Consolidated Financial Report
For Fiscal 2017 (The Fiscal Year Ended March 31, 2017 under Japanese GAAP)

May 8, 2017

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, 2017
Scheduled date of securities report filing: June 29, 2017
Scheduled date of dividend payment commencement: June 30, 2017
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 2017 (April 1, 2016 to March 31, 2017)

(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 2017	43,962	5.4	2,715	(1.9)	2,805	(2.0)	1,744	0.7
Fiscal 2016	41,706	11.3	2,768	14.6	2,863	13.9	1,732	10.5

Note: Comprehensive Income Fiscal 2017: ¥1,786 million (7.0%)
Fiscal 2016: ¥1,669 million (5.4%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2017	60.61	60.59	10.1	6.6	6.2
Fiscal 2016	60.20	—	11.0	7.6	6.6

Reference: Equity in earnings of affiliates Fiscal 2017: ¥— million
Fiscal 2016: ¥— million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2017	45,682	18,121	39.2	622.78
March 31, 2016	39,545	16,623	41.6	571.58

Reference: Shareholders' equity Fiscal 2017: ¥17,921 million
Fiscal 2016: ¥16,448 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 2017	(2,885)	(562)	4,140	8,475
Fiscal 2016	101	(507)	1,575	7,782

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 2016	—	0.00	—	12.00	12.00	345	19.9	2.2
Fiscal 2017	—	0.00	—	14.00	14.00	402	23.1	2.3
Fiscal 2018 (Forecast)	—	0.00	—	16.00	16.00		21.9	

3. Consolidated Financial Forecasts for Fiscal 2018 (April 1, 2017 to March 31, 2018)

(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	23,900	5.7	1,540	1.7	1,580	0.6	1,070	4.4	37.18
Full Fiscal Year	48,000	9.2	3,200	17.9	3,300	17.6	2,100	20.4	72.98

* **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, 2017	30,823,200 shares	March 31, 2016	30,823,200 shares
2) Number of treasury shares	March 31, 2017	2,046,245 shares	March 31, 2016	2,046,245 shares
3) Average number of shares issued and outstanding for the period	Fiscal 2017	28,776,955 shares	Fiscal 2016	28,776,955 shares

Reference: Non-Consolidated Financial Results

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

(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 2017	19,462	4.6	1,004	13.0	1,979	27.1	1,451	32.1
Fiscal 2016	18,605	1.8	888	(18.1)	1,556	(12.1)	1,099	(17.2)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2017	50.46	50.44
Fiscal 2016	38.21	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2017	24,452	14,922	60.2	511.62
March 31, 2016	23,653	13,726	57.3	470.92

Reference: Shareholders' equity March 31, 2017: ¥14,722 million
March 31, 2016: ¥13,551 million

2. Non-Consolidated Financial Forecasts for Fiscal 2018 (April 1, 2017 to March 31, 2018)

(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	10,200	4.4	550	9.1	1,500	4.1	1,290	2.6	44.83
Full Fiscal Year	20,400	4.8	1,100	9.6	2,100	6.1	1,600	10.2	55.60

* **The consolidated financial report is not subject to auditing.**

* **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. OVERVIEW OF OPERATING RESULTS (1) Overview of Operating Results for Fiscal 2017" 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. OVERVIEW OF OPERATING RESULTS

(1) Overview of Operating Results for Fiscal 2017

While the economy of Japan under the consolidated fiscal year under review is faced with overseas risks such as an economic recession in China and developing countries in Asia, problems associated with Brexit, and the inauguration of the new US administration, the Japanese economy has continued to show signs of a gradual recovery, with sustained improvement in the employment and income situation, and positive growth for four consecutive quarters until the end of last year.

