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Consolidated Financial Report
For the Second Quarter of Fiscal 2015 Ending September 30, 2014 (Japanese GAAP)

November 4, 2014

Company Name: Grandy House Corporation Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 8999 URL: <http://www.grandy.co.jp>
 Representative: Hiroyuki Murata, President
 Inquiries: Atsuo Saito, Senior Managing Director TEL: +81-28-650-7777
 Scheduled date of quarterly securities report filing: November 7, 2014
 Scheduled date of dividend payment commencement: —
 Preparation of quarterly supplementary explanatory materials: None
 Quarterly results briefing held: Yes (institutional investors and analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2015
(April 1, 2014 to September 30, 2014)**

(1) Consolidated Operating Results (Percentage figures show the year-on-year increase (decrease).)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2014	17,931	(2.7)	1,005	(30.8)	1,054	(30.2)	640	(30.7)
Six months ended September 30, 2013	18,423	13.5	1,453	24.1	1,510	26.3	923	37.3

Note: Comprehensive income Six months ended September 30, 2014: ¥623 million (-32.5%) Six months ended September 30, 2013: ¥923 million (37.3%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Six months ended September 30, 2014	22.26	—
Six months ended September 30, 2013	32.09	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
September 30, 2014	33,888	14,074	41.5	488.20
March 31, 2014	33,524	13,655	40.7	474.53

Reference: Shareholders' equity September 30, 2014: ¥14,049 million March 31, 2014: ¥13,655 million

2. Dividends

	Annual Dividend per Shares				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2014	—	0.00	—	8.00	8.00
Fiscal 2015	—	0.00	—	8.00	8.00
Fiscal 2015 (Forecast)	—	—	—	8.00	8.00

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

3. Consolidated Financial Forecasts for Fiscal 2015 (April 1, 2014 to March 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Fiscal Year	38,000	2.0	2,200	(25.0)	2,340	(22.9)	1,460	(17.2)	50.73

Note: Revisions to the most recently announced financial forecasts: None

* Explanatory Notes

(1) Changes in the number 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)	September 30, 2014	30,823,200 shares	March 31, 2014	30,823,200 shares
2) Number of treasury shares	September 30, 2014	2,046,198 shares	March 31, 2014	2,046,198 shares
3) Average number of shares issued and outstanding for the period	Six months ended September 30, 2014	28,777,002 shares	Six months ended September 30, 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

During the six months ended September 30, 2014, the Japanese economy continued to see a moderate recovery buoyed by improvement in the employment and income environment. However, the future of the economy remained uncertain and recovery from a temporary drop in demand due to the increase in Japanese consumption tax was slow, affected by rising prices caused by yen depreciation.

In the housing sector, home orders were sluggish, with a year-on-year decrease in new housing starts for seven consecutive months until September due to the prolonged influence of the above-mentioned increase in Japanese consumption tax, despite there being measures implemented in order to mitigate the burden of the increase in Japanese consumption tax, such as expanded income tax credit for housing loans and a provision of benefits for housing acquisition (housing allowances).

Against this background, the Grandy House Group worked diligently 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),” and achieved total sales of 10,000 new homes in September for the first time since 1996. However, during the period under review, sales of new homes were generally sluggish until summer affected by the increase in Japanese consumption tax, except for a sales increase in Chiba Prefecture and another priority area, in spite of stable orders for building materials and remodeling. As a result, the Group recorded decreased revenue and profit, unable to compensate for the decline in the first quarter.

As a result of these factors, the Grandy House Group’s consolidated results for the second quarter of Fiscal 2015 were as follows. Net sales were ¥17,931 million, down 2.7% from the same period of the previous fiscal year; operating income fell to ¥1,005 million, a decline of 30.8%; ordinary income was ¥1,054 million, a decline of 30.2%; and net income totaled ¥640 million, a decline of 30.7%.

Results by business segment are presented as follows.

