Consolidated Financial Report
For Fiscal 2018 (The Fiscal Year Ended March 31, 2018 under Japanese GAAP)

May 7, 2018

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 28, 2018
Scheduled date of securities report filing: June 28, 2018
Scheduled date of dividend payment commencement: June 29, 2018
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 2018 (April 1, 2017 to March 31, 2018)

(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 2018	44,726	1.7	2,695	(0.7)	2,796	(0.3)	1,827	4.8
Fiscal 2017	43,962	5.4	2,715	(1.9)	2,805	(2.0)	1,744	0.7

Note: Comprehensive income Fiscal 2018: ¥1,815 million (1.6%)
Fiscal 2017: ¥1,786 million (7.0%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2018	63.48	62.59	9.8	6.0	6.0
Fiscal 2017	60.61	60.59	10.1	6.6	6.2

Reference: Equity in earnings of affiliates Fiscal 2018: ¥— million
Fiscal 2017: ¥— million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2018	47,281	19,556	41.0	671.43
March 31, 2017	45,682	18,121	39.2	622.78

Reference: Shareholders' equity Fiscal 2018: ¥19,362 million
Fiscal 2017: ¥17,921 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 2018	2,155	(125)	(691)	9,813
Fiscal 2017	(2,885)	(562)	4,140	8,475

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 2017	—	0.00	—	14.00	14.00	402	23.1	2.3
Fiscal 2018	—	0.00	—	16.00	16.00	461	25.2	2.5
Fiscal 2019 (Forecast)	—	0.00	—	16.00	16.00		27.5	

3. Consolidated Financial Forecasts for Fiscal 2019 (April 1, 2018 to March 31, 2019)

(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	48,000	7.3	2,900	7.6	3,000	7.3	1,680	(8.1)	58.26

*** 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.: None
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, 2018	30,823,200 shares	March 31, 2017	30,823,200 shares
2) Number of treasury shares	March 31, 2018	1,985,245 shares	March 31, 2017	2,046,245 shares
3) Average number of shares issued and outstanding for the period	Fiscal 2018	28,792,288 shares	Fiscal 2017	28,776,955 shares

Reference: Non-Consolidated Financial Results

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

(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 2018	21,175	8.8	1,343	33.8	2,360	19.2	1,826	25.8
Fiscal 2017	19,462	4.6	1,004	13.0	1,979	27.1	1,451	32.1

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2018	63.45	62.56
Fiscal 2017	50.46	50.44

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2018	26,910	16,356	60.1	560.47
March 31, 2017	24,452	14,922	60.2	511.62

Reference: Shareholders' equity March 31, 2018: ¥16,162 million
March 31, 2017: ¥14,722 million

2. Non-Consolidated Financial Forecasts for Fiscal 2019 (April 1, 2018 to March 31, 2019)

(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)	%	(¥)
Full Fiscal Year	21,200	0.1	1,380	2.7	2,380	0.8	1,550	(15.2)	53.75

*** This consolidated financial report is not subject to auditing by a certified public accountant or an auditing firm.**

*** 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 2018" 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 2018

During the consolidated fiscal year under review, the Japanese economy showed signs of slowly recovering as positive growth was recorded for eight consecutive quarters, including the fourth quarter (Oct.– Dec.) of this year.

In the housing sector, new housing starts grew steadily due to the interest rate on housing loans continuing to remain at low levels regardless of showing an upward trend in the fall of 2017, as well as the continuation of various support measures to promote home acquisition and an improvement in employment and income conditions, but competition between businesses has intensified.

Under these circumstances, the Grandy House Group continued making efforts toward expanding and reinforcing business under the basic policy (medium-term business plan) of "continuous growth through reinforcing the core operation (new homes)" and "expansion of business through enhancing the stock business."

