.

b. Cash Flows

Cash flows from operating and investing activities resulted in increases in cash and cash equivalents respectively, and cash flows from financing activities resulted in a decrease in cash and cash equivalents in the fiscal year under review. As a result, the balance of cash and cash equivalents at the end of the period amounted to ¥7,782 million, up ¥1,168 million year-on-year.

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

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥101 million (an increase of ¥700 million for the fiscal year ended March 31, 2015). This was largely due to the profit before income taxes and depreciation, which added up to ¥2,933 million, increase in trade payables such as accounts payable for construction contracts, and a decrease in trade receivables, which more than offset an increase of ¥2,095 million in inventories and payment for income taxes.

(Cash Flows from Investing Activities)

Net cash provided by investing activities amounted to a decrease of ¥507 million owing to the acquisition of fixed assets and investment securities (compared to a decrease of ¥172 million in the previous fiscal year). Acquired fixed assets consist mainly of two branches (Utsunomiya Interpark and Moriya City, Ibaraki Prefecture), two "Grandy Plaza" showrooms (Utsunomiya Interpark and Mito City, Ibaraki Prefecture), and the construction cost (construction in progress) that represents the new business site in Oyama City, Tochigi Prefecture.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥1,575 million (an increase of ¥531 million for the fiscal year ended March 31, 2015). This was largely due to the increase in short-term loans payable to support the increase in inventory while dividends were paid.

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

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Shareholders' equity ratio (%)	40.7	41.9	41.6
Equity ratio on market value basis (%)	28.2	24.5	26.4
Interest-bearing liabilities to cash flow ratio (years)	—	23.1	177.3
Interest coverage ratio (times)	—	2.5	0.3

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, 2014 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.

(3) Basic Policy Concerning the Allocation of Profits and Dividends for Fiscal 2016 and Fiscal 2017

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 20%.

Purchase of treasury shares will be made depending on the Company’s financial position with the aim of increasing the value and profit per share and enhancing the Company’s capital efficiency.

Guided by the above-mentioned dividend policies, Grandy House has declared an annual dividend of ¥12 per share for the fiscal year under review. The annual divided forecast for the year ending March 31, 2017 is ¥14 per share (up by ¥2 year-on-year).

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.

(4) Business and Other Risks

The Grandy House Group recognizes that a variety of factors has the potential to impact its operating results, financial position, and share price. Details are presented briefly as follows. Readers are reminded that forward-looking statements are based on judgments in light of information currently available to management as of the date of this publication.

① Risks relating to real estate sales

i. Housing demand

The Grandy House Group is mainly engaged in the sale of real estate and construction materials as well as real estate leasing operations. In the fiscal year under review, sales from the real estate sales segment accounted for 92.4% of total net sales on a consolidated basis. Real estate sales activities entail the sale of detached and custom-built houses, the development and sale of land for housing use, and related additional exterior construction work. The sale of houses and land for housing use is affected by the willingness of purchasers to spend as well as demand trends. The willingness of purchasers to spend as well as demand trends are in turn susceptible to such factors as movements in economic conditions, interest rates, and land prices as well as forecasts of the future and tax systems applicable to the housing sector. Shifts in any of these factors have the potential to impact the Group’s performance and financial position.

ii. Sales and marketing area

The Grandy House Group maintains its operating base largely in the North Kanto area. In Fiscal 2016, the ratio of sales generated from activities in Tochigi Prefecture was as high as 49.2%. In recent years, the Group has worked diligently to expand its operating base and lift the ratios of revenue generated in prefectures outside Tochigi. In the fiscal year under review, the share of Ibaraki Prefecture (Mito City, Ushiku City, other), Gunma Prefecture (Takasaki City, Ota City, other), and Chiba Prefecture (Kashiwa City, other) sales as a ratio to total sales were 27.1%, 13.2%, and 10.3%, respectively. Despite these endeavors, and for a variety of reasons including competitive relationships, the Group’s performance and financial position may be affected if the Company is unable to advance its strategies with respect to areas of particular emphasis according to plans.

iii. Competition

In relative terms, the Grandy House Group maintains competitive advantage in Tochigi Prefecture. In the event, however, that a new entity with the capacity to significantly impact the Group’s land supply structure enters the market, substantial potential exists for the Group’s performance and financial position to be affected.

