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Consolidated Financial Report
for Fiscal 2022 (Fiscal Year Ended March 31, 2022 under Japanese GAAP)

May 9, 2022

Company Name: Grandy House Corporation Stock Exchange Listing: Tokyo Stock Exchange
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 Scheduled date of the Ordinary General Meeting of Shareholders: June 29, 2022
 Scheduled date of securities report filing: June 29, 2022
 Scheduled date of dividend payment commencement: June 30, 2022
 Preparation of annual supplementary explanatory materials: Yes
 Annual results briefing held: None

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

1. Consolidated Financial Results for Fiscal 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal 2022	54,884	16.4	4,022	74.9	3,810	81.8	2,583	49.8
Fiscal 2021	47,154	—	2,299	—	2,095	—	1,724	—

Note: Comprehensive income Fiscal 2022: ¥2,581 million (47.9%)

Fiscal 2021: ¥1,745 million (—%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2022	88.06	87.56	10.9	6.4	7.3
Fiscal 2021	59.30	59.12	7.7	3.7	4.9

Reference: Equity in earnings of affiliates Fiscal 2022: — (¥ million)

Fiscal 2021: — (¥ million)

Note: As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards have been applied since the beginning of the consolidated fiscal year under review, financial results related to the fiscal year ended March 2021 reflect figures calculated after the retroactive application of such standards. Accordingly, percentage changes representing the year-on-year increase (decrease) between the fiscal year ended March 2021 and the previous fiscal year are not stated.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2022	60,901	24,660	40.4	850.82
March 31, 2021	58,070	23,160	39.6	786.57

Reference: Shareholders' equity Fiscal 2022: ¥24,592 million

Fiscal 2021: ¥23,007 million

Note: Figures related to the fiscal year ended March 31, 2021 reflect those calculated after the retroactive application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards.

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Period
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Fiscal 2022	(444)	(481)	(1,339)	11,083
Fiscal 2021	3,481	(410)	(58)	13,349

2. Dividends

	Annual Dividend per Share					Total Dividends	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	1Q-End	2Q-End	3Q-End	Period-End	Total			
Fiscal 2021	(¥) —	(¥) 0.00	(¥) —	(¥) 24.00	(¥) 24.00	(¥ million) 702	% 40.5	% 3.1
Fiscal 2022	(¥) —	(¥) 0.00	(¥) —	(¥) 30.00	(¥) 30.00	902	34.1	3.7
Fiscal 2023 (Forecast)	(¥) —	(¥) 0.00	(¥) —	(¥) 32.00	(¥) 32.00		35.6	

Note: Total dividends include dividends (¥35 million for the fiscal year ended March 2022) paid to shares in the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account."

3. Consolidated Financial Forecasts for Fiscal 2023 (April 1, 2022 to March 31, 2023)

(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	58,000	5.7	4,070	1.2	3,820	0.3	2,600	0.6	89.95

* Notes

(1) Significant changes to subsidiaries during the period

(Transfers of specific subsidiaries with changes in the scope of consolidation): None

Newly included: — Excluded: —

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

- | | |
|--|------|
| 1) Changes in accounting policies due to revision to accounting standards, etc.: | Yes |
| 2) Changes in accounting policies other than 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |

Note: For details, please refer to "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" in "4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES" on page 15 of the Attachment Materials.

(3) Number of issued shares (common stock)

1) Number of issued shares (including treasury shares)

March 31, 2022	30,823,200 shares	March 31, 2021	30,823,200 shares
March 31, 2022	1,918,845 shares	March 31, 2021	1,572,645 shares
March 31, 2022	29,343,893 shares	March 31, 2021	29,086,124 shares

2) Number of treasury shares

3) Average number of shares during the period

Note: The number of treasury shares at the end of the fiscal year includes shares in the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" (1,194,000 shares for the fiscal year ended March 2022). The shares in the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" are included in treasury shares that are excluded when calculating the average number of shares during the period (184,477 shares for the fiscal year ended March 2022).

Reference: Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for Fiscal 2022 (April 1, 2021 to March 31, 2022)

(1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal 2022	26,920	14.1	1,833	38.3	2,653	23.3	2,134	11.5
Fiscal 2021	23,595	—	1,326	—	2,152	—	1,914	—

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2022	72.73	72.32
Fiscal 2021	65.82	65.62

Note: As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards have been applied since the beginning of the consolidated fiscal year under review, financial results related to the fiscal year ended March 2021 reflect figures calculated after the retroactive application of such standards. Accordingly, percentage changes representing the year-on-year increase (decrease) between the fiscal year ended March 2021 and the previous fiscal year are not stated.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2022	40,231	21,511	53.3	741.90
March 31, 2021	37,794	20,461	53.7	694.32

Reference: Shareholders' equity Fiscal 2022: ¥21,444 million
Fiscal 2021: ¥20,309 million

Note: Figures related to the fiscal year ended March 31, 2021 reflect those calculated after the retroactive application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards.