With regard to new home sales, one of our core operations, we made our operations more efficient through restructuring our branches; promoting sales of *Yotsuba no Mori* (literally, Four-leaf Clover Hill) housing lots of strategic value (211 lots, Tsukuba City in Ibaraki Prefecture); and bolstering our sales in Mito City and in the area north of Mito City in Ibaraki Prefecture. Through initiatives such as these, since June 2017 orders received continued to exceed the level in the same month in the previous fiscal year for the most part, and orders received for new homes for the full fiscal year reached an all-time high, even though it fell short of our initial target. On the other hand, up to the third quarter, new home sales were significantly affected by the decrease in the backlog of orders at the beginning of the fiscal year. However, for the full fiscal year, there was only a small decline to a level basically the same as the previous year's level.

In existing home sales, we supplemented our product inventory and expanded our business in metropolitan areas. Due to initiatives such as these, orders received continued to rise from the beginning of the fiscal year, except for in the third quarter, and existing home sales for the full fiscal year slightly exceeded the previous year's level.

As a result of these initiatives, the Grandy House Group's consolidated results for Fiscal 2018 were as follows. Net sales were ¥44,726 million, up 1.7% from the previous fiscal year; operating income was ¥2,695 million, down 0.7% from the previous fiscal year; ordinary income was ¥2,796 million, down 0.3% from the previous fiscal year; and net income attributable to owners of the parent company totaled ¥1,827 million, up 4.8% from the previous fiscal year.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales, we have made the Group's operations more efficient by restructuring the Group's two branches, in which Ibaraki Grandy House Koga branch was merged into our Kennan branch at the beginning of the fiscal year. In southern Ibaraki Prefecture, which is one of the key areas for expanding our sales area, we launched full-scale sales of *Yotsuba no Mori* housing lots of strategic value (211 lots, Tsukuba City in Ibaraki Prefecture). The sales have proceeded as nearly as planned. In Tochigi Prefecture, from March 2018 we began sales of GRAND BEAT PARK Kaminokawa housing lots (141 lots, Kaminokawa Town in Tochigi Prefecture), a large-sized development project, as well as residential land sales to business operators. Meanwhile, we opened the Ibaraki Grandy House Hitachinaka branch as our new sales base last November to strengthen our operations in Mito City and in the area north of Mito City in Ibaraki Prefecture. In terms of products, we continue to differentiate our products from those of our competitors by creating distinctive housing lots with concepts such as a high level of creativity, energy conservation, security and crime prevention for each housing lot as well as creating added value with our strength in building comfortable urban environments.

Through initiatives such as these, orders received for new homes has exceeded the previous year's level since last June and reached a record high, even though it was below our initial target. As a result, new homes sales for the current fiscal year totaled 1,341, down by 5 on the previous fiscal year, after recovering from a significant drop that continued until the third quarter due to a decrease in the backlog of orders at the beginning of the fiscal year.

In existing home sales, we made efforts to enhance product inventory and expand our business for the metropolitan area to expand existing home sales. In terms of product inventories, we worked to reinforce the procurement of homes with a new goal of 70 completed homes at any time and to increase sales of existing condominiums in the metropolitan area. In addition, we partially introduced brokered sales in order to promote both procurement and sales through reinforcing relationships with major brokers. Through initiatives such as these, orders received continued to rise from the beginning of the fiscal year, except for in the third quarter, and existing home sales for the consolidated cumulative period under review totaled 138, up 2 on the previous fiscal year.

As a result of these initiatives, sales in the real estate sales segment increased 2.0% year-on-year to ¥41,492 million. Segment profit was ¥2,485 million, down 0.5% from the previous fiscal year.

Construction Material Sales

In the construction material sales, new housing starts for wooden houses including custom-made houses began to fall below those of the same month of the previous year from last July. Meanwhile, material wood prices rose and remained high due to the intensified competition with other companies.

