

**Consolidated Financial Report**  
For the Second Quarter of Fiscal 2021 Ending March 31, 2021 (Japanese GAAP)

November 9, 2020

|   |  |
|---|--|
| Company Name: Grandy House Corporation                                  | Stock Exchange Listing: Tokyo Stock Exchange                         |
| Securities Code: 8999   | URL: <a href="https://www.grandy.co.jp">https://www.grandy.co.jp</a> |
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| Scheduled date of quarterly securities report filing: November 12, 2020 |  |
| Scheduled date of dividend payment commencement: —                      |  |
| Preparation of quarterly supplementary explanatory materials: Yes       |  |
| Quarterly results briefing held: None                                   |  |

(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, 2021**  
(April 1, 2020 to September 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)                                     | %      |
| Six months ended September 30, 2020 | 21,820      | (4.2) | 466              | (62.8) | 536             | (60.0) | 323   | (62.9) |
| Six months ended September 30, 2019 | 22,769      | 7.1   | 1,254            | (14.4) | 1,341           | (12.5) | 871   | 5.0    |

Note: Comprehensive income Six months ended September 30, 2020: ¥332 million (-61.6%)  
Six months ended September 30, 2019: ¥865 million (5.0%)

|                                     | Net Income per Share | Net Income per Share (Diluted) |
|-------------------------------------|----------------------|--------------------------------|
|                                     | (¥)                  | (¥)                            |
| Six months ended September 30, 2020 | 11.12                | —                              |
| Six months ended September 30, 2019 | 30.19                | 29.80                          |

(2) Consolidated Financial Position

|                    | Total Assets | Net Assets  | Shareholders' Equity Ratio | Net Assets per Share |
|--------------------|--------------|-------------|----------------------------|----------------------|
|                    | (¥ million)  | (¥ million) | %                          | (¥)                  |
| September 30, 2020 | 58,840       | 21,806      | 36.8                       | 744.25               |
| March 31, 2020     | 55,986       | 22,143      | 39.2                       | 755.83               |

Reference: Shareholders' equity September 30, 2020: ¥21,636 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            | —                         | 0.00   | —      | —          | —     |
| Fiscal 2021 (Forecast) | —                         | —      | —      | 24.00      | 24.00 |

Note: Revisions to the most recently announced forecast of cash dividends in the current quarter: Yes

- Breakdown of the dividend forecast for fiscal 2021: Ordinary dividend of ¥14.00 and commemorative dividend of ¥10.00
- For additional details, please refer to the "Notice of Adjustment of the Financial Forecast, Dividend Forecast, and Numerical Targets in the Medium-Term Business Plan" (Japanese language only), which was announced today.

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

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

|                  | Net Sales   |     | Operating Income |        | Ordinary Income |        | Net Income Attributable to Owners of the Parent |        | Net Income per Share |
|------------------|-------------|-----|------------------|--------|-----------------|--------|---|--------|----------------------|
|                  | (¥ million) | %   | (¥ million)      | %      | (¥ million)     | %      | (¥ million)                                     | %      | (¥)                  |
| Full Fiscal Year | 48,500      | 6.5 | 1,700            | (20.6) | 1,800           | (22.1) | 1,200   | (15.1) | 41.28                |

Note: Revisions to the most recently announced financial forecasts in the current quarter: Yes

- For additional details, please refer to the "Notice of Adjustment of the Financial Forecast, Dividend Forecast, and Numerical Targets in the Medium-Term Business Plan" (Japanese language only), which was announced today.

\* **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

|  |                   |  |                   |
|--|-------------------|--|-------------------|
| September 30, 2020                     | 30,823,200 shares | March 31, 2020                         | 30,823,200 shares |
| September 30, 2020                     | 1,752,445 shares  | March 31, 2020                         | 1,752,445 shares  |
| Six months ended<br>September 30, 2020 | 29,070,755 shares | Six months ended<br>September 30, 2019 | 28,879,384 shares |

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

\* **Explanation concerning the appropriate use of financial 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 six months of the consolidated fiscal year under review, the Japanese economy recorded its largest ever postwar negative growth in real GDP in the April-June 2020 period, marking three consecutive terms of negative growth. This was caused by measures implemented in response to the spread of COVID-19, such as voluntary restraints on going out and corporate activities. Confidence in the Japanese economy remains weak, although economic activities and personal consumption have shown some signs of recovery since the declaration of a state of emergency was lifted in May this year.

