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Consolidated Financial Report
for the Third Quarter of Fiscal 2024 Ending March 31, 2024 (Japanese GAAP)

February 13, 2024

Company Name:	Grandy House Corporation	Stock Exchange Listing:	Tokyo Stock Exchange
Securities Code:	8999	URL:	https://www.grandy.co.jp
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Scheduled date of quarterly securities report filing:	February 13, 2024		
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, 2024
(April 1, 2023 to December 31, 2023)

(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, 2023	37,502	(7.8)	781	(69.8)	586	(75.9)	314	(81.2)
Nine months ended December 31, 2022	40,689	0.4	2,586	(15.7)	2,433	(16.5)	1,677	(14.5)

Note: Comprehensive income Nine months ended December 31, 2023: ¥365 million (-78.7%)
 Nine months ended December 31, 2022: ¥1,716 million (-12.0%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Nine months ended December 31, 2023	10.93	10.88
Nine months ended December 31, 2022	57.73	57.36

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
December 31, 2023	75,833	24,829	32.7	881.77
March 31, 2023	72,645	26,196	36.0	889.12

Reference: Shareholders' equity December 31, 2023: ¥24,802 million
 March 31, 2023: ¥26,158 million

2. Dividends

	Annual Dividend per Share				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2023	—	0.00	—	32.00	32.00
Fiscal 2024	—	0.00	—		
Fiscal 2024 (Forecast)				32.00	32.00

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

3. Consolidated Financial Forecasts for Fiscal 2024 (April 1, 2023 to March 31, 2024)

(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	54,000	(2.2)	1,900	(42.9)	1,620	(47.8)	1,000	(53.9)	34.95

Note: Revisions to the most recently announced financial forecasts in the current quarter: None

* **Notes**

(1) Significant changes to subsidiaries during the period
 (Changes in significant subsidiaries resulting in 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 restatements

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, 2023	30,823,200 shares	March 31, 2023	30,823,200 shares
2) Number of treasury shares	December 31, 2023	2,695,345 shares	March 31, 2023	1,402,345 shares
3) Average number of shares during the period	Nine months ended December 31, 2023	28,788,825 shares	Nine months ended December 31, 2022	29,059,695 shares

Note: The number of treasury shares at the end of the fiscal year includes shares held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" (756,700 shares on December 31, 2023, 959,300 shares on March 31, 2023). The shares of the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" are included in treasury shares and deducted from the calculation of the average number of shares during the period (848,870 shares for the nine months ended December 31, 2023, 1,085,440 shares for the nine months ended December 31, 2022).

* **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

In the cumulative first nine months of the consolidated fiscal year under review, the Japanese economy saw a moderate recovery as economic activities were normalizing and the employment and income environment was improving in the wake of the downgrading of COVID-19 to a Class 5 disease. On the other hand, uncertain factors were also observed, such as the possibility that the downside risk of overseas economies would influence the Japanese economy, as well as rising prices.

In the housing sector, the number of construction starts of detached houses remained below the level of the same month of the previous year from November 2022 as consumer appetite for purchasing declined due to housing prices running high. Based on the deterioration of housing construction starts, the Government revised the economic outlook for the housing construction field and most recently, downgraded it to "weak." In our business areas, as the number of housing construction starts remained low nationwide, a decline manifested itself noticeably in the Northern Kanto area, in comparison to the Tokyo metropolitan area.

Under those circumstances, the Grandy House Group has upheld the basic policies of "Strengthen our business foundations and expand business areas for sustainable growth in the new home sales business," "Expand the scale of the housing stock business and maximize synergies with the new home sales business" and "Strengthen our response to sustainability (ESG) issues" in the third medium-term business plan (from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024). Accordingly, the Group has made efforts to further improve its corporate value.

In the new home sales, our core business, we strove to expand the scale of our business in the Tokyo metropolitan area and promoted efforts to enhance product appeal by increasing supplies of ZEH houses and long-life quality housing there. As a result, the number of homes sold rose in the Tokyo metropolitan area. However, the number of homes sold decreased in the Northern Kanto area, compared to the same period of the previous year when there was special demand related to the pandemic, resulting from the deterioration of the market conditions. Additionally, the situation regarding the securing of profits also remained tough as competition intensified, associated with a slowdown in demand.

