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Consolidated Financial Report
For the First Quarter of Fiscal 2016 Ending March 31, 2016 (Japanese GAAP)

August 10, 2015

Company Name: Grandy House Corporation	Stock Exchange Listing: Tokyo Stock Exchange
Securities Code: 8999	URL: http://www.grandy.co.jp
Representative: Hiroyuki Murata, President	
Inquiries: Atsuo Saito, Senior Managing Director	TEL: +81-28-650-7777
Scheduled date of quarterly securities report filing: August 11, 2015	
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, 2016 (April 1, 2015 to June 30, 2015)

(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)	%
Three months ended June 30, 2015	9,930	23.5	668	56.7	694	51.2	439	61.6
Three months ended June 30, 2014	8,041	(11.6)	426	(43.9)	459	(41.8)	271	(43.1)

Note: Comprehensive Income Three months ended June 30, 2015: ¥446 million (69.8%)
Three months ended June 30, 2014: ¥263 million (-44.9%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Three months ended June 30, 2015	15.26	—
Three months ended June 30, 2014	9.44	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2015	37,284	15,325	40.8	529.10
March 31, 2015	35,846	15,084	41.9	521.57

Reference: Shareholders' equity June 30, 2015: ¥15,225 million
March 31, 2015: ¥15,009 million

2. Dividends

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2015	—	0.00	—	8.00	8.00
Fiscal 2016	—				
Fiscal 2016 (Forecast)		0.00	—	12.00	12.00

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

3. Consolidated Financial Forecasts for Fiscal 2016 (April 1, 2015 to March 31, 2016)

(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	19,500	8.7	1,150	14.3	1,200	13.8	730	14.0	25.37
Full Fiscal Year	40,500	8.1	2,700	11.8	2,750	9.4	1,700	8.4	59.07

Note: Revisions to the most recently announced financial forecasts in the current quarter: None

* **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) 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.: Yes
 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, 2015	30,823,200 shares	March 31, 2015	30,823,200 shares
2) Number of treasury shares	June 30, 2015	2,046,245 shares	March 31, 2015	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Three months ended June 30, 2015	28,776,955 shares	Three months ended June 30, 2014	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, 2015, the Japanese economy continued to show a moderate recovery thanks to steady improvements in the employment situation and wage conditions on the back of robust corporate earnings. At the same time, the Greek credit crisis and a slowdown in the Chinese economy presented uncertainty for the coming months.

In the housing sector, improvement in home buyers' sentiment was observed owing to a series of incentives by the government and the easy monetary policy launched by the Bank of Japan. A significant increase was observed in new housing starts for condominiums, while it is also believed that home orders for detached houses (custom-built and built-for sale) are on a moderately increasing trend.

Under these circumstances, the Grandy House Group stood by its basic policy of "aiming for continuous growth while reinforcing the core operation of property sales with an emphasis on new homes" and worked on expanding its business. In new home sales, we established a new sales office and worked on building up inventory along the theme of securing increased orders in the area stretching from southern Ibaraki Prefecture to Kashiwa City in Chiba Prefecture, and, in our long-standing markets, we boosted our efforts to provide customers with information about the merits of our offerings by, for example, opening a branch which houses a showroom in it. We also redoubled our sales efforts by holding events such as "Town Opening" to introduce a new subdivision of housing lots and "Grandy Plaza Day" to promote sales.

As a result of these factors, the Grandy House Group's consolidated results for the first quarter of Fiscal 2016 were as follows. Net sales were ¥9,930 million, up 23.5% from the same period of the previous fiscal year; operating income rose to ¥668 million, an increase of 56.7%; ordinary income was ¥694 million, an increase of 51.2%; and net income attributable to owners of the parent company totaled ¥439 million, an increase of 61.6%.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, we worked on developing the area stretching from southern Ibaraki Prefecture to Kashiwa City, Chiba Prefecture, which is a key area due to the size of the market and other potential, and opened Moriya Branch (Moriya City, Ibaraki) under IBARAKI Grandy House in April with a view to focusing on home sales along the Tsukuba Express line as well as working to build up inventory and secure more orders under CHIBA Grandy House. In the meantime, in Tochigi Prefecture, our long-time primary market, we opened Inter Park Branch (Utsunomiya City, Tochigi) in May which also houses "Grandy Plaza," a showroom where customers can experience features of our houses, with a view to boost our efforts to provide customers with information about the merits of our offerings and to cultivate existing markets more extensively.