2. Non-Consolidated Financial Forecasts for Fiscal 2023 (April 1, 2022 to March 31, 2023)

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

	Net Sales		Ordinary Income		Net Income		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Fiscal Year	27,500	2.2	2,740	3.3	2,230	4.5	77.15

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

* **Explanation concerning the appropriate use of financial forecasts and other special instructions**

Disclaimer:

Results forecasts and other forward-looking statements contained in this report are based on assumptions, beliefs, and uncertainties in light of information available to the Company's management as of the publication date. Actual results may differ materially from forecasts due to a variety of factors. Therefore, the Company does not guarantee the accuracy of forecasts and other forward-looking statements and its ability to achieve stated targets. Please refer to "1. OVERVIEW OF OPERATING RESULTS (1) Overview of Operating Results for Fiscal 2022" on page 2 of the Attachment Materials for information regarding the underlying assumptions for financial forecasts and an explanation concerning the appropriate use of forecasts and other notes.

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1. OVERVIEW OF OPERATING RESULTS

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards have been applied since the beginning of the consolidated fiscal year under review, the comparative analysis with the previous consolidated fiscal year in "Explanation regarding Operating Results" and "Explanation regarding Financial Position" for the consolidated fiscal year under review reflects figures calculated after the retroactive application of such standards.

(1) Overview of Operating Results for Fiscal 2022

In the consolidated fiscal year under review, economic conditions in Japan remained difficult, mainly due to a state of emergency declared twice in the wake of the spread of COVID-19. Regarding the domestic economic situation, there were favorable factors, such as the first positive growth in two quarters in the real GDP for October to December 2021, which raised expectations that the economy could pick up. However, the outlook stayed uncertain owing to fear of the impact of economic sanctions that some countries imposed on Russia following its invasion of Ukraine this past February.

In the housing section, the number of new housing starts has remained on a moderate recovery path toward the pre-pandemic level. This has mainly been due to a rise in consumer appetite for home acquisition induced by changes to lifestyles during the coronavirus (COVID-19) crisis, the support measures taken to promote home acquisition, and the continued low interest rates.

Under these 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 "Strengthening 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), which was announced in August 2021. Accordingly, the Group has made efforts to further improve its corporate value and expand its businesses.

With regard to new home sales, one of our core operations, the cumulative number of homes sold exceeded 20,000 in February 2022 partly due to sales promotional measures, including the commemorative campaign for the 30th anniversary of our founding. In the sales area of Saitama Prefecture, a focal point for the Group, construction of the Saitama Branch's new office building (Midori Ward, Saitama City) was completed, and the Group strove to strengthen the foundation of the production and sales structures. Moreover, the Fujimino Branch (in Fujimi City) started selling homes in Nishi-Oizumi, Nerima Ward, for the first time in Tokyo. In the sales area of Kanagawa Prefecture, Plaza House, Inc. changed its company name in an effort to speed up business expansion under the Grandy House brand.

On the other hand, for existing home sales in the housing stock business, we endeavored to reinforce coordination with brokers to lift the number of homes sold and enhance product inventory through measures such as participating in auctions.

Following these initiatives, the Grandy House Group's results for the consolidated fiscal year ended March 2022 were record highs in both net sales and income. Net sales totaled ¥54,884 million, an increase of 16.4% year-on-year; operating income rose to ¥4,022 million, an increase of 74.9% year-on-year; ordinary income was ¥3,810 million, a rise of 81.8% year-on-year; and net income attributable to owners of the parent totaled ¥2,583 million, an increase of 49.8% year-on-year.

Operating results by business segment are presented as follows.

a. Real Estate Sales

In new home sales, we have worked to expand the sales areas and further cultivate existing areas while continuing to implement thorough infection prevention measures and focus on our non-contact sales activities, prioritizing the peace of mind and safety of customers and employees. In this period, the cumulative number of new homes sold by the Group reached 20,000 in February 2022.

The situations for Saitama Prefecture and Kanagawa Prefecture, focal areas for business expansion, are as follows:

In Saitama Prefecture, the Saitama Branch's (Midori Ward, Saitama City) new office building, which is fitted out with a showroom, was completed in October 2021, and the Saitama Branch worked to strengthen the production and sales system, covering the territory from the prefectural center to the western area, in cooperation with the Fujimino Branch (in Fujimi City) that was opened in April. In the Fujimino Branch's sales territory, we started selling properties in "Sakura Oizumi" (a total of four lots) in the first sales phase of our first housing project in Tokyo, Nishi-Oizumi, Nerima Ward (a planned total of 21 lots) in December. With this project, we are now selling homes in every prefecture of the Kanto region.

In Kanagawa Prefecture, Plaza House, Inc., which became a subsidiary of the Group through M&A (in

July 2019), added and strengthened human resources to prepare for business growth, and reinforced the production and sales systems for homes from in-house production. As the final stage of post-merger integration (PMI), Plaza House, Inc. changed its company name to "Kanagawa Grandy House, Inc." in March 2022 to clarify that the company is a member of the Grandy House Group and speed up the enhancement of the brand power and business expansion.

