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

November 9, 2015

Company Name: Grandy House Corporation	Stock Exchange Listing: Tokyo Stock Exchange
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Scheduled date of quarterly securities report filing: November 12, 2015	
Scheduled date of dividend payment commencement: —	
Preparation of quarterly supplementary explanatory materials: None	
Quarterly results briefing held: Yes (institutional investors and analysts)	

(Figures are rounded down to the nearest million yen unless otherwise stated.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016
(April 1, 2015 to September 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)	%
Six months ended September 30, 2015	20,659	15.2	1,367	36.0	1,418	34.5	894	39.6
Six months ended September 30, 2014	17,931	(2.7)	1,005	(30.8)	1,054	(30.2)	640	(30.7)

Note: Comprehensive Income Six months ended September 30, 2015: ¥892 million (43.0%)
Six months ended September 30, 2014: ¥623 million (-32.5%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Six months ended September 30, 2015	31.07	—
Six months ended September 30, 2014	22.26	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
September 30, 2015	37,802	15,795	41.5	544.57
March 31, 2015	35,846	15,084	41.9	521.57

Reference: Shareholders' equity September 30, 2015: ¥15,670 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	—	0.00	—	—	—
Fiscal 2016 (Forecast)	—	—	—	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)	%	(¥)
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)	September 30, 2015	30,823,200 shares	March 31, 2015	30,823,200 shares
2) Number of treasury shares	September 30, 2015	2,046,245 shares	March 31, 2015	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Six months ended September 30, 2015	28,776,955 shares	Six months ended September 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 six months ended September 30, 2015, the Japanese economy saw continuous improvement in corporate earnings and the employment situation on the back of the economic and monetary policies followed by the government and the Bank of Japan. However, with elements of instability in overseas economies, including economic slowdowns in China and emerging Asian countries, the Japanese economy, which was on a recovery track, also became uncertain.

In the housing sector, the favorable circumstances surrounding home buying continued, owing to a series of incentives offered by the government to stimulate housing demand and mortgage rates remaining at a low level. As a result, an increase was observed in new housing starts for houses to let and home orders for detached houses (custom-built and built-for sale) also remained strong.

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 strengthened our efforts to provide customers with information from our "Grandy Plaza" showroom and in the key area stretching from southern Ibaraki Prefecture to Kashiwa City in Chiba Prefecture, sales at the Moriya Branch (Moriya City, Ibaraki), established in April, showed steady growth. As a result, a sales network along the Tsukuba Express line has been developed. In addition, we worked on expanding our long-standing markets through launching the sale of housing lots in Hitachi City in Ibaraki Prefecture and due to this orders increased strongly. In existing home sales, the Company continued to suffer from the severe conditions involved in ensuring overall number of good properties available across the entire industry, although the situation regarding building up inventory began to improve.

As a result of these factors, the Grandy House Group's consolidated results for the second quarter (cumulative) of Fiscal 2016 were as follows. Net sales were ¥20,659 million, up 15.2% from the same period of the previous fiscal year; operating income rose to ¥1,367 million, an increase of 36.0%; ordinary income was ¥1,418 million, an increase of 34.5%; and net income attributable to owners of the parent company totaled ¥894 million, an increase of 39.6%.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, we held "Grandy Plaza Day" events at our "Grandy Plaza" locations (two in Utsunomiya City, Tochigi and one in another city), whose establishment we have been promoting as bases for the provision of information. Through such events, we provided information on a new subdivision in housing lots ("Town Opening" event), and introduced to visitors our attractive "All-in-One Homes," which feature all-electric facilities, exterior facilities, parking spaces for multiple vehicles and fitted lights in all rooms, as well as a safety and security system through one-stop production and with a long-term warranty. In addition, we held "Whole Townscape Viewing Tour" and "Model House Tour" events in all our areas, as part of our work to attract more visitors. As a result of the above efforts, new home sales for the six months ended September 30, 2015, came to 623 homes, up 63 from the same period last year. In existing home sales, circumstances continued to be tough as we were affected by moves to sell off low-cost new homes, although the volume of inventories increased to the target level as a result of performance of Ibaraki Branch (Joso City, Ibaraki) which opened in the previous fiscal year for the purpose of building up inventory. As a result, existing home sales for the six months ended September 30, 2015, came out to be 59 homes, exactly the same as during the same period last year.

As a result of these factors, revenues in the real estate sales segment increased 15.3% year-on-year to ¥19,040 million. Segment profit rose to ¥1,266 million, up 33.4% from the same period of the previous fiscal year.

Construction Material Sales

New home orders for detached houses remained flat despite a moderately increasing trend after a pullback in demand following the hike in Japan's consumption tax. The prices of wood also remained flat on the back of sluggish demand. Under such circumstances, we continued to work on expanding sales to excellent purchasers through focusing on orders for non-residential buildings such as nursing care facilities, while securing orders and outsourcing part of the production process. As a result, both sales and profit increased in the six months ended September 30, 2015 from a year earlier.