In the housing sector, the business environment has also been in a severe situation due to restrictions on business activities, voluntary restraints on customers going out, and other measures that have been implemented, particularly those introduced during the period of a state of emergency. Furthermore, the number of new housing starts dropped significantly compared to the previous fiscal year due to concerns about issues such as a recurrence of infections and deterioration of the employment situation. However, new trends are also emerging, including increased customer interest in detached houses due to factors such as the need to “Avoid the Three Cs” and the expansion of working from home.

Under these circumstances, the Grandy House Group has continued its efforts to build a business foundation that can respond to an emergency by not only continuing infection control measures, but also creating a sales structure that utilizes IT technologies and a production system that responds flexibly to changes in the environment, while placing top priority on the safety of its customers and the health of its employees.

With regard to new home sales, one of our core operations, we have worked to enhance our online sales activities while taking thorough measures against infections, and increase sales by continuing to reinforce the sales structure in Saitama and Kanagawa Prefectures, where we had expanded our sales areas in the previous fiscal year. In existing home sales, we endeavored to secure inventory with a view to expanding the number of completed home sales amid worsening purchasing environment, such as suspension of auction bidding.

Thanks to these efforts, the number of orders received for new homes recovered to a record high level in the second quarter on a quarterly basis and increased year-on-year in the first half of fiscal 2021 as well. However, both the number of completed new and existing home sales and net sales decreased year-on-year. Profit decreased year-on-year due to a decrease in net sales and other factors, such as a decline in the gross margin ratio coming from 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 cumulative operating results for the second quarter of fiscal 2021 were as follows: Net sales were ¥21,820 million, a decrease of 4.2% year-on-year; operating income decreased to ¥466 million, a decrease of 62.8% year-on-year; ordinary income was ¥536 million, a decrease of 60.0% year-on-year; and net income attributable to owners of the parent totaled ¥323 million, a decrease of 62.9% year-on-year.

Operating results by business segment are presented as follows.

#### a) Real Estate Sales

In the new home sales, we have continued to endeavor to increase non-contact sales activities, where properties are introduced online, while also offering inspections of newly completed homes by appointment only in order to prevent the COVID-19 infection thoroughly. In Saitama Prefecture, where we added as a new sales area in the previous fiscal year, we strengthened our advertising activity to improve our brand recognition and increased the number of sales personnel. Meanwhile, our subsidiary in Kanagawa Prefecture, which we acquired in the previous fiscal year, actively purchased select housing lots to expand sales.

In terms of products, we have continued to differentiate ourselves from our competitors by providing high value-added products, including the creation of a townscape that excels in comfort and safety in consideration of families with children as well as houses with enhanced countermeasures against natural disasters such as typhoons and flooding. We have also proposed a new lifestyle aimed at balancing life and work in response to changing housing environment needs to cope with the Corona (COVID-19) related crisis. We did this through initiatives such as offering homes featuring multipurpose spaces that can be used for working from home as well as homes situated in "outer urban city" locations featuring a spacious living environment and good access to the Central Business District (CBD).

Through these efforts, the number of orders received for new homes recovered to a record high level in the second quarter on a quarterly basis and increased over the same period of the previous year in the first half of fiscal 2021 as well. However, the number of completed home sales in the consolidated cumulative second quarter of fiscal 2021 under review was 642 (a decrease of 41 homes year-on-year), which was partly due to the timing of the delivery of completed homes for orders received during this period.

In existing home sales, we have continued our efforts to build up our inventory with a view to expanding the number of completed home sales. However, both purchasing and sales activities have been affected by the spread of COVID-19, including restraints on customers going out and the suspension of auction bidding through July 2020, and therefore the number of completed home sales in the consolidated cumulative second quarter of fiscal 2021 under review was 67 (a decrease of 13 homes year-on-year).

As a result, sales in the real estate sales segment in the consolidated cumulative second quarter of fiscal 2021 decreased by 4.2% year-on-year to ¥20,363 million. We had a segment profit of ¥385 million, a decrease of 67.7% year-on-year.

#### b) Construction Material Sales

In the construction material sales, the situation continues to be challenging even though the number of new housing starts for wooden houses, which had fallen considerably, has shown some signs of recovery. Wood material prices continued to remain generally low, as exemplified by the fact that the distribution price of laminated wood for homes fell to its lowest level in the last seven years.

