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**Consolidated Financial Report**  
For the First Quarter of Fiscal 2018 Ending March 31, 2018 (Japanese GAAP)

August 3, 2017

Company Name: Grandy House Corporation      Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 8999      URL: <http://www.grandy.co.jp>  
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 Scheduled date of quarterly securities report filing: August 8, 2017  
 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 First Quarter of the Fiscal Year Ending March 31, 2018**  
(April 1, 2017 to June 30, 2017)

(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 Company	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended June 30, 2017	10,195	(8.2)	526	(36.4)	554	(35.5)	370	(33.5)
Three months ended June 30, 2016	11,101	11.8	827	23.8	859	23.9	557	27.0

Note: Comprehensive income      Three months ended June 30, 2017: ¥361 million (-35.4%)  
 Three months ended June 30, 2016: ¥559 million (25.2%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Three months ended June 30, 2017	12.89	12.78
Three months ended June 30, 2016	19.38	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2017	47,170	18,080	37.9	621.34
March 31, 2017	45,682	18,121	39.2	622.78

Reference: Shareholders' equity      June 30, 2017: ¥17,880 million  
 March 31, 2017: ¥17,921 million

**2. Dividends**

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
Fiscal 2017	—	0.00	—	14.00	14.00
Fiscal 2018	—				
Fiscal 2018 (Forecast)		0.00	—	16.00	16.00

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

**3. Consolidated Financial Forecasts for Fiscal 2018 (April 1, 2017 to March 31, 2018)**

(Percentage figures show the year-on-year increase (decrease) for each corresponding period.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent Company		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim Period	23,900	5.7	1,540	1.7	1,580	0.6	1,070	4.4	37.18
Full Fiscal Year	48,000	9.2	3,200	17.9	3,300	17.6	2,100	20.4	72.98

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

\* **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)	June 30, 2017	30,823,200 shares	March 31, 2017	30,823,200 shares
2) Number of treasury shares	June 30, 2017	2,046,245 shares	March 31, 2017	2,046,245 shares
3) Average number of shares issued and outstanding for the period	Three months ended June 30, 2017	28,776,955 shares	Three months ended June 30, 2016	28,776,955 shares

\* **This consolidated quarterly financial report is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Act.**

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

Results forecasts and other forward-looking statements contained in this report are based on assumptions, beliefs, and uncertainties in light of information available to the Company's management as of the publication date. Actual results may differ materially from forecasts due to a variety of factors. Therefore, the Company does not guarantee the accuracy of forecasts and other forward-looking statements and its ability to achieve stated targets.

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## 1. QUALITATIVE INFORMATION ON FINANCIAL STATEMENTS

### (1) Explanation regarding Operating Results

During the three months ending June 30, 2017, the Japanese economy showed signs of slowly recovering as positive growth was recorded for five consecutive quarters, including the first three months of this year, followed by continued improvement in the employment and income conditions.

In the housing sector, new housing starts grew steadily due to the interest rate on housing loans remaining at record low levels, as well as the continuation of various support measures to promote home acquisition and an improvement in employment and income conditions, but competition between businesses intensified.

Under these circumstances, the Grandy House Group continued to strive to expand and reinforce business under the basic policy (medium-term business plan) of "continuous growth through reinforcing the core operation (new homes)" and "expansion of business through enhancing the stock business."

With regard to new home sales, one of our core operations, we launched full-scale sales of *Yotsuba no Mori* (literally, Four-leaf Clover Hill) housing lots (211 lots, Tsukuba, Ibaraki Prefecture), the largest housing lot development ever implemented by our group built in our designated focus area, which stretches from southern Ibaraki Prefecture to Kashiwa in Chiba Prefecture, and also built up our product inventory in the Kashiwa area. We also reviewed our group's sales structure and boosted efficiency by reorganizing branches. Through initiatives such as these, the Group's lot orders showed a certain level of recovery from the previous quarter on an orders received basis, but its new home sales and sales profits fell below the figures in the same period of the previous fiscal year due partly to the impact of a slump remaining from the previous quarter.

In existing home sales, although orders for existing homes exceeded the quarterly average during the previous fiscal year as a result of our efforts for building up our product inventory and expanding our business in metropolitan areas, existing home sales and sales profits fell below the figures in the same period of the previous fiscal year due partly to delay in delivery.

As a result of these initiatives, the Grandy House Group's consolidated results for the first quarter of Fiscal 2018 were as follows. Net sales were ¥10,195 million, down 8.2% from the same period of the previous fiscal year; operating income declined to ¥526 million, a decrease of 36.4% year-on-year; ordinary income was ¥554 million, a decrease of 35.5% year-on-year; and net income attributable to owners of the parent company totaled ¥370 million, a decrease of 33.5% year-on-year.

Results by business segment are presented as follows.

