

* **Explanatory notes**

(1) Changes of important subsidiaries during the period
(changes in specified subsidiaries resulting in a change 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, accounting estimates, and restatements

- 1) Changes in accounting policies in connection with 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 shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)	December 31, 2014	30,823,200 shares	March 31, 2014	30,823,200 shares
2) Number of treasury shares	December 31, 2014	2,046,198 shares	March 31, 2014	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Nine months ended December 31, 2014	28,777,002 shares	Nine months ended December 31, 2013	28,777,002 shares

* **Disclosure concerning the implementation status of quarterly review procedures**

This Quarterly Consolidated Financial Report is exempt from the quarterly review procedures required by the Financial Instruments and Exchange Act of Japan. At the time of this report's disclosure, the quarterly review process for quarterly consolidated financial statements under the Financial Instruments and Exchange Act has not been completed.

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

The forecast data presented in this report are based on currently available information and contain a significant number of uncertainties. Actual results may differ from forecast data due to changes in business conditions.

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1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS

(1) Explanation regarding Operating Results

Uncertainties as to when a recovery might occur prevailed in the Japanese economy during the nine-month period up until December 31, 2014. As anticipated, there was a pullback from the last-minute surge in demand triggered by April's consumption tax hike, but even after the predicted timing for a recovery had passed, consumer demand remained persistently low due to higher prices resulting from the tax increase and the depreciation of the yen. The effects of these uncertainties included the Japanese government postponing a further consumption tax increase that had been planned for October 2015.

In the housing sector, home orders remained sluggish. Although the number of new housing starts reached a stable level, there was still a year-on-year decrease for each of the ten consecutive months until December. This was due to the prolonged influence of the consumption tax hike mentioned above, which continued despite measures implemented to mitigate the burden, such as expanded income tax credit for housing loans and a provision of benefits for housing acquisition (housing allowances), as well as an all-time low mortgage rate.

Against this background, the Grandy House Group worked hard to expand its operating base and increase market share in line with its theme of "further strengthening the Group's core business (real estate sales)" through various approaches to attract customers. These included an event to commemorate the achievement of total sales of 10,000 homes. However, there was only a slow recovery in people's willingness to purchase homes, even though the effects that the tax hike had on housing demand moderated after the summer. Customers were still cautious and took time over the decision to sign a contract. Although home orders showed a certain level of recovery, the Group was unable to compensate for the decline in the first half. As a result, financial forecasts for the full fiscal year 2015 were revised downward (as of October 24, 2014).

As a result of these factors, the Grandy House Group's consolidated results for the third quarter of Fiscal 2015 were as follows. Net sales were ¥27,056 million, down 2.3% from the same period of the previous fiscal year; operating income fell to ¥1,613 million, a decline of 27.6%; ordinary income was ¥1,685 million, a decline of 27.0%; and net income totaled ¥1,033 million, a decline of 26.1%.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, from the summer, with the effects of the consumption tax hike having moderated, we focused more on home sales promotion activities by holding events to attract customers, such as the campaign to commemorate the achievement of total sales of 10,000 homes. In terms of product features, we endeavored to respond to changes in our customers' needs arising from such factors as the aging society and changes in family composition. We faced a harsh environment in terms of home orders. Orders for custom-built homes from people wanting to have their homes rebuilt or who hold land were sluggish, so custom-built home manufacturers began pushing into developer-built homes markets. In addition, the postponement of the consumption tax hike has allowed customers to take ample time over decisions to sign a home purchase contract. Under these circumstances, home orders showed a certain level of recovery after August, with the number of home orders for the third quarter exceeding the one for the same period in the previous year. However, new home sales for the first nine months of the fiscal year under review fell 17 units on a year-on-year basis to 840 units, failing to recover from the decline in the first quarter. Existing home sales were at 82 units, down 19 on a year-on-year basis. This was due to the inability of the purchase environment to improve, with no recovery in people's willingness to purchase homes.

