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Consolidated Financial Report
For the First Quarter of Fiscal 2017 Ending March 31, 2017 (Japanese GAAP)

August 8, 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 quarterly securities report filing: August 9, 2016	
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, 2017
(April 1, 2016 to June 30, 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)	%
Three months ended June 30, 2016	11,101	11.8	827	23.8	859	23.9	557	27.0
Three months ended June 30, 2015	9,930	23.5	668	56.7	694	51.2	439	61.6

Note: Comprehensive income Three months ended June 30, 2016: ¥559 million (25.2%)
Three months ended June 30, 2015: ¥446 million (69.8%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Three months ended June 30, 2016	19.38	—
Three months ended June 30, 2015	15.26	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2016	40,566	16,894	41.2	580.13
March 31, 2016	39,545	16,623	41.6	571.58

Reference: Shareholders' equity June 30, 2016: ¥16,694 million
March 31, 2016: ¥16,448 million

2. Dividends

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2016	—	0.00	—	12.00	12.00
Fiscal 2017	—	—	—	—	—
Fiscal 2017 (Forecast)	—	0.00	—	14.00	14.00

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

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

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, 2016	30,823,200 shares	March 31, 2016	30,823,200 shares
2) Number of treasury shares	June 30, 2016	2,046,245 shares	March 31, 2016	2,046,245 shares
3) Average number of shares issued and outstanding for the period	Three months ended June 30, 2016	28,776,955 shares	Three months ended June 30, 2015	28,776,955 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, 2016, the Japanese economy presented expectations for a continued recovery owing to the improvement in the employment and income conditions, but uncertainty remained due to the strengthening of the yen and the weakness of the stock market from the beginning of the year and the outcome of the UK referendum which turned out in favor of leaving the European Union.

In the housing sector, the favorable environment for acquisition of houses continued due to the improvement in employment and income conditions and the continuation of various support measures to promote home acquisition, as well as the interest rates on housing loans hitting record lows owing to the introduction of negative rates by the Bank of Japan. As a result, new housing starts marked an increase compared both to the same period last year and to the previous quarter.

Under these circumstances, the Grandy House Group positioned the consolidated fiscal year under review, which is the second year of the three-year medium-term business plan (drawn up in 2015), as the most important year to achieve management targets in the final year, and continued to strive to expand and reinforce business under the basic policy of "continuous growth through reinforcing the core operation (new homes)" and "expansion of business through enhancement of the stock business."

With regard to new home sales, a core operation, we actively purchased housing lots in major areas including the area from southern Ibaraki Prefecture to Kashiwa City, Chiba Prefecture, which is our focus area for business expansion, and carried out sales promotion by holding various events mainly at "Grandy Plaza," our hub for information dissemination. In terms of housing projects, we developed "E.SORA, a sun-blessed home" as our zero-energy house product, and put "Happiness Forest Tokami" (Utsunomiya City, Tochigi Prefecture) on the market, which features tightened night-time security, offering safe and comfortable lifestyles with house products with enhanced security and energy saving and creation features.

Meanwhile, in existing home sales, we worked to build up our property inventory for sale, and opened a new sales office (Yoga, Setagaya Ward, Tokyo) at the end of the previous period to boost sales initiatives in the Tokyo Metropolitan area, working to expand our business.

As a result of these factors, the Group's consolidated results for the first quarter of Fiscal 2017 were as follows. Net sales were ¥11,101 million, up 11.8% from the same period of the previous fiscal year; operating income rose to ¥827 million, an increase of 23.8% year-on-year; ordinary income was ¥859 million, an increase of 23.9% year-on-year; and net income attributable to owners of the parent company totaled ¥557 million, an increase of 27.0% year-on-year.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, we held various sales promotional events and campaigns such as "Golden Week Stamp Rally" and "Concert for young families" at our "Grandy Plaza" showrooms, which are our hub for information dissemination, in an effort to further cultivate our market.

Also, in the area between southern Ibaraki Prefecture and Kashiwa City, Chiba Prefecture, which we designated as a focus area for sales expansion last year, we continued to cover the breadth of the area stretching along the Joban Line and Tsukuba Express Line, and worked to enhance our land inventory both in terms of quantity and quality such as by developing strategic large-scale housing lots.