As a result, the Grandy House Group's consolidated cumulative operating results for the third quarter of fiscal 2024 were as follows: Net sales were ¥37,502 million, a decrease of 7.8% year-on-year; operating income was ¥781 million, a decrease of 69.8% year-on-year; ordinary income was ¥586 million, a decrease of 75.9% year-on-year; and net income attributable to owners of the parent totaled ¥314 million, a decrease of 81.2% year-on-year.

Operating results by business segment were as follows.

a. Real Estate Sales

In new home sales, amid the continued posting of strong sales by the Sora Town series, which has all homes as ZEH houses and includes "Tsukuba Matsushiro II" (a total of 103 lots in the city of Tsukuba) and "Kashiwanoha Campus Liwie" (a total of 40 lots in the city of Kashiwa), by "Mizunoiro, Mio no sora, Nagareyama-Unga (a total of 28 lots in the city of Nagareyama)" and by other projects, we made efforts to expand business in the Tokyo metropolitan area and cultivate demand in the Northern Kanto area through measures including starting the sale of "~Oboro~Akitsu" (a total of 11 lots), which has all homes for sale certified as long-life quality housing, in the city of Kiyose, Tokyo, and "Irodori no mori, the 11th phase in Hanekawa, the city of Oyama" (a total of 31 lots), a project which has the concept of responding to resident diversity, in the quarter under review. In terms of products, we strove to supply products that took household budgets and the environment into consideration by promoting the installation of "Ohisama EcoCute," which makes better use of excess electricity during the daytime from solar power generation, in addition to expanding supplies of ZEH houses and long-life quality housing.

Through these efforts, the number of homes sold increased in the Tokyo metropolitan area from the same period of the previous year. However, the number of new homes sold decreased by 129 year-on-year to 923 in the cumulative nine months of the fiscal year under review as the conditions for capturing orders continued to be difficult in the Northern Kanto area mainly due to a surge in the prices of homes for sale.

In existing home sales, the selling price of existing homes increased from the same period of the previous year due to surges in the purchasing price of existing homes and costs for renovation. Additionally, the conditions for receiving orders remained tough primarily due to a stagnation in demand and the rising momentum for major home builders to revise the price of new low-cost homes. Under such circumstances, the number of homes sold decreased by 7 year-on-year to 92 in the cumulative nine months of the fiscal year under review.

As a result, sales in the real estate sales segment in the consolidated cumulative third quarter of fiscal 2024 under review decreased by 6.5% year-on-year to ¥34,928 million, with a segment profit of ¥172 million, a decrease of 91.3% year-on-year.

b. Construction Material Sales

In construction material sales, the conditions for receiving orders for pre-cut wood, the main product, remained tough amid the number of new housing starts for wooden houses below the level of a year earlier for 21 consecutive months to the end of the quarter under review. On the other hand, construction wood prices remained on a downward trend after the peak of the summer of the previous year, reflecting the stagnation of housing demand.

Under these circumstances, we focused on ramping up the activity to find new business and receive orders for construction wood other than pre-cut wood for the purpose of receiving more orders in the Saitama area. Nonetheless, our sales and profit decreased year-on-year due to a stagnation in demand and intensifying competition for capturing orders.

As a result, sales of the construction material sales segment in the consolidated cumulative third quarter of fiscal 2024 under review decreased by 28.0% year-on-year to ¥2,242 million, with a segment profit of ¥224 million, a decrease of 40.8% year-on-year.

c. Real Estate Leasing

Real estate leasing saw a sales increase as the operational ratio remained high despite the large-scale renovation implemented for part of offices for leasing and others, as well as Sun Village Shonan (a total of 173 units in the city of Kashiwa, Chiba Prefecture), which we had acquired in the fourth quarter of the previous fiscal year, contributed to earnings. The parking business exceeded the year-on-year level of earnings because 63 pay-by-the-hour parking lots (in front of the railway station of Koganei, Tochigi Prefecture), which we had acquired in June this year, started operation in addition to an upward trend in the operational ratio of pay-by-the-hour parking lots, resulting from the normalization of social and economic activities. As a result, sales in the real estate leasing segment in the consolidated cumulative third quarter of fiscal 2024 under review were ¥331 million, an increase of 48.3% year-on-year, with a segment profit of ¥169 million, an increase of 32.8% year-on-year.