As a result of these factors, revenues in the real estate sales segment declined 2.5% year-on-year to ¥24,955 million. Segment profit fell to ¥1,494 million, down 30.4% from the same period of the previous fiscal year.

Construction Material Sales

In the construction material sales segment, orders were sluggish due to a slump in new housing starts. On the other hand, the price of wood, a major construction material, remained unchanged. Under these circumstances, we continued to carry out the careful sales targeting of customers and promoted the selling of processed construction materials in addition to pre-cut materials. Although both revenues and profits in the construction material sales segment increased in the third quarter compared to the previous quarter as a result of these initiatives, revenues for the first nine months were 0.5% lower than those for the same period in the previous fiscal year, at ¥1,888 million. Segment profit rose to ¥127 million, up 56.6% year-on-year.

Real Estate Leasing

In the real estate leasing segment, the leasing market around Utsunomiya—a major area of business development—remained stable. The vacancy rate of office buildings for leasing continued to be low around both east and west exit districts of Utsunomiya Station with new business units being moved into and businesses in other units either expanding or relocating. Under these circumstances, we continued to work to obtain new clients and increase the use of pay-by-the-hour parking lots. As a result, for the nine months ended December 31, 2014, revenues in the real estate leasing segment totaled ¥212 million, up 8.3% from the same period of the previous fiscal year. Segment profit rose by 25.4% to ¥130 million.

(2) Explanation regarding Financial Position

Total assets stood at ¥34,963 million as of December 31, 2014, up ¥1,438 million compared with the end of the previous fiscal year. This upswing was mainly due to an increase in current assets, resulting from a slowdown in new home sales following the consumption tax hike and from our efforts to secure more existing homes.

Total liabilities stood at ¥20,445 million as of December 31, 2014, up ¥576 million compared with the end of the previous fiscal year. In current liabilities, short-term debts grew due to the increase in the amount of real estate for sale. In non-current liabilities, interest-bearing liabilities rose due to an issuance of corporate bonds (¥129 million).

Total net assets stood at ¥14,517 million as of December 31, 2014, up ¥862 million compared with the end of the previous fiscal year. After accounting for the payment of dividends, this increase was largely attributable to net income for the nine months under review.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There is no change to financial forecasts announced on October 24, 2014.

2. MATTERS CONCERNING SUMMARY INFORMATION (Notes)

(1) Changes of Important Subsidiaries during the Period

Not applicable.

(2) Adoption of Specific Methods for Preparation of the Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Accounting Estimates, and Restatements

Not applicable.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2014 (As of March 31, 2014)	Third Quarter of FY2015 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	5,562,541	5,658,010
Notes and accounts receivable – trade	584,984	527,183
Real estate for sale	8,903,433	10,540,887
Costs on uncompleted construction contracts	9,388	6,433
Real estate for sale in process	7,373,275	6,967,442
Merchandise and finished goods	174,064	167,236
Raw materials and supplies	138,064	115,548
Deferred tax assets	126,944	107,876
Other	321,913	405,694
Allowance for doubtful accounts	(4,196)	(3,924)
Total current assets	23,190,415	24,492,389
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,244,425	3,172,208
Machinery, equipment and vehicles, net	12,009	9,585
Tools, furniture and fixtures, net	42,038	51,551
Land	5,817,230	5,931,468
Lease assets, net	141,378	118,471
Construction in progress	—	58,245
Total property, plant and equipment	9,257,082	9,341,530
Intangible assets	68,487	68,728
Investments and other assets		
Investment securities	744,408	758,427
Long-term loans receivable	41,707	39,729
Deferred tax assets	100,514	113,728
Other	155,166	181,194
Allowance for doubtful accounts	(32,818)	(32,547)
Total investments and other assets	1,008,979	1,060,532
Total non-current assets	10,334,548	10,470,791
Total assets	33,524,964	34,963,181

(Thousands of Yen)