In terms of new housing lots, we started selling "Happiness Forest Tokami" (35 lots, Utsunomiya City, Tochigi Prefecture) in April 2016, which features enhanced night-time security with street lamps and gate lamps. Also, "Grage Garden Kawadamachi" (10 lots, Utsunomiya City, Tochigi Prefecture) and "Solaris Vita Kashiwashi-Minamimasuo" (12 lots, Kashiwa City, Chiba Prefecture), which are made according to our "E.SORA, a sun-blessed home" specifications, which aim to reduce energy bills to zero, and were put on the market between the end of the previous period and this period. They proved very popular and were sold out in a short period of time. As a result, new home sales for the consolidated first quarter came to be 333 homes, up 40 homes from a year earlier.

In existing home sales, we opened a branch in Setagaya Ward, Tokyo in March in the end of the previous period with a view to reinforcing stock business and expanding sales coverage, and worked to bolster sales efforts in the Metropolitan area (Tokyo, Saitama, Chiba and Kanagawa). With a view to building up our property inventory for sale, we aimed to have an inventory of over 100 homes at any time, of which 60 are completed homes. As a result, existing home sales for the consolidated first quarter came to be 39 homes, up 10 homes from a year earlier.

As a result of these factors, sales in the real estate sales segment increased 12.5% year-on-year to ¥10,289 million. Segment profit rose to ¥783 million, up 27.8% from the same period of the previous fiscal year.

Construction Material Sales

In the construction material sales segment, while the prices of wood for major pre-cut materials stayed flat, new housing starts for detached houses marked a year-on-year increase for eight consecutive months until June, and custom-built homes marked a year-on-year increase for five consecutive months. However, small and medium-sized builders' offices, our main customers, continued to have a tough time due to competition with leading companies.

Under such circumstances, sales of the pre-cut materials segment increased though sales outside the group decreased as sales to group companies increased, and thanks to efforts to promote other building materials, but profit declined owing to the sluggish sales to small and medium-sized builders' offices.

As a result of these initiatives, sales in the construction materials sales segment increased 3.4% year-on-year to ¥748 million. Segment profit totaled ¥48 million, down 11.5% from a year earlier.

Real Estate Leasing

In the real estate leasing segment, the office market in and around Utsunomiya City, Tochigi Prefecture, is our main market. While there are not enough prime properties compared to demand and vacancy rate has been declining in Utsunomiya City, office properties were supplied and attracted attention as to how the market situation will change. In the parking lot market, competition remained tough between parking lots in the vicinity.

Under such circumstances, as we changed the use of some assets from rental to commercial use last period and sold one pay-by-the-hour parking lot (Mito City, Ibaraki Prefecture), sales from the segment marked a slight decrease. In terms of profits, as we carried out major maintenance work such as repairing outer walls of tenant buildings during the quarter under review, we suffered a significant decrease in profits.

As a result, sales in the real estate leasing segment totaled ¥64 million, down 1.7% from a year earlier. Segment profit totaled ¥29 million, down 31.8% year-on-year.

(2) Explanation regarding Financial Position

Total consolidated assets as of the end of the first consolidated quarter was ¥40,566 million, up ¥1,021 million from the previous consolidated fiscal year, due mainly to the increase in current assets. This was chiefly due to the increase in inventory of property for sale (including houses under construction) as we endeavored to boost and expand real estate business.

Total liabilities increased ¥750 million to ¥23,672 million. This is mainly due to the increase in long-term and short-term loans payable and accounts payable for construction contracts caused by the acquisition of properties for sale as well as funding a number of projects.

Total net assets stood at ¥16,894 million as of June 30, 2016, up ¥271 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 9, 2016.

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 "Revised Implementation Guidance on Recoverability of Deferred Tax Assets")

We have applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the "Recoverability Implementation Guidance") from the first quarter ended June 30, 2016 and partially revised the accounting method of recoverability of deferred tax assets.

The Recoverability Implementation Guidance has been applied in accordance with the transitional treatment set forth in Article 49-4 of the Recoverability Implementation Guidance. The differences between (i) the amounts of deferred tax assets and deferred tax liabilities when provisions applicable from paragraphs 1 to 3 of Article 49-3 of the Recoverability Implementation Guidance were applied as of April 1, 2016, and (ii) the amounts of deferred tax assets and deferred tax liabilities at the end of the fiscal year ended March 31, 2016, were added to Retained Earnings as of April 1, 2016.

As a result, Deferred Tax Assets (investments and other assets) and Retained Earnings increased by ¥31,883 thousand as of April 1, 2016.

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Pursuant to the revised Corporation Tax Law, we have applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32, June 17, 2016) starting in the consolidated first quarter under review. Accordingly, we have changed the depreciation method applied to structures which were acquired on or later than April 1, 2016 from the declining balance method to the straight line method.