#### *Real Estate Sales*

In the new home sales business, in addition to expanding our business by positioning the area between southern Ibaraki Prefecture and Kashiwa in Chiba Prefecture as the key area for expanding our sales area, we launched full-scale sales of *Yotsuba no Mori* housing lots (211 lots) in Tsukuba in Ibaraki Prefecture, which is the largest housing lot development ever built by our group. We also made efforts to expand our sales by enhancing product inventory by launching sales of multiple medium- to large-scale housing lots in Kashiwa in Chiba Prefecture. In an effort to facilitate brand penetration for our products among customer segments that exist in a wide area within commuting distance of Tokyo, we started to run TV commercials in across the Kanto area in June this year. Meanwhile, we reviewed the Group's sales structure in terms of areas where we aim to achieve synergetic effects as a wide marketing area and other areas where we prepare limited areas for thorough development. As a result, we improved the efficiency of our business by reorganizing two branches, including the transfer of Ibaraki Grandy House Koga Branch to our Kennan branch in April this year. In terms of products, we continue to differentiate our products from those of our competitors by creating distinctive housing lots with concepts, such as a high level of creativity, energy conservation, security and crime prevention for each housing lot, as well as creating added value with our strength in building comfortable urban environments.

Through these initiatives, lot orders for new home sales during the quarter under review recovered from the level of the previous quarter, which suffered a slump, to the average level of the previous fiscal year. However, lot sales resulted in 306 lots, a decrease in comparison with the figure for the same period of the previous year (a decrease by 27 lots year-on-year), in which the environment remained favorable owing to the low interest rates on housing loans following the introduction of negative rates, due partly to the impact of a decrease in the backlog of orders at the beginning of the year.

In existing home sales, we enhanced product inventory and expanded sales coverage to include the Metropolitan area (Tokyo, Saitama, Chiba and Kanagawa) for the expansion of our business. Home orders

exceeded the quarterly average of the previous year due partly to our efforts in reinforcing the procurement of homes with a new goal of 70 completed homes at any time and strengthening the sales of existing condominiums in the Metropolitan area. However, existing home sales for the consolidated first quarter came to be 30, down 9 from a year earlier, due partly to many projects with delivery delayed to the next quarter.

As a result of these initiatives, sales in the real estate sales segment decreased 8.6% year-on-year to ¥9,401 million. Segment profit declined to ¥468 million, down 40.2% from the same period of the previous fiscal year.

#### *Construction Material Sales*

In the construction material sales segment, new housing starts for wooden houses continued to exceed year-on-year for an extended period, with demand for construction materials continuing to grow steadily. Meanwhile, material wood prices began rising or remained high. Under such circumstances, the Grandy House Group made efforts, such as boosting sales of construction materials and building materials other than pre-cut materials, switching sales to our best customers in terms of earnings, and increasing orders in the non-residential buildings segments. However, we suffered low earnings during the quarter under review, despite an increase in sales of pre-cut materials in the non-residential buildings segments, due to a decrease in sales of housing equipment partly as a result of the increased pre-cut material sales in the segments as well as increased costs as a result of rising material prices.

As a result of these factors, sales in the construction materials sales segment decreased 2.8% year-on-year to ¥727 million. Segment profit totaled ¥43 million, down 10.6% from a year earlier.

#### *Real Estate Leasing*

In the real estate leasing segment, the vacancy rate of office buildings continued to decline in and around Utsunomiya, Tochigi Prefecture, which is our main market. In the parking lot market, competition remained intense between parking lots in the vicinity. In this context, while we made efforts to improve the operation rate of existing assets and reduce management costs, the occupancy rate of leasing buildings improved during the quarter under review and we decided to rent out the three apartments that we acquired in connection with our purchase of land for housing development for the time being. In terms of expenses, our management costs decreased significantly from the same period of the previous year when we recorded a cost of large-scale renovation.

As a result of these factors, sales in the real estate leasing segment totaled ¥66 million, up 3.6% from a year earlier. Segment profit totaled ¥45 million, up 54.6% year-on-year.

### (2) Explanation regarding Financial Position

Total consolidated assets as of the end of the first consolidated quarter was ¥47,170 million, up ¥1,487 million from the previous consolidated fiscal year. This was mainly due to the increase in current assets through the acquisition of property for sale as we endeavored to boost and expand real estate business.

Total liabilities grew ¥1,528 million compared with the previous consolidated fiscal year to ¥29,089 million. This is mainly due to the acquisition of properties for sale through funding via short-term loans.

Total net assets stood at ¥18,080 million as of June 30, 2017, down ¥41 million compared with the end of the previous fiscal year. After accounting for the acquisition of net income attributable to owners of the parent company, this increase was largely due to the payment of dividends.

### (3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There is no change to financial forecasts announced on May 8, 2017.