	FY2014 (As of March 31, 2014)	Third Quarter of FY2015 (As of December 31, 2014)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,636,832	2,520,402
Short-term loans payable	13,347,080	14,181,200
Current portion of long-term loans payable	410,495	431,094
Current portion of bonds	—	21,000
Lease obligations	49,770	46,483
Income taxes payable	735,391	273,349
Provision for warranties for completed construction	63,040	49,647
Other	666,258	749,398
Total current liabilities	17,908,869	18,272,574
Non-current liabilities		
Bonds payable	—	129,000
Long-term loans payable	1,461,426	1,505,005
Lease obligations	103,482	79,462
Provision for directors' retirement benefits	45,166	63,779
Net defined benefit liability	286,655	337,688
Other	63,825	58,053
Total non-current liabilities	1,960,555	2,172,988
Total liabilities	19,869,425	20,445,562
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,205,165
Retained earnings	9,712,087	10,515,120
Treasury shares	(351,814)	(351,814)
Total shareholders' equity	13,642,938	14,445,970
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,600	21,647
Total accumulated other comprehensive income	12,600	21,647
Subscription rights to shares	—	50,000
Total net assets	13,655,539	14,517,618
Total liabilities and net assets	33,524,964	34,963,181

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

(Thousands of Yen)

	Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)	Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)
Net sales	27,688,827	27,056,351
Cost of sales	22,375,407	22,285,784
Gross profit	5,313,419	4,770,566
Selling, general and administrative expenses	3,084,104	3,157,352
Operating income	2,229,314	1,613,214
Non-operating income		
Interest income	838	843
Dividends income	138	4,391
Operations consignment fee	148,177	153,153
Office work fee	108,152	98,058
Other	16,725	28,066
Total non-operating income	274,032	284,513
Non-operating expenses		
Interest expenses	195,666	208,992
Other	—	3,728
Total non-operating expenses	195,666	212,721
Ordinary income	2,307,680	1,685,007
Extraordinary loss		
Loss on sale of non-current assets	—	1,070
Loss on retirement of non-current assets	15,592	10,647
Loss on cancellation of leases	107	2,331
Total extraordinary loss	15,700	14,048
Income before income taxes and minority interests	2,291,980	1,670,958
Income taxes – current	885,495	636,808
Income taxes – deferred	7,556	900
Total income taxes	893,052	637,709
Income before minority interests	1,398,927	1,033,248
Net income	1,398,927	1,033,248

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)	Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)
Income before minority interests	1,398,927	1,033,248
Other comprehensive income		
Valuation difference on available-for-sale securities	3,231	9,046
Total other comprehensive income	3,231	9,046
Comprehensive income	1,402,158	1,042,295
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,402,158	1,042,295
Comprehensive income attributable to minority 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.

(Segment and Other Information)

I. The nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

1. Information relating to the amounts of net sales, profit and 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 outside customers	25,594,691	1,897,942	196,192	27,688,827	—	27,688,827
Intersegment sales and transfers	—	2,040,494	57,068	2,097,563	(2,097,563)	—
Total	25,594,691	3,938,437	253,261	29,786,390	(2,097,563)	27,688,827
Segment profit	2,148,682	81,613	104,318	2,334,614	(26,934)	2,307,680

Notes: 1 Adjustments of segment profit (–¥26,934 thousand) are eliminations of intersegment transactions.

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

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

Not applicable.

II. The nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

1. Information relating to the amounts of net sales, profit and 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 outside customers	24,955,452	1,888,402	212,496	27,056,351	—	27,056,351
Intersegment sales and transfers	—	2,193,798	53,819	2,247,617	(2,247,617)	—
Total	24,955,452	4,082,201	266,315	29,303,968	(2,247,617)	27,056,351
Segment profit	1,494,658	127,834	130,805	1,753,298	(68,291)	1,685,007

Notes: 1 Adjustments of segment profit (–¥68,291 thousand) are eliminations of intersegment transactions.

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

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

Not applicable.