Also, we held a number of events such as "Town Opening" to introduce a new subdivision of housing lots and "Grandy Plaza Opening Anniversary," appealing to visitors with the assurance and safety that is made possible by our group services spanning the entire process from development and construction of housing lots and homes to sales and after-sales maintenance. As a result, new home sales for the April to June period came to 293 homes, up 43 from the same period last year when the impact of the consumption tax hike was being felt acutely.

In existing home sales, the overall number of good properties available in the entire industry remained low, but, with the target of 100 homes in inventory (75 homes at the end of the previous fiscal year), we stepped up our efforts to build up inventory at the Ibaraki Branch (Joso City, Ibaraki) which opened in February so as to expand our marketing area and vary our sources. In sales of existing homes, circumstances continued to be tough as we were affected by moves to sell off low-cost new homes. As a result, existing home sales for the April to June period came out to be 29 homes, up 4 homes from a year earlier.

As a result of these factors, revenues in the real estate sales segment increased 25.1% year-on-year to ¥9,142 million. Segment profit rose to ¥613 million, up 41.7% from the same period of the previous fiscal year.

Construction Material Sales

In the construction material sales segment, we continued to witness a tough environment in orders for pre-cut materials even though there was a moderate recovery in new housing starts. However, the prices of wood continued to be low on the back of sluggish demand.

Under such circumstances, we continued to work hard to secure orders for building materials other than pre-cut materials and to boost production while reviewing the allocation of operating hours on the back of increased intra-group sales. As a result, both sales and profit increased in the quarter under review from a year earlier.

As a result of these initiatives, revenues in the construction materials sales segment increased 9.4% year-on-year to ¥723 million. Segment profit rose to ¥54 million, up 23.3% from a year earlier.

Real Estate Leasing

In the real estate leasing segment, we saw robust demand especially for smaller properties in and around Utsunomiya City, Tochigi, which is our primary market. Sales from this segment saw a decline from the previous year, when we sold off some assets (one rental apartment building and one pay-by-the-hour parking lot), but profit increased as we worked on increasing the occupancy ratio of existing real estate for leasing.

As a result, revenues in the real estate leasing segment totaled ¥65 million, down 6.2% from a year earlier, while segment profit rose 9.4% to ¥43 million.

(2) Explanation regarding Financial Position

Total assets stood at ¥37,284 million as of June 30, 2015, up ¥1,438 million compared with the end of the previous fiscal year owing mainly to an increase in current assets. Current assets increased as we changed the level of inventory of real estate for sale, and worked to build up inventory in the existing home sales segment.

Total liabilities grew ¥1,196 million to ¥21,958 million as we saw current liabilities increase compared to the end of the previous fiscal year. The increase in current liabilities was due to a rise in short-term borrowings as real estate for sale increased.

Total net assets stood at ¥15,325 million as of June 30, 2015, up ¥241 million compared with the end of the previous fiscal year. The main reasons are payments of dividends to shareholders and the acquisition of net income attributable to owners of the parent company.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There is no change to financial forecasts announced on May 11, 2015.

2. MATTERS CONCERNING SUMMARY INFORMATION (Notes)

(1) Changes of Important Subsidiaries during the Period

Not applicable.

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

Not applicable.

(3) Changes in Accounting Policies, Accounting Estimates, and Restatements

(Changes in accounting policies)

(Application of accounting standards for business combinations, etc.)