Real Estate Sales

In the new home sales business, we focused on sales promotion activities by holding events to attract customers, such as the Countdown Campaign toward the Achievement of Total Sales of 10,000 Homes and the Summer Campaign. We strengthened our sales structure by starting sales activities at the Utsunomiya Higashi Branch (Nakaimaizumi, Utsunomiya, Tochigi Prefecture) and opening the Grandy Plaza Utsunomiya in July, a showroom where customers can really experience the structure, functions and safety of buildings. However, we could not compensate for the decline in the first quarter, which was strongly affected by the increase in Japanese consumption tax, although orders recovered in and after August allowing us to achieve record-high quarterly sales in the second quarter. Existing home sales were likewise affected by the drop in demand due to the increase in demand experienced prior to the increase in Japanese consumption tax and the inability of the purchase environment to improve. As a result, new home sales for the six months ended September 30, 2014, were down 12 units at 560 units and existing home sales were down 10 units at 59 units on a year-on-year basis.

Accounting for each of these factors, revenues in the real estate sales segment declined 3.4% year-on-year to ¥16,511 million. Segment profit lowered to ¥949 million, down 32.9% from the same period of the previous fiscal year.

Construction Material Sales

In the construction material sales segment, the price of wood, a major construction material, continued to decline due to a drop in housing starts caused by a pullback following the increased demand experienced prior to the increase in Japanese consumption tax. In sales, we carried out the careful sales targeting of customers and promoted the selling of processed construction materials in addition to pre-cut materials. As a result of these initiatives that we took, for the six months ended September 30, 2014, revenues in the construction material sales segment increased 6.2% year-on-year to ¥1,279 million. Segment profit rose to ¥77 million, up 49.0% from the same period of the previous fiscal year. Both revenues and profit increased.

Real Estate Leasing

In the real estate leasing segment, the vacancy rate of office buildings for leasing continued to be low around Utsunomiya as a major business development area and the leasing market remained stable. Under these circumstances, there was no significant acquisition or sale of properties for leasing during the period under review, and we worked to obtain new clients and increase the use of pay-by-the-hour parking lots. As a result, for the six months ended September 30, 2014, revenues in the real estate leasing segment totaled ¥140 million, up 7.9% from the same period of the previous fiscal year. Segment profit rose by 20.0% to ¥86 million.

(2) Explanation regarding Financial Position

a. Balance Sheet

Total assets stood at ¥33,888 million as of September 30, 2014, up ¥363 million compared with the end of the previous fiscal year. This upswing was mainly due to an increase in the current assets reflecting the higher balance of real estate for sale as of September 30, 2014, resulted from a slowdown in the growth of orders after the consumption tax increase and due to the pullback following the demand surge experienced prior to the tax rise.

Total liabilities stood at ¥19,814 million as of September 30, 2014, down ¥55 million compared with the end of the previous fiscal year. The increase in non-current liabilities was mainly due to an increase in long-term loans payable (working capital), and the decrease in current liabilities was mainly due to a decrease in income taxes payable, which was caused by the payment of income taxes.

Total net assets stood at ¥14,074 million as of September 30, 2014, up ¥418 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 of ¥640 million for the six months under review.

b. Cash Flows

Cash flows from operating activities resulted in an increase in cash and cash equivalents, and cash flows from investing and financing activities resulted in decreases in cash and cash equivalents, respectively, for the six months ended September 30, 2014. As a result, the balance of cash and cash equivalents at the end of the period amounted to ¥5,727 million, up ¥172 million from the end of the previous year. The status of the Company's cash flows and factors contributing to changes therein for the six months ended September 30, 2014, are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥256 million (decrease of ¥725 million for the six months ended September 30, 2013). This was mainly due to net income before income taxes and an increase in notes and accounts payable-trade in spite of an increase in inventories and income taxes paid.