Under such circumstances, the Grandy House Group made efforts such as boosting sales of building materials/housing equipment other than pre-cut materials, switching sales to our best customers in terms of earnings, and increasing orders for non-residential buildings. Although there was an increase in orders received for non-residential buildings, we struggled to increase orders for residential buildings due to the intensified competition in sales to small and medium sized construction firms, which resulted in giving negative influences on sales of housing equipment. Additionally, material prices rising and remaining at a high level have had a negative impact on our profits.

As a result of these initiatives, sales in the construction material sales segment decreased 2.0% year-on-year to ¥2,970 million. Segment profit was ¥147 million, down 0.3% from the previous fiscal year.

Real Estate Leasing

In the real estate leasing, the vacancy rate of office buildings continued to decline in and around Utsunomiya City, Tochigi Prefecture which is our main market. In the parking lot market, competition remained intense between parking lots in the vicinity.

In this context, we made efforts to improve the operation rate of existing assets and reduce management costs. The renting out of the three apartments acquired in connection with our purchase of land for housing development for the moment contributed to our revenues. Furthermore, our management costs significantly decreased from the previous fiscal year when a cost of large-scale renovation was recorded, which contributed to an increase in our revenues.

As a result of these initiatives, sales in the real estate leasing segment increased 1.8% year-on-year to ¥262 million. Segment profit was ¥172 million, up 11.0% from the previous fiscal year.

Outlook

The Japanese economy is forecast to remain on a moderate recovery trend, as it achieved positive growth for eight consecutive quarters.

There has been a favorable environment for home purchasing due to the interest rate on housing loans remaining at low levels and continued government measures to stimulate home purchasing. As a result, new housing starts have remained solid and competition between businesses is likely to intensify even more.

Under these circumstances, based on the second medium-term business plan, which was announced today and is effective until the year ending March 31, 2021, we will strive not only to achieve the management targets included in our previous plan at an early stage at the same time as overcoming the challenges that we faced during the previous medium-term business plan period, but also to accelerate the growth of our business to further improve our corporate value.

Our financial forecast for the period ending March 31, 2019 is now sales of ¥48,000 million (up 7.3% compared to the same period of the previous year), operating income of ¥2,900 million (up 7.6% compared to the same period of the previous year), ordinary income of ¥3,000 million (up 7.3% compared to the same period of the previous year) and net income attributable to owners of the parent company of ¥1,680 million (down 8.1% compared to the same period of the previous year).

(2) Overview of Financial Position for Fiscal 2018

As of March 31, 2018, total consolidated assets were ¥47,281 million, up ¥1,598 million compared to the previous consolidated fiscal year. This was due to a slight increase in inventories resulting from our selective and restrictive approach to purchasing, as we had already secured a certain amount of land stock for the current fiscal year before its beginning by purchasing large areas of land for lots. In addition, an increase in cash and deposits because of the progress made in sales and collections also contributed to the result.

Total liabilities grew ¥163 million to ¥27,724 million compared to the previous consolidated fiscal year, as inventories increased only slightly. Additionally, we switched our fund procurement method to financing by bonds for a part of our loans in order to reduce the burden of interest rate payments and to make the use of funds more flexible.

Total net assets increased by ¥1,434 million compared to the previous consolidated fiscal year to reach ¥19,556 million. This is largely due to the acquisition of net income attributable to owners of the parent company despite the payment of dividends.

(3) Overview of Cash Flows for Fiscal 2018

Cash and cash equivalents (hereinafter, "cash flows") as of March 31, 2018 increased by ¥1,338 million compared to the previous consolidated fiscal year as a result of increased cash flows from operating activities and decreased cash flows from investing and financial activities, to reach ¥9,813 million.

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)

Net cash provided by operating activities amounted to ¥2,155 million (a decrease of ¥2,885 million in the previous fiscal year). This was mainly because net income before income taxes was obtained, while there was only a small increase in inventories as described above.