Under these circumstances, the volume of construction material sales decreased year-on-year due to a decrease in the number of new housing starts for wooden houses, though the Grandy House Group made efforts to focus on securing orders for construction materials and ensuring thorough credit management.

As a result of these factors, sales in the construction material sales segment in the consolidated cumulative second quarter of fiscal 2021 under review decreased by 4.5% year-on-year to ¥1,325 million. We had a segment profit of ¥61 million, a decrease of 1.4% year-on-year.

#### c) Real Estate Leasing

In the real estate leasing, tenants whose businesses had deteriorated either requested a reduction or exemption from rent or went out of business due to the economic slowdown caused by the spread of COVID-19, thus 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, despite an increase in the number of properties leased year-on-year, because it supported for rent reduction or exemption, and other measures for leased offices and the like to prevent a deterioration in the operation rate, even though the operation rate for parking lots and others, which had previously decreased due to voluntary restraints on going out, was gradually recovering.

As a result, sales in the real estate leasing segment in the consolidated cumulative second quarter of fiscal 2021 under review were ¥131 million, an increase of 1.7% year-on-year. We had a segment profit of ¥79 million, a decrease of 11.1% year-on-year, mainly due to an increase in repair expenses.

### (2) Explanation regarding Financial Position

#### a) Balance Sheet

As of the end of the second quarter of consolidated fiscal 2021 under review, total consolidated assets rose to ¥58,840 million, an increase of ¥2,854 million compared to the end of the previous consolidated fiscal year. This was primarily due to an increase in cash and deposits caused 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 ¥37,033 million, an increase of ¥3,190 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 ¥21,806 million as of September 30, 2020, down ¥336 million compared with the end of the previous fiscal year. This was due to the payment of dividends despite the acquisition of net income attributable to owners of the parent.

#### b) Cash Flows

Cash and cash equivalents (hereinafter, "cash flows") as of the end of the second quarter of consolidated fiscal 2021 increased by ¥2,801 million compared to the end of the previous consolidated fiscal year to ¥13,138 million as a result of increased cash flows from operating and financing activities and decreased cash flows from investing activities.

The Company's cash flows and their factors that cause them to fluctuate during the six months ended September 30, 2020, are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥612 million (a decrease of ¥2,704 million for the six months ended September 30, 2019). This was mainly due to an increase in net income before income taxes despite an increase in inventory resulting from the acquisition of housing lots and others.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥229 million (a decrease of ¥2,060 million for the six months ended September 30, 2019). This was mainly due to the acquisition of property, plant and equipment in relation to the construction of new offices and others.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥2,418 million (an increase of ¥4,754 million for the six months ended September 30, 2019). This was mainly due to an increase in loans payable associated with the acquisition of housing lots and having secured liquidity in hand, despite the payment of dividends.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

Consolidated financial forecasts for fiscal 2021 had not been decided yet because it was difficult to reasonably assess the impact that the COVID-19 outbreak would have on our financial results. However, we are announcing these forecasts now as we calculate them based on the information that is currently available to us.

We are announcing our dividend forecast for fiscal 2021, which also had not been decided yet, as follows: an ordinary dividend of ¥14.00 per share based on our financial forecasts, and a commemorative dividend of ¥10.00 per share to commemorate the fact that fiscal 2021 is the 30th anniversary of the Company's foundation. Therefore, the dividend per share for fiscal 2021 under review will be ¥24.00. In terms of the number of dividend payments per year, Grandy House plans to continue paying a single annual dividend to shareholders of record as of March 31 each year.

For additional details, please refer to the "Notice of Adjustment of the Financial Forecast, Dividend Forecast, and Numerical Targets in the Medium-Term Business Plan" (Japanese language only), which was announced today (November 9, 2020).

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### (1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