(2) Explanation regarding Financial Position

As of the end of the third quarter of consolidated fiscal 2024, consolidated total assets had risen to ¥75,833 million, an increase of ¥3,188 million compared to the end of the previous consolidated fiscal year. This was primarily due to an increase in inventories, resulting from various factors, such as the acquisition of housing lots associated with an expansion of the area and others for the real estate sales business and a slowdown in the pace of sales of detached houses.

Liabilities stood at ¥51,004 million, an increase of ¥4,555 million compared to the end of the previous consolidated fiscal year. This was mainly due to an increase in loans payable resulting from a rise in inventories.

Total net assets stood at ¥24,829 million as of December 31, 2023. This represents a decrease of ¥1,366 million from the balance as of March 31, 2023. This was due to decreases resulting from the payment of dividends and the repurchase of the Company's own stock despite the acquisition of net income attributable to owners of parent.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There have been no changes from the consolidated and non-consolidated financial forecasts announced on November 13, 2023.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2023 (As of March 31, 2023)	Third Quarter of FY2024 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	10,839,975	8,444,040
Notes and accounts receivable – trade and contract assets	574,709	526,058
Real estate for sale	11,352,157	14,409,839
Costs on uncompleted construction contracts	17,584	7,400
Real estate for sale in process	33,998,068	36,449,967
Merchandise and finished goods	376,807	293,528
Raw materials and supplies	176,128	138,119
Other	989,203	1,101,036
Allowance for doubtful accounts	(1)	(3,448)
Total current assets	58,324,634	61,366,541
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,818,539	3,706,914
Machinery, equipment and vehicles, net	18,980	14,899
Tools, furniture and fixtures, net	52,580	48,418
Land	7,261,402	7,535,538
Leased assets, net	77,202	52,810
Construction in progress	20,000	28,665
Total property, plant and equipment	11,248,706	11,387,248
Intangible assets		
Goodwill	891,319	788,474
Other	65,246	58,761
Total intangible assets	956,566	847,235
Investments and other assets		
Investment securities	177,000	229,450
Long-term loans receivable	9,217	10,796
Deferred tax assets	618,717	650,490
Other	1,227,394	1,213,531
Total investments and other assets	2,032,329	2,104,268
Total non-current assets	14,237,601	14,338,752
Deferred assets		
Bond issuance costs	83,078	128,563
Total deferred assets	83,078	128,563
Total assets	72,645,313	75,833,857

(Thousands of Yen)

	FY2023 (As of March 31, 2023)	Third Quarter of FY2024 (As of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,668,472	3,416,757
Short-term loans payable	15,262,600	18,772,800
Current portion of bonds	500,000	300,000
Current portion of long-term loans payable	3,103,044	4,472,310
Lease obligations	34,124	26,544
Income taxes payable	367,833	56,292
Provision for warranties for completed construction	189,175	174,564
Other	1,039,922	1,000,936
Total current liabilities	24,165,172	28,220,205
Non-current liabilities		
Bonds payable	4,600,000	6,800,000
Long-term loans payable	16,232,236	14,426,639
Lease obligations	50,805	31,966
Provision for directors' retirement benefits	257,787	261,099
Retirement benefit liability	1,014,424	1,113,727
Other	128,876	150,852
Total non-current liabilities	22,284,129	22,784,285
Total liabilities	46,449,301	51,004,490
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,674,902	2,682,651
Retained earnings	21,983,746	21,326,200
Treasury shares	(629,596)	(1,387,099)
Total shareholders' equity	26,106,551	24,699,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,000	103,094
Total accumulated other comprehensive income	52,000	103,094
Subscription rights to shares	37,460	27,020
Total net assets	26,196,011	24,829,366
Total liabilities and net assets	72,645,313	75,833,857

(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, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net sales	40,689,563	37,502,565
Cost of sales	33,276,391	31,881,912
Gross profit	7,413,172	5,620,652
Selling, general and administrative expenses	4,827,086	4,838,897
Operating income	2,586,086	781,755
Non-operating income		
Interest income	99	81
Dividends income	5,611	5,861
Commission	23,419	21,263
Insurance claim income	1,096	25,338
Reversal of provision for warranties for completed construction	–	14,611
Other	34,340	40,221
Total non-operating income	64,568	107,377
Non-operating expenses		
Interest expenses	190,421	270,687
Commission for syndicate loan	11,344	5,571
Other	15,629	26,095
Total non-operating expenses	217,395	302,354
Ordinary income	2,433,259	586,777
Extraordinary income		
Gain on sales of non-current assets	95,810	11,184
Gain on reversal of share acquisition rights	2,220	–
Total extraordinary income	98,030	11,184
Extraordinary loss		
Loss on retirement of non-current assets	10,827	10,815
Total extraordinary loss	10,827	10,815
Net income before income taxes	2,520,461	587,146
Income taxes – current	776,059	305,656
Income taxes – deferred	66,814	(33,129)
Total income taxes	842,874	272,527
Net income	1,677,587	314,619
Net income attributable to owners of the parent	1,677,587	314,619

