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**Consolidated Financial Report**  
For the Second Quarter of Fiscal 2020 Ending March 31, 2020 (Japanese GAAP)

November 11, 2019

Company Name: Grandy House Corporation      Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 8999      URL: <https://www.grandy.co.jp>  
 Representative: Yasuro Hayashi, President  
 Inquiries: Nobuyasu Takeuchi, Director & General Administration Manager      TEL: +81-28-650-7777  
 Scheduled date of quarterly securities report filing: November 13, 2019  
 Scheduled date of dividend payment commencement: —  
 Preparation of quarterly supplementary explanatory materials: Yes  
 Quarterly results briefing held: Yes (For institutional investors and analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020**  
(April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results

(Percentage figures show the year-on-year increase (decrease).)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2019	22,769	7.1	1,254	(14.4)	1,341	(12.5)	871	5.0
Six months ended September 30, 2018	21,268	(4.6)	1,464	10.1	1,532	11.2	830	(10.6)

Note: Comprehensive income      Six months ended September 30, 2019: ¥865 million (5.0%)  
 Six months ended September 30, 2018: ¥824 million (-10.8%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Six months ended September 30, 2019	30.19	29.80
Six months ended September 30, 2018	28.79	28.33

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
September 30, 2019	54,641	21,488	39.0	736.89
March 31, 2019	46,864	21,124	44.7	725.35

Reference: Shareholders' equity      September 30, 2019: ¥21,301 million  
 March 31, 2019: ¥20,932 million

**2. Dividends**

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2019	—	0.00	—	18.00	18.00
Fiscal 2020	—	0.00	—	—	—
Fiscal 2020 (Forecast)	—	—	—	23.00	23.00

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

**3. Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2019 to March 31, 2020)**

(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	48,500	9.1	3,200	2.2	3,400	3.4	2,200	6.5	76.24

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.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)	September 30, 2019	30,823,200 shares	March 31, 2019	30,823,200 shares
2) Number of treasury shares	September 30, 2019	1,915,245 shares	March 31, 2019	1,965,245 shares
3) Average number of shares issued and outstanding for the period	Six months ended September 30, 2019	28,879,384 shares	Six months ended September 30, 2018	28,837,955 shares

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

\* **Explanation concerning the appropriate use of forecasts and other special instructions**

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.

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## 1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS

### (1) Explanation regarding Operating Results

During the six months ended September 30, 2019, the Japanese economy was considered to be on a moderate recovery trend despite some weaknesses mainly in exports.

In the housing sector, new housing starts exceeded those in the same period of the previous fiscal year due to the favorable environment for acquiring new homes including the continuous low levels in the interest rate on housing loans, and the upcoming increase in the consumption tax. However, there was not significant last-minute demand for new homes thanks to various measures taken by the government to mitigate abrupt changes in demand around the tax hike.

Under these circumstances, the Grandy House Group continued to strive to expand and reinforce business under the basic policy in its second medium-term business plan (from the fiscal year ending March 2019 to the fiscal year ending March 2021) 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 endeavored to strengthen organizational structures of subsidiaries, boost sales of strategic large housing lots, reinforce our product appeal, expand a business area to Saitama Prefecture and so on, as well as acquired shares in two business companies in Kawasaki City and made them subsidiaries for the purpose of expanding into Kanagawa Prefecture. In existing home sales, we continued the effort to build up product inventory toward expanding home sales.

Through initiatives such as these, both the number of homes sold and net sales of new and existing homes for the second quarter increased year-on-year. However, they were not enough to absorb an increase in personnel expenses associated with investment in human resources toward expanding operations in the future and M&A expenses, and as a result operating income and ordinary income decreased. Net income attributable to owners of the parent company increased compared to the same period of the previous fiscal year where an extraordinary loss was recorded.

