Consolidated Financial Report for Fiscal 2020 (Fiscal Year Ended March 31, 2020 under Japanese GAAP)

May 11, 2020

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Scheduled date of the Ordinary General Meeting of Shareholders: June 26, 2020
Scheduled date of securities report filing: June 26, 2020
Scheduled date of dividend payment commencement: June 29, 2020
Preparation of annual supplementary explanatory materials: Yes
Annual results briefing held: None

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

1. Consolidated Financial Results for Fiscal 2020 (April 1, 2019 to March 31, 2020)

(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	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal 2020	45,541	2.5	2,142	(31.6)	2,310	(29.7)	1,413	(31.6)
Fiscal 2019	44,452	(0.6)	3,131	16.2	3,288	17.6	2,065	13.0

Note: Comprehensive income Fiscal 2020: ¥1,460 million (-27.7%)
Fiscal 2019: ¥2,021 million (11.4%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2020	48.84	48.26	6.6	4.5	4.7
Fiscal 2019	71.62	70.67	10.3	7.0	7.0

Reference: Equity in earnings of affiliates Fiscal 2020: — (¥ million)
Fiscal 2019: — (¥ million)

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31,2020	55,986	22,143	39.2	755.83
March 31,2019	46,864	21,124	44.7	725.35

Reference: Shareholders' equity Fiscal 2020: ¥21,972 million
Fiscal 2019: ¥20,932 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 2020	(2,546)	(2,520)	5,402	10,336
Fiscal 2019	3,042	(503)	(2,351)	10,001

2. Dividends

	Annual Dividend per Share					Total Dividends	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	1Q-End	2Q-End	3Q-End	Period-End	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal 2019	—	0.00	—	18.00	18.00	519	25.1	2.6
Fiscal 2020	—	0.00	—	23.00	23.00	668	47.1	3.1
Fiscal 2021 (Forecast)	—	—	—	—	—		—	

Note: Dividends for the year ending March 31, 2021 (forecast) have yet to be decided.

3. Consolidated Financial Forecasts for Fiscal 2021 (April 1, 2020 to March 31, 2021)

We have not yet determined consolidated financial forecasts for fiscal 2021 because it is difficult at this time to reasonably assess the impact of the COVID-19 outbreak.

We will release the forecasts for fiscal 2021 promptly as soon as it becomes possible to do so.

*** Notes**

(1) Significant changes to subsidiaries during the period
(Transfers of specific subsidiaries with changes in the scope of consolidation): None
Newly included: — Excluded: —

(2) Changes in accounting policies, accounting estimates, and restatement of revisions

1) Changes in accounting policies due to 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 issued shares (common stock)

1) Number of issued shares (including treasury shares)	March 31, 2020	30,823,200 shares	March 31, 2019	30,823,200 shares
2) Number of treasury shares	March 31, 2020	1,752,445 shares	March 31, 2019	1,965,245 shares
3) Average number of shares during the period	Fiscal 2020	28,932,663 shares	Fiscal 2019	28,839,493 shares

Reference: Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for Fiscal 2020 (April 1, 2019 to March 31, 2020)

(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 2020	20,405	(4.3)	1,142	(36.5)	2,218	(22.4)	1,685	(18.5)
Fiscal 2019	21,321	0.7	1,799	33.9	2,856	21.0	2,068	13.2

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2020	58.25	57.56
Fiscal 2019	71.73	70.78

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2020	35,198	19,218	54.1	655.23
March 31, 2019	29,325	17,927	60.5	614.59

Reference: Shareholders' equity Fiscal 2020: ¥19,048 million
Fiscal 2019: ¥17,735 million

2. Non-Consolidated Financial Forecasts for Fiscal 2021 (April 1, 2020 to March 31, 2021)

We have not yet determined consolidated financial forecasts for fiscal 2021 because it is difficult at this time to reasonably assess the impact of the COVID-19 outbreak.
We will release the forecasts for fiscal 2021 promptly as soon as it becomes possible to do so.

* **This consolidated 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**

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 2020" 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 2020

While the Japanese economy during the first six months of the consolidated fiscal year under review continued on a moderate recovery trend, its real GDP growth rate in the October-December 2019 period turned negative for the first time in five quarters, due to a fall in domestic demand after the increase in consumption tax implemented in October 2019 as well as the damage brought on by Typhoon Hagibis in the same month. In addition, since the beginning of 2020, the serious slowdown of the global economy caused by the worldwide spread of COVID-19 is now certain to lead to a significant downturn for the Japanese economy.