|   | FY2020<br>(As of March 31, 2020) | Second Quarter of FY2021<br>(As of September 30, 2020) |
|---|----------------------------------|--|
| Assets                                      |                                  |  |
| Current assets                              |                                  |  |
| Cash and deposits                           | 10,351,397                       | 13,152,543   |
| Notes and accounts receivable-trade         | 607,498                          | 510,722  |
| Real estate for sale                        | 16,799,116                       | 18,385,880   |
| Costs on uncompleted construction contracts | 7,198                            | 6,034  |
| Real estate for sale in process             | 13,899,184                       | 12,867,461   |
| Merchandise and finished goods              | 238,209                          | 211,129  |
| Raw materials and supplies                  | 113,833                          | 102,381  |
| Other                                       | 1,039,355                        | 627,792  |
| Allowance for doubtful accounts             | (4,934)                          | (3,753)  |
| Total current assets                        | 43,050,859                       | 45,860,191   |
| Non-current assets                          |                                  |  |
| Property, plant and equipment               |                                  |  |
| Buildings and structures, net               | 3,418,991                        | 3,368,449  |
| Machinery, equipment and vehicles, net      | 43,855                           | 37,204   |
| Tools, furniture and fixtures, net          | 55,949                           | 55,133   |
| Land  | 6,002,977                        | 6,019,598  |
| Leased assets, net                          | 105,071                          | 91,304   |
| Construction in progress                    | 8,411                            | 144,692  |
| Total property, plant and equipment         | 9,635,258                        | 9,716,382  |
| Intangible assets                           |                                  |  |
| Goodwill                                    | 1,302,697                        | 1,234,134  |
| Other                                       | 102,366                          | 92,827   |
| Total intangible assets                     | 1,405,064                        | 1,326,962  |
| Investments and other assets                |                                  |  |
| Investment securities                       | 329,226                          | 337,073  |
| Long-term loans receivable                  | 35,914                           | 23,890   |
| Deferred tax assets                         | 457,977                          | 477,064  |
| Other                                       | 1,045,367                        | 1,057,502  |
| Allowance for doubtful accounts             | (9,148)                          | (4,343)  |
| Total investments and other assets          | 1,859,337                        | 1,891,188  |
| Total non-current assets                    | 12,899,659                       | 12,934,532   |
| Deferred assets                             |                                  |  |
| Bond issuance costs                         | 35,593                           | 45,420   |
| Total deferred assets                       | 35,593                           | 45,420   |
| Total assets                                | 55,986,112                       | 58,840,144   |

(Thousands of Yen)

|   | FY2020<br>(As of March 31, 2020) | Second Quarter of FY2021<br>(As of September 30, 2020) |
|---|----------------------------------|--|
| <b>Liabilities</b>                                    |                                  |  |
| <b>Current liabilities</b>                            |                                  |  |
| Accounts payable for construction contracts           | 3,249,367                        | 3,401,817  |
| Short-term loans payable                              | 22,218,600                       | 23,705,700   |
| Current portion of long-term loans payable            | 695,958                          | 687,790  |
| Current portion of bonds                              | 21,000                           | 21,000   |
| Lease obligations                                     | 37,323                           | 35,671   |
| Income taxes payable                                  | 367,350                          | 166,654  |
| Provision for warranties for completed construction   | 70,872                           | 75,667   |
| Other   | 691,928                          | 779,586  |
| <b>Total current liabilities</b>                      | <b>27,352,399</b>                | <b>28,873,888</b>                                      |
| <b>Non-current liabilities</b>                        |                                  |  |
| Bonds payable   | 1,824,000                        | 2,313,500  |
| Long-term loans payable                               | 3,597,965                        | 4,735,033  |
| Lease obligations                                     | 77,603                           | 64,149   |
| Provision for directors' retirement benefits          | 203,579                          | 202,120  |
| Net defined benefit liability                         | 720,938                          | 779,031  |
| Asset retirement obligations                          | 12,296                           | 12,331   |
| Other   | 54,203                           | 53,455   |
| <b>Total non-current liabilities</b>                  | <b>6,490,585</b>                 | <b>8,159,620</b>                                       |
| <b>Total liabilities</b>                              | <b>33,842,985</b>                | <b>37,033,509</b>                                      |
| <b>Net assets</b>                                     |                                  |  |
| <b>Shareholders' equity</b>                           |                                  |  |
| Capital stock   | 2,077,500                        | 2,077,500  |
| Capital surplus                                       | 2,291,248                        | 2,291,248  |
| Retained earnings                                     | 17,905,056                       | 17,559,564   |
| Treasury shares                                       | (301,297)                        | (301,297)  |
| <b>Total shareholders' equity</b>                     | <b>21,972,507</b>                | <b>21,627,015</b>                                      |
| <b>Accumulated other comprehensive income</b>         |                                  |  |
| Valuation difference on available-for-sale securities | —                                | 9,000  |
| <b>Total accumulated other comprehensive income</b>   | <b>—</b>                         | <b>9,000</b>   |
| Subscription rights to shares                         | 170,620                          | 170,620  |
| <b>Total net assets</b>                               | <b>22,143,127</b>                | <b>21,806,635</b>                                      |
| <b>Total liabilities and net assets</b>               | <b>55,986,112</b>                | <b>58,840,144</b>                                      |