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### (1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2017 (As of March 31, 2017)	First Quarter of FY2018 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	8,475,518	8,407,566
Notes and accounts receivable – trade	589,066	598,850
Securities	499,982	499,988
Real estate for sale	14,054,910	16,214,290
Costs on uncompleted construction contracts	2,368	5,211
Real estate for sale in process	11,021,975	10,160,149
Merchandise and finished goods	220,154	247,398
Raw materials and supplies	147,599	137,589
Deferred tax assets	117,152	107,810
Other	456,190	679,362
Allowance for doubtful accounts	(4,316)	(4,263)
Total current assets	35,580,603	37,053,954
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,434,934	3,400,992
Machinery, equipment and vehicles, net	13,602	11,110
Tools, furniture and fixtures, net	66,324	80,648
Land	5,376,457	5,433,633
Leased assets, net	102,661	90,201
Total property, plant and equipment	8,993,981	9,016,586
Intangible assets	64,140	60,300
Investments and other assets		
Investment securities	448,642	434,565
Long-term loans receivable	16,614	16,335
Deferred tax assets	240,664	254,713
Other	357,141	351,741
Allowance for doubtful accounts	(18,843)	(17,948)
Total investments and other assets	1,044,218	1,039,408
Total non-current assets	10,102,340	10,116,295
Total assets	45,682,944	47,170,249

(Thousands of Yen)

	FY2017 (As of March 31, 2017)	First Quarter of FY2018 (As of June 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	3,231,631	3,202,581
Short-term loans payable	20,225,700	21,815,200
Current portion of long-term loans payable	495,152	491,493
Current portion of bonds	21,000	21,000
Lease obligations	38,632	32,369
Income taxes payable	410,406	136,446
Provision for warranties for completed construction	57,223	56,389
Other	635,983	997,161
<b>Total current liabilities</b>	<b>25,115,729</b>	<b>26,752,641</b>
<b>Non-current liabilities</b>		
Bonds payable	87,000	76,500
Long-term loans payable	1,587,719	1,463,593
Lease obligations	70,305	63,124
Provision for directors' retirement benefits	132,954	141,229
Net defined benefit liability	508,917	533,064
Asset retirement obligations	4,249	4,261
Other	54,280	55,519
<b>Total non-current liabilities</b>	<b>2,445,425</b>	<b>2,337,292</b>
<b>Total liabilities</b>	<b>27,561,155</b>	<b>29,089,933</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,077,500	2,077,500
Capital surplus	2,205,165	2,205,165
Retained earnings	13,982,262	13,950,177
Treasury shares	(351,831)	(351,831)
<b>Total shareholders' equity</b>	<b>17,913,096</b>	<b>17,881,011</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	8,692	(695)
<b>Total accumulated other comprehensive income</b>	<b>8,692</b>	<b>(695)</b>
<b>Subscription rights to shares</b>	<b>200,000</b>	<b>200,000</b>
<b>Total net assets</b>	<b>18,121,788</b>	<b>18,080,316</b>
<b>Total liabilities and net assets</b>	<b>45,682,944</b>	<b>47,170,249</b>

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

(Thousands of Yen)

	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net sales	11,101,904	10,195,571
Cost of sales	9,099,539	8,400,824
Gross profit	2,002,364	1,794,746
Selling, general and administrative expenses	1,175,246	1,268,307
Operating income	827,118	526,439
Non-operating income		
Interest income	331	323
Dividends income	2,454	3,453
Operations consignment fee	58,940	59,487
Office work fee	39,911	35,044
Other	7,563	22,586
Total non-operating income	109,202	120,895
Non-operating expenses		
Interest expenses	75,343	85,270
Commission for syndicate loan	1,125	2,738
Other	—	4,531
Total non-operating expenses	76,468	92,540
Ordinary income	859,852	554,794
Extraordinary loss		
Loss on retirement of non-current assets	4,660	5,309
Loss on cancellation of lease contracts	45	—
Total extraordinary loss	4,705	5,309
Net income before income taxes	855,146	549,484
Income taxes—current	281,057	179,287
Income taxes—deferred	16,386	(594)
Total income taxes	297,443	178,692
Net income	557,702	370,792
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent company	557,702	370,792



## (Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net income	557,702	370,792
Other comprehensive income		
Valuation difference on available-for-sale securities	1,738	(9,387)
Total other comprehensive income	1,738	(9,387)
Comprehensive income	559,441	361,404
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	559,441	361,404
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.

(Segment and Other Information)

Segment Information

I. The three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)

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	10,289,570	748,240	64,094	11,101,904	—	11,101,904
Intersegment sales and transfers	—	867,425	20,639	888,065	(888,065)	—
Total	10,289,570	1,615,666	84,733	11,989,970	(888,065)	11,101,904
Segment profit	783,941	48,096	29,398	861,436	(1,584)	859,852

Notes: 1 Adjustments of segment profit (¥1,584 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 three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)

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	9,401,532	727,629	66,409	10,195,571	—	10,195,571
Intersegment sales and transfers	—	835,807	19,870	855,677	(855,677)	—
Total	9,401,532	1,563,436	86,279	11,051,249	(855,677)	10,195,571
Segment profit	468,772	43,002	45,442	557,217	(2,422)	554,794

Notes: 1 Adjustments of segment profit (¥2,422 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.