In the housing sector, interest rates on housing loans continue to remain at low levels and the overall environment surrounding housing purchases remains favorable, but the customer mindset regarding housing purchases turned cautious, due to the increase in consumption tax and housing damage caused by flooding brought on by Typhoon Hagibis that affected a vast area of eastern Japan. Furthermore, customer activities remained sluggish due to voluntary restraints being imposed on corporate activities and going out in order to prevent the spread of COVID-19.

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 ended 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 worked on measures such as reinforcing our organizational structures and expanding our business area into Saitama Prefecture. Furthermore, we 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.

In the three months ended December 31, 2019, however, due to the negative impact of the dampened consumer mindset brought on by the increase in consumption tax and by the flooding damage caused by Typhoon Hagibis, the level of orders that we received remained low. This forced us to revise down the financial result forecasts at the beginning of fiscal 2020 (revision release date: February 10, 2020). In the three months ended March 31, 2020, the orders that we received for new homes recovered to a level higher than that for the same quarter in the previous year, although the spread of COVID-19 started to have a minor effect in March. Consequently, our consolidated net sales for the fiscal year under review increased slightly. On the other hand, profit declined year-on-year due to factors such as the following: an increase in personnel expenses associated with investing in human resources with the aim of expanding operations in the future; M&A expenses; amortization of goodwill; and valuation losses recorded on shareholdings due to a fall in share prices following the spread of COVID-19.

As a result of these initiatives, the Grandy House Group's results for the consolidated fiscal year ended March 31, 2020 were as follows. Net sales were ¥45,541 million, an increase of 2.5% year-on-year; operating income decreased to ¥2,142 million, a decrease of 31.6% year-on-year; ordinary income was ¥2,310 million, a decrease of 29.7% year-on-year; and net income attributable to owners of the parent totaled ¥1,413 million, a decrease of 31.6% year-on-year.

Results by business segment are presented as follows.

a. Real Estate Sales

In the new home sales, we endeavored to achieve a recovery in orders received by reinforcing our sales activities through measures such as reviewing the organization and structure of subsidiaries that failed to achieve the sales plan in the previous period. 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, Ibaraki Prefecture) and GRAND BEAT PARK Kaminokawa (141 lots in Kaminokawamachi, Tochigi Prefecture). As a result, we achieved our goal of selling out all of the lots in *Yotsuba no Mori* before the end of the period under review. 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 through products with superior design, functionality, energy saving and safety, we initiated a new undertaking in Saitama Prefecture by adopting a plan with standardized air-conditioning system for the entire house.

As for expanding our sales area, although we opened the Saitama Branch (Saitama in Saitama Prefecture) in the previous fiscal year to purchase housing lots, we subsequently reorganized the branch into the Saitama Regional Office to establish an internal sales department in April 2019 and started selling completed homes. In addition, the company focused on PMI (Post Merger Integration) for Plaza House Inc. (Kawasaki in Kanagawa Prefecture) and Welcome House Inc. (Kawasaki in Kanagawa Prefecture) in the real-estate sales and brokerage business, which the company made subsidiaries in July 2019, with the aim of advancing into the Kanagawa Prefecture market and expanding its business within the prefecture.

However, orders received during the three months ended December 31, 2019 remained challenging due to the increase in consumption tax in October 2019 and the dampened mindset of consumers, especially those in Tochigi Prefecture, following the flooding damage caused in an extensive area by Typhoon Hagibis. In the three months ended March 31, 2020, while the number of homes sold (delivered) recovered to produce an all-time quarterly high, this was unable to make up for the weak figures of the previous quarter. Consequently, the total number of new housing units sold in the consolidated fiscal year under review came in at 1,341 units (down 14 units 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 in the field of purchasing, we achieved our target of keeping 80 completed homes in inventory at any one time due to our efforts to reinforce procurement and shorten the time required for renovation after purchase. Consequently, orders received continued to exceed the level recorded in the previous period, but the total number of existing homes sold in the consolidated fiscal year under review came in at 151 units (the same number as that for the previous fiscal year) because of the number of orders received that were due to be delivered in the next fiscal year.