(Cash Flows from Investing Activities)

The decreased cash flow from investing activities was ¥125 million (a decrease of ¥562 million in the previous fiscal year). This was because government bonds that were deposited as a security deposit to warrant against housing defects reached redemption and they were switched to a cash deposit and additional deposits were made for the current fiscal year, and because there were no large investments or returns.

(Cash Flows from Financing Activities)

The decreased cash flow from financing activities was ¥691 million (an increase of ¥4,140 million in the previous fiscal year). This was due to payments of dividends and the progress made in the repayments of loans. Additionally, we switched our fund procurement method to financing by bonds for a part of our loans.

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

	Fiscal 2016	Fiscal 2017	Fiscal 2018
Shareholders' equity ratio (%)	41.6	39.2	41.0
Equity ratio on market value basis (%)	26.4	25.9	27.5
Interest-bearing liabilities to cash flow ratio (years)	177.3	—	10.3
Interest coverage ratio (times)	0.3	—	7.0

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 2018 and Fiscal 2019

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% (25% for the next fiscal year and onward). Purchase of treasury shares will be made in a timely manner and in accordance with the Company's financial position in order to enhance shareholder returns and capital efficiency.

Grandy House has declared an annual dividend of ¥16 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, 2019 is ¥16 per share, which will be the same as the dividend for the current fiscal 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. 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.

3. CONSOLIDATED FINANCIAL STATEMENTS AND IMPORTANT NOTES

(1) Consolidated Balance Sheets

(Thousands of Yen)

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	8,475,518	9,813,941
Notes and accounts receivable – trade	589,066	672,527
Securities	499,982	–
Real estate for sale	14,054,910	16,588,298
Costs on uncompleted construction contracts	2,368	2,414
Real estate for sale in process	11,021,975	8,936,229
Merchandise and finished goods	220,154	211,897
Raw materials and supplies	147,599	166,467
Deferred tax assets	117,152	141,601
Other	456,190	413,250
Allowance for doubtful accounts	(4,316)	(4,348)
Total current assets	35,580,603	36,942,281
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,215,916	5,135,282
Accumulated depreciation	(1,780,981)	(1,878,573)
Buildings and structures, net	3,434,934	3,256,709
Machinery, equipment and vehicles	47,067	53,167
Accumulated depreciation	(33,465)	(46,992)
Machinery, equipment and vehicles, net	13,602	6,175
Tools, furniture and fixtures	316,050	342,790
Accumulated depreciation	(249,726)	(280,227)
Tools, furniture and fixtures, net	66,324	62,563
Land	5,376,457	5,319,659
Leased assets	286,290	136,776
Accumulated depreciation	(183,628)	(67,773)
Lease assets, net	102,661	69,002
Total property, plant and equipment	8,993,981	8,714,109
Intangible assets	64,140	66,862
Investments and other assets		
Investment securities	448,642	428,336
Long-term loans receivable	16,614	14,859
Deferred tax assets	240,664	239,602
Other	357,141	846,788
Allowance for doubtful accounts	(18,843)	(4,901)
Total investments and other assets	1,044,218	1,524,685
Total non-current assets	10,102,340	10,305,657
Deferred assets		
Bond issuance costs	–	33,388
Total deferred assets	–	33,388
Total assets	45,682,944	47,281,326

(Thousands of Yen)

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,231,631	3,408,906
Short-term loans payable	20,225,700	19,177,700
Current portion of long-term loans payable	495,152	494,513
Current portion of bonds	21,000	21,000
Lease obligations	38,632	24,403
Income taxes payable	410,406	495,419
Provision for warranties for completed construction	57,223	58,686
Other	635,983	755,677
Total current liabilities	25,115,729	24,436,306
Non-current liabilities		
Bonds payable	87,000	1,066,000
Long-term loans payable	1,587,719	1,384,806
Lease obligations	70,305	50,099
Provision for directors' retirement benefits	132,954	166,279
Net defined benefit liability	508,917	571,584
Asset retirement obligations	4,249	4,296
Other	54,280	45,483
Total non-current liabilities	2,445,425	3,288,549
Total liabilities	27,561,155	27,724,855
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,223,038
Retained earnings	13,982,262	15,407,196
Treasury shares	(351,831)	(341,339)
Total shareholders' equity	17,913,096	19,366,395
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,692	(3,824)
Total accumulated other comprehensive income	8,692	(3,824)
Subscription rights to shares	200,000	193,900
Total net assets	18,121,788	19,556,471
Total liabilities and net assets	45,682,944	47,281,326