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 three month period ended June 30, 2015, 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 three month period that ended June 30, 2014.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2015 (As of March 31, 2015)	First Quarter of FY2016 (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	6,621,018	6,742,454
Notes and accounts receivable – trade	734,021	733,934
Real estate for sale	10,704,928	11,236,925
Costs on uncompleted construction contracts	6,251	11,106
Real estate for sale in process	6,688,779	7,321,556
Merchandise and finished goods	145,413	165,812
Raw materials and supplies	111,279	106,339
Deferred tax assets	122,613	99,268
Other	401,046	496,158
Allowance for doubtful accounts	(5,344)	(4,781)
Total current assets	25,530,008	26,908,775
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,083,718	3,192,292
Machinery, equipment and vehicles, net	8,785	12,459
Tools, furniture and fixtures, net	48,986	50,674
Land	5,851,832	5,851,832
Lease assets, net	107,325	96,179
Construction in progress	58,652	643
Total property, plant and equipment	9,159,301	9,204,082
Intangible assets	67,616	64,119
Investments and other assets		
Investment securities	767,434	778,941
Long-term loans receivable	19,870	19,534
Deferred tax assets	108,270	111,533
Other	197,708	201,487
Allowance for doubtful accounts	(3,816)	(3,814)
Total investments and other assets	1,089,467	1,107,682
Total non-current assets	10,316,385	10,375,885
Total assets	35,846,393	37,284,660

(Thousands of Yen)

	FY2015 (As of March 31, 2015)	First Quarter of FY2016 (As of June 30, 2015)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,772,752	3,005,164
Short-term loans payable	14,074,690	15,389,800
Current portion of long-term loans payable	400,508	374,132
Current portion of bonds	21,000	21,000
Lease obligations	43,999	45,216
Income taxes payable	582,687	183,653
Provision for warranties for completed construction	51,167	52,454
Other	721,606	872,111
Total current liabilities	18,668,411	19,943,532
Non-current liabilities		
Bonds payable	129,000	118,500
Long-term loans payable	1,409,644	1,324,504
Lease obligations	69,525	55,889
Provision for directors' retirement benefits	71,204	78,629
Net defined benefit liability	358,010	378,108
Asset retirement obligations	—	4,157
Other	56,416	55,517
Total non-current liabilities	2,093,801	2,015,305
Total liabilities	20,762,212	21,958,837
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	11,258,301
Treasury shares	(351,814)	(351,831)
Total shareholders' equity	14,980,306	15,189,135
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,874	36,687
Total accumulated other comprehensive income	28,874	36,687
Subscription rights to shares	75,000	100,000
Total net assets	15,084,180	15,325,822
Total liabilities and net assets	35,846,393	37,284,660

(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, 2014 (From April 1, 2014 to June 30, 2014)	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)
Net sales	8,041,238	9,930,898
Cost of sales	6,612,488	8,201,427
Gross profit	1,428,749	1,729,471
Selling, general and administrative expenses	1,002,469	1,061,289
Operating income	426,279	668,181
Non-operating income		
Interest income	131	161
Dividends income	2,141	2,455
Operations consignment fee	49,408	54,480
Office work fee	29,878	34,394
Other	19,958	7,066
Total non-operating income	101,518	98,557
Non-operating expenses		
Interest expenses	68,755	72,720
Total non-operating expenses	68,755	72,720
Ordinary income	459,042	694,018
Extraordinary loss		
Loss on retirement of non-current assets	2,494	2,066
Loss on cancellation of lease contracts	1,143	-
Total extraordinary loss	3,638	2,066
Net income before income taxes	455,404	691,952
Income taxes—current	147,940	236,496
Income taxes—deferred	35,816	16,393
Total income taxes	183,757	252,890
Net income	271,647	439,061
Net income attributable to owners of the parent company	271,647	439,061

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)
Net income	271,647	439,061
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,400)	7,813
Total other comprehensive income	(8,400)	7,813
Comprehensive income	263,246	446,875
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	263,246	446,875
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment and Other Information)

Segment Information

I. The three months ended June 30, 2014 (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.

II. The three months ended June 30, 2015 (April 1, 2015 to June 30, 2015)

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	9,142,369	723,333	65,194	9,930,898	—	9,930,898
Intersegment sales and transfers	—	808,714	20,373	829,088	(829,088)	—
Total	9,142,369	1,532,048	85,568	10,759,986	(829,088)	9,930,898
Segment profit	613,174	54,324	43,120	710,619	(16,601)	694,018

Notes: 1 Adjustments of segment profit (¥16,601 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.