In the housing sector, the repeated postponement of the consumption tax hike to 10% that was planned for April this year made it possible to avoid the large changes in demand associated with a tax increase. With these changes, the number of new housing starts (mainly for rental) increased. Moreover, as the government continues to offer various support measures to promote house buying, the environment for house buying remains favorable, with the interest rate on housing loans remaining at record low levels. As moves are being seen to use up land inventory that was acquired in expectation of the increased demand ahead of the (originally planned) second consumption tax hike, the number of new construction starts remains strong. Meanwhile, as the number of construction starts has remained steady despite the decreased impact of long-term low interest rates and the postponement of the consumption tax hike resulting in customers being less willing to buy, the market inventory of detached houses has been increasing, resulting in greater competition between businesses.

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 an 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, one of our core operations, we built and enhanced a new branch in our designated focus area for increasing sales, which extends from southern Ibaraki Prefecture to the Kashiwa area in Chiba Prefecture, and launched sales of "Yotsuba no Mori" (literally, "Four-leaf Clover Hill") housing lots (211 lots, Tsukuba City, Ibaraki Prefecture), the largest housing lot development ever implemented by our group, from December 2016. In terms of efforts to improve our market share, while holding various hands-on events to attract customers, we have also made preparations to thoroughly develop the area through further enhancement of our sales structure by moving our Kennan branch (Oyama City, Tochigi Prefecture) to our new company building. We have made efforts to facilitate brand penetration for our products by differentiating them based on high level of creativity, energy conservation and security. In existing home sales, we have continued to build up our product inventory to stabilize and increase sales while working to expand our business in metropolitan areas at our branch in Setagaya Ward, Tokyo, which opened at the end of the last financial period.

Through initiatives such as these, the Group's consolidated results for this fiscal year increased, at 1,346 new home sales (up 56 from the same period of the previous year) and 136 existing home sales (up 19 from the same period of the previous year). However, as competition increased with rush orders ahead of the end of the period, sales profits had to be reduced.

As a result of these initiatives, the Grandy House Group's consolidated results for Fiscal 2017 were as follows. Net sales were ¥43,962 million, up 5.4% from the previous fiscal year; operating income was ¥2,715 million, down 1.9% from the previous fiscal year; ordinary income was ¥2,805 million, down 2.0% from the previous fiscal year; and net income attributable to owners of the parent company totaled ¥1,744 million, up 0.7% from the previous fiscal year.

Results by business segment are presented as follows.

① *Real Estate Sales*

In the new home sales business, we worked to fully cover our designated focus area for increasing sales, which extends from southern Ibaraki Prefecture to the Kashiwa area in Chiba Prefecture while also expanding our house products in terms of both quantity and quality through initiatives such as strategically developing large land lots. In addition to the Chiba Grandy House Branch successively launching dozens of medium-scale housing lots to enhance our product inventory, we opened the Tsukuba Branch (Ibaraki Grandy House branch) in Tsukuba City, Ibaraki Prefecture in November 2016, which started sales of "Yotsuba no Mori" housing lots (211 lots, Tsukuba City, Ibaraki Prefecture), the Group's largest scale housing lot development ever, from December 2016. In terms of initiatives to increase our market share, we have worked to attract families as customers, through efforts such as communicating information from our "Grandy Plaza" hands-on showroom as well as a diverse range of hands-on events such as our "KIDS Bike Festival" held by a local professional bicycle team and the "Future Living Experience Event" involving all-electric housing fitted with a solar power generation system together with an electric vehicle. In March 2017, we also moved our Kennan branch (Oyama City, Tochigi Prefecture) , which covered southern Tochigi Prefecture, to our new company office established with the "Grandy Plaza" showroom newly constructed in a dense commercial area of Oyama City and prepared the area for thorough development by further increasing staff numbers and enhancing existing systems. In terms of products, we engaged in product planning with different concepts for each housing lot. For example, "Happiness Forest Tokami" (35 lots, Utsunomiya City, Tochigi Prefecture), offers increased nighttime security throughout all lots, "Solaris Vita Minamikashiwa Stage 8" (26 lots, Kashiwa City, Chiba Prefecture) is a proposal-based planned product that combines lifestyles with electric vehicles, and the aforementioned "Yotsuba no Mori," in which all lots have been equipped with seismic-resistant features. In addition, we have promoted sales by differentiating our products from those of our competitors with our strength in building comfortable urban environments.