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

(Thousands of Yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net income	1,677,587	314,619
Other comprehensive income		
Valuation difference on available-for-sale securities	39,000	51,094
Total other comprehensive income	39,000	51,094
Comprehensive income	1,716,587	365,713
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,716,587	365,713
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)

The Company repurchased its own stock of 1,600,000 shares on the basis of the resolution made at the meeting of its Board of Directors held on August 17, 2023. As a result of this repurchase, treasury shares increased by ¥757,502 thousand during the cumulative nine months of the consolidated fiscal year under review to ¥1,387,099 thousand at the end of the cumulative nine months of the consolidated fiscal year under review.

(Additional Information)

(Transactions for Distributing the Company's Own Stock to Employees, etc. through Trusts)

The Company has adopted the "trust-type employee stock holding incentive plan (E-Ship®)" (hereinafter referred to as "the Plan") for the purpose of providing its employees with incentives to enhance the corporate value of the Company on a medium-to long-term basis in the fiscal year ended March 31, 2022.

(1) Overview of transactions

The Plan is an incentive plan for all employees who are members of "the Grandy House Employee Stock Holding Partnership" (hereinafter referred to as "the Stock Partnership"). The Company has established the "Grandy House Employee Stock Holding Partnership Exclusive Trust" (hereinafter referred to as "the Trust") in a trust bank. The Trust will acquire in advance after its establishment the number of Grandy House shares to be expected to be acquired by the Stock Partnership over a six-year period. At a later date, the Trust will sell its holdings of Grandy House shares to the Stock Partnership on a continual basis. If an amount equivalent to the gains from sale of shares is accumulated at the end of the term of the Trust, the relevant amount equivalent to the gains from the sale of shares will be distributed as residue assets to those who satisfy the criteria of beneficiaries. The Company warrants the repayment of loans payable for the Trust to acquire shares of the Company. Therefore, if an amount equivalent to the loss from sale of shares accumulates due to a decline in the price of shares of the Company, causing a debt equivalent to a loss from sale of the relevant shares remains in the Trust at the end of the term of the Trust, the Company will assume the repayment of the relevant remaining borrowing.

(2) Grandy House's own company stock remaining in the Trust

Grandy House's own company stock remaining in the Trust is recorded as treasury shares in net assets in accordance with the book value (excluding the amount of incidental expenses) in the Trust. The book value and the number of the relevant treasury shares are ¥553,516 thousand and 959,300 shares for the previous consolidated fiscal year, and ¥436,615 thousand and 756,700 shares for the consolidated third quarter of fiscal 2024 under review.

(3) The book value of loans payable recorded by the application of the gross method

The previous consolidated fiscal year: ¥534,370 thousand

The consolidated third quarter of fiscal 2024 under review: ¥410,240 thousand

(Segment Information)

I. The cumulative nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)

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	37,352,449	3,113,473	223,640	40,689,563	—	40,689,563
Inter-segment sales or transfers	40,140	3,689,595	61,355	3,791,090	(3,791,090)	—
Total	37,392,589	6,803,068	284,995	44,480,654	(3,791,090)	40,689,563
Segment profit	1,977,121	379,176	128,041	2,484,340	(51,081)	2,433,259

Notes: 1 Adjustments of segment profit (¥51,081 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 cumulative nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

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	34,928,548	2,242,372	331,644	37,502,565	—	37,502,565
Inter-segment sales or transfers	39,510	2,916,919	62,830	3,019,260	(3,019,260)	—
Total	34,968,058	5,159,292	394,474	40,521,825	(3,019,260)	37,502,565
Segment profit	172,669	224,555	169,982	567,207	19,569	586,777

Notes: 1 Adjustments of segment profit (¥19,569 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.