As a result of these initiatives, the Grandy House Group's consolidated results for the second quarter (cumulative) of Fiscal 2020 were as follows. Net sales were ¥22,769 million, an increase of 7.1% year-on-year; operating income decreased to ¥1,254 million, a decrease of 14.4% year-on-year; ordinary income was ¥1,341 million, a decrease of 12.5% year-on-year; and net income attributable to owners of the parent company totaled ¥871 million, an increase of 5.0% year-on-year.

Results by business segment are presented as follows.

#### a. Real Estate Sales

In the new home sales, we reviewed the structure of officers of subsidiaries in April 2019 for the purpose of activating subsidiaries that were not able to achieve the sales plan in the previous period, and made efforts to reinforce the organization and structure and endeavored to increase orders received. Furthermore, toward expanding sales, we continued to strengthen sales promotion activities with a focus on efforts toward early sales of strategic large housing lots such as *Yotsuba no Mori* housing lots (211 lots in Tsukuba in Ibaraki Prefecture) and GRAND BEAT PARK Kaminokawa (141 lots, Kaminokawamachi in Tochigi Prefecture). In terms of products, we continued to differentiate our products from those of our competitors by pursuing our "Townscape creation" policy that gave a theme to each housing lot and harmonized the distinctive appearance of homes and the uniform image of the housing lot, and by providing products that are excellent in design, functionality, energy saving and safety.

As for expanding our sales area, we established a sales department at Saitama Regional Office, which was previously Saitama Branch (Saitama, Saitama Prefecture), in April 2019 in Saitama Prefecture, where contributions are expected to be made on a full scale to operating results from the second half of Fiscal 2020, and started sales of completed homes. Moreover, in July 2019, for the purpose of expanding into Kanagawa Prefecture, we acquired shares in Plaza House Inc. (Kawasaki in Kanagawa Prefecture) and Welcome House Inc. (Kawasaki in Kanagawa Prefecture), which operate real estate sales and brokerage businesses primarily along the Den-en-toshi Line, to make them subsidiaries.

Through initiatives such as these, the number of new homes sold for the second quarter (cumulative) of Fiscal 2020 was 683 homes (an increase of 46 homes year-on-year).

In existing home sales, we continued making efforts to expand existing home sales, and so on, by enhancing product inventory. Amid competition intensifying related to purchasing, the number of homes in inventory was almost above the target as a result of our efforts to reinforce procurement and shorten the period for commercialization of product by setting up a goal of keeping 80 completed homes in inventory at any time. As a result, orders received were increasing and the number of homes sold during the six months ended September 30, 2019 was 80 homes (an increase of 8 homes year-on-year).

As a result of these initiatives, sales in the real estate sales segment increased 8.7% year-on-year to ¥21,252 million. Segment profit decreased to ¥1,193 million, down 12.4% year-on-year.

#### b. Construction Material Sales

In the construction material sales, new housing starts for wooden houses decreased in the second quarter year-on-year due to a decrease in built-for-rent housing starts and a decrease in owner-occupied housing starts before a rise in the consumption tax. Wood material prices are on a declining trend under the influence of a decrease in demand, and so on, in the U.S. and China, which are the two largest consuming countries.

Under such circumstances, the Grandy House Group made efforts to improve the gross margin rate of pre-cut materials, which are main materials, and to increase orders received for home building materials. Sales among the Group companies increased, but sales to external companies decreased because the selection of customers was conducted. Meanwhile, profit decreased due to an increase in personnel expenses associated with addition of manpower starting from the end of the previous period and occurrence of uncollectible accounts receivable despite the gross margin rate improved.

As a result of these initiatives, sales in the construction material sales segment during the first half of Fiscal 2020 decreased 13.1% year-on-year to ¥1,387 million. Segment profit declined to ¥62 million, down 37.9% year-on-year.

#### c. Real Estate Leasing

In the real estate leasing, more stores were opened in or relocated to the city center in the office building market in and around Utsunomiya, which is our main market, and vacancy rates were improving continuously. In the parking lot market, competition remained intense between parking lots in the vicinity.