Through these initiatives, although we were able to expand the number of lot sales in our previously mentioned designated focus area, the uneven distribution of product inventory in other areas, etc. resulted in a temporary stagnation in orders from December 2016 through January 2017. In light of this, we made every effort to achieve a sales recovery by the end of this financial period. However, although we were able to secure 1,346 new home sales (up 56 from the same period of the previous year), we faced a tough battle in terms of profits with increased price support.

For existing home sales, we increased our product inventories in all sales areas to expand the number of sales (a sufficient inventory of over 100 homes at any time, of which over 60 are completed) under our policy of stock business enhancement and worked to develop our business in metropolitan areas (Tokyo, Saitama, Chiba and Kanagawa Prefectures) as designated focus areas under a policy of expanding our sales areas. This made it possible to contribute to the operating results of this period for the said area, with 24 sales (up 18 from the same period of the previous year) and 34 purchases (up 7 from the same period of the previous year). As a result, the number of existing home sales during this cumulative period increased 19 over the same period of the previous year to reach 136, and the product inventory at the end of the period was 112 lots (up 16 from the same period of the previous year).

As a result of these initiatives, sales in the real estate sales segment increased 5.5% year-on-year to ¥40,673 million. Segment profit was ¥2,497 million, down 1.4% from the previous fiscal year.

② *Construction Material Sales*

In the construction material sales segment, new housing starts for wooden houses increased year-on-year for a 15th consecutive month up to March, with demand continuing to grow steadily. Meanwhile, the prices for pre-cut materials such as chipboard for floors began rising as the demand for wood used in housing grew steadily. Under these circumstances, while efforts made to expand sales of our core product, pre-cut materials, to our best customers with a focus on small and medium-sized builders' offices and the enhancement of sales of construction materials and housing equipment other than pre-cut materials resulted in increased revenue being maintained with sales of ¥3,030 million (up 4.7% compared to same period of previous year), segment profit decreased to ¥148 million (down 21.4% compared to the same period of previous year) as a result of intensified competition and increased costs.

③ *Real Estate Leasing*

In the real estate leasing segment, the office market around Utsunomiya City, Tochigi Prefecture, our main sales area, continued to exhibit demand for small-scale properties and prime properties with new facilities. In the parking lot market, we continued to see competition between neighboring parking lots and new investment in pay-by-the-hour parking lots. In this context, while we made efforts to improve the operation rate of existing working assets as we had sold one pay-by-the-hour parking lot (Mito City, Ibaraki Prefecture) in the previous financial period and not made any new investments this period, our sales decreased to ¥258 million (down 1.6% compared to same period of previous year) as a result of decreased working assets. Decreased profits and increased management costs resulting from large-scale tenant building repair costs, etc. resulted in segment profit decreasing to ¥155 million (down 6.2% compared to same period of previous year).

Outlook

As the Japanese economy is expected to continue to recover with improved employment and income conditions, the future remains unclear, with fears that it will be affected by greater labor shortages, the unstable political situations overseas and emerging protectionism. In terms of housing sales, although low loan interest rates, the housing loan tax system and housing grants, etc. have resulted in the buying environment remaining favorable, these measures are becoming less effective at promoting purchasing while new housing starts remain steady. As a result, competition between businesses is increasing, with a trend for greater market inventories becoming apparent.

In this context, we are continuing to expand our sales area and market share with various initiatives including a reorganization of our sales structure based on a policy of overcoming factors that resulted in decreased operating profits this period and concentrating management resources on selling new housing, which is our core business.

However, we have generally revised our profit target from the operating targets of the medium-term business plan, which enters its final year in the next period (fiscal year ending March 2018), taking market conditions and our sales structure for this term into account. Our financial forecast for the period ending March 31, 2018 is now sales of ¥48,000 million (up 9.2% compared to the same period of the previous year), operating income of ¥3,200 million (up 17.9% compared to the same period of the previous year), ordinary income of ¥3,300 million (up 17.6% compared to the same period of the previous year) and net income attributable to owners of the parent company of ¥2,100 million (up 20.4% compared to the same period of the previous year).