As a result, the operating income, ordinary income, and net income before income taxes have each increased by ¥108 thousand.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2016 (As of March 31, 2016)	First Quarter of FY2017 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	7,789,687	8,241,395
Notes and accounts receivable – trade	523,636	565,017
Real estate for sale	11,423,421	10,712,099
Costs on uncompleted construction contracts	10,539	7,538
Real estate for sale in process	7,996,211	8,927,171
Merchandise and finished goods	206,665	196,363
Raw materials and supplies	115,304	106,884
Deferred tax assets	130,226	102,513
Other	955,924	1,298,349
Allowance for doubtful accounts	(3,588)	(4,653)
Total current assets	29,148,028	30,152,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,123,508	3,088,202
Machinery, equipment and vehicles, net	11,457	10,611
Tools, furniture and fixtures, net	56,696	66,510
Land	5,599,701	5,599,789
Lease assets, net	76,559	71,147
Construction in progress	148,441	148,441
Total property, plant and equipment	9,016,365	8,984,702
Intangible assets	66,447	64,150
Investments and other assets		
Investment securities	889,407	891,336
Long-term loans receivable	20,446	20,174
Deferred tax assets	160,847	203,295
Other	260,837	271,168
Allowance for doubtful accounts	(17,279)	(21,177)
Total investments and other assets	1,314,260	1,364,796
Total non-current assets	10,397,072	10,413,649
Total assets	39,545,100	40,566,328

(Thousands of Yen)

	FY2016 (As of March 31, 2016)	First Quarter of FY2017 (As of June 30, 2016)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,054,103	3,217,323
Short-term loans payable	16,014,500	16,298,000
Current portion of long-term loans payable	382,592	437,912
Current portion of bonds	21,000	21,000
Lease obligations	41,214	40,794
Income taxes payable	566,028	222,628
Provision for warranties for completed construction	54,940	56,404
Other	694,477	1,026,184
Total current liabilities	20,828,856	21,320,247
Non-current liabilities		
Bonds payable	108,000	97,500
Long-term loans payable	1,358,183	1,604,688
Lease obligations	39,139	33,525
Provision for directors' retirement benefits	100,979	108,504
Net defined benefit liability	428,790	449,674
Asset retirement obligations	4,203	4,214
Other	53,690	53,713
Total non-current liabilities	2,092,985	2,351,821
Total liabilities	22,921,841	23,672,068
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,205,165
Retained earnings	12,551,499	12,795,762
Treasury shares	(351,831)	(351,831)
Total shareholders' equity	16,482,333	16,726,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34,074)	(32,336)
Total accumulated other comprehensive income	(34,074)	(32,336)
Subscription rights to shares	175,000	200,000
Total net assets	16,623,258	16,894,260
Total liabilities and net assets	39,545,100	40,566,328

(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, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net sales	9,930,898	11,101,904
Cost of sales	8,201,427	9,099,539
Gross profit	1,729,471	2,002,364
Selling, general and administrative expenses	1,061,289	1,175,246
Operating income	668,181	827,118
Non-operating income		
Interest income	161	331
Dividends income	2,455	2,454
Operations consignment fee	54,480	58,940
Office work fee	34,394	39,911
Other	7,066	7,563
Total non-operating income	98,557	109,202
Non-operating expenses		
Interest expenses	72,720	75,343
Commission for syndicate loan	—	1,125
Total non-operating expenses	72,720	76,468
Ordinary income	694,018	859,852
Extraordinary loss		
Loss on retirement of non-current assets	2,066	4,660
Loss on cancellation of lease contracts	—	45
Total extraordinary loss	2,066	4,705
Net income before income taxes	691,952	855,146
Income taxes—current	236,496	281,057
Income taxes—deferred	16,393	16,386
Total income taxes	252,890	297,443
Net income	439,061	557,702
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent company	439,061	557,702

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net income	439,061	557,702
Other comprehensive income		
Valuation difference on available-for-sale securities	7,813	1,738
Total other comprehensive income	7,813	1,738
Comprehensive income	446,875	559,441
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	446,875	559,441
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, 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.

II. The three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)

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	10,289,570	748,240	64,094	11,101,904	—	11,101,904
Intersegment sales and transfers	—	867,425	20,639	888,065	(888,065)	—
Total	10,289,570	1,615,666	84,733	11,989,970	(888,065)	11,101,904
Segment profit	783,941	48,096	29,398	861,436	(1,584)	859,852

Notes: 1 Adjustments of segment profit (¥1,584 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.