As a result of these initiatives, sales in the real estate sales segment for the consolidated fiscal year under review increased 3.1% year-on-year to ¥42,505 million despite a decline in the number of new homes sold. This was due to an improvement in the sales composition, with a higher percentage of sales in areas such as the Tokyo metropolitan area where sales prices are higher, and the sale of 17 lots of land in Kanagawa Prefecture. Meanwhile, segment profit decreased to ¥2,013 million, down 32.4% year-on-year.

b. Construction Material Sales

In the construction material sales, a decrease in built-for-rent housing starts and owner-occupied housing starts has been widely noted since the consumption tax hike, resulting in a downward trend in new housing starts for wooden houses. Since the start of 2020, built-for-sale housing starts have also experienced a substantial decrease due to factors such as the stagnant consumption caused by the spread of COVID-19 and delays to construction work caused by the supply chain disruptions experienced in the housing sector as well.

Under such circumstances, the Grandy House Group has been making efforts to improve the gross margin of pre-cut materials, which are the group's main products, and to increase orders received for building and construction materials for housing. Net sales declined because the selection of customers and other measures were conducted in an effort to ensure profitability, among the intensified competition due to the decreased number of wooden housing starts. Meanwhile, profit decreased due to an increase in personnel expenses associated with the addition of manpower starting from the end of the previous period and the occurrence of uncollectible accounts receivable.

As a result of these initiatives, sales in the construction material sales segment during the consolidated fiscal year under review decreased 7.2% year-on-year to ¥2,775 million. Segment profit was ¥142 million, down 5.9% from the previous fiscal 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, in addition to efforts made to improve the operational rate of existing assets and reduce management costs, there was a slight increase in the value of rental assets. Consequently, sales in the real estate leasing segment during the consolidated fiscal year under review were ¥261 million, an increase of 5.2% year-on-year, and segment profit was ¥172 million, an increase of 13.8% year-on-year.

(2) Overview of Financial Position for Fiscal 2020

As of March 31, 2020, total consolidated assets increased to ¥55,986 million, an increase of ¥9,121 million compared to the end of the previous consolidated fiscal year. This was mainly due to an increase in assets associated with the incorporation of assets held by the two companies which became our subsidiaries and the recording of goodwill following this acquisition, in addition to an increase in current assets through the acquisition of housing lots and large housing lots, while endeavoring to expand our real estate sales business.

Liabilities increased to ¥33,842 million, up ¥8,102 million compared to the end of the previous consolidated fiscal year, due mainly to the incorporation of liabilities held by the two companies which became subsidiaries of the Grandy House Group, coupled with loans to fund the acquisition of the aforementioned housing lots and shares of the two companies. 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 ¥22,143 million as of March 31, 2020. This represents an increase of ¥1,018 million from the balance recorded as of March 31, 2019. This is mainly due to the acquisition of net income attributable to owners of the parent despite the payment of dividends.

(3) Overview of Cash Flows for Fiscal 2020

Cash and cash equivalents (hereinafter, "cash flows") as of March 31, 2020 increased by ¥335 million compared to 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 ¥10,336 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 used in operating activities amounted to ¥2,546 million (an increase of ¥3,042 million in the previous fiscal year). 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 ¥2,520 million (a decrease of ¥503 million in the previous fiscal year). This was mainly due to the acquisition of shares in subsidiaries and the acquisition of real estate for leasing, and other items.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥5,402 million (a decrease of ¥2,351 million in the previous fiscal year). This was mainly due to an increase in loans payable associated with an increase in inventory and 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.

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

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Shareholders' equity ratio (%)	41.0	44.7	39.2
Equity ratio on market value basis (%)	27.5	27.5	18.6
Interest-bearing liabilities to cash flow ratio (years)	10.3	6.7	—
Interest coverage ratio (times)	7.0	12.3	—

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 issued shares 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, 2020 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) Outlook for Fiscal 2021

Currently, it is not possible to predict when the COVID-19 outbreak will subside in Japan, and this may have a material impact on our financial position and results for the fiscal year ending March 31, 2021. As it is difficult to produce reasonable estimates of the outbreak's impact at this time, we are not providing consolidated financial forecasts or an annual dividend forecast.

We will release the forecasts for fiscal 2021 promptly as soon as it is possible to calculate them.

(5) Basic Policy concerning the Allocation of Profits and Dividends for Fiscal 2020 and Fiscal 2021

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 30%. 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.