Regarding products, we endeavored to develop products that accommodate new lifestyles in response to changes in living environment needs arising from the Coronavirus (COVID-19) crisis and create high value-added products that pay special attention to the child-rearing generation. Furthermore, to meet a rise in awareness toward sustainability, we have pushed forward with initiatives such as the sales of homes in "Sora Town Tsukuba Matsushiro (with a total of 96 lots in Tsukuba City, Ibaraki Prefecture)." This is a large-scale housing project in which all new homes employ the net-zero-energy house system (ZEH). In the 2022 Oricon Customer Satisfaction Survey to rank the tract-home builders in the northern Kanto region, announced in February 2022, Grandy House took the No. 1 spot for all survey items including "Housing structure and layout," "Housing equipment" and "Design." As a result, we have ranked overall No. 1 for three consecutive years.

Through these efforts, the number of homes sold for the consolidated fiscal year under review reached a record high of 1,510 (an increase of 124 year-on-year).

Regarding existing-home sales, demand for existing homes was so high during the Coronavirus (COVID-19) crisis that selling prices remained on an upward trend. On the other hand, as competition intensified in terms of purchasing, we increased product inventory mainly through strengthening cooperation with brokers and actively bidding at auctions. Consequently, the number of homes sold for the consolidated fiscal year under review was 148, an increase of 11 year-on-year.

As a result of these initiatives, sales in the real estate sales segment during the fiscal year under review increased 15.3% year-on-year to ¥51,024 million, while segment profit was ¥3,272 million, up 88.7% from the previous fiscal year.

b. Construction Material Sales

In construction material sales business, although the shortage of imported timber materials and the surge in their prices—the so-called "wood shock"—is easing, the situation remains difficult with domestic timber materials such as plywood running short, and their selling prices again reaching record levels. Nevertheless, new housing starts for wooden houses for the fiscal year ended March 31, 2022 (from April 2021 to March 2022) stayed robust, posting a year-on-year increase each month except February 2022. As for purchasing raw materials, on the other hand, the outlook is uncertain because Russian timber has been included in the list of economic sanctions that the international community imposed on Russia following its invasion of Ukraine, which started in February, even though the global surge in wood prices caused by the "wood shock" has begun to subside.

Under these conditions, we focused on measures such as maintaining purchase volumes through strengthening the supply chain and making the prices of received orders reasonable, leading to year-on-year increases in both net sales and profits. As a result, sales in the construction materials sales segment during the consolidated fiscal year under review rose by 35.4% year-on-year to ¥3,577 million, with a segment profit of ¥405 million, an increase of 80.7% year-on-year.

c. Real Estate Leasing

Regarding the real estate leasing business, vacancy is on a recovery trend in the office leasing market in the key Utsunomiya area, primarily due to new demand and better locations. Nonetheless, properties with a poor location and outdated equipment stay vacant for longer, pushing market polarization. Although the parking market has seen the impact of COVID-19 ease, areas with high restaurant-related demand have endured tough market conditions.

In this light, we endeavored to increase leasing assets and improve the operational rate of existing assets, which boosted sales year-on-year, but profits decreased due to a rise in management costs, resulting from moving regular renovations, etc. forward. As a result, sales in the real estate leasing segment for the consolidated fiscal year under review were ¥282 million, an increase of 6.0% year-on-year, with a segment profit of ¥118 million, a decrease of 23.1% year-on-year.

(2) Overview of Financial Position for Fiscal 2022

As of the end of the consolidated fiscal year under review, consolidated total assets rose to ¥60,901 million, a rise of ¥2,831 million compared to the end of the previous consolidated fiscal year. This was primarily due to an

increase in inventories through acquiring housing lots associated with the area expansion of real estate sales. This was despite a decline in cash and deposits resulting from repayments of short-term loans payable.

Liabilities increased to ¥36,241 million, an increase of ¥1,331 million from the end of the previous fiscal year. This was mainly due to a rise in accounts payable for construction contracts primarily resulting from progress made in acquiring of housing lots while repaying loans that the Company had increased to secure liquidity on hand during the Coronavirus (COVID-19) crisis. Borrowings to finance projects that are due in one year or more are included in long-term loans payable instead of short-term loans payable effective as of the fiscal year under review.

Total net assets stood at ¥24,660 million as of March 31, 2022. This represents an increase of ¥1,499 million from the balance recorded as of March 31, 2021. This was due to acquiring net income attributable to owners of the parent despite the payment of dividends.

(3) Overview of Cash Flows for Fiscal 2022

Cash and cash equivalents (hereinafter, "cash flows") as of the end of the consolidated fiscal year under review decreased by ¥2,265 million from the end of the previous fiscal year, as a result of smaller cash flows from operating activities and reduced cash flows from investing activities and financing activities, to reach ¥11,083 million.

The Company's cash flows and their factors that cause them to fluctuate during the consolidated fiscal year under review are presented as follows.

(Cash Flows from Operating Activities)

Net cash used in operating activities amounted to ¥444 million (a rise of ¥3,481 million in the previous fiscal year). This was mainly due to an increase in inventories and payments of income taxes despite earning net income before income adjustment for taxes.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥481 million (a decrease of ¥410 million in the previous fiscal year). This was mainly due to the construction of new branch buildings, the acquisition of leasing properties, and other items.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥1,339 million (a decrease of ¥58 million in the previous fiscal year). This was mainly due to payments of dividends, the acquisition of treasury shares, and others.