(2) Overview of Financial Position for Fiscal 2017

Total consolidated assets as of March 31, 2017 were ¥45,682 million, up ¥6,137 million with increases in mainly liquid assets compared to the previous consolidated fiscal year. This was mainly due to inventory assets increasing by ¥5,694 million as a result of proactive purchasing of large areas of land for lots such as the aforementioned “Yotsuba no Mori” (211 lots) ahead of business expansion from the next period onward as well as the increase in cash deposits.

Total liabilities grew ¥4,639 million compared with the previous consolidated fiscal year to ¥27,561 million. This was mainly due to adjustments resulting from the increased inventory assets that led to greater short-term debt, in addition to long-term debt used to procure investment in new office buildings at our sales base (Kennan Branch, Oyama City, Tochigi Prefecture).

Net assets increased by ¥1,498 million compared to the previous consolidated fiscal year to reach ¥18,121 million. The main reason for this was that while shareholder dividends were paid, net income attributable to owners of the parent company was ¥1,744 million yen.

(3) Overview of Cash Flows for Fiscal 2017

Cash and cash equivalents (hereinafter, “cash flows”) as of March 31, 2017 increased by ¥692 million compared to at the end of the previous consolidated fiscal year as a result of decreased cash flows from operating and investing activities and increased cash flows from financial activities, to reach ¥8,475 million yen.

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

(Cash Flows from Operating Activities)

The decreased cash flow from operating activities was ¥2,885 million (an increase of ¥101 million in the previous fiscal year). This was mainly because, although while net income before income taxes and depreciation and amortization increased, the increased amount for inventories was ¥5,694 million and payment for income taxes needed to be paid.

(Cash Flows from Investing Activities)

The decreased cash flow from investing activities was ¥562 million (a decrease of ¥507 million in the previous fiscal year). This was mainly due to the acquisition of fixed assets such as the newly constructed sales base (Kennan branch, Oyama City, Tochigi Prefecture).

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥4,140 million (an increase of ¥1,575 million for the fiscal year ended March 31, 2016). 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 2015	Fiscal 2016	Fiscal 2017
Shareholders’ equity ratio (%)	41.9	41.6	39.2
Equity ratio on market value basis (%)	24.5	26.4	25.9
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, 2017 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.

(4) Basic Policy Concerning the Allocation of Profits and Dividends for Fiscal 2017 and Fiscal 2018

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.

Grandy House has declared an annual dividend of ¥14 per share for the fiscal year under review, despite the fact that we were unable to secure the net income forecast for this period based on the above policy. The annual divided forecast for the year ending March 31, 2018 is ¥16 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.

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.