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

(Thousands of Yen)

|   | Six months ended<br>September 30, 2019<br>(From April 1, 2019 to<br>September 30, 2019) | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) |
|---|---|---|
| Net sales                                       | 22,769,973  | 21,820,404  |
| Cost of sales                                   | 18,829,008  | 18,400,203  |
| Gross profit                                    | 3,940,965   | 3,420,200   |
| Selling, general and administrative expenses    | 2,686,863   | 2,953,383   |
| Operating income                                | 1,254,102   | 466,817   |
| Non-operating income                            |   |   |
| Interest income                                 | 447   | 914   |
| Dividends income                                | 2,953   | 2,903   |
| Operations consignment fee                      | 116,731   | 102,562   |
| Office work fee                                 | 81,573  | 74,584  |
| Other   | 12,788  | 46,087  |
| Total non-operating income                      | 214,494   | 227,052   |
| Non-operating expenses                          |   |   |
| Interest expenses                               | 118,138   | 145,239   |
| Commission for syndicate loan                   | 3,485   | 4,983   |
| Other   | 5,545   | 7,112   |
| Total non-operating expenses                    | 127,170   | 157,335   |
| Ordinary income                                 | 1,341,426   | 536,534   |
| Extraordinary income                            |   |   |
| Gain on sales of non-current assets             | —   | 3,802   |
| Total extraordinary income                      | —   | 3,802   |
| Extraordinary loss                              |   |   |
| Loss on sales of non-current assets             | 1,143   | —   |
| Loss on retirement of non-current assets        | 7,645   | 7,979   |
| Loss on cancellation of lease contracts         | 9,460   | 913   |
| Total extraordinary loss                        | 18,248  | 8,893   |
| Net income before income taxes                  | 1,323,177   | 531,443   |
| Income taxes – current                          | 456,875   | 228,005   |
| Income taxes – deferred                         | (5,466)   | (19,698)  |
| Total income taxes                              | 451,408   | 208,307   |
| Net income                                      | 871,769   | 323,135   |
| Net income attributable to owners of the parent | 871,769   | 323,135   |

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

(Thousands of Yen)

|  | Six months ended<br>September 30, 2019<br>(From April 1, 2019 to<br>September 30, 2019) | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) |
|--|---|---|
| Net income   | 871,769   | 323,135   |
| Other comprehensive income                                     |   |   |
| Valuation difference on available-for-sale securities          | (5,910)   | 9,000   |
| Total other comprehensive income                               | (5,910)   | 9,000   |
| Comprehensive income   | 865,858   | 332,135   |
| Comprehensive income attributable to:                          |   |   |
| Comprehensive income attributable to owners of the parent      | 865,858   | 332,135   |
| Comprehensive income attributable to non-controlling interests | —   | —   |

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousands of Yen)