In major metropolitan areas, competition is heating up between the Group’s industry peers. Thanks largely to the Group’s insistence on providing high value-added products including houses built for sale that offer such outstanding qualities as excellent room layout, external appearance, and townscaping, Grandy House is essentially holding the line against home builders who are promoting a low-price strategy. Should competition continue to intensify resulting in a marked drop in prices, the potential exists for the Group’s performance and financial position to be affected.

iv. The procurement of sites and inventory for sale

In its real estate sales business, the Grandy House Group engages in a full range of activities. These activities include negotiations for the purchase of land (sites), discussions with government agencies, site development, the acquisition of permits and approvals, construction work, and maintenance. The period from the purchase of land to construction completion generally takes about eight months. In the event of such wide-ranging circumstances as the inability to purchase land or sites according to plans in advance of sales due to difficulties in securing land that offers a favorable location and conditions, and a sharp rise in land prices, or any other unforeseen matter including a natural disaster that delays the period of construction resulting in the failure to produce inventory for sale, the potential exists for the Group’s performance and financial position to be affected.

v. Employees

The real estate industry is distinguished by the substantial mobility of its human resources and high rate of personnel turnover. The Grandy House Group is no exception and continuously confronts a high attrition rate particularly with respect to its sales staff. The principal reason is the extremely high product unit price and the significant amount of time and experience required for employees to achieve stable results. Accordingly, it is not uncommon for employees to change jobs before reaching this point of stability. Under these circumstances, the Company takes great pains to fully explain the nature of its work at the time of recruiting and hiring. Moreover, and in order to improve its retention rate, Grandy House provides new employees with substantial education and on-the-job training. Every effort is made to ensure that all employees are conversant with the Company’s sales and marketing activities that are deeply rooted in the local community. In the event, however, that Grandy House is unable to secure sales staff on a stable basis and according to plans, is unable to sufficiently foster the necessary human resources required to carry out the important role of driving the Company’s business forward, and fails to improve its retention rate, the potential exists for the Group’s performance and financial position to be affected.

vi. Natural and other disasters

Large-scale natural and other disasters may give rise to substantial repair expenditure due to the damage to business assets including operating bases as well as other damage to such merchandise as detached houses. At the same time, any of the aforementioned disasters may force a suspension or delay of operations at business bases and work sites owing to physical injuries, property damage, and interruptions to essential lifelines and social infrastructure. Furthermore, disasters may result in delays in construction and delivery reflecting such factors as the time required to complete repairs and delays in the delivery of construction materials. In each case, the potential exists for the Group’s performance and financial position to be affected.

② Risks relating to financial position and operating results

i. Dependence on debt

In the conduct of its real estate sales activities, the Grandy House Group procures all or a portion of the funds required to purchase land earmarked for development and to meet development as well as building construction expenses from financial and other institutions on an individual project basis. The subject land is generally lodged as collateral for each loan. In addition, debt finance is primarily the source of funds used to purchase and/or construct properties that underpin the Group’s real estate leasing activities as well as purchase and/or construct properties that are used to establish business bases. As of March 31, 2016, the balance of interest-bearing liabilities stood at ¥17,971 million.

In this context, a rise in interest rates or a prolonged period during which interest rates hover at a high level due to such factors as changes in economic conditions and restrictions on the access to debt and other funding owing to a deterioration in the Group’s credit standing can lead to difficulties in the conduct of business such as an increase in the interest expense burden, or a change in business plans. As a result, the potential exists for the Group’s performance and financial position to be affected.

ii. Decline in the values of non-current assets and real estate for sale

With its operating base in the North Kanto area, the Grandy House Group engages in such wide-ranging activities as the acquisition, development, sale, and leasing of real estate. In the event of a deterioration in real estate market conditions, the Group may incur an impairment of its non-current assets or a major write-down of its real estate for sale and other assets. This then has the potential to affect the Group's performance and financial position.

iii. Change in performance due to delays in delivery

Revenues from the sale of detached housing are recorded for accounting purposes at the time of delivery. While certain large-scale projects require a considerable amount of time through to delivery, the period required from the purchase of land to building completion is generally around eight months. Naturally, strict management is undertaken to monitor progress. In the event, however, of a delay in construction due to such factors as natural disasters or other unforeseen circumstance, or a substantial delay in delivery owing to unexpected contingencies that result in the carryover of sales into the next period, the potential exists for the Group's performance to be affected. In addition, in the event that a hit product that contributes to the shortening of sales periods emerges, or orders received exceed the forecast number of properties sold due to a variety of factors including economic trends, and a drop-off in the supply of products for sale arises thereafter, the potential exists for the Group's performance and financial position to be affected.

iv. Sharp rise in material prices

The detached housing products handled by the Group employ timber- and petroleum-related materials. On this basis, and in the event of difficulties in reducing costs or passing on to consumers any increase in the prices of materials procured owing to fluctuations in market conditions and foreign currency exchange rates, the potential exists for the Group's performance and financial position to be affected.

