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Consolidated Financial Report
for the First Quarter of Fiscal 2021 Ending March 31, 2021 (Japanese GAAP)

August 3, 2020

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 Scheduled date of quarterly securities report filing: August 6, 2020
 Scheduled date of dividend payment commencement: —
 Preparation of quarterly supplementary explanatory materials: None
 Quarterly results briefing held: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 30, 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)	%
Three months ended June 30, 2020	9,349	(11.4)	(127)	—	(107)	—	(107)	—
Three months ended June 30, 2019	10,550	2.0	589	(16.8)	632	(15.1)	420	43.3

Note: Comprehensive income Three months ended June 30, 2020: (¥92) million (-%)
 Three months ended June 30, 2019: ¥419 million (49.6%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Three months ended June 30, 2020	(3.69)	—
Three months ended June 30, 2019	14.58	14.40

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2020	60,387	21,382	35.1	729.66
March 31, 2020	55,986	22,143	39.2	755.83

Reference: Shareholders' equity June 30, 2020: ¥21,211 million
 March 31, 2020: ¥21,972 million

2. Dividends

	Annual Dividend per Share				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2020	—	0.00	—	23.00	23.00
Fiscal 2021	—				
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) Adoption of specific methods for preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies and 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

(4) Number of issued shares (common stock)

- 1) Number of issued shares
 (including treasury shares)
- 2) Number of treasury shares
- 3) Average number of shares during the period

June 30, 2020	30,823,200 shares	March 31, 2020	30,823,200 shares
June 30, 2020	1,752,445 shares	March 31, 2020	1,752,445 shares
Three months ended June 30, 2020	29,070,755 shares	Three months ended June 30, 2019	28,857,955 shares

*** This consolidated quarterly financial report is not subject to a quarterly review 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 first three months of the consolidated fiscal year under review, confidence in the Japanese economy rapidly eroded. This was caused by the negative growth in real GDP that occurred in the January-March 2020 period for two consecutive terms due to voluntary restraints on going out, corporate activities, and so on in response to the spread of COVID-19 as well as by the even more serious economic slowdown that followed the declaration of a state of emergency in April this year.

In the housing sector, the business environment is also in an extremely severe situation due to restrictions on business activities, voluntary restraints on customers going out, and other measures that have been implemented in response to the spread of COVID-19. Although economic activity resumed after the termination of the state of emergency in May, the sector remains in critical condition due to concerns over a second wave of COVID-19.

Under these circumstances, the Grandy House Group continued its efforts to develop management infrastructure for responding to emergency situations by not only continuing to take measures for preventing infections, but also creating a sales system that utilizes IT technologies and a production structure for flexibly responding to changing environments, while continuing to ensure the safety of its customers and the health of its employees as the top priority issue.

With regard to new home sales, one of our core operations, we worked to increase sales by starting to sell large housing lots and reinforcing the sales structure in Saitama Prefecture and Kanagawa Prefecture, where we had expanded our sales areas in the previous fiscal year, while enhancing our online sales activities and implementing thorough measures against infections. In respect of existing home sales, we endeavored to secure inventory with a view to expanding the number of completed home sales amid worsening purchasing conditions, such as the suspension of auction bidding.

However, although the level of orders that we received for new homes after the termination of the state of emergency recovered to the level of the previous fiscal year, the significant impact of the economic slowdown in the first half of the current quarter led to a year-on-year decline in both the number of completed new and existing home sales and net sales. In terms of profit, an operating loss was posted due to a decrease in net sales and other factors such as a decline in the gross margin ratio as a result of tighter inventory controls, and an increase in selling, general and administrative expenses and in the amortization cost of goodwill of the subsidiary acquired in the previous fiscal year.

As a result of these factors, the Grandy House Group's consolidated results for the first quarter of fiscal 2021 under review were as follows. We had net sales of ¥9,349 million, a decrease of 11.4% year-on-year; an operating loss of ¥127 million, compared to an operating income of ¥589 million during the same period of the previous year; an ordinary loss of ¥107 million, compared to an ordinary income of ¥632 million during the same period of the previous year; and a net loss attributable to the owners of the parent of ¥107 million, compared to a net income attributable to the owners of the parent of ¥420 million during the same period of the previous year.

Results by business segment are presented as follows.

a. Real Estate Sales

In the new home sales, we have endeavored to increase non-contact sales activities, where properties are introduced via e-mail and online, in order to prevent infections by COVID-19 while also offering inspections of newly completed homes in the form of guided visits by-appointment only. In Saitama Prefecture, which is a new sales area that we added in the previous fiscal year, we enhanced our advertisements to improve our brand recognition and increased the number of sales personnel based there. Meanwhile, our subsidiary in Kanagawa Prefecture, which we acquired in the previous fiscal year, worked to strengthen its construction division so that it could construct homes by itself.