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

(Consolidated Statements of Income)

(Thousands of Yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net sales	43,962,733	44,726,118
Cost of sales	36,420,793	37,082,208
Gross profit	7,541,939	7,643,910
Selling, general and administrative expenses	4,826,889	4,948,754
Operating income	2,715,050	2,695,156
Non-operating income		
Interest income	1,424	1,257
Dividends income	5,204	6,203
Operations consignment fee	237,660	233,712
Office work fee	158,479	156,426
Other	25,834	46,476
Total non-operating income	428,603	444,076
Non-operating expenses		
Interest expenses	328,937	328,820
Commission for syndicate loan	5,609	7,738
Other	3,800	6,630
Total non-operating expenses	338,346	343,189
Ordinary income	2,805,306	2,796,043
Extraordinary income		
Gain on sales of non-current assets	5,829	–
Total extraordinary income	5,829	–
Extraordinary loss		
Loss on retirement of non-current assets	30,396	15,888
Impairment loss	232,659	70,253
Loss on cancellation of lease contracts	45	–
Total extraordinary loss	263,101	86,141
Net income before income taxes	2,548,034	2,709,901
Income taxes – current	857,424	899,993
Income taxes – deferred	(53,592)	(17,903)
Total income taxes	803,832	882,089
Net income	1,744,202	1,827,811
Net income attributable to non-controlling interests	–	–
Net income attributable to owners of the parent company	1,744,202	1,827,811

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net income	1,744,202	1,827,811
Other comprehensive income		
Valuation difference on available-for-sale securities	42,767	(12,517)
Total other comprehensive income	42,767	(12,517)
Comprehensive income	1,786,969	1,815,294
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	1,786,969	1,815,294
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Net Assets

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

Fiscal 2018 (From April 1, 2017 to March 31, 2018)

	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	13,982,262	(351,831)	17,913,096
Changes of items during the period					
Dividends from surplus			(402,877)		(402,877)
Net income attributable to owners of parent company			1,827,811		1,827,811
Exercise of subscription rights to shares		17,873		10,492	28,365
Net changes to items other than shareholder equity					
Total changes of items during the period	—	17,873	1,424,934	10,492	1,453,299
Balance as of the end of the period	2,077,500	2,223,038	15,407,196	(341,339)	19,366,395

(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	8,692	8,692	200,000	18,121,788
Changes of items during the period				
Dividends from surplus				(402,877)
Net income attributable to owners of parent company				1,827,811
Exercise of subscription rights to shares			(6,100)	22,265
Net changes to items other than shareholder equity	(12,517)	(12,517)		(12,517)
Total changes of items during the period	(12,517)	(12,517)	(6,100)	1,434,682
Balance as of the end of the period	(3,824)	(3,824)	193,900	19,556,471