③ Risks relating to statutory and regulatory requirements

The Grandy House Group engages in business activities that are regulated by such wide-ranging legislation as Building Lots and Buildings Transaction Business Act, Construction Business Act, and Act on Architects and Building Engineers. In addition, the Group is subject to a variety of statutory and regulatory requirements including those stipulated under Japan's City Planning Act, National Land Use Planning Act, Act on Regulation of Residential Land Development, Building Standards Act, Housing Quality Assurance Act, and the Act on Assurance of Performance of Specified Housing Defect Warranty. In the event that a revision or abolition of any of the aforementioned or other applicable statutory and regulatory requirements, or the establishment of any new statute or regulation leads to an increase in expenditure or delays in assessment periods by governing agencies, the potential exists for the Group's performance to be affected.

Legislation related to such key issues as permits and approvals including Building Lots and Buildings Transaction Business Act, Construction Business Act, and Act on Architects and Building Engineers stipulate the duration of validity and causes for cancellation. The Grandy House Group adheres strictly to all statutory and regulatory requirements and as of the date of this report has not incurred any cancellation or refusal to renew permits and approvals. However, if for whatever reason a permit or approval is cancelled, or renewal is refused, and the Group incurs difficulties in carrying out its mainstay business activities, the potential exists for the Group's performance to be seriously affected.

Details of the Grandy House Group's principal permits and approvals as well as durations of validity and causes of cancellation are presented in the following table.

Name of Permit, Approval, etc.	Company Name	Permits/Approval Number Period of Validity	Regulation/ Statute	Causes of Permit, Approval, etc. Cancellation, Other
Real estate operator license	Grandy House Corporation	Minister of Land, Infrastructure and Transportation (4) No. 5942 October 21, 2014–October 20, 2019	Building Lots and Buildings Transaction Business Act	Article 65, Article 66, Article 67
	IBARAKI Grandy House Corporation	The Governor of Ibaraki Prefecture (2) No. 6548 December 1, 2012–November 30, 2017		
	GUNMA Grandy House Corporation	The Governor of Gunma Prefecture (2) No. 6860 December 12, 2012–December 11, 2017		
	CHIBA Grandy House Corporation	The Governor of Chiba Prefecture (1) No. 16460 April 4, 2013–April 3, 2018		
	Chukojutaku Johokan Corporation	Minister of Land, Infrastructure and Transportation (2) No. 8039 September 1, 2015–August 31, 2020		
Construction license	Grandy House Corporation	The Governor of Tochigi Prefecture Authorization (Special-24) No. 22719 February 1, 2013–January 31, 2018	Construction Business Act	Article 28, Article 29, Article 29-2
	IBARAKI Grandy House Corporation	The Governor of Ibaraki Prefecture Authorization (General-24) No. 32248 March 6, 2013–March 5, 2018		
	Grandy Reform Corporation	The Governor of Tochigi Prefecture Authorization (General-27) No. 24829 October 16, 2015–October 15, 2020		
Architect office registration	Grandy House Corporation	First class architect office registration The Governor of Tochigi Prefecture Registration A(c) No. 2430 November 28, 2011–November 27, 2016	Act on Architects and Building Engineers	Article 26
		First class architect office registration The Governor of Tochigi Prefecture Registration A(c) No. 2694 January 4, 2016–January 3, 2021		
	IBARAKI Grandy House Corporation	First class architect office registration The Governor of Ibaraki Prefecture Registration No. A3316 March 6, 2013–March 5, 2018		
		Second class architect office registration The Governor of Ibaraki Prefecture Registration No. B5348 March 29, 2013–March 28, 2018		
	GUNMA Grandy House Corporation	First class architect office registration The Governor of Gunma Prefecture Registration No. 4164 November 30, 2012–November 29, 2017		
	CHIBA Grandy House Corporation	First class architect office registration The Governor of Chiba Prefecture Registration No. 1-1304-7782 April 19, 2013–April 18, 2018		
	General Livetech Corporation	First class architect office registration The Governor of Tochigi Prefecture Registration No. A3461 December 9, 2014–December 8, 2019		
	Grandy Reform Corporation	Second class architect office registration The Governor of Tochigi Prefecture Registration No. B4539 June 7, 2013–June 6, 2018		

④ Personal information protection

The Grandy House Group handles individual, customer, and related personal information in the normal course of its order activities. The Group takes great care to put in place a sound information management structure and systems which are complemented by the continuous update of internal rules and regulations. In the event, however, of the leakage of personal information to external parties that leads to a loss of credibility or the payment of compensation for damages, the potential exists for the Group's performance and financial position to be affected.