As a result of these initiatives, revenues in the construction materials sales segment increased 16.4% year-on-year to ¥1,488 million. Segment profit rose to ¥94 million, up 21.9% from a year earlier.

Real Estate Leasing

In the real estate leasing segment, as there was no material changes in the office market in and around Utsunomiya City, Tochigi, which is our primary market, vacancy rates remained flat. 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 segment profit increased as the profitability of existing real estate for leasing improved.

As a result, revenues in the real estate leasing segment totaled ¥130 million, down 7.4% from a year earlier, while segment profit rose 0.6% to ¥86 million.

(2) Explanation regarding Financial Position

a. Balance Sheet

Total assets stood at ¥37,802 million as of as of September 30, 2015, up ¥1,956 million compared with the end of the previous fiscal year. This was largely due to an increase in current assets, which resulted from an aggressive effort in expanding its business mainly in real estate sales, including the expansion of our marketing area.

Total liabilities grew ¥1,244 million compared with the end of the previous fiscal year to ¥22,006 million. This was mainly due to an increase in current liabilities, which was brought about by an increase in short-term loans payable stemming from the increase in the amount of real estate for sale.

Total net assets stood at ¥15,795 million as of September 30, 2015. This represents an increase of ¥711 million from the balance recorded as of March 31, 2015. After accounting for the payment of dividends, this increase was largely due to the acquisition of net income attributable to owners of the parent company.

b. Cash Flows

Cash flows from operating and investing activities resulted in decreases in cash and cash equivalents respectively, and cash flows from financing activities resulted in an increase in cash and cash equivalents during the six months ended September 30, 2015. As a result, the balance of cash and cash equivalents at the end of the period amounted to ¥7,112 million, up ¥498 million from the end of the previous fiscal year. The status of the Company's cash flows and factors contributing to changes thereto for the six months ended September 30, 2015, are as follows.

(Cash Flows from Operating Activities)

Net cash used in operating activities amounted to ¥161 million (increase of ¥256 million for the six months ended September 30, 2014). This was mainly due to an increase in inventories and payment of income taxes, in spite of an increase in net income before income taxes.

(Cash Flows from Investment Activities)

Net cash used in investment activities amounted to ¥377 million (decrease of ¥57 million for the six months ended September 30, 2014). This was mainly attributable to cash outflow for the purchase of property, plant and equipment for the opening of Inter Park Branch (in Utsunomiya City, Tochigi) which also houses "Grandy Plaza," a showroom where customers can experience the features of our houses, as well as for the purchase of investment securities.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥1,038 million (decrease of ¥26 million for the six months ended September 30, 2014). This was mainly due to an increase in short-term loans payable accompanied by the rise in inventories, in spite of dividend payments and repayment in long-term loans payable.

(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 six month period ended September 30, 2014.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2015 (As of March 31, 2015)	Second Quarter of FY2016 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	6,621,018	7,113,703
Notes and accounts receivable – trade	734,021	697,599
Real estate for sale	10,704,928	11,294,851
Costs on uncompleted construction contracts	6,251	9,885
Real estate for sale in process	6,688,779	7,276,168
Merchandise and finished goods	145,413	182,025
Raw materials and supplies	111,279	122,654
Deferred tax assets	122,613	133,155
Other	401,046	404,637
Allowance for doubtful accounts	(5,344)	(5,021)
Total current assets	25,530,008	27,229,659
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,083,718	3,159,380
Machinery, equipment and vehicles, net	8,785	11,123
Tools, furniture and fixtures, net	48,986	49,302
Land	5,851,832	5,851,832
Lease assets, net	107,325	81,955
Construction in progress	58,652	8,591
Total property, plant and equipment	9,159,301	9,162,186
Intangible assets	67,616	69,068
Investments and other assets		
Investment securities	767,434	979,047
Long-term loans receivable	19,870	20,711
Deferred tax assets	108,270	121,559
Other	197,708	237,572
Allowance for doubtful accounts	(3,816)	(17,282)
Total investments and other assets	1,089,467	1,341,608
Total non-current assets	10,316,385	10,572,863
Total assets	35,846,393	37,802,523

(Thousands of Yen)

	FY2015 (As of March 31, 2015)	Second Quarter of FY2016 (As of September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,772,752	2,895,868
Short-term loans payable	14,074,690	15,590,200
Current portion of long-term loans payable	400,508	356,808
Current portion of bonds	21,000	21,000
Lease obligations	43,999	39,886
Income taxes payable	582,687	437,320
Provision for warranties for completed construction	51,167	53,173
Other	721,606	668,982
Total current liabilities	18,668,411	20,063,238
Non-current liabilities		
Bonds payable	129,000	118,500
Long-term loans payable	1,409,644	1,240,112
Lease obligations	69,525	45,952
Provision for directors' retirement benefits	71,204	86,079
Net defined benefit liability	358,010	394,017
Asset retirement obligations	—	4,180
Other	56,416	54,444
Total non-current liabilities	2,093,801	1,943,286
Total liabilities	20,762,212	22,006,524
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	11,713,328
Treasury shares	(351,814)	(351,831)
Total shareholders' equity	14,980,306	15,644,162
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,874	26,836
Total accumulated other comprehensive income	28,874	26,836
Subscription rights to shares	75,000	125,000
Total net assets	15,084,180	15,795,998
Total liabilities and net assets	35,846,393	37,802,523