With respect to acquiring treasury shares, since the Company adopted a "trust-type employee stock holding incentive plan" in February 2022, shares acquired by such trust were included in treasury shares.

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

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Shareholders' equity ratio (%)	39.2	39.6	40.4
Equity ratio on market value basis (%)	18.6	24.3	24.8
Interest-bearing liabilities to cash flow ratio (years)	—	8.3	—
Interest coverage ratio (times)	—	12.4	—

Shareholders' equity ratio: Shareholders' equity/total assets

Equity ratio on a market value basis: Market capitalization/total assets

Interest-bearing liabilities to cash flow ratio: Interest-bearing liabilities/cash flows

Interest coverage ratio: Cash flows/interest payments

Notes: 1. Each index is calculated based on consolidated financial data.

2. Market capitalization is calculated based on the number of issued shares as of the period-end (after deducting treasury shares).

3. Cash flows from operating activities are used as "cash flows" in the above calculation. As operating cash flows for the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2022 were negative, the interest-bearing liabilities to cash flow ratio and interest coverage ratio data have been omitted for these years.

4. Interest-bearing liabilities include all liabilities that bear interest under the liabilities section recorded on consolidated balance sheets.

(4) Outlook for Fiscal 2023

The Japanese economy is forecast to remain uncertain in the future because there are concerns that several factors will affect domestic demand. Such factors include a prolonged pandemic, shortages of natural resources and their price surges triggered by economic sanctions that some countries have imposed on Russia following Russia's invasion of Ukraine, shortages of electricity, and low stock prices. Under such circumstances, the housing market is expected to see lifestyle changes arising from the Coronavirus (COVID-19) crisis, support measures put in place by the central and local governments to promote home acquisition, and continued low interest rates. We expect the consumer appetite for home acquisition to remain high, mainly in the metropolitan area.

In the third medium-term business plan (from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024), announced in August 2021, we have taken the business environment that is changing drastically due to the impact of COVID-19 as an opportunity for the Grandy House Group to grow significantly, and have resolved to keep working to strengthen business foundations for sustainable growth.

In accordance with this thinking, the new home sales business, one of our core operations, has made progress in establishing a sales base in the Tokyo metropolitan region (Chiba Prefecture, Saitama Prefecture and Kanagawa Prefecture), positioned as a priority area for business growth, and will strive to expand further through efforts such as securing human resources and acquiring housing lots.

In the housing stock business, the renovation business will offer a reliable after-sales system for former new-home customers in an ongoing effort to maximize synergies with the new home sales business. In the existing-home business, we will grow sales through strengthening relationships with brokers and leveraging the accumulated purchasing expertise to increasing the number of properties handled and securing properties across a broad geographic area.

In terms of strengthening our response to sustainability (ESG) issues, we will promote disaster prevention and mitigation, energy-saving and energy creation, etc. through building safe and secure houses and providing comfortable and healthy homes.

The Group's consolidated financial forecast for the fiscal year ending March 31, 2023 is expected to be as follows: net sales of ¥58,000 million, an increase of 5.7% year-on-year; operating income of ¥4,070 million, a rise of 1.2% year-on-year; ordinary income of ¥3,820 million, growth of 0.3% year-on-year; and net income attributable to owners of the parent of ¥2,600 million, an increase of 0.6% year-on-year.

(5) Basic Policy concerning the Allocation of Profits and Dividends for Fiscal 2022 and Fiscal 2023

Grandy House focuses on increasing the corporate value and returning more profits to shareholders as one of its priority management issues. For shareholders, we will follow a dividend policy that is based on business performance and work to enhance the policy while aiming for a consolidated dividend payout ratio of 35%. Purchase of treasury shares will be made in a timely manner and in accordance with the Company's financial position in order to enhance shareholder returns and capital efficiency.

The dividend per share for fiscal 2022 under review will be ¥30 per share in accordance with the dividend forecast that we announced on February 7, 2022. The annual dividend forecast for the year ending March 31, 2023 is ¥32 per share.

2. OVERVIEW OF THE CORPORATE GROUP

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

The business operations of the Group and the positions of the Grandy House Corporation and its main subsidiaries (seven companies) in those operations are as follows.

(1) Real Estate Sales

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

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

Grandy House Corporation: Tochigi Prefecture, western part of Ibaraki Prefecture, and Saitama Prefecture

Ibaraki Grandy House Co., Ltd.: Ibaraki Prefecture (excluding the western part)