Based on the policy above, Grandy House has declared an annual dividend of ¥23 per share for the fiscal year under review as was originally forecast, even though the net income for fiscal 2020 did not reach the target figure used as the basis for the original dividend forecast. We will announce the annual dividend forecast for the fiscal year ending March 31, 2021 together with financial forecasts as soon as it is possible to calculate them.

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 Corporation and its affiliates) consists of Grandy House Corporation and eight subsidiaries. The Group is mainly engaged in real estate sales, construction material sales, and real estate leasing.

The business operations of the Group and the positions of the Grandy House Corporation and its subsidiaries in those operations are as follows.

(1) Real Estate Sales

The Grandy House Group purchases housing lots, obtains permits and approvals for development, manages residential construction works, designs and builds houses, and handles sales and after-sales maintenance.

Sales, design, and construction of detached houses, which are our main business, are in general supervised by Grandy House Corporation and its subsidiaries by trading area, from the perspective of promoting region-based sales. General sales areas of each company are as follows:

Grandy House Corporation: Tochigi Prefecture, western part of Ibaraki Prefecture, and Saitama Prefecture
Ibaraki Grandy House Co., Ltd.: Ibaraki Prefecture (excluding the western part)
Gunma Grandy House Co., Ltd.: Gunma Prefecture
Chiba Grandy House Co., Ltd.: Chiba Prefecture
Plaza House Inc.: Kanagawa Prefecture
Welcome House Inc.: Kanagawa Prefecture

As we acquired all of the shares in Plaza House Inc. and Welcome House Inc. in the consolidated fiscal year under review, these two companies are included in the scope of consolidation.

Furthermore, Chuko Jutaku Joho Kan Co., Ltd. is engaged in sales of existing homes and Grandy Reform Co., Ltd. is engaged in the after-sales maintenance and renovation business.

(2) Construction Material Sales

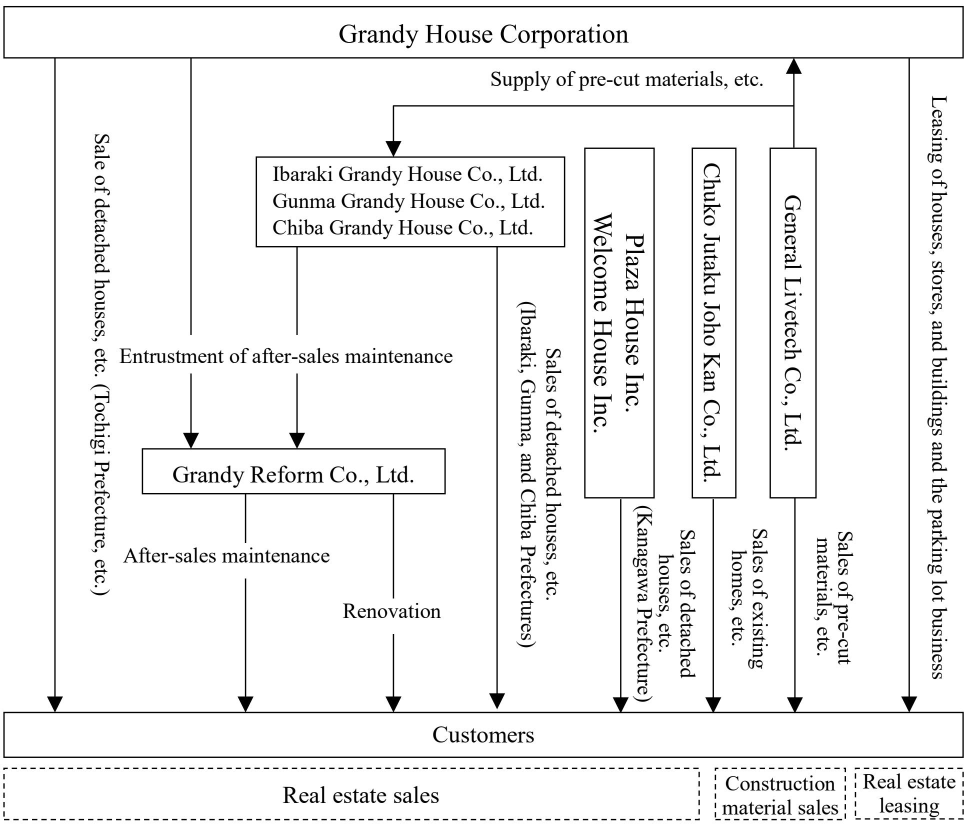
General Livetech Co., Ltd. is engaged in sales of construction materials and components, mainly pre-cut materials.