In this context, the Grandy House Group made efforts to improve the operation rate of existing assets and reduce management costs. Consequently, sales in the real estate leasing segment during the second quarter (cumulative) of Fiscal 2020 were ¥129 million, an increase of 2.0% year-on-year, and segment profit was ¥89 million, an increase of 5.8% year-on-year.

### (2) Explanation regarding Financial Position

#### a. Balance Sheet

As of the end of the second quarter of Fiscal 2020, total consolidated assets increased to ¥54,641 million, an increase of ¥7,776 million compared to the end of the previous consolidated fiscal year. This was mainly due to an increase in current assets through the acquisition of large housing lots and others, while making efforts to expand the real estate sales business and an increase in non-current assets such as goodwill due to the acquisition of shares in two companies that have been made subsidiaries.

Liabilities increased to ¥33,152 million, up ¥7,411 million compared to the end of the previous consolidated fiscal year due mainly to an increase in loans payable to fund the acquisition of the above-mentioned housing lots and the shares in two companies that were made subsidiaries. Furthermore, we are making efforts that are continued from the previous fiscal year to switch our fund procurement method to financing by bonds for part of our loans in order to reduce the burden of interest payments and to flexibly use funds.

Total net assets stood at ¥21,488 million as of September 30, 2019. This represents an increase of ¥364 million from the balance recorded as of March 31, 2019. This is largely due to the acquisition of net income attributable to owners of the parent company despite the payment of dividends.

#### b. Cash Flows

Cash and cash equivalents (hereinafter, "cash flows") as of the end of the second quarter of Fiscal 2020 decreased by ¥10 million compared to the end of the previous consolidated fiscal year to ¥9,990 million as a result of decreased cash flows from operating activities and investing activities, and increased cash flows from financing activities.

Factors contributing to movements in the Company's cash flows during the six months ended September 30, 2019, are as follows.

#### (Cash Flows from Operating Activities)

Net cash used in operating activities amounted to ¥2,704 million (an increase of ¥708 million for the six months ended September 30, 2018). This was mainly due to an increase in inventory as a result of the acquisition of large housing lots, and others, as mentioned above despite an increase in net income before income taxes.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥2,060 million (a decrease of ¥252 million for the six months ended September 30, 2018). This was mainly due to acquisition of shares in subsidiaries and acquisition of property, plant and equipment such as building material processing machines.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥4,754 million (a decrease of ¥822 million for the six months ended September 30, 2018). This was mainly due to an increase in inventory and an increase in loans payable associated with the acquisition of shares in subsidiaries, and so on, despite the payment of dividends. As mentioned above, we switched our fund procurement method to financing by bonds for part of our loans.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

As announced on July 8, 2019, Grandy House Corporation decided to acquire shares in Plaza House Inc. and Welcome House Inc., and on July 19, 2019, it acquired those shares and made both companies subsidiaries according to the announced schedule. The impact of the acquisition on Grandy House Corporation's consolidated financial forecasts for the fiscal year ending March 31, 2020, which was announced on May 7, 2019, is expected to be minimal.

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### (1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2019 (As of March 31, 2019)	Second Quarter of FY2020 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	10,001,725	10,005,332
Notes and accounts receivable – trade	547,282	553,703
Real estate for sale	17,322,784	15,704,566
Costs on uncompleted construction contracts	7,244	3,157
Real estate for sale in process	7,062,704	14,598,960
Merchandise and finished goods	244,048	245,401
Raw materials and supplies	128,188	129,849
Other	816,802	751,466
Allowance for doubtful accounts	(3,305)	(4,955)
Total current assets	36,127,474	41,987,481
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,201,619	3,172,830
Machinery, equipment and vehicles, net	4,171	41,477
Tools, furniture and fixtures, net	68,523	63,621
Land	5,576,884	5,767,705
Lease assets, net	80,456	88,212
Construction in progress	1,011	184,622
Total property, plant and equipment	8,932,666	9,318,469
Intangible assets		
Goodwill	–	1,376,460
Other	80,077	84,397
Total intangible assets	80,077	1,460,858
Investments and other assets		
Investment securities	363,031	353,378
Long-term loans receivable	13,701	38,273
Deferred tax assets	413,834	466,517
Other	897,508	984,008
Allowance for doubtful accounts	(1,030)	(9,155)
Total investments and other assets	1,687,045	1,833,023
Total non-current assets	10,699,789	12,612,350
Deferred assets		
Bond issuance costs	37,512	41,294
Total deferred assets	37,512	41,294
Total assets	46,864,776	54,641,127