Gunma Grandy House Co., Ltd.: Gunma Prefecture

Chiba Grandy House Co., Ltd.: Chiba Prefecture

Kanagawa Grandy House, Inc.: Kanagawa Prefecture

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

(2) Construction Material Sales

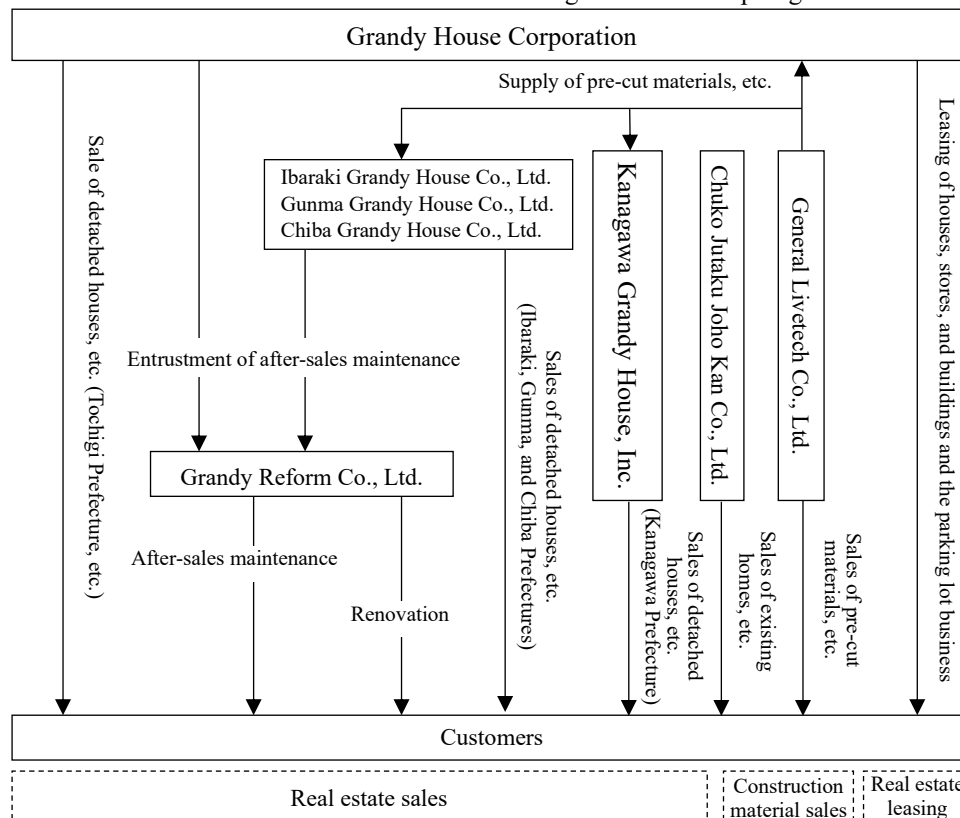
General Livetech Co., Ltd. is engaged in sales of construction materials and components, mainly pre-cut materials.

(3) Real Estate Leasing

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

[Business Group Organization Chart] (As of March 31, 2022)

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



3. BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS

At present, the Grandy House Group operates its business only in Japan and most of its stakeholders are shareholders, lenders, and business partners in Japan. The Group has no plan to raise funds from overseas markets. Against this background, the Group will prepare its consolidated financial statements based on Japanese GAAP for the time being.

For the application of International Financial Reporting Standards (IFRS), we will take adequate actions while paying attention to various situations inside and outside Japan.

4. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal 2021 (As of March 31, 2021)	Fiscal 2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	13,363,516	11,098,044
Notes and accounts receivable – trade and contract assets	496,993	702,666
Securities	201,921	–
Real estate for sale	7,451,307	8,129,757
Costs on uncompleted construction contracts	7,725	7,246
Real estate for sale in process	22,584,961	26,090,400
Merchandise and finished goods	237,434	350,922
Raw materials and supplies	114,678	279,751
Other	920,828	1,100,457
Allowance for doubtful accounts	(2,362)	(4,398)
Total current assets	45,377,005	47,754,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,644,251	6,300,048
Accumulated depreciation	(2,337,794)	(2,515,788)
Buildings and structures, net	3,306,457	3,784,259
Machinery, equipment and vehicles	104,070	107,170
Accumulated depreciation	(74,945)	(80,410)
Machinery, equipment and vehicles, net	29,124	26,759
Tools, furniture and fixtures	376,891	392,491
Accumulated depreciation	(326,040)	(336,898)
Tools, furniture and fixtures, net	50,851	55,593
Land	6,021,604	6,063,224
Leased assets	171,750	181,104
Accumulated depreciation	(97,359)	(88,685)
Leased assets, net	74,390	92,419
Construction in progress	150,319	19,064
Total property, plant and equipment	9,632,747	10,041,319
Intangible assets		
Goodwill	1,165,571	1,028,445
Other	67,192	51,284
Total intangible assets	1,232,763	1,079,729
Investments and other assets		
Investment securities	145,500	143,000
Long-term loans receivable	18,993	14,601
Deferred tax assets	562,494	647,621
Other	1,067,323	1,175,569
Allowance for doubtful accounts	(4,272)	–
Total investments and other assets	1,790,038	1,980,792
Total non-current assets	12,655,549	13,101,841
Deferred assets		
Bond issuance costs	38,025	45,286
Total deferred assets	38,025	45,286
Total assets	58,070,579	60,901,976

(Thousands of Yen)