(3) Real Estate Leasing

Grandy House Corporation and some of its subsidiaries are engaged in the leasing business of tenant buildings, apartments and other properties owned by these companies, and the parking lot business.

[Business Group Organization Chart] (As of March 31, 2020)

The matters described above are shown in the following Business Group Organization Chart.



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 NOTES

(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	10,001,725	10,351,397
Notes and accounts receivable – trade	547,282	607,498
Real estate for sale	17,322,784	16,799,116
Costs on uncompleted construction contracts	7,244	7,198
Real estate for sale in process	7,062,704	13,899,184
Merchandise and finished goods	244,048	238,209
Raw materials and supplies	128,188	113,833
Other	816,802	1,039,355
Allowance for doubtful accounts	(3,305)	(4,934)
Total current assets	36,127,474	43,050,859
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,232,271	5,593,578
Accumulated depreciation	(2,030,651)	(2,174,587)
Buildings and structures, net	3,201,619	3,418,991
Machinery, equipment and vehicles	53,496	126,568
Accumulated depreciation	(49,325)	(82,712)
Machinery, equipment and vehicles, net	4,171	43,855
Tools, furniture and fixtures	351,017	366,090
Accumulated depreciation	(282,493)	(310,140)
Tools, furniture and fixtures, net	68,523	55,949
Land	5,576,884	6,002,977
Leased assets	143,586	189,864
Accumulated depreciation	(63,129)	(84,792)
Leased assets, net	80,456	105,071
Construction in progress	1,011	8,411
Total property, plant and equipment	8,932,666	9,635,258
Intangible assets		
Goodwill	–	1,302,697
Other	80,077	102,366
Total intangible assets	80,077	1,405,064
Investments and other assets		
Investment securities	363,031	329,226
Long-term loans receivable	13,701	35,914
Deferred tax assets	413,834	457,977
Other	897,508	1,045,367
Allowance for doubtful accounts	(1,030)	(9,148)
Total investments and other assets	1,687,045	1,859,337
Total non-current assets	10,699,789	12,899,659
Deferred assets		
Bond issuance costs	37,512	35,593
Total deferred assets	37,512	35,593
Total assets	46,864,776	55,986,112

(Thousands of Yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,132,890	3,249,367
Short-term loans payable	17,324,800	22,218,600
Current portion of long-term loans payable	503,345	695,958
Current portion of bonds	21,000	21,000
Lease obligations	28,366	37,323
Income taxes payable	544,514	367,350
Provision for warranties for completed construction	85,853	70,872
Other	758,230	691,928
Total current liabilities	22,398,999	27,352,399
Non-current liabilities		
Bonds payable	1,545,000	1,824,000
Long-term loans payable	881,461	3,597,965
Lease obligations	58,582	77,603
Provision for directors' retirement benefits	168,654	203,579
Net defined benefit liability	629,972	720,938
Asset retirement obligations	12,227	12,296
Other	45,730	54,203
Total non-current liabilities	3,341,627	6,490,585
Total liabilities	25,740,627	33,842,985
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,228,898	2,291,248
Retained earnings	17,011,385	17,905,056
Treasury shares	(337,899)	(301,297)
Total shareholders' equity	20,979,883	21,972,507
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(47,634)	–
Total accumulated other comprehensive income	(47,634)	–
Subscription rights to shares	191,900	170,620
Total net assets	21,124,148	22,143,127
Total liabilities and net assets	46,864,776	55,986,112