(Thousands of Yen)

	FY2019 (As of March 31, 2019)	Second Quarter of FY2020 (As of September 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	3,132,890	3,400,688
Short-term loans payable	17,324,800	22,246,242
Current portion of long-term loans payable	503,345	593,228
Current portion of bonds	21,000	21,000
Lease obligations	28,366	31,914
Income taxes payable	544,514	337,252
Provision for warranties for completed construction	85,853	89,070
Other	758,230	640,277
<b>Total current liabilities</b>	<b>22,398,999</b>	<b>27,359,672</b>
<b>Non-current liabilities</b>		
Bonds payable	1,545,000	1,834,500
Long-term loans payable	881,461	2,963,687
Lease obligations	58,582	63,804
Provision for directors' retirement benefits	168,654	185,654
Net defined benefit liability	629,972	679,499
Asset retirement obligations	12,227	12,261
Other	45,730	53,169
<b>Total non-current liabilities</b>	<b>3,341,627</b>	<b>5,792,576</b>
<b>Total liabilities</b>	<b>25,740,627</b>	<b>33,152,249</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,077,500	2,077,500
Capital surplus	2,228,898	2,243,548
Retained earnings	17,011,385	17,363,774
Treasury shares	(337,899)	(329,299)
<b>Total shareholders' equity</b>	<b>20,979,883</b>	<b>21,355,523</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(47,634)	(53,545)
<b>Total accumulated other comprehensive income</b>	<b>(47,634)</b>	<b>(53,545)</b>
Subscription rights to shares	191,900	186,900
<b>Total net assets</b>	<b>21,124,148</b>	<b>21,488,877</b>
<b>Total liabilities and net assets</b>	<b>46,864,776</b>	<b>54,641,127</b>

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(Consolidated cumulative second quarter)

(Thousands of Yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net sales	21,268,322	22,769,973
Cost of sales	17,351,210	18,829,008
Gross profit	3,917,111	3,940,965
Selling, general and administrative expenses	2,452,308	2,686,863
Operating income	1,464,803	1,254,102
Non-operating income		
Interest income	452	447
Dividends income	2,953	2,953
Operations consignment fee	113,897	116,731
Office work fee	75,838	81,573
Other	16,332	12,788
Total non-operating income	209,473	214,494
Non-operating expenses		
Interest expenses	133,404	118,138
Commission for syndicate loan	3,333	3,485
Other	4,766	5,545
Total non-operating expenses	141,504	127,170
Ordinary income	1,532,772	1,341,426
Extraordinary loss		
Loss on sales of non-current assets	–	1,143
Loss on retirement of non-current assets	7,269	7,645
Loss on cancellation of lease contracts	2,179	9,460
Directors' retirement benefits	300,000	–
Total extraordinary loss	309,449	18,248
Net income before income taxes	1,223,323	1,323,177
Income taxes – current	378,625	456,875
Income taxes – deferred	14,583	(5,466)
Total income taxes	393,208	451,408
Net income	830,114	871,769
Net income attributable to owners of the parent company	830,114	871,769

(Quarterly Consolidated Statements of Comprehensive Income)  
(Consolidated cumulative second quarter)