	Fiscal 2021 (As of March 31, 2021)	Fiscal 2022 (As of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,255,232	3,870,228
Short-term loans payable	20,696,600	13,082,700
Current portion of long-term loans payable	1,014,044	2,604,311
Current portion of bonds	21,000	1,000,000
Lease obligations	30,980	34,201
Income taxes payable	399,719	899,770
Provision for warranties for completed construction	185,503	185,469
Other	955,601	1,105,187
Total current liabilities	26,558,680	22,781,868
Non-current liabilities		
Bonds payable	2,303,000	2,300,000
Long-term loans payable	4,904,321	9,820,280
Lease obligations	50,559	67,647
Provision for directors' retirement benefits	218,520	251,695
Net defined benefit liability	810,289	904,811
Other	64,878	115,459
Total non-current liabilities	8,351,569	13,459,893
Total liabilities	34,910,250	36,241,762
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,343,929	2,592,335
Retained earnings	18,836,131	20,718,007
Treasury shares	(270,372)	(813,488)
Total shareholders' equity	22,987,189	24,574,354
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,500	18,000
Total accumulated other comprehensive income	20,500	18,000
Subscription rights to shares	152,640	67,860
Total net assets	23,160,329	24,660,214
Total liabilities and net assets	58,070,579	60,901,976

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Thousands of Yen)

	Fiscal 2021 (From April 1, 2020 to March 31, 2021)	Fiscal 2022 (From April 1, 2021 to March 31, 2022)
Net sales	47,154,284	54,884,855
Cost of sales	38,981,890	44,399,017
Gross profit	8,172,393	10,485,838
Selling, general and administrative expenses	5,872,795	6,462,958
Operating income	2,299,597	4,022,879
Non-operating income		
Interest income	1,516	826
Dividends income	5,653	5,698
Office work fee	27,345	31,859
Subsidy income	27,298	4,138
Other	42,328	22,393
Total non-operating income	104,142	64,914
Non-operating expenses		
Interest expenses	281,191	237,522
Commission for syndicate loan	9,966	12,529
Other	16,708	27,535
Total non-operating expenses	307,866	277,587
Ordinary income	2,095,873	3,810,207
Extraordinary income		
Gain on sales of non-current assets	5,623	23,133
Consumption taxes refund	707,744	–
Total extraordinary income	713,368	23,133
Extraordinary loss		
Loss on retirement of non-current assets	26,905	21,002
Loss on cancellation of lease contracts	2,254	358
Impairment loss	122,561	–
Total extraordinary loss	151,721	21,360
Net income before income taxes	2,657,519	3,811,980
Income taxes – current	762,477	1,313,218
Income taxes for prior periods	222,919	–
Income taxes – deferred	(52,820)	(85,127)
Total income taxes	932,576	1,228,091
Net income	1,724,943	2,583,889
Net income attributable to owners of the parent	1,724,943	2,583,889

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2021 (From April 1, 2020 to March 31, 2021)	Fiscal 2022 (From April 1, 2021 to March 31, 2022)
Net income	1,724,943	2,583,889
Other comprehensive income		
Valuation difference on available-for-sale securities	20,500	(2,500)
Total other comprehensive income	20,500	(2,500)
Comprehensive income	1,745,443	2,581,389
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,745,443	2,581,389
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2021 (From April 1, 2020 to March 31, 2021)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of the beginning of the period	2,077,500	2,291,248	17,905,056	(301,297)	21,972,507
Cumulative effects of changes in accounting policies			(125,241)		(125,241)
Restated balance	2,077,500	2,291,248	17,779,815	(301,297)	21,847,265
Changes of items during the period					
Dividends from surplus			(668,627)		(668,627)
Net income attributable to owners of the parent			1,724,943		1,724,943
Exercise of subscription rights to shares		52,681		30,925	83,607
Net changes to items other than shareholder equity					
Total changes of items during the period	—	52,681	1,056,316	30,925	1,139,923
Balance as of the end of the period	2,077,500	2,343,929	18,836,131	(270,372)	22,987,189

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance as of the beginning of the period	—	—	170,620	22,143,127
Cumulative effects of changes in accounting policies				(125,241)
Restated balance	—	—	170,620	22,017,885
Changes of items during the period				
Dividends from surplus				(668,627)
Net income attributable to owners of the parent				1,724,943
Exercise of subscription rights to shares			(17,980)	65,627
Net changes to items other than shareholder equity	20,500	20,500		20,500
Total changes of items during the period	20,500	20,500	(17,980)	1,142,443
Balance as of the end of the period	20,500	20,500	152,640	23,160,329

Fiscal 2022 (From April 1, 2021 to March 31, 2022)

(Thousands of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of the beginning of the period	2,077,500	2,343,929	18,836,131	(270,372)	22,987,189
Changes of items during the period					
Dividends from surplus			(702,013)		(702,013)
Net income attributable to owners of the parent			2,583,889		2,583,889
Purchase of treasury shares				(700,997)	(700,997)
Disposal of treasury shares				12,059	12,059
Exercise of subscription rights to shares		248,405		145,821	394,227
Net changes to items other than shareholder equity					
Total changes of items during the period	—	248,405	1,881,876	(543,116)	1,587,165
Balance as of the end of the period	2,077,500	2,592,335	20,718,007	(813,488)	24,574,354