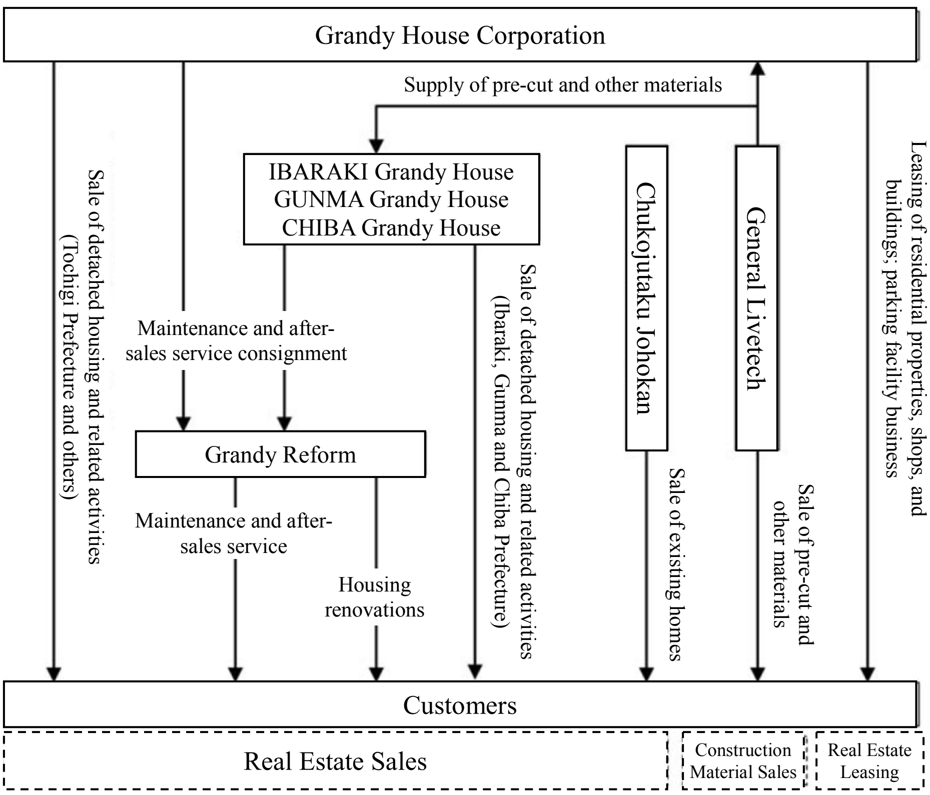
(2) Construction Material Sales

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, 2017).



3. 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.

4. CONSOLIDATED FINANCIAL STATEMENTS AND IMPORTANT NOTES

(1) Consolidated Balance Sheets

(Thousands of Yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	7,789,687	8,475,518
Notes and accounts receivable – trade	523,636	589,066
Securities	–	499,982
Real estate for sale	11,423,421	14,054,910
Costs on uncompleted construction contracts	10,539	2,368
Real estate for sale in process	7,996,211	11,021,975
Merchandise and finished goods	206,665	220,154
Raw materials and supplies	115,304	147,599
Deferred tax assets	130,226	117,152
Other	955,924	456,190
Allowance for doubtful accounts	(3,588)	(4,316)
Total current assets	29,148,028	35,580,603
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,823,287	5,215,916
Accumulated depreciation	(1,699,778)	(1,780,981)
Buildings and structures, net	3,123,508	3,434,934
Machinery, equipment and vehicles	32,858	47,067
Accumulated depreciation	(21,401)	(33,465)
Machinery, equipment and vehicles, net	11,457	13,602
Tools, furniture and fixtures	289,977	316,050
Accumulated depreciation	(233,280)	(249,726)
Tools, furniture and fixtures, net	56,696	66,324
Land	5,599,701	5,376,457
Leased assets	236,298	286,290
Accumulated depreciation	(159,738)	(183,628)
Lease assets, net	76,559	102,661
Construction in progress	148,441	–
Total property, plant and equipment	9,016,365	8,993,981
Intangible assets	66,447	64,140
Investments and other assets		
Investment securities	889,407	448,642
Long-term loans receivable	20,446	16,614
Deferred tax assets	160,847	240,664
Other	260,837	357,141
Allowance for doubtful accounts	(17,279)	(18,843)
Total investments and other assets	1,314,260	1,044,218
Total non-current assets	10,397,072	10,102,340
Total assets	39,545,100	45,682,944

(Thousands of Yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,054,103	3,231,631
Short-term loans payable	16,014,500	20,225,700
Current portion of long-term loans payable	382,592	495,152
Current portion of bonds	21,000	21,000
Lease obligations	41,214	38,632
Income taxes payable	566,028	410,406
Provision for warranties for completed construction	54,940	57,223
Other	694,477	635,983
Total current liabilities	20,828,856	25,115,729
Non-current liabilities		
Bonds payable	108,000	87,000
Long-term loans payable	1,358,183	1,587,719
Lease obligations	39,139	70,305
Provision for directors' retirement benefits	100,979	132,954
Net defined benefit liability	428,790	508,917
Asset retirement obligations	4,203	4,249
Other	53,690	54,280
Total non-current liabilities	2,092,985	2,445,425
Total liabilities	22,921,841	27,561,155
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	13,982,262
Treasury shares	(351,831)	(351,831)
Total shareholders' equity	16,482,333	17,913,096
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34,074)	8,692
Total accumulated other comprehensive income	(34,074)	8,692
Subscription rights to shares	175,000	200,000
Total net assets	16,623,258	18,121,788
Total liabilities and net assets	39,545,100	45,682,944