2. OVERVIEW OF THE CORPORATE GROUP

The Grandy House Group (Grandy House and the Company's affiliated companies) is comprised of Grandy House and six subsidiary companies. The Group's principal business activities include the sales of real estate, the sale of construction materials, and the leasing of real estate.

Details of the business activities of the Group and the activities undertaken by the Company and each subsidiary company are presented as follows.

(1) Real Estate Sales

The Grandy House Group engages in a wide range of real estate-related activities from the procurement of land for sale in lots through the acquisition of related permits and approvals to the management of housing land development work, housing design and construction, sales, and after-sales maintenance and service.

In its mainstay detached housing sale, design, and construction activities, the Group has adopted an oversight structure by individual operating area. This takes into account the Group's focus on operations that remain deeply rooted in the local community. Each company is active within its own basic area of operations. Grandy House operates mainly in Tochigi Prefecture and a portion of Ibaraki Prefecture. IBARAKI Grandy House and GUNMA Grandy House operate mainly in Ibaraki Prefecture and Gunma Prefecture, respectively. CHIBA Grandy House operates mainly in Chiba Prefecture.

Chukojutaku Johokan is primarily engaged in the sale of existing homes. Grandy Reform is active in housing maintenance and after-sales service as well as housing renovations.

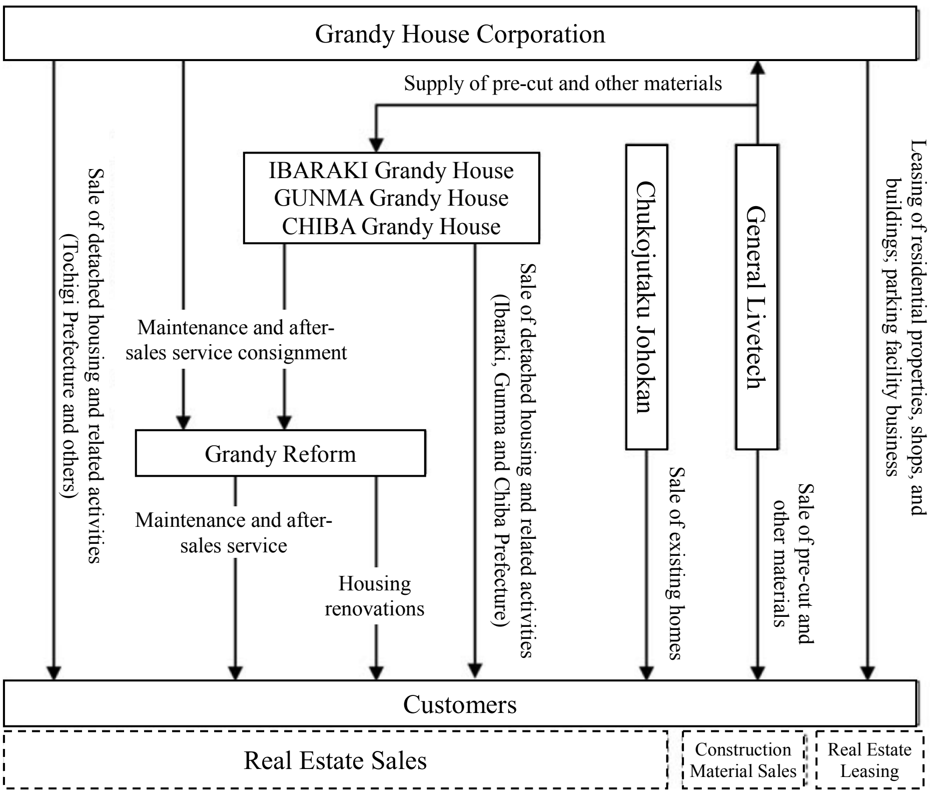
(2) Construction Material Sales

General Livetech is involved mainly in the sale of construction materials and items focusing primarily on precut materials.

(3) Real Estate Leasing

Grandy House is engaged in such activities as the leasing of its own buildings for rent as well as condominiums and other properties. The Company is also active in the parking business.

The following schematic provides an overview of the structure and businesses of the Grandy House Group (as of March 31, 2016).



3. MANAGEMENT POLICY

(1) Basic Management Policy

With an aim of becoming a corporate group that brings more value to society, our Group has set for itself the following basic management policy.