(Cash Flows from Investment Activities)

Net cash used in investment activities amounted to ¥57 million (decrease of ¥109 million for the six months ended September 30, 2013). This was mainly due to purchase of property, plant and equipment for the opening of a branch and a showroom (Nakaimaizumi, Utsunomiya, Tochigi Prefecture) and the lodgment of deposits paid as guarantee in accordance with provisions stipulated under Japan's Act on Assurance of Performance of Specified Housing Defect Warranty while assets (pay-by-the-hour parking lots in Utsunomiya, Tochigi Prefecture) were sold.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥26 million (increase of ¥824 million for the six months ended September 30, 2013). This was mainly due to dividend payment in spite of net increase in long-term loans payable.

(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 Significant Subsidiaries during the Term

Not applicable.

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

Not applicable.

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

Not applicable.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(Thousands of Yen)

	FY2014 (As of March 31, 2014)	Second Quarter of FY2015 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	5,562,541	5,728,189
Notes and accounts receivable – trade	584,984	576,728
Real estate for sale	8,903,433	10,617,202
Costs on uncompleted construction contracts	9,388	8,431
Real estate for sale in process	7,373,275	5,962,053
Merchandise and finished goods	174,064	188,018
Raw materials and supplies	138,064	89,232
Deferred tax assets	126,944	104,963
Other	321,913	344,975
Allowance for doubtful accounts	(4,196)	(4,314)
Total current assets	23,190,415	23,615,481
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,244,425	3,201,920
Machinery, equipment and vehicles, net	12,009	10,403
Tools, furniture and fixtures, net	42,038	44,080
Land	5,817,230	5,779,669
Leased assets, net	141,378	129,617
Construction in progress	—	0
Total property, plant and equipment	9,257,082	9,165,692
Intangible assets	68,487	73,111
Investments and other assets		
Investment securities	744,408	718,421
Long-term loans receivable	41,707	40,748
Deferred tax assets	100,514	125,104
Other	155,166	182,825
Allowance for doubtful accounts	(32,818)	(33,171)
Total investments and other assets	1,008,979	1,033,927
Total non-current assets	10,334,548	10,272,731
Total assets	33,524,964	33,888,213

(Thousands of Yen)

	FY2014 (As of March 31, 2014)	Second Quarter of FY2015 (As of September 30, 2014)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	2,636,832	2,780,980
Short-term loans payable	13,347,080	13,416,930
Current portion of long-term loans payable	410,495	433,864
Lease obligations	49,770	49,245
Income taxes payable	735,391	297,472
Provision for warranties for completed construction	63,040	49,209
Other	666,258	654,074
Total current liabilities	17,908,869	17,681,776
Non-current liabilities		
Long-term loans payable	1,461,426	1,596,920
Lease obligations	103,482	89,473
Provision for directors' retirement benefits	45,166	56,354
Net defined benefit liability	286,655	329,775
Other	63,825	59,913
Total non-current liabilities	1,960,555	2,132,435
Total liabilities	19,869,425	19,814,212
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	10,122,350
Treasury shares	(351,814)	(351,814)
Total shareholders' equity	13,642,938	14,053,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,600	(4,200)
Total accumulated other comprehensive income	12,600	(4,200)
Subscription rights to shares	—	25,000
Total net assets	13,655,539	14,074,001
Total liabilities and net assets	33,524,964	33,888,213

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

(Thousands of Yen)

	Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net sales	18,423,861	17,931,904
Cost of sales	14,909,209	14,790,130
Gross profit	3,514,652	3,141,774
Selling, general and administrative expenses	2,061,480	2,136,051
Operating income	1,453,172	1,005,722
Non-operating income		
Interest income	715	711
Dividend income	138	2,141
Operations consignment fee	98,419	99,626
Office work fee	74,252	65,180
Other	12,341	21,638
Total non-operating income	185,867	189,298
Non-operating expenses		
Interest expenses	128,550	140,565
Total non-operating expenses	128,550	140,565
Ordinary income	1,510,489	1,054,456
Extraordinary loss		
Loss on sale of non-current assets	—	1,070
Loss on retirement of non-current assets	6,817	6,239
Loss on cancellation of leases	—	1,143
Total extraordinary loss	6,817	8,453
Income before income taxes and minority interests	1,503,671	1,046,002
Income taxes – current	570,895	398,932
Income taxes – deferred	9,229	6,590
Total income taxes	580,124	405,523
Income before minority interests	923,546	640,479
Net income	923,546	640,479

