

Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

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

February 8, 2021

Company Name: Grandy House Corporation Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 8999 URL: <https://www.grandy.co.jp>
 Representative: Yasuro Hayashi, President
 Inquiries: Takanori Saito, Administration Manager, Corporate Administrative Department TEL: +81-28-650-7777
 Scheduled date of quarterly securities report filing: February 10, 2021
 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 Third Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 to December 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)	%
Nine months ended December 31, 2020	33,668	2.6	1,105	(28.1)	1,214	(26.9)	768	(27.3)
Nine months ended December 31, 2019	32,817	0.2	1,538	(32.4)	1,662	(30.3)	1,057	(26.3)

Note: Comprehensive income Nine months ended December 31, 2020: ¥759 million (-27.8%)
 Nine months ended December 31, 2019: ¥1,052 million (-24.5%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Nine months ended December 31, 2020	26.43	26.43
Nine months ended December 31, 2019	36.58	36.11

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
December 31, 2020	58,506	22,234	37.7	758.97
March 31, 2020	55,986	22,143	39.2	755.83

Reference: Shareholders' equity December 31, 2020: ¥22,063 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: None

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: None

* **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)	December 31, 2020	30,823,200 shares	March 31, 2020	30,823,200 shares
2) Number of treasury shares	December 31, 2020	1,752,445 shares	March 31, 2020	1,752,445 shares
3) Average number of shares during the period	Nine months ended December 31, 2020	29,070,755 shares	Nine months ended December 31, 2019	28,901,235 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.

Attachment Materials: Table of Contents

1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS.....	2
(1) Explanation regarding Operating Results.....	2
(2) Explanation regarding Financial Position	3
(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts	3
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(Quarterly Consolidated Statements of Income)	
(Consolidated cumulative third quarter).....	6
(Quarterly Consolidated Statements of Comprehensive Income)	
(Consolidated cumulative third quarter).....	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on Going Concern Assumptions).....	8
(Notes on Significant Changes in the Amount of Shareholders' Equity)	8
(Additional Information).....	8
(Segment Information).....	8

1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS

(1) Explanation regarding Operating Results

During the nine 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, following the declaration of state of emergency in response to the COVID-19 outbreak. Having shown some recovery in the July-September period, the economy remained unpredictable amid the recurrence of infections since mid-November last year.

In the housing sector, the business environment has also been in a difficult situation due to restrictions on business activities, calls for customers to voluntarily refrain from going out, and other measures that have been implemented, particularly those introduced during the period of a state of emergency. This adverse environment led to a significant drop in the number of new housing starts compared to the previous fiscal year. However, new trends also emerged, 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 and a production system that responds flexibly to changes in the environment. It has done this 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 infection, and are lifting 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. Furthermore, in existing-home sales, we endeavored to secure inventory with a view to expanding the number of completed home sales amid a deteriorating purchasing environment where auction bidding was suspended.

Thanks to these efforts, the number of homes sold and net sales in the nine months of the consolidated fiscal year under review increased year-on-year for new-home sales, while decreased year-on-year for existing-home sales due to the remaining effects of reduced purchases in the first half. Profits decreased year-on-year because of such factors as a decline in the gross margin ratio coming from tighter inventory controls and an increase in investment costs connected with the business expansion.

As a result of these initiatives, the Grandy House Group's consolidated cumulative operating results for the third quarter of fiscal 2021 were as follows: Net sales were ¥33,668 million, an increase of 2.6% year-on-year; operating income decreased to ¥1,105 million, a fall of 28.1% year-on-year; ordinary income was ¥1,214 million, a decline of 26.9% year-on-year; and net income attributable to owners of the parent totaled ¥768 million, a decrease of 27.3% year-on-year.

Operating results by business segment are presented as follows.

a. Real Estate Sales

In new home sales, we have continued our sales activities, taking thorough measures to prevent the COVID-19 infection while working to strengthen online sales activities and further improve Internet advertising. In Saitama Prefecture, which we added as a new sales area in the previous fiscal year, we increased the number of sales personnel and strengthened our advertising activities to improve brand recognition, aiming to expand our business in the area. Meanwhile, our subsidiary in Kanagawa Prefecture, which we acquired in the previous fiscal year, tightened inventory controls and worked on promoting sales.