"Basic Management Policy"

1. By providing comfortable homes that allow for living with a sense of security, we will contribute to the realization of an affluent society.
2. Abiding by laws and ethical codes, and as a good corporate citizen, we will aspire to become a corporate group that is trusted by all stakeholders.
3. By making products that satisfy as many customers as possible and through continuous reform, we will aim at developing our business and increasing its corporate value.

(2) Target Management Benchmarks

The Grandy House Group seeks to expand its business, in particular focusing on an increase in net sales and ordinary income as important benchmarks to measure its growth.

The Group's targeted level of ROE, an indicator that demonstrates the maintenance of capital efficiency and shareholder gains, is 8% or above.

The targeted net sales and ordinary income for the year ending in March 2018, which is the final year in the medium-term business plan, are ¥48 billion and ¥3.7 billion respectively.

(3) Medium- and Long-Term Management Strategies

The Grandy House Group is working to achieve its business goals under the following basic policy and business strategies in its medium-term business plan, which runs through fiscal year ending in March 2018.

"Basic policy"

1. We will strengthen our core operation (new home sales) and aim to achieve continuous growth.
2. We will aim to expand our operation by bolstering stock business (intermediating sale of existing homes, remodeling business).
3. We will work to build a strong organization that supports business expansion and establish a stable business foundation.
4. We will work to bolster corporate governance and aim to increase the corporate value.

"Business strategies"

1. Real estate sales (new home sales)

① We will enhance our basic strategies shown below that capitalize on our strengths and aim to achieve steady growth.

1) Provision of high-value-added properties (conveniently situated land for sale, safety and security of land, value-added townscapes, high-quality homes clearly differentiated from low-cost ones, and safety and reassurance through long-term inspections and warranties, etc.) supported by the Group's integrated operations that encompass land procurement through to land development, housing design, construction management, and after-sales service.
2) High level of self-cultivated sales capabilities under a direct sales structure (cultivation of a wide range of customer needs and highlighting the advantages of the Group's products).
3) Exploration of business opportunities in operating areas through community-based sales activities and expansion of business to areas adjacent to existing operating bases by taking advantage of the reputation for reliability we have established in these bases exemplified by the motto "When it comes to detached homes, Grandy House."

② During the term of the medium-term business plan, we will work to further cultivate the market and promote our brand in the key area stretching from southern Ibaraki Prefecture to Kashiwa City in Chiba Prefecture, and aim to expand the business area with a view to covering all of Ibaraki, Chiba and Gunma prefectures.

2. Real estate sales (stock business)

① With respect to the existing home sales business, we will work to expand our operating base in the existing home market that will likely grow over the long term while differentiating our products from those of competitors using the concept Design Renovated Homes.

② Capitalizing on the stock of 11,000 homes (cumulative number of new home sales) related to existing customers, we will work to strengthen renovation and other peripheral operations.

3. Other operations

① In construction materials sales, we are producing the mainline pre-cut materials at near full capacity. We will aim to expand operations by emphasizing materials other than pre-cut materials.

② In the real estate leasing business, we will aim to raise the utilization ratio of existing assets such as by setting rents flexibly and work to lower operating costs such as by reviewing the way we manage assets.

(4) Pending Issues

For the Japanese economy, there are expectations for a recovery coming from an improvement in employment and wage conditions, but concerns remain about the impact on corporate earnings from the reversal of the weakening of the yen and about the adverse effects of the planned consumption tax hike, while the global economy remains fluid as seen in the slowdown in the Chinese economy; the economic outlook does not therefore allow for optimism.

The Group had suffered a decline in the profit in the previous fiscal year after achieving growths both in sales and profits for six consecutive years. This fiscal year, the Group again achieved increases in sales and profits, but to sustain the trend it will be necessary to cultivate new markets, secure a sufficient volume of high-quality housing lots for sale, construct sales and production structures that are resistant to price competition and hire and train human resources that can respond to the expansion of business scale, among others. The Group will work on these issues with a view to establishing a firm operating foundation and aim to achieve steady growth.

(5) Other Matters Important to the Company’s Management

The products and services handled by the Grandy House Group are essentially geared toward the individual customer. In this regard, there are instances where members of the Board of Directors pursue dealings with the Company. This includes the purchase and/or construction of homes. In each case, transactions are conducted at the same price and profit level as those that apply to the Group’s general customer base. Again, this includes the price for houses built for sale and ensures that transactions are conducted at an appropriate level of profit. For other products such as custom-built homes, the terms and conditions of transactions are based on calculations regarding fair and appropriate prices as well as formal appraisals. Moreover, transactions are subject to prior approval by the Company’s Board of Directors.