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	923,546	640,479
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(16,801)
Total other comprehensive income	—	(16,801)
Comprehensive income	923,546	623,677
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	923,546	623,677
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net cash provided by (used in) operating activities		
Net income before income taxes	1,503,671	1,046,002
Depreciation and amortization	113,374	117,361
Stock compensation expense	—	25,000
Increase (decrease) in provision for retirement benefits	28,974	—
Increase (decrease) in provision for directors' retirement benefits	13,200	11,187
Increase (decrease) in provision for warranties for completed construction	938	(13,831)
Increase (decrease) in allowance for doubtful accounts	524	471
Increase (decrease) in retirement benefit obligations	—	43,120
Interest and dividends income	(854)	(2,853)
Interest expenses	128,550	140,565
Loss (gain) on sale of non-current assets	—	1,070
Loss on retirement of non-current assets	6,817	6,239
Decrease (increase) in notes and accounts receivable-trade	(108,983)	7,517
Decrease (increase) in inventories	(1,999,758)	(266,711)
Increase (decrease) in notes and accounts payable-trade	375,372	144,147
Other	1,465	(17,727)
Subtotal	63,294	1,241,559
Interest and dividends income received	854	2,853
Interest expenses paid	(145,933)	(140,718)
Income taxes paid	(643,766)	(847,358)
Net cash provided by (used in) operating activities	(725,550)	256,336
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(38,018)	(57,192)
Proceeds from sale of property, plant and equipment	—	37,757
Purchase of intangible assets	(11,890)	(17,312)
Payments of loans receivable	(4,400)	—
Collection of loans receivable	2,725	1,217
Payments for guarantee deposits	(60,612)	(29,010)
Other payments	(9,630)	(5,040)
Other proceeds	12,633	12,000
Net cash provided by (used in) investing activities	(109,192)	(57,580)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,351,300	69,850
Proceeds from long-term loans payable	—	464,300
Repayment of long-term loans payable	(272,180)	(305,437)
Cash dividends paid	(229,549)	(229,419)
Repayments of lease obligations	(25,430)	(25,401)
Net cash provided by (used in) financing activities	824,140	(26,108)
Net increase (decrease) in cash and cash equivalents	(10,602)	172,647
Cash and cash equivalents at beginning of the period	5,207,745	5,554,541
Cash and cash equivalents at end of the period	5,197,142	5,727,189

(4) Notes to Quarterly Consolidated financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable.

(Notes on Significant Changes in Amount of Shareholders' Equity)
 Not applicable.

(Segment and Other Information)
 Segment Information

I. The six months ended September 30, 2013 (April 1, 2013 to September 30, 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	17,088,602	1,204,755	130,503	18,423,861	—	18,423,861
Intersegment sales and transfers	—	1,372,777	40,677	1,413,455	(1,413,455)	—
Total	17,088,602	2,577,533	171,180	19,837,316	(1,413,455)	18,423,861
Segment profit	1,414,086	52,076	71,766	1,537,929	(27,440)	1,510,489

Notes: 1 Adjustments of segment profit (¥27,440 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 six months ended September 30, 2014 (April 1, 2014 to September 30, 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	16,511,905	1,279,122	140,876	17,931,904	—	17,931,904
Intersegment sales and transfers	—	1,479,029	35,869	1,514,898	(1,514,898)	—
Total	16,511,905	2,758,152	176,745	19,446,803	(1,514,898)	17,931,904
Segment profit	949,164	77,598	86,107	1,112,869	(58,413)	1,054,456

Notes: 1 Adjustments of segment profit (¥58,413 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.