In Tsukuba, Ibaraki Prefecture, we began selling large housing lots called "*Yotsuba no Mori Tsukuba Matsushiro*" (103 lots in total) as a successor to "*Yotsuba no Mori*," which we sold out of in the previous fiscal year. In terms of products, we continued to differentiate ourselves from our competitors by providing high-added-value products. As part of our efforts, we pursued the creation of a townscape that excels in comfort and safety in consideration of families with young children by developing promenades and designing vehicle traffic paths, built homes featuring multipurpose spaces that can be used for working from home, and so on.

However, the number of orders that we received for new homes slowed considerably until the termination of the declaration of the state of emergency, which had had a significant impact on the number of property inspections by customers and other factors due to restrictions on business activities and voluntary restraints on going out. Although the level of orders that we received for new homes after the termination of the declaration recovered to the same level as that for the previous fiscal year, the number of completed home sales in the first

quarter of fiscal 2021 under review was 277 (a decrease of 39 homes year-on-year) due to the significant impact of the sharp drop in orders that we experienced in the first half of the current quarter.

In existing home sales, we continued our efforts to build up our inventory with a view to expanding the number of completed home sales. However, due to the impact that measures imposed in response to the spread of COVID-19, including the suspension of auction bidding and restraints on customers going out, had on both purchasing and sales, the number of completed home sales in the first quarter of fiscal 2021 under review was 33 (a decrease of 2 homes year-on-year).

As a result of these factors, sales in the real estate sales segment during the first quarter of fiscal 2021 under review decreased by 12.0% year-on-year to ¥8,620 million. We had a segment loss of ¥169 million, compared to a segment profit of ¥573 million during the same period of last year.

b. Construction Material Sales

In the construction material sales, the number of new housing starts for wooden houses fell considerably year-on-year throughout the country due to the slowdown in economic activity and purchasing activity caused by the spread of COVID-19 shortly after the new year. This demonstrated a remarkable decline in construction material demand. Wood material prices continued to remain generally low, affected by a fall in the wholesale prices of construction materials due to reduced demand and other factors.

Under these circumstances, the volume of construction material sales decreased significantly despite the Grandy House Group having made efforts to secure orders for construction materials and ensure thorough credit management as a top priority.

As a result of these factors, sales in the construction material sales segment in the first quarter of fiscal 2021 under review decreased by 3.2% year-on-year to ¥664 million. We had a segment profit of ¥16 million, a decrease of 26.8% year-on-year.

c. Real Estate Leasing

In the real estate leasing, more tenants whose businesses had deteriorated requested a reduction or exemption from rent due to the economic slowdown caused by the spread of COVID-19, and the operation rate exhibited a worsening trend in both the office building and parking markets.

The Grandy House Group continued to face severe conditions as well, because it supported rent reductions, rent exemptions and other measures for leased offices and the like to prevent a deterioration in the operation rate, and the operation rate for parking lots and others decreased due to voluntary restraints on going out, despite an increase in the number of properties leased year-on-year.

As a result of these factors, sales in the real estate leasing segment in the first quarter of fiscal 2021 under review were ¥64 million, an increase of 0.8% year-on-year. We had a segment profit of ¥39 million, a decrease of 5.3% year-on-year.

(2) Explanation regarding Financial Position

As of the end of the first quarter of consolidated fiscal 2021 under review, total consolidated assets rose to ¥60,387 million, an increase of ¥4,401 million compared to the end of the previous consolidated fiscal year. This was due to an increase in deposits caused primarily by the acquisition of housing lots to reflect the expanded area of the real estate sales business and having secured liquidity in hand.

Liabilities increased to ¥39,005 million, an increase of ¥5,162 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in short-term loans payable following the acquisition of housing lots and having secured liquidity in hand.

Total net assets stood at ¥21,382 million as of June 30, 2020, down ¥760 million compared with the end of the previous fiscal year. This was mainly due to accounting for the net loss attributable to owners of the parent as well as for the payment of dividends.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

Although the state of emergency was terminated and economic activity has gradually resumed, there is no prospect of the COVID-19 situation returning to normal because of concerns about a second wave. We have not yet determined consolidated financial forecasts and dividend payments for fiscal 2021 because it is difficult at this time to reasonably assess the impact that the COVID-19 outbreak will have on our financial results given the level of uncertainty concerning economic activity and business trends.

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

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal 2020 (As of March 31, 2020)	First Quarter of FY2021 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	10,351,397	12,928,152
Notes and accounts receivable – trade	607,498	445,127
Real estate for sale	16,799,116	19,407,875
Costs on uncompleted construction contracts	7,198	5,119
Real estate for sale in process	13,899,184	13,494,413
Merchandise and finished goods	238,209	188,799
Raw materials and supplies	113,833	127,709
Other	1,039,355	864,417
Allowance for doubtful accounts	(4,934)	(4,053)
Total current assets	43,050,859	47,457,561
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,418,991	3,392,453
Machinery, equipment and vehicles, net	43,855	40,421
Tools, furniture and fixtures, net	55,949	58,032
Land	6,002,977	6,011,624
Leased assets, net	105,071	96,402
Construction in progress	8,411	17,651
Total property, plant and equipment	9,635,258	9,616,585
Intangible assets		
Goodwill	1,302,697	1,268,416
Other	102,366	99,978
Total intangible assets	1,405,064	1,368,394
Investments and other assets		
Investment securities	329,226	343,650
Long-term loans receivable	35,914	33,771
Deferred tax assets	457,977	485,953
Other	1,045,367	1,041,995
Allowance for doubtful accounts	(9,148)	(9,145)
Total investments and other assets	1,859,337	1,896,225
Total non-current assets	12,899,659	12,881,204
Deferred assets		
Bond issuance costs	35,593	49,117
Total deferred assets	35,593	49,117
Total assets	55,986,112	60,387,884