In terms of products, we have continued to differentiate ourselves from 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 new homes to meet changing housing environment needs arising from the Corona (COVID-19)-related crisis, by offering products such as homes featuring storage spaces and multipurpose spaces to flexibly respond to diversifying workstyles and lifestyles.

Through these efforts, the number of orders received for new homes in the second and third quarters in total exceeded that in the same periods of the previous year, and the number of homes sold, which had been below the level of the same period of the previous year in the first half of fiscal 2021, recovered in the nine months ended December 31, 2020 to 979 (an increase of 17 year-on-year) over the same period of the previous year.

In existing-home sales, we have continued our efforts to expand the number of homes sold by enhancing product inventory. In the first half of fiscal 2021, however, we were forced to substantially decrease the number of purchases through auction channels compared to the same period of the previous year due to events such as the suspension of auction bidding arising from the spread of COVID-19. In the third quarter, while the number of purchases started to recover, the adverse impact of the reduced product inventory on sales remained, and the number of homes sold in the nine months ended December 31, 2020 decreased to 102 (a fall of 15 year-on-year).

As a result, sales in the real estate sales segment in the consolidated cumulative third quarter of fiscal 2021 increased by 3.0% year-on-year to ¥31,428 million. We had a segment profit of ¥962 million, a decrease of 33.6% year-on-year.

b. Construction Material Sales

In the construction material sales, the situation remains challenging even though the decrease in the number of new housing starts for wooden houses has been slowing down. Wood material prices generally remained weak.

Under these circumstances, the Grandy House Group took necessary measures focusing on securing orders for construction materials and managing credit. Accordingly, while the volume of construction material sales decreased year-on-year, profits rose significantly due mainly to an improvement in the gross margin ratio resulting from a fall in raw-material prices.

As a result of these factors, sales in the construction material sales segment in the consolidated cumulative third quarter of fiscal 2021 under review decreased by 2.7% year-on-year to ¥2,040 million. We had a segment profit of ¥156 million, an increase of 52.8% 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 saw an increase in the number of properties leased year-on-year and prevented the operation rate from deteriorating by providing supports including rent reductions and exemptions for leased offices and the like. On the other hand, the Group continued to face a difficult situation despite gradual recovery of the operation rate in parking lots and others, which had previously declined due to people's voluntary restraint on going out.

As a result, sales in the real estate leasing segment in the consolidated cumulative third quarter of fiscal 2021 under review were ¥199 million, an increase of 2.9% year-on-year. We had a segment profit of ¥115 million, a decrease of 9.9% year-on-year, mainly due to an increase in repair expenses.

(2) Explanation regarding Financial Position

As of the end of the third quarter of consolidated fiscal 2021 under review, consolidated total assets rose to ¥58,506 million, an increase of ¥2,520 million compared to the end of the previous consolidated fiscal year. This was primarily attributable to an increase in cash and deposits by securing liquidity in hand to prepare for future uncertainty arising from events such as the COVID-19 infection, as well as to the acquisition of housing lots to reflect the expanded real estate sales business area.

Liabilities increased to ¥36,272 million, an increase of ¥2,429 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in loans payable following the acquisition of housing lots and having secured liquidity in hand.

Total net assets stood at ¥22,234 million as of December 31, 2020, up ¥91 million compared to the end of the previous fiscal year. This was due to acquiring net income attributable to owners of the parent despite the payment of dividends.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There have been no changes to the consolidated financial forecasts announced on November 9, 2020.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2020 (As of March 31, 2020)	Third Quarter of FY2021 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	10,351,397	12,538,066
Notes and accounts receivable-trade	607,498	516,078
Real estate for sale	16,799,116	16,648,276
Costs on uncompleted construction contracts	7,198	6,454
Real estate for sale in process	13,899,184	14,777,424
Merchandise and finished goods	238,209	228,414
Raw materials and supplies	113,833	110,554
Other	1,039,355	813,991
Allowance for doubtful accounts	(4,934)	(519)
Total current assets	43,050,859	45,638,742
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,418,991	3,331,618
Machinery, equipment and vehicles, net	43,855	33,704
Tools, furniture and fixtures, net	55,949	51,692
Land	6,002,977	6,020,142
Leased assets, net	105,071	82,674
Construction in progress	8,411	144,475
Total property, plant and equipment	9,635,258	9,664,309
Intangible assets		
Goodwill	1,302,697	1,199,852
Other	102,366	86,911
Total intangible assets	1,405,064	1,286,764
Investments and other assets		
Investment securities	329,226	318,997
Long-term loans receivable	35,914	22,712
Deferred tax assets	457,977	483,971
Other	1,045,367	1,053,864
Allowance for doubtful accounts	(9,148)	(4,341)
Total investments and other assets	1,859,337	1,875,205
Total non-current assets	12,899,659	12,826,279
Deferred assets		
Bond issuance costs	35,593	41,722
Total deferred assets	35,593	41,722
Total assets	55,986,112	58,506,744