4. 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.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Thousands of Yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	6,621,018	7,789,687
Notes and accounts receivable – trade	734,021	523,636
Real estate for sale	10,704,928	11,423,421
Costs on uncompleted construction contracts	6,251	10,539
Real estate for sale in process	6,688,779	7,996,211
Merchandise and finished goods	145,413	206,665
Raw materials and supplies	111,279	115,304
Deferred tax assets	122,613	130,226
Other	401,046	955,924
Allowance for doubtful accounts	(5,344)	(3,588)
Total current assets	25,530,008	29,148,028
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,627,088	4,823,287
Accumulated depreciation	(1,543,369)	(1,699,778)
Buildings and structures, net	3,083,718	3,123,508
Machinery, equipment and vehicles	23,840	32,858
Accumulated depreciation	(15,055)	(21,401)
Machinery, equipment and vehicles, net	8,785	11,457
Tools, furniture and fixtures	287,254	289,977
Accumulated depreciation	(238,268)	(233,280)
Tools, furniture and fixtures, net	48,986	56,696
Land	5,851,832	5,599,701
Lease assets	263,698	236,298
Accumulated depreciation	(156,372)	(159,738)
Lease assets, net	107,325	76,559
Construction in progress	58,652	148,441
Total property, plant and equipment	9,159,301	9,016,365
Intangible assets	67,616	66,447
Investments and other assets		
Investment securities	767,434	889,407
Long-term loans receivable	19,870	20,446
Deferred tax assets	108,270	160,847
Other	197,708	260,837
Allowance for doubtful accounts	(3,816)	(17,279)
Total investments and other assets	1,089,467	1,314,260
Total non-current assets	10,316,385	10,397,072
Total assets	35,846,393	39,545,100

(Thousands of Yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,772,752	3,054,103
Short-term loans payable	14,074,690	16,014,500
Current portion of long-term loans payable	400,508	382,592
Current portion of bonds	21,000	21,000
Lease obligations	43,999	41,214
Income taxes payable	582,687	566,028
Provision for warranties for completed construction	51,167	54,940
Other	721,606	694,477
Total current liabilities	18,668,411	20,828,856
Non-current liabilities		
Bonds payable	129,000	108,000
Long-term loans payable	1,409,644	1,358,183
Lease obligations	69,525	39,139
Provision for directors' retirement benefits	71,204	100,979
Net defined benefit liability	358,010	428,790
Asset retirement obligations	—	4,203
Other	56,416	53,690
Total non-current liabilities	2,093,801	2,092,985
Total liabilities	20,762,212	22,921,841
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,205,165
Retained earnings	11,049,455	12,551,499
Treasury shares	(351,814)	(351,831)
Total shareholders' equity	14,980,306	16,482,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,874	(34,074)
Total accumulated other comprehensive income	28,874	(34,074)
Subscription rights to shares	75,000	175,000
Total net assets	15,084,180	16,623,258
Total liabilities and net assets	35,846,393	39,545,100

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

(Consolidated Statements of Income)

(Thousands of Yen)

	Fiscal 2015 (From April 1, 2014 to March 31, 2015)	Fiscal 2016 (From April 1, 2015 to March 31, 2016)
Net sales	37,469,060	41,706,272
Cost of sales	30,869,711	34,470,245
Gross profit	6,599,348	7,236,026
Selling, general and administrative expenses	4,183,500	4,467,463
Operating income	2,415,848	2,768,563
Non-operating income		
Interest income	1,489	2,196
Dividends income	4,391	5,205
Operations consignment fee	203,546	222,186
Office work fee	136,793	148,838
Other	36,271	29,055
Total non-operating income	382,493	407,481
Non-operating expenses		
Interest expenses	279,207	299,810
Commission for syndicate loan	—	10,673
Other	4,828	2,400
Total non-operating expenses	284,035	312,883
Ordinary income	2,514,306	2,863,160
Extraordinary income		
Gain on sales of non-current assets	2,051	—
Total extraordinary income	2,051	—
Extraordinary loss		
Loss on sale of non-current assets	1,070	164,125
Loss on retirement of non-current assets	12,763	10,143
Loss on cancellation of lease contracts	3,089	181
Total extraordinary loss	16,924	174,449
Net income before income taxes	2,499,433	2,688,711
Income taxes – current	942,000	988,091
Income taxes – deferred	(10,150)	(31,639)
Total income taxes	931,849	956,451
Net income	1,567,583	1,732,260
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent company	1,567,583	1,732,260