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance as of the beginning of the period	20,500	20,500	152,640	23,160,329
Changes of items during the period				
Dividends from surplus				(702,013)
Net income attributable to owners of the parent				2,583,889
Purchase of treasury shares				(700,997)
Disposal of treasury shares				12,059
Exercise of subscription rights to shares			(84,780)	309,447
Net changes to items other than shareholder equity	(2,500)	(2,500)		(2,500)
Total changes of items during the period	(2,500)	(2,500)	(84,780)	1,499,885
Balance as of the end of the period	18,000	18,000	67,860	24,660,214

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2021 (From April 1, 2020 to March 31, 2021)	Fiscal 2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Net income before income taxes	2,657,519	3,811,980
Depreciation and amortization	284,114	283,996
Amortization of goodwill	137,126	137,126
Impairment loss	122,561	—
Increase (decrease) in provision for directors' retirement benefits	14,941	33,175
Increase (decrease) in provision for warranties for completed construction	34,035	(33)
Increase (decrease) in allowance for doubtful accounts	(7,447)	(2,236)
Increase (decrease) in net defined benefit liability	89,351	94,521
Interest and dividends income	(7,169)	(6,524)
Interest expenses	281,191	237,522
Loss (gain) on sales of non-current assets	(5,623)	(23,133)
Loss on retirement of non-current assets	26,905	21,002
Decrease (increase) in notes and accounts receivable-trade	115,295	(201,408)
Decrease (increase) in inventories	564,481	(4,461,971)
Increase (decrease) in notes and accounts payable-trade	5,865	614,996
Other	387,649	65,083
Subtotal	4,700,799	604,097
Interest and dividends income received	7,237	8,948
Interest expenses paid	(281,327)	(237,706)
Income taxes paid	(945,366)	(819,826)
Net cash provided by (used in) operating activities	3,481,342	(444,486)
Cash flows from investing activities		
Proceeds from redemption of securities	—	200,000
Purchase of property, plant and equipment	(365,667)	(710,029)
Proceeds from sales of property, plant and equipment	7,437	109,495
Purchase of intangible assets	(32,246)	(9,114)
Collection of loans receivable	21,421	4,391
Payments for guarantee deposits	(43,500)	(43,853)
Other	2,192	(32,659)
Net cash provided by (used in) investing activities	(410,362)	(481,769)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,522,000)	(7,613,900)
Proceeds from long-term loans payable	2,519,000	9,623,000
Repayment of long-term loans payable	(894,558)	(3,207,374)
Proceeds from issuance of bonds	500,000	1,000,000
Redemption of bonds	(21,000)	(24,000)
Proceeds from disposition of treasury shares due to exercise of subscription rights to shares	65,627	309,447
Purchase of treasury shares	—	(700,997)
Proceeds from sale of treasury shares	—	12,059
Cash dividends paid	(668,506)	(701,501)
Repayments of lease obligations	(37,424)	(35,949)
Net cash provided by (used in) financing activities	(58,861)	(1,339,215)
Net increase (decrease) in cash and cash equivalents	3,012,118	(2,265,472)
Cash and cash equivalents at beginning of the period	10,336,889	13,349,007
Cash and cash equivalents at end of the period	13,349,007	11,083,535

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard and Other Standards for Revenue Recognition)

The Grandy House Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard") and other standards since the beginning of the consolidated fiscal year under review. Accordingly, we have decided to recognize revenue of the amount that we expect to receive in exchange for promised goods or services upon the transfer of control over such promised goods or services to the customer. With this change of accounting policies being applied retroactively in principle, the previous consolidated fiscal year is presented in the consolidated financial statements after the relevant retroactive application.

Due to the application of the Revenue Recognition Accounting Standard and other standards, "Notes and accounts receivable – trade," which was presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, has been included and presented under "Notes and accounts receivable – trade and contract assets" since the consolidated fiscal year under review. As a result, compared to figures prior to the retroactive adoption of such standards, for the previous consolidated fiscal year, net sales rose by ¥129,300 thousand with cost of sales decreasing by ¥220,264 thousand, selling, general and administrative expenses increasing by ¥8,953 thousand, operating income rising by ¥340,610 thousand, and ordinary income and net income before income taxes each decreasing by ¥10,756 thousand. With the cumulative impact reflected in net assets at the beginning of the previous consolidated fiscal year, the balance of retained earnings at the beginning of the previous fiscal year in Consolidated Statements of Changes in Net Assets decreased by ¥125,241 thousand.

In Consolidated Statement of Cash Flows for the previous consolidated fiscal year, net income before income taxes decreased by ¥10,756 thousand, an increase in the provision for warranties for completed construction increased by ¥8,953 thousand, and the reduction in inventories increased by ¥1,803 thousand.

The impact on information per share is described in the relevant section (in Japanese only).

(Application of Accounting Standard for Fair Value Measurement)

The Grandy House Group has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") and other standards since the beginning of the consolidated fiscal year under review. Accordingly, we have decided to apply new accounting policies stipulated by the Accounting Standard for Fair Value Measurement and other standards in the future, pursuant to the transitional treatments stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019).