(Thousands of Yen)

	FY2020 (As of March 31, 2020)	Third Quarter of FY2021 (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,249,367	3,317,046
Short-term loans payable	22,218,600	22,982,700
Current portion of bonds	21,000	21,000
Current portion of long-term loans payable	695,958	661,734
Lease obligations	37,323	34,009
Income taxes payable	367,350	108,779
Provision for warranties for completed construction	70,872	77,208
Other	691,928	924,004
Total current liabilities	27,352,399	28,126,482
Non-current liabilities		
Bonds payable	1,824,000	2,303,000
Long-term loans payable	3,597,965	4,718,427
Lease obligations	77,603	56,415
Provision for directors' retirement benefits	203,579	210,320
Net defined benefit liability	720,938	792,540
Asset retirement obligations	12,296	12,348
Other	54,203	52,882
Total non-current liabilities	6,490,585	8,145,935
Total liabilities	33,842,985	36,272,418
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	18,004,755
Treasury shares	(301,297)	(301,297)
Total shareholders' equity	21,972,507	22,072,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(8,500)
Total accumulated other comprehensive income	–	(8,500)
Subscription rights to shares	170,620	170,620
Total net assets	22,143,127	22,234,326
Total liabilities and net assets	55,986,112	58,506,744

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

(Thousands of Yen)

	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net sales	32,817,966	33,668,399
Cost of sales	27,204,678	28,148,205
Gross profit	5,613,288	5,520,193
Selling, general and administrative expenses	4,075,129	4,414,641
Operating income	1,538,159	1,105,551
Non-operating income		
Interest income	964	1,237
Dividends income	5,722	5,653
Operations consignment fee	172,870	164,482
Office work fee	115,121	113,584
Other	52,062	56,586
Total non-operating income	346,741	341,543
Non-operating expenses		
Interest expenses	186,775	214,271
Commission for syndicate loan	5,977	7,474
Other	30,036	10,810
Total non-operating expenses	222,789	232,556
Ordinary income	1,662,110	1,214,538
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	9,028	11,907
Loss on cancellation of lease contracts	9,460	2,354
Loss on disaster	27,767	–
Total extraordinary loss	47,398	14,261
Net income before income taxes	1,614,711	1,204,079
Income taxes – current	563,831	462,358
Income taxes – deferred	(6,457)	(26,606)
Total income taxes	557,373	435,752
Net income	1,057,338	768,326
Net income attributable to owners of the parent	1,057,338	768,326

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

(Thousands of Yen)

	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net income	1,057,338	768,326
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,215)	(8,500)
Total other comprehensive income	(5,215)	(8,500)
Comprehensive income	1,052,122	759,826
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,052,122	759,826
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)

(Accounting Estimates concerning the Impact of COVID-19)

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

(Segment Information)

Segment Information

I. The nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

1. Information concerning 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	30,527,748	2,096,557	193,660	32,817,966	–	32,817,966
Inter-segment sales or transfers	–	2,357,952	63,900	2,421,852	(2,421,852)	–
Total	30,527,748	4,454,509	257,560	35,239,819	(2,421,852)	32,817,966
Segment profit	1,450,210	102,621	127,710	1,680,542	(18,431)	1,662,110

Notes: 1 Adjustments of segment profit (–¥18,431 thousand) are 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.

II. The nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

1. Information concerning 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	31,428,837	2,040,211	199,350	33,668,399	–	33,668,399
Inter-segment sales or transfers	–	2,094,408	60,412	2,154,820	(2,154,820)	–
Total	31,428,837	4,134,619	259,763	35,823,220	(2,154,820)	33,668,399
Segment profit	962,282	156,827	115,120	1,234,229	(19,691)	1,214,538

Notes: 1 Adjustments of segment profit (–¥19,691 thousand) are 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.