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2015 (From April 1, 2014 to March 31, 2015)	Fiscal 2016 (From April 1, 2015 to March 31, 2016)
Net income	1,567,583	1,732,260
Other comprehensive income		
Valuation difference on available-for-sale securities	16,273	(62,949)
Total other comprehensive income	16,273	(62,949)
Comprehensive income	1,583,857	1,669,310
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	1,583,857	1,669,310
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

	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	9,712,087	(351,814)	13,642,938
Changes of items during the period					
Dividends from surplus			(230,216)		(230,216)
Net income attributable to owners of parent company			1,567,583		1,567,583
Purchase of treasury shares					—
Net changes to items other than shareholder equity					
Total changes of items during the period	—	—	1,337,367	—	1,337,367
Balance as of the end of the period	2,077,500	2,205,165	11,049,455	(351,814)	14,980,306

(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	12,600	12,600	—	13,655,539
Changes of items during the period				
Dividends from surplus				(230,216)
Net income attributable to owners of parent company				1,567,583
Purchase of treasury shares				—
Net changes to items other than shareholder equity	16,273	16,273	75,000	91,273
Total changes of items during the period	16,273	16,273	75,000	1,428,641
Balance as of the end of the period	28,874	28,874	75,000	15,084,180

Fiscal 2016 (From April 1, 2015 to March 31, 2016)

	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	11,049,455	(351,814)	14,980,306
Changes of items during the period					
Dividends from surplus			(230,216)		(230,216)
Net income attributable to owners of parent company			1,732,260		1,732,260
Purchase of treasury shares				(16)	(16)
Net changes to items other than shareholder equity					
Total changes of items during the period	—	—	1,502,044	(16)	1,502,027
Balance as of the end of the period	2,077,500	2,205,165	12,551,499	(351,831)	16,482,333

(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	28,874	28,874	75,000	15,084,180
Changes of items during the period				
Dividends from surplus				(230,216)
Net income attributable to owners of parent company				1,732,260
Purchase of treasury shares				(16)
Net changes to items other than shareholder equity	(62,949)	(62,949)	100,000	37,050
Total changes of items during the period	(62,949)	(62,949)	100,000	1,539,078
Balance as of the end of the period	(34,074)	(34,074)	175,000	16,623,258

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2015 (From April 1, 2014 to March 31, 2015)	Fiscal 2016 (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,499,433	2,688,711
Depreciation and amortization	239,699	244,577
Stock compensation expense	75,000	100,000
Increase (decrease) in provision for directors' retirement benefits	26,037	29,774
Increase (decrease) in provision for warranties for completed construction	(11,872)	3,773
Increase (decrease) in allowance for doubtful accounts	(27,854)	11,707
Increase (decrease) in net defined benefit liability	71,355	70,779
Interest and dividends income	(5,881)	(7,401)
Interest expenses	279,207	299,810
Loss (gain) on sales of property, plant and equipment	(981)	164,125
Loss on retirement of non-current assets	12,763	10,143
Decrease (increase) in notes and accounts receivable-trade	(141,270)	196,913
Decrease (increase) in inventories	(1,058,425)	(2,095,488)
Increase (decrease) in notes and accounts payable-trade	135,919	281,350
Other	(27,707)	(596,038)
Subtotal	2,065,422	1,402,738
Interest and dividends income received	5,881	7,897
Interest expenses paid	(278,476)	(303,043)
Income taxes paid	(1,092,098)	(1,006,234)
Net cash provided by (used in) operating activities	700,729	101,358
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(301,704)	(321,466)
Proceeds from sale of property, plant and equipment	202,147	98,694
Purchase of intangible assets	(24,873)	(16,823)
Purchase of investment securities	—	(214,600)
Payments of loans receivable	—	(1,900)
Collection of loans receivable	4,005	1,323
Payments for guarantee deposits	(54,820)	(50,825)
Proceeds from collection of guarantee deposits	13	54
Other payments	(11,000)	(14,464)
Other proceeds	13,313	12,020
Net cash provided by (used in) investing activities	(172,917)	(507,986)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	727,610	1,939,810
Proceeds from long-term loans payable	464,300	345,000
Repayment of long-term loans payable	(526,069)	(414,377)
Proceeds from issuance of bonds	145,973	—
Redemption of bonds	—	(21,000)
Purchase of treasury shares	—	(16)
Cash dividends paid	(229,555)	(229,963)

Repayments of lease obligations	(50,594)	(44,155)
Net cash provided by (used in) financing activities	531,664	1,575,297
Net increase (decrease) in cash and cash equivalents	1,059,476	1,168,669
Cash and cash equivalents at beginning of the period	5,554,541	6,614,018
Cash and cash equivalents at end of the period	6,614,018	7,782,687

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in accounting policies)

(Application of accounting standards regarding business combination)

We started to apply the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) in the fiscal year ended March 31, 2016, which have resulted in changes in the way we present the net income, etc. for the quarter. To better reflect such changes, we also changed the way we present the consolidated financial statements for the fiscal year ended March 31, 2015.