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

(Thousands of Yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net sales	17,931,904	20,659,159
Cost of sales	14,790,130	17,033,311
Gross profit	3,141,774	3,625,847
Selling, general and administrative expenses	2,136,051	2,258,056
Operating income	1,005,722	1,367,791
Non-operating income		
Interest income	711	892
Dividends income	2,141	2,455
Operations consignment fee	99,626	110,742
Office work fee	65,180	72,279
Other	21,638	12,678
Total non-operating income	189,298	199,047
Non-operating expenses		
Interest expenses	140,565	148,697
Total non-operating expenses	140,565	148,697
Ordinary income	1,054,456	1,418,141
Extraordinary loss		
Loss on sale of non-current assets	1,070	—
Loss on retirement of non-current assets	6,239	4,168
Loss on cancellation of lease contracts	1,143	—
Total extraordinary loss	8,453	4,168
Net income before income taxes	1,046,002	1,413,972
Income taxes – current	398,932	542,753
Income taxes – deferred	6,590	(22,870)
Total income taxes	405,523	519,883
Net income	640,479	894,088
Net income attributable to owners of the parent company	640,479	894,088

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net income	640,479	894,088
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,801)	(2,038)
Total other comprehensive income	(16,801)	(2,038)
Comprehensive income	623,677	892,050
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	623,677	892,050
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net cash provided by (used in) operating activities		
Net income before income taxes	1,046,002	1,413,972
Depreciation and amortization	117,361	119,935
Stock compensation expense	25,000	50,000
Increase (decrease) in provision for directors' retirement benefits	11,187	14,875
Increase (decrease) in provision for warranties for completed construction	(13,831)	2,005
Increase (decrease) in allowance for doubtful accounts	471	13,143
Increase (decrease) in retirement benefit obligations	43,120	36,007
Interest and dividends income	(2,853)	(3,347)
Interest expenses	140,565	148,697
Loss (gain) on sale of non-current assets	1,070	—
Loss on retirement of non-current assets	6,239	4,168
Decrease (increase) in notes and accounts receivable-trade	7,517	22,951
Decrease (increase) in inventories	(266,711)	(1,228,932)
Increase (decrease) in notes and accounts payable-trade	144,147	123,115
Other	(17,727)	(36,095)
Subtotal	1,241,559	680,497
Interest and dividends income received	2,853	3,300
Interest expenses paid	(140,718)	(152,474)
Income taxes paid	(847,358)	(693,232)
Net cash provided by (used in) operating activities	256,336	(161,908)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(57,192)	(140,514)
Proceeds from sale of property, plant and equipment	37,757	—
Purchase of intangible assets	(17,312)	(2,400)
Purchase of investment securities	—	(214,600)
Payments of loans receivable	—	(1,500)
Collection of loans receivable	1,217	658
Payments for guarantee deposits	(29,010)	(24,600)
Other payments	(5,040)	(6,540)
Other proceeds	12,000	12,020
Net cash provided by (used in) investing activities	(57,580)	(377,475)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	69,850	1,515,510
Proceeds from long-term loans payable	464,300	—
Repayment of long-term loans payable	(305,437)	(213,232)
Redemption of bonds	—	(10,500)
Purchase of treasury shares	—	(16)
Cash dividends paid	(229,419)	(229,705)
Repayments of lease obligations	(25,401)	(23,985)
Net cash provided by (used in) financing activities	(26,108)	1,038,070
Net increase (decrease) in cash and cash equivalents	172,647	498,685
Cash and cash equivalents at beginning of the period	5,554,541	6,614,018
Cash and cash equivalents at end of the period	5,727,189	7,112,703

(4) 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 six months ended September 30, 2014 (April 1, 2014 to September 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	16,511,905	1,279,122	140,876	17,931,904	—	17,931,904
Intersegment sales and transfers	—	1,479,029	35,869	1,514,898	(1,514,898)	—
Total	16,511,905	2,758,152	176,745	19,446,803	(1,514,898)	17,931,904
Segment profit	949,164	77,598	86,107	1,112,869	(58,413)	1,054,456

Notes: 1 Adjustments of segment profit (¥58,413 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 six months ended September 30, 2015 (April 1, 2015 to September 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	19,040,346	1,488,346	130,466	20,659,159	—	20,659,159
Intersegment sales and transfers	—	1,612,037	41,186	1,653,223	(1,653,223)	—
Total	19,040,346	3,100,384	171,652	22,312,383	(1,653,223)	20,659,159
Segment profit	1,266,052	94,627	86,642	1,447,322	(29,181)	1,418,141

Notes: 1 Adjustments of segment profit (¥29,181 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.