(Thousands of Yen)

	Fiscal 2020 (As of March 31, 2020)	First Quarter of FY2021 (As of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,249,367	2,859,048
Short-term loans payable	22,218,600	26,932,900
Current portion of long-term loans payable	695,958	691,674
Current portion of bonds	21,000	21,000
Lease obligations	37,323	36,199
Income taxes payable	367,350	36,655
Provision for warranties for completed construction	70,872	74,112
Other	691,928	1,028,824
Total current liabilities	27,352,399	31,680,414
Non-current liabilities		
Bonds payable	1,824,000	2,313,500
Long-term loans payable	3,597,965	3,926,699
Lease obligations	77,603	69,121
Provision for directors' retirement benefits	203,579	203,570
Net defined benefit liability	720,938	746,574
Asset retirement obligations	12,296	12,314
Other	54,203	53,373
Total non-current liabilities	6,490,585	7,325,153
Total liabilities	33,842,985	39,005,567
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,291,248	2,291,248
Retained earnings	17,905,056	17,129,245
Treasury shares	(301,297)	(301,297)
Total shareholders' equity	21,972,507	21,196,696
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	15,000
Total accumulated other comprehensive income	—	15,000
Subscription rights to shares	170,620	170,620
Total net assets	22,143,127	21,382,316
Total liabilities and net assets	55,986,112	60,387,884

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Consolidated cumulative first quarter)

(Thousands of Yen)

	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net Sales	10,550,042	9,349,252
Cost of sales	8,678,606	7,990,045
Gross profit	1,871,435	1,359,207
Selling, general and administrative expenses	1,281,578	1,486,239
Operating income (loss)	589,856	(127,031)
Non-operating income		
Interest income	193	561
Dividends income	2,953	2,903
Operations consignment fee	57,926	49,637
Office work fee	38,022	33,452
Other	3,290	9,706
Total non-operating income	102,386	96,260
Non-operating expenses		
Interest expenses	55,686	70,561
Commission for syndicate loan	1,666	2,491
Other	2,695	3,415
Total non-operating expenses	60,048	76,468
Ordinary income (loss)	632,194	(107,239)
Extraordinary loss		
Loss on retirement of non-current assets	4,872	3,598
Total extraordinary loss	4,872	3,598
Net income before income taxes (net loss before income taxes)	627,322	(110,837)
Income taxes – current	181,958	24,934
Income taxes – deferred	24,695	(28,588)
Total income taxes	206,653	(3,653)
Net income (loss)	420,668	(107,183)
Net income (loss) attributable to owners of the parent	420,668	(107,183)

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

	(Thousands of Yen)	
	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net income (loss)	420,668	(107,183)
Other comprehensive income		
Valuation difference on available-for-sale securities	(695)	15,000
Total other comprehensive income	(695)	15,000
Comprehensive income	419,973	(92,183)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	419,973	(92,183)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

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

Not applicable.

(Additional Information)

The Grandy House Group makes accounting estimates (impairment review for non-current assets including goodwill, valuation of inventory, etc.) based on information available as of the date on which the quarterly consolidated financial statements are prepared. In making such estimates, however, we have assumed that social activities that have been slowed due to the COVID-19 outbreak will gradually start to recover in the second half of fiscal 2021 and almost fully recover to the level before the outbreak by the end of fiscal 2021.

Note that there has been no significant change to our assumptions concerning the impact of the COVID-19 outbreak that we described as supplemental information in our securities reporting for fiscal 2020.

(Segment Information)

Segment Information

I. The three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

1. Information relating to the amounts of net sales and profit or 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 external customers	9,800,186	686,172	63,683	10,550,042	—	10,550,042
Inter-segment sales and transfers	—	819,404	21,221	840,626	(840,626)	—
Total	9,800,186	1,505,577	84,905	11,390,669	(840,626)	10,550,042
Segment profit (loss)	573,653	22,044	41,244	636,942	(4,748)	632,194

Notes: 1 Adjustments of segment profit (¥4,748 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 three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)

1. Information relating to the amounts of net sales and profit or 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 external customers	8,620,916	664,165	64,170	9,349,252	—	9,349,252
Inter-segment sales and transfers	—	604,668	20,228	624,896	(624,896)	—
Total	8,620,916	1,268,834	84,399	9,974,149	(624,896)	9,349,252
Segment profit (loss)	(169,144)	16,134	39,061	(113,947)	6,708	(107,239)

Notes: 1 Adjustments of segment profit or loss (¥6,708 thousand) are eliminations of inter-segment transactions.

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

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

Not applicable.