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

(Consolidated Statements of Income)

(Thousands of Yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net sales	41,706,272	43,962,733
Cost of sales	34,470,245	36,420,793
Gross profit	7,236,026	7,541,939
Selling, general and administrative expenses	4,467,463	4,826,889
Operating income	2,768,563	2,715,050
Non-operating income		
Interest income	2,196	1,424
Dividends income	5,205	5,204
Operations consignment fee	222,186	237,660
Office work fee	148,838	158,479
Other	29,055	25,834
Total non-operating income	407,481	428,603
Non-operating expenses		
Interest expenses	299,810	328,937
Commission for syndicate loan	10,673	5,609
Other	2,400	3,800
Total non-operating expenses	312,883	338,346
Ordinary income	2,863,160	2,805,306
Extraordinary income		
Gain on sales of non-current assets	–	5,829
Total extraordinary income	–	5,829
Extraordinary loss		
Loss on sale of non-current assets	164,125	–
Loss on retirement of non-current assets	10,143	30,396
Impairment loss	–	232,659
Loss on cancellation of lease contracts	181	45
Total extraordinary loss	174,449	263,101
Net income before income taxes	2,688,711	2,548,034
Income taxes – current	988,091	857,424
Income taxes – deferred	(31,639)	(53,592)
Total income taxes	956,451	803,832
Net income	1,732,260	1,744,202
Net income attributable to non-controlling interests	–	–
Net income attributable to owners of the parent company	1,732,260	1,744,202

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net income	1,732,260	1,744,202
Other comprehensive income		
Valuation difference on available-for-sale securities	(62,949)	42,767
Total other comprehensive income	(62,949)	42,767
Comprehensive income	1,669,310	1,786,969
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	1,669,310	1,786,969
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Net Assets

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

Fiscal 2017 (From April 1, 2016 to March 31, 2017)

	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	12,551,499	(351,831)	16,482,333
Cumulative effects of changes in accounting policies			31,883		31,883
Restated balance	2,077,500	2,205,165	12,583,383	(351,831)	16,514,217
Changes of items during the period					
Dividends from surplus			(345,323)		(345,323)
Net income attributable to owners of parent company			1,744,202		1,744,202
Net changes to items other than shareholder equity					—
Total changes of items during the period	—	—	1,398,879	—	1,398,879
Balance as of the end of the period	2,077,500	2,205,165	13,982,262	(351,831)	17,913,096

(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	(34,074)	(34,074)	175,000	16,623,258
Cumulative effects of changes in accounting policies				31,883
Restated balance	(34,074)	(34,074)	175,000	16,655,142
Changes of items during the period				
Dividends from surplus				(345,323)
Net income attributable to owners of parent company				1,744,202
Net changes to items other than shareholder equity	42,767	42,767	24,999	67,767
Total changes of items during the period	42,767	42,767	24,999	1,466,646
Balance as of the end of the period	8,692	8,692	200,000	18,121,788