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Thousands of Yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Net sales	44,452,833	45,541,961
Cost of sales	36,415,450	37,756,807
Gross profit	8,037,383	7,785,154
Selling, general and administrative expenses	4,906,276	5,643,006
Operating income	3,131,106	2,142,147
Non-operating income		
Interest income	869	1,409
Dividends income	5,703	5,722
Operations consignment fee	224,634	226,634
Office work fee	161,523	157,004
Insurance claim income	3,205	50,400
Other	27,805	27,250
Total non-operating income	423,741	468,422
Non-operating expenses		
Interest expenses	248,648	256,315
Commission for syndicate loan	6,666	8,469
Other	11,334	34,986
Total non-operating expenses	266,649	299,771
Ordinary income	3,288,197	2,310,798
Extraordinary loss		
Loss on sales of non-current assets	75	1,143
Loss on retirement of non-current assets	16,373	13,151
Loss on cancellation of lease contracts	2,528	9,460
Loss on valuation of investment securities	–	100,000
Directors' retirement benefits	300,000	–
Loss on disaster	–	27,767
Total extraordinary loss	318,978	151,521
Net income before income taxes	2,969,219	2,159,276
Income taxes – current	917,064	770,234
Income taxes – deferred	(13,440)	(24,072)
Total income taxes	903,623	746,162
Net income	2,065,595	1,413,114
Net income attributable to owners of the parent	2,065,595	1,413,114

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Net income	2,065,595	1,413,114
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,810)	47,634
Total other comprehensive income	(43,810)	47,634
Comprehensive income	2,021,785	1,460,749
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,021,785	1,460,749
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2019 (From April 1, 2018 to March 31, 2019)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of the beginning of the period	2,077,500	2,223,038	15,407,196	(341,339)	19,366,395
Changes of items during the period					
Dividends from surplus			(461,407)		(461,407)
Net income attributable to owners of the parent			2,065,595		2,065,595
Exercise of subscription rights to shares		5,860		3,440	9,300
Net changes to items other than shareholder equity					
Total changes of items during the period	–	5,860	1,604,188	3,440	1,613,488
Balance as of the end of the period	2,077,500	2,228,898	17,011,385	(337,899)	20,979,883

	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	(3,824)	(3,824)	193,900	19,556,471
Changes of items during the period				
Dividends from surplus				(461,407)
Net income attributable to owners of the parent				2,065,595
Exercise of subscription rights to shares			(2,000)	7,300
Net changes to items other than shareholder equity	(43,810)	(43,810)		(43,810)
Total changes of items during the period	(43,810)	(43,810)	(2,000)	1,567,677
Balance as of the end of the period	(47,634)	(47,634)	191,900	21,124,148

Fiscal 2020 (From April 1, 2019 to March 31, 2020)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of the beginning of the period	2,077,500	2,228,898	17,011,385	(337,899)	20,979,883
Changes of items during the period					
Dividends from surplus			(519,443)		(519,443)
Net income attributable to owners of the parent			1,413,114		1,413,114
Exercise of subscription rights to shares		62,350		36,601	98,952
Net changes to items other than shareholder equity					
Total changes of items during the period	–	62,350	893,671	36,601	992,623
Balance as of the end of the period	2,077,500	2,291,248	17,905,056	(301,297)	21,972,507

	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	(47,634)	(47,634)	191,900	21,124,148
Changes of items during the period				
Dividends from surplus				(519,443)
Net income attributable to owners of the parent				1,413,114
Exercise of subscription rights to shares			(21,280)	77,672
Net changes to items other than shareholder equity	47,634	47,634		47,634
Total changes of items during the period	47,634	47,634	(21,280)	1,018,978
Balance as of the end of the period	–	–	170,620	22,143,127