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net cash provided by (used in) operating activities		
Net income before income taxes	2,548,034	2,709,901
Depreciation and amortization	272,503	280,971
Stock compensation expense	24,999	–
Impairment loss	232,659	70,253
Increase (decrease) in provision for directors' retirement benefits	31,974	33,325
Increase (decrease) in provision for warranties for completed construction	2,282	1,462
Increase (decrease) in allowance for doubtful accounts	2,293	(13,910)
Increase (decrease) in net defined benefit liability	80,126	62,667
Interest and dividends income	(6,628)	(7,460)
Interest expenses	328,937	328,820
Loss (gain) on sales of property, plant and equipment	(5,829)	–
Loss on retirement of non-current assets	30,396	15,888
Decrease (increase) in notes and accounts receivable-trade	(65,429)	(69,990)
Decrease (increase) in inventories	(5,694,866)	(458,298)
Increase (decrease) in notes and accounts payable-trade	177,527	177,274
Other	578,810	83,718
Subtotal	(1,462,206)	3,214,622
Interest and dividends income received	8,919	9,887
Interest expenses paid	(331,251)	(306,693)
Income taxes paid	(1,100,740)	(761,817)
Net cash provided by (used in) operating activities	(2,885,279)	2,155,999
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	–	500,000
Purchase of property, plant and equipment	(487,541)	(94,544)
Proceeds from sale of property, plant and equipment	6,750	–
Purchase of intangible assets	(20,652)	(23,234)
Collection of loans receivable	1,099	1,127
Payments for guarantee deposits	(56,488)	(514,807)
Proceeds from collection of guarantee deposits	18	1,271
Other payments	(17,666)	–
Other proceeds	12,000	4,267
Net cash provided by (used in) investing activities	(562,480)	(125,919)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,211,200	(1,048,000)
Proceeds from long-term loans payable	805,000	418,300
Repayment of long-term loans payable	(462,904)	(621,852)
Proceeds from issuance of bonds	–	1,000,000
Redemption of bonds	(21,000)	(21,000)
Proceeds from disposal of treasury shares due to exercise of subscription rights to shares	–	22,265
Cash dividends paid	(344,900)	(402,281)
Repayments of lease obligations	(46,804)	(39,088)
Net cash provided by (used in) financing activities	4,140,591	(691,657)
Net increase (decrease) in cash and cash equivalents	692,830	1,338,423
Cash and cash equivalents at beginning of the period	7,782,687	8,475,518
Cash and cash equivalents at end of the period	8,475,518	9,813,941

(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, 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

The fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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	41,492,209	2,970,910	262,999	44,726,118	–	44,726,118
Inter-segment sales and transfers	–	3,205,503	79,469	3,284,972	(3,284,972)	–
Total	41,492,209	6,176,413	342,468	48,011,091	(3,284,972)	44,726,118
Segment profit	2,485,266	147,685	172,579	2,805,531	(9,487)	2,796,043
Segment assets	34,246,141	2,112,857	3,725,023	40,084,022	7,197,304	47,281,326
Segment liabilities	26,416,289	1,604,276	66,322	28,086,888	(362,033)	27,724,855
Other items						
Depreciation and amortization	189,881	43,622	47,467	280,971	–	280,971
Interest income	1,248	8	–	1,257	–	1,257
Interest expenses	319,997	8,822	–	328,820	–	328,820
Increase in property, plant and equipment and intangible assets	106,777	8,342	3,204	118,323	–	118,323

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2017	Fiscal 2018
Eliminations of inter-segment transactions	4,323	(9,487)
Total	4,323	(9,487)

Segment assets

(Thousands of Yen)

	Fiscal 2017	Fiscal 2018
Eliminations of inter-segment receivables	(379,695)	(360,148)
Eliminations of inter-segment unrealized profit	(47,095)	(52,371)
Corporate assets	5,907,847	7,609,824
Total	5,481,056	7,197,304

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 2017	Fiscal 2018
Eliminations of inter-segment payables	(381,762)	(362,033)
Total	(381,762)	(362,033)

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

[Related Information]

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.

The fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Information by product and service

(Thousands of Yen)

	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total
Sales to outside customers	41,492,209	2,970,910	262,999	44,726,118

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, 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

The fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Thousands of Yen)

	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Corporate/ Offset	Total
Impairment loss	26,112	–	44,141	–	70,253

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

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

Not applicable.

The fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Not applicable.

[Information concerning Gain on Negative Goodwill by Reportable Segment]

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

Not applicable.

The fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Not applicable.