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,688,711	2,548,034
Depreciation and amortization	244,577	272,503
Stock compensation expense	100,000	24,999
Impairment loss	–	232,659
Increase (decrease) in provision for directors' retirement benefits	29,774	31,974
Increase (decrease) in provision for warranties for completed construction	3,773	2,282
Increase (decrease) in allowance for doubtful accounts	11,707	2,293
Increase (decrease) in net defined benefit liability	70,779	80,126
Interest and dividends income	(7,401)	(6,628)
Interest expenses	299,810	328,937
Loss (gain) on sales of property, plant and equipment	164,125	(5,829)
Loss on retirement of non-current assets	10,143	30,396
Decrease (increase) in notes and accounts receivable-trade	196,913	(65,429)
Decrease (increase) in inventories	(2,095,488)	(5,694,866)
Increase (decrease) in notes and accounts payable-trade	281,350	177,527
Other	(596,038)	578,810
Subtotal	1,402,738	(1,462,206)
Interest and dividends income received	7,897	8,919
Interest expenses paid	(303,043)	(331,251)
Income taxes paid	(1,006,234)	(1,100,740)
Net cash provided by (used in) operating activities	101,358	(2,885,279)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(321,466)	(487,541)
Proceeds from sale of property, plant and equipment	98,694	6,750
Purchase of intangible assets	(16,823)	(20,652)
Purchase of investment securities	(214,600)	–
Payments of loans receivable	(1,900)	–
Collection of loans receivable	1,323	1,099
Payments for guarantee deposits	(50,825)	(56,488)
Proceeds from collection of guarantee deposits	54	18
Other payments	(14,464)	(17,666)
Other proceeds	12,020	12,000
Net cash provided by (used in) investing activities	(507,986)	(562,480)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,939,810	4,211,200
Proceeds from long-term loans payable	345,000	805,000
Repayment of long-term loans payable	(414,377)	(462,904)
Redemption of bonds	(21,000)	(21,000)
Purchase of treasury shares	(16)	–
Cash dividends paid	(229,963)	(344,900)
Repayments of lease obligations	(44,155)	(46,804)
Net cash provided by (used in) financing activities	1,575,297	4,140,591
Net increase (decrease) in cash and cash equivalents	1,168,669	692,830
Cash and cash equivalents at beginning of the period	6,614,018	7,782,687
Cash and cash equivalents at end of the period	7,782,687	8,475,518

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(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, 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

The fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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	40,673,836	3,030,458	258,437	43,962,733	–	43,962,733
Inter-segment sales and transfers	–	3,263,997	82,570	3,346,567	(3,346,567)	–
Total	40,673,836	6,294,456	341,007	47,309,300	(3,346,567)	43,962,733
Segment profit	2,497,353	148,167	155,461	2,800,982	4,323	2,805,306
Segment assets	34,271,665	2,128,917	3,801,304	40,201,887	5,481,056	45,682,944
Segment liabilities	26,204,510	1,665,758	72,648	27,942,917	(381,762)	27,561,155
Other items						
Depreciation and amortization	172,046	51,251	49,204	272,503	–	272,503
Interest income	1,412	12	–	1,424	–	1,424
Interest expenses	319,252	9,685	–	328,937	–	328,937
Increase in property, plant and equipment and intangible assets	519,043	28,771	1,582	549,397	–	549,397

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2016	Fiscal 2017
Eliminations of inter-segment translation	(25,086)	4,323
Total	(25,086)	4,323

Segment assets

(Thousands of Yen)

	Fiscal 2016	Fiscal 2017
Eliminations of inter-segment receivables	(384,099)	(379,695)
Eliminations of inter-segment unrealized profit	(50,410)	(47,095)
Corporate assets	5,227,131	5,907,847
Total	4,792,621	5,481,056

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 2016	Fiscal 2017
Eliminations of inter-segment payables	(386,105)	(381,762)
Total	(386,105)	(381,762)

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

[Related Information]

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.

The fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Information by product and service

(Thousands of Yen)

	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total
Sales to outside customers	40,673,836	3,030,458	258,437	43,962,733

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

Not applicable.

The fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Thousands of Yen)

	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Corporate/ Offset	Total
Impairment loss	143,090	–	89,568	–	232,659

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

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

Not applicable.

The fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Not applicable.

[Information concerning Gain on Negative Goodwill by Reportable Segment]

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

Not applicable.

The fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Not applicable.