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Net income before income taxes	2,969,219	2,159,276
Depreciation and amortization	248,990	267,613
Amortization of goodwill	–	68,563
Increase (decrease) in provision for directors' retirement benefits	2,374	34,924
Increase (decrease) in provision for warranties for completed construction	27,166	(15,382)
Increase (decrease) in allowance for doubtful accounts	(4,913)	8,116
Increase (decrease) in net defined benefit liability	58,388	90,965
Interest and dividends income	(6,572)	(7,131)
Interest expenses	248,648	256,315
Loss (gain) on sales of property, plant and equipment	75	1,143
Loss on retirement of non-current assets	16,373	13,151
Loss (gain) on valuation of investment securities	–	100,000
Decrease (increase) in notes and accounts receivable-trade	125,602	(59,800)
Decrease (increase) in inventories	1,140,337	(3,955,431)
Increase (decrease) in notes and accounts payable-trade	(276,016)	(60,075)
Other	(399,835)	(226,760)
Subtotal	4,149,839	(1,324,512)
Interest and dividends income received	8,878	8,532
Interest expenses paid	(247,794)	(269,978)
Income taxes paid	(868,012)	(960,683)
Net cash provided by (used in) operating activities	3,042,911	(2,546,641)
Cash flows from investing activities		
Purchase of property, plant and equipment	(491,188)	(570,378)
Proceeds from sales of property, plant and equipment	90,034	8,779
Purchase of intangible assets	(37,040)	(33,279)
Purchase of shares in subsidiaries resulting from a change in the scope of consolidation	–	(1,881,900)
Loan advances	–	(18,000)
Collection of loans receivable	1,157	39,955
Payments for guarantee deposits	(68,827)	(66,096)
Proceeds from collection of guarantee deposits	2,145	226
Other	–	(0)
Net cash provided by (used in) investing activities	(503,719)	(2,520,694)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,852,900)	2,689,150
Proceeds from long-term loans payable	–	3,650,000
Repayment of long-term loans payable	(494,513)	(740,883)
Proceeds from issuance of bonds	500,000	300,000
Redemption of bonds	(21,000)	(21,000)
Proceeds from disposition of treasury shares due to exercise of subscription rights to shares	7,300	77,672
Cash dividends paid	(460,176)	(519,435)
Repayments of lease obligations	(30,119)	(33,004)
Net cash provided by (used in) financing activities	(2,351,408)	5,402,500
Net increase (decrease) in cash and cash equivalents	187,783	335,163
Cash and cash equivalents at beginning of the period	9,813,941	10,001,725
Cash and cash equivalents at end of the period	10,001,725	10,336,889

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(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 complies with the accounting policy that is applied to the preparation of consolidated accounting statements. 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

Fiscal 2019 (From April 1, 2018 to March 31, 2019)

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Reported on Consolidated Financial Statements (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	41,212,359	2,992,211	248,262	44,452,833	–	44,452,833
Inter-segment sales and transfers	–	3,123,472	83,876	3,207,349	(3,207,349)	–
Total	41,212,359	6,115,684	332,139	47,660,183	(3,207,349)	44,452,833
Segment profit	2,976,984	151,461	151,315	3,279,761	8,435	3,288,197
Segment assets	33,466,252	2,109,797	3,578,817	39,154,867	7,709,909	46,864,776
Segment liabilities	24,406,096	1,603,723	69,756	26,079,576	(338,948)	25,740,627
Other items						
Depreciation and amortization	176,180	26,106	46,704	248,990	–	248,990
Interest income	863	6	–	869	–	869
Interest expenses	241,325	7,322	–	248,648	–	248,648
Increase in property, plant and equipment and intangible assets	559,887	10,937	5,424	576,249	–	576,249

Fiscal 2020 (From April 1, 2019 to March 31, 2020)

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Reported on Consolidated Financial Statements (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	42,505,118	2,775,626	261,216	45,541,961	–	45,541,961
Inter-segment sales and transfers	–	3,118,577	85,386	3,203,964	(3,203,964)	–
Total	42,505,118	5,894,204	346,602	48,745,925	(3,203,964)	45,541,961
Segment profit	2,013,639	142,588	172,187	2,328,414	(17,616)	2,310,798
Segment assets	41,950,386	2,140,471	4,063,879	48,154,737	7,831,374	55,986,112
Segment liabilities	32,100,985	1,642,918	446,253	34,190,157	(347,171)	33,842,985
Other items						
Depreciation and amortization	193,060	29,480	45,072	267,613	–	267,613
Amortization of goodwill	68,563	–	–	68,563	–	68,563
Interest income	1,405	3	–	1,409	–	1,409
Interest expenses	248,849	7,024	441	256,315	–	256,315
Increase in property, plant and equipment and intangible assets	347,751	37,304	302,945	688,000	–	688,000

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2019	Fiscal 2020
Eliminations of inter-segment transactions	8,435	(17,616)
Total	8,435	(17,616)

Segment assets

(Thousands of Yen)

	Fiscal 2019	Fiscal 2020
Eliminations of inter-segment receivables	(337,184)	(345,365)
Eliminations of inter-segment unrealized profit	(46,021)	(56,859)
Corporate assets	8,093,115	8,233,599
Total	7,709,909	7,831,374

* 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 2019	Fiscal 2020
Eliminations of inter-segment payables	(338,948)	(347,171)
Total	(338,948)	(347,171)

Note 2: Segment profit has been adjusted to ordinary income described in consolidated financial statements.