(Thousands of Yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net income	830,114	871,769
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,563)	(5,910)
Total other comprehensive income	(5,563)	(5,910)
Comprehensive income	824,551	865,858
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	824,551	865,858
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousands of Yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
<b>Cash flows from operating activities</b>		
Net income before income taxes	1,223,323	1,323,177
Depreciation and amortization	119,506	127,478
Increase (decrease) in provision for directors' retirement benefits	(12,974)	17,000
Increase (decrease) in provision for warranties for completed construction	(1,438)	2,815
Increase (decrease) in allowance for doubtful accounts	(276)	8,239
Increase (decrease) in net defined benefit liability	32,808	49,526
Interest and dividends income	(3,405)	(3,400)
Interest expenses	133,404	118,138
Loss on sales of non-current assets	–	1,143
Loss on retirement of non-current assets	7,269	7,645
Decrease (increase) in notes and accounts receivable-trade	(13,905)	(6,006)
Decrease (increase) in inventories	360,006	(3,579,822)
Increase (decrease) in notes and accounts payable-trade	(238,714)	91,245
Other	(137,399)	(71,511)
Subtotal	1,468,203	(1,914,330)
Interest and dividends income received	4,542	4,537
Interest expenses paid	(133,101)	(131,900)
Income taxes paid	(631,425)	(663,182)
Net cash provided by (used in) operating activities	708,219	(2,704,876)
<b>Cash flows from investment activities</b>		
Purchase of property, plant and equipment	(215,117)	(128,406)
Proceeds from sales of property, plant and equipment	–	8,779
Purchase of intangible assets	(2,725)	(19,226)
Purchase of shares in subsidiaries resulting in a change in the scope of consolidation	–	(1,887,100)
Collection of loans receivable	574	589
Payments for guarantee deposits	(29,190)	(32,300)
Other payments	(5,873)	(2,807)
Other proceeds	94	176
Net cash provided by (used in) investing activities	(252,237)	(2,060,295)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(581,200)	2,809,300
Proceeds from long-term loans payable	–	2,500,000
Repayment of long-term loans payable	(256,504)	(327,891)
Proceeds from issuance of bonds	500,000	300,000
Redemption of bonds	(10,500)	(10,500)
Proceeds from disposition of treasury shares by exercising subscription rights to shares	–	18,250
Cash dividends paid	(459,942)	(518,973)
Repayments of lease obligations	(14,133)	(15,913)
Net cash provided by (used in) financing activities	(822,280)	4,754,272
Net increase (decrease) in cash and cash equivalents	(366,298)	(10,900)
Cash and cash equivalents at beginning of the period	9,813,941	10,001,725
Cash and cash equivalents at end of the period	9,447,642	9,990,825

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

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

Not applicable.

(Segment Information)

I. The six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)

1. Information relating to the amounts of net sales, profit and loss by reportable segment

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Quarterly Consolidated Statements of Income (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	19,545,336	1,595,872	127,112	21,268,322	–	21,268,322
Inter-segment sales and transfers	–	1,565,154	41,611	1,606,766	(1,606,766)	–
Total	19,545,336	3,161,027	168,724	22,875,088	(1,606,766)	21,268,322
Segment profit	1,362,289	100,250	84,511	1,547,051	(14,279)	1,532,772

Notes: 1 Adjustments of segment profit (–¥14,279 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted to ordinary income described in quarterly consolidated statements of income.

2. Information concerning the impairment loss of non-current assets and goodwill by reportable segment

Not applicable.

II. The six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

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	21,252,775	1,387,481	129,716	22,769,973	–	22,769,973
Inter-segment sales and transfers	–	1,582,337	42,422	1,624,759	(1,624,759)	–
Total	21,252,775	2,969,818	172,139	24,394,733	(1,624,759)	22,769,973
Segment profit	1,193,408	62,223	89,440	1,345,073	(3,646)	1,341,426

Notes: 1 Adjustments of segment profit (–¥3,646 thousand) are eliminations of inter-segment 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

(Significant changes in the amount of goodwill)

In the second quarter of Fiscal 2020, Grandy House Corporation acquired all shares in Plaza House Inc. and Welcome House Inc., and the amount of goodwill in the real estate sales segment was significantly changed. Consequently, the amount of increase in goodwill resulting from the event was ¥1,376,460 thousand.