|   | Six months ended<br>September 30, 2019<br>(From April 1, 2019 to<br>September 30, 2019) | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) |
|---|---|---|
| Cash flows from operating activities  |   |   |
| Net income before income taxes  | 1,323,177   | 531,443   |
| Depreciation and amortization   | 127,478   | 142,665   |
| Amortization of goodwill  | —   | 68,563  |
| Increase (decrease) in provision for directors' retirement benefits                           | 17,000  | (1,458)   |
| Increase (decrease) in provision for warranties for completed construction                    | 2,815   | 4,795   |
| Increase (decrease) in allowance for doubtful accounts  | 8,239   | (5,985)   |
| Increase (decrease) in net defined benefit liability  | 49,526  | 58,092  |
| Interest and dividends income   | (3,400)   | (3,818)   |
| Interest expenses   | 118,138   | 145,239   |
| Loss (gain) on sales of non-current assets  | 1,143   | (3,802)   |
| Loss on retirement of non-current assets  | 7,645   | 7,979   |
| Decrease (increase) in notes and accounts receivable-trade                                    | (6,006)   | 101,566   |
| Decrease (increase) in inventories  | (3,579,822)   | (515,343)   |
| Increase (decrease) in notes and accounts payable-trade                                       | 91,245  | 152,450   |
| Other   | (71,511)  | 565,226   |
| Subtotal  | (1,914,330)   | 1,247,613   |
| Interest and dividends income received  | 4,537   | 4,925   |
| Interest expenses paid  | (131,900)   | (148,151)   |
| Income taxes paid   | (663,182)   | (492,117)   |
| Net cash provided by (used in) operating activities   | (2,704,876)   | 612,270   |
| Cash flows from investment activities   |   |   |
| Purchase of property, plant and equipment   | (128,406)   | (196,290)   |
| Proceeds from sales of property, plant and equipment  | 8,779   | 4,210   |
| Purchase of intangible assets   | (19,226)  | (29,209)  |
| Purchase of shares in subsidiaries resulting from a change in the scope of consolidation      | (1,887,100)   | —   |
| Collection of loans receivable  | 589   | 15,823  |
| Payments for guarantee deposits   | (32,300)  | (22,000)  |
| Other   | (2,631)   | (2,308)   |
| Net cash provided by (used in) investing activities   | (2,060,295)   | (229,774)   |
| Cash flows from financing activities  |   |   |
| Net increase (decrease) in short-term loans payable   | 2,809,300   | 1,487,100   |
| Proceeds from long-term loans payable   | 2,500,000   | 1,480,000   |
| Repayment of long-term loans payable  | (327,891)   | (351,100)   |
| Proceeds from issuance of bonds   | 300,000   | 500,000   |
| Redemption of bonds   | (10,500)  | (10,500)  |
| Proceeds from disposition of treasury shares due to exercise of subscription rights to shares | 18,250  | —   |
| Cash dividends paid   | (518,973)   | (667,761)   |
| Repayments of lease obligations   | (15,913)  | (19,089)  |
| Net cash provided by (used in) financing activities   | 4,754,272   | 2,418,649   |
| Net increase (decrease) in cash and cash equivalents  | (10,900)  | 2,801,145   |
| Cash and cash equivalents at beginning of the period  | 10,001,725  | 10,336,889  |
| Cash and cash equivalents at end of the period  | 9,990,825   | 13,138,034  |

(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)

Segment Information

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

1. Information concerning the amounts of net sales and profit or loss by reportable segment

(Thousands of Yen)

|                                     | Reportable Segment   |                                |                        |            | Adjustments<br>(Note 1) | Amount Recorded<br>on Quarterly<br>Consolidated<br>Statements of<br>Income (Note 2) |
|-------------------------------------|----------------------|--------------------------------|------------------------|------------|-------------------------|---|
|                                     | Real Estate<br>Sales | Construction<br>Material Sales | Real Estate<br>Leasing | Total      |                         |   |
| Net sales                           |                      |                                |                        |            |                         |   |
| Sales to external<br>customers      | 21,252,775           | 1,387,481                      | 129,716                | 22,769,973 | —                       | 22,769,973  |
| Inter-segment sales or<br>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 The adjustments of segment profit (¥3,646 thousand) is the eliminations of inter-segment transactions.

2 Segment profit has been adjusted with 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 has been significantly changed. Consequently, the amount of increase in goodwill resulting from the event was ¥1,376,460 thousand.

II. The six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)

1. Information concerning the amounts of net sales and profit or loss by reportable segment

(Thousands of Yen)

|                                     | Reportable Segment   |                                |                        |            | Adjustments<br>(Note 1) | Amount Recorded<br>on Quarterly<br>Consolidated<br>Statements of<br>Income (Note 2) |
|-------------------------------------|----------------------|--------------------------------|------------------------|------------|-------------------------|---|
|                                     | Real Estate<br>Sales | Construction<br>Material Sales | Real Estate<br>Leasing | Total      |                         |   |
| Net sales                           |                      |                                |                        |            |                         |   |
| Sales to external<br>customers      | 20,363,301           | 1,325,227                      | 131,875                | 21,820,404 | —                       | 21,820,404  |
| Inter-segment sales or<br>transfers | —                    | 1,268,061                      | 40,223                 | 1,308,284  | (1,308,284)             | —   |
| Total                               | 20,363,301           | 2,593,289                      | 172,098                | 23,128,689 | (1,308,284)             | 21,820,404  |
| Segment profit                      | 385,554              | 61,345                         | 79,506                 | 526,406    | 10,127                  | 536,534   |

Notes: 1 The adjustments of segment profit (¥10,127 thousand) is the eliminations of inter-segment transactions.

2 Segment profit has been adjusted with 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.