There is no impact on the Consolidated Financial Statements.

(Additional Information)

(Accounting Estimates concerning the Impact of COVID-19)

The Group makes its accounting estimates based on the information available as of the date of the consolidated financial statements. At present, the COVID-19 outbreak has had a limited impact on the Group's financial results and we assume that there will be no material impact in and after the next consolidated fiscal year, either.

In the case, however, that the impact of COVID-19 becomes more serious, it may affect our financial position and operating results for the next consolidated fiscal year onward.

(Segment Information)

1. Overview of reportable segments

The reportable segments of the Group are components for which separate financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors when making decisions about the allocation of management resources and assessing performance.

The Grandy House Group is engaged in the following businesses: new home sales, existing home sales, home renovation, construction material sales and real estate leasing (all of which are operated in Japan). A portion or all of operations for new home sales, existing home sales and home renovation are conducted by subsidiaries. From the perspective of similarity, relationships, and sharing of common management resources, these three businesses are regarded as one business segment, Real Estate Sales. The Company devises overall strategies for this real estate sales segment and conducts business activities.

Accordingly, the Group's three reportable segments are classified as Real Estate Sales, Construction Material Sales, and Real Estate Leasing.

The Real Estate Sales business includes sales of new homes (including building contracts and sale of land, etc.) and existing homes and home renovation. The Construction Material Sales business comprises the production and sale of pre-cut materials for housing and sale of construction materials and home facilities and equipment. In the Real Estate Leasing business, activities comprise the leasing of office, homes, related properties, and parking facilities, etc.

2. Calculation method of net sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting method for reportable segments complies with the accounting policy that is applied to the preparation of consolidated accounting statements. Segment profit and loss are based on ordinary income. Inter-segment sales or transfers are calculated based on market prices.

As described in (Changes in accounting policies), The Grandy House Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and other standards since the beginning of the consolidated fiscal year under review. Accordingly, we changed accounting treatment methods concerning revenue recognition and, similarly, changed the calculation method for business segment profits.

Segment Information concerning the previous consolidated fiscal year is presented after applying the calculation method for profits after the change.

3. Information concerning the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal 2021 (From April 1, 2020 to March 31, 2021)

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Reported on Consolidated Financial Statements (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	44,244,908	2,642,889	266,486	47,154,284	—	47,154,284
Inter-segment sales or transfers	55,680	2,919,019	80,653	3,055,353	(3,055,353)	—
Total	44,300,588	5,561,909	347,139	50,209,637	(3,055,353)	47,154,284
Segment profit	1,734,345	224,682	153,686	2,112,714	(16,840)	2,095,873
Segment assets	41,750,600	2,114,346	4,045,500	47,910,448	10,160,130	58,070,579
Segment liabilities	33,302,053	1,568,159	423,722	35,293,935	(383,685)	34,910,250
Other items						
Depreciation and amortization	207,374	24,466	52,273	284,114	—	284,114
Amortization of goodwill	137,126	—	—	137,126	—	137,126
Interest income	1,513	2	—	1,516	—	1,516
Interest expenses	274,336	5,992	862	281,191	—	281,191
Increase in property, plant and equipment and intangible assets	208,893	2,055	169,543	380,492	—	380,492

Fiscal 2022 (From April 1, 2021 to March 31, 2022)

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Reported on Consolidated Financial Statements (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net sales						
Sales to outside customers	51,024,739	3,577,749	282,366	54,884,855	—	54,884,855
Inter-segment sales or transfers	50,040	4,097,718	81,273	4,229,032	(4,229,032)	—
Total	51,074,779	7,675,468	363,640	59,113,887	(4,229,032)	54,884,855
Segment profit	3,272,867	405,997	118,220	3,797,085	13,121	3,810,207
Segment assets	45,425,009	2,859,339	4,153,668	52,438,017	8,463,959	60,901,976
Segment liabilities	34,177,530	2,193,432	441,236	36,812,198	(570,436)	36,241,762
Other items						
Depreciation and amortization	209,619	18,859	55,517	283,996	—	283,996
Amortization of goodwill	137,126	—	—	137,126	—	137,126
Interest income	823	2	—	826	—	826
Interest expenses	231,459	5,280	782	237,522	—	237,522
Increase in property, plant and equipment and intangible assets	430,172	126,169	223,072	779,413	—	779,413

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2021	Fiscal 2022
Eliminations of inter-segment transactions	(16,840)	13,121
Total	(16,840)	13,121

Segment assets

(Thousands of Yen)

	Fiscal 2021	Fiscal 2022
Eliminations of inter-segment receivables	(378,876)	(570,436)
Eliminations of inter-segment unrealized profit	(64,534)	(56,877)
Corporate assets*	10,603,541	9,091,272
Total	10,160,130	8,463,959

* Corporate assets mainly comprise cash and deposits as well as investment securities which are not attributable to reportable segments.

Segment liabilities

(Thousands of Yen)

	Fiscal 2021	Fiscal 2022
Eliminations of inter-segment payables	(383,685)	(570,436)
Total	(383,685)	(570,436)

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