(Segment and Other Information)

[Segment 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, 2015 (April 1, 2014 to March 31, 2015)

(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	34,587,410	2,600,345	281,304	37,469,060	—	37,469,060
Inter-segment sales and transfers	—	2,959,748	71,770	3,031,518	(3,031,518)	—
Total	34,587,410	5,560,094	353,074	40,500,579	(3,031,518)	37,469,060
Segment profit	2,256,735	153,262	172,670	2,582,669	(68,363)	2,514,306
Segment assets	24,980,105	2,121,938	4,316,649	31,418,693	4,427,699	35,846,393
Segment liabilities	19,330,658	1,728,512	73,513	21,132,684	(370,472)	20,762,212
Other items						
Depreciation and amortization	143,435	44,205	52,057	239,699	—	239,699
Interest income	1,456	33	—	1,489	—	1,489
Interest expenses	267,118	11,861	227	279,207	—	279,207
Increase in property, plant and equipment and intangible assets	306,277	22,927	13,016	342,222	—	342,222

The fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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	38,549,066	2,894,508	262,697	41,706,272	—	41,706,272
Inter-segment sales and transfers	—	3,188,949	82,327	3,271,277	(3,271,277)	—
Total	38,549,066	6,083,457	345,025	44,977,549	(3,271,277)	41,706,272
Segment profit	2,533,951	188,552	165,743	2,888,247	(25,086)	2,863,160
Segment assets	28,709,223	2,068,682	3,974,573	34,752,479	4,792,621	39,545,100
Segment liabilities	21,634,781	1,602,456	70,708	23,307,946	(386,105)	22,921,841
Other items						
Depreciation and amortization	149,759	45,577	49,241	244,577	—	244,577
Interest income	2,156	40	—	2,196	—	2,196
Interest expenses	288,511	11,266	31	299,810	—	299,810
Increase in property, plant and equipment and intangible assets	350,225	16,732	3,142	370,101	—	370,101

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2015	Fiscal 2016
Eliminations of inter-segment translation	(68,363)	(25,086)
Total	(68,363)	(25,086)

Segment assets

(Thousands of Yen)

	Fiscal 2015	Fiscal 2016
Eliminations of inter-segment receivables	(368,558)	(384,099)
Eliminations of inter-segment unrealized profit	(35,079)	(50,410)
Corporate assets	4,831,337	5,227,131
Total	4,427,699	4,792,621

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 2015	Fiscal 2016
Eliminations of inter-segment payables	(370,472)	(386,105)
Total	(370,472)	(386,105)

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

[Related Information]

The fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Information by product and service

(Thousands of Yen)

	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total
Sales to outside customers	34,587,410	2,600,345	281,304	37,469,060

2. Information by geographic segment

(1) Net sales

There are no sales to outside customer other than in Japan. Accordingly, there is no applicable information to report.

(2) Property, plant and equipment

There are no property, plant and equipment located outside of Japan. Accordingly, there is no applicable information to report.

3. Information by principal customer

There is no single outside customer who accounts for 10% or more of the total net sales recorded in the consolidated statements of income. Accordingly, there is no applicable information to report.

The fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

1. Information by product and service

(Thousands of Yen)

	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total
Sales to outside customers	38,549,066	2,894,508	262,697	41,706,272

2. Information by geographic segment

(1) Net sales

There are no sales to outside customer other than in Japan. Accordingly, there is no applicable information to report.

(2) Property, plant and equipment

There are no property, plant and equipment located outside of Japan. Accordingly, there is no applicable information to report.

3. Information by principal customer

There is no single outside customer who accounts for 10% or more of the total net sales recorded in the consolidated statements of income. Accordingly, there is no applicable information to report.

[Information concerning Impairment Loss on Non-current Assets by Reportable Segment]

The fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Not applicable.

The fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Not applicable.

[Information concerning the Amount of Goodwill Amortization and the Balance of Unamortized Goodwill by Reportable Segment]

The fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Not applicable.

The fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Not applicable.

[Information concerning Gain on Negative Goodwill by Reportable Segment]

The fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Not applicable.

The fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Not applicable.