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Consolidated Financial Report for Fiscal 2023 (Fiscal Year Ended March 31, 2023 under Japanese GAAP)

May 12, 2023

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 Scheduled date of the Ordinary General Meeting of Shareholders: June 29, 2023
 Scheduled date of securities report filing: June 29, 2023
 Scheduled date of dividend payment commencement: June 30, 2023
 Preparation of annual supplementary explanatory materials: Yes
 Annual results briefing held: Yes (for analysts)

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

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

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal 2023	55,205	0.6	3,329	(17.2)	3,103	(18.5)	2,168	(16.1)
Fiscal 2022	54,884	16.4	4,022	74.9	3,810	81.8	2,583	49.8

Note: Comprehensive income Fiscal 2023: ¥2,202 million (-14.7%)

Fiscal 2022: ¥2,581 million (47.9%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Income / Net Sales
	(¥)	(¥)	%	%	%
Fiscal 2023	74.50	73.99	8.5	4.6	6.0
Fiscal 2022	88.06	87.56	10.9	6.4	7.3

Reference: Equity in earnings of affiliates Fiscal 2023: — (¥ million)

Fiscal 2022: — (¥ million)

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2023	72,645	26,196	36.0	889.12
March 31, 2022	60,901	24,660	40.4	850.82

Reference: Shareholders' equity Fiscal 2023: ¥26,158 million

Fiscal 2022: ¥24,592 million

(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 2023	(8,845)	(1,488)	10,075	10,825
Fiscal 2022	(444)	(481)	(1,339)	11,083

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			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal 2022	—	0.00	—	30.00	30.00	902	34.1	3.7
Fiscal 2023	—	0.00	—	32.00	32.00	972	43.0	3.7
Fiscal 2024 (Forecast)	—	0.00	—	32.00	32.00		42.8	

Note: Total dividends include dividends (¥30 million for the fiscal year ended March 2023, ¥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 2024 (April 1, 2023 to March 31, 2024)

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

Full Fiscal Year	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
	60,000	8.7	3,500	5.1	3,200	3.1	2,200	1.4	74.78

* Notes

(1) Significant changes to subsidiaries during the period
(Changes in significant subsidiaries resulting in changes in the scope of consolidation): None
Newly included: — Excluded: —

(2) Changes in accounting policies, accounting estimates, and restatements

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

(3) Number of issued shares (common stock)

1) Number of issued shares (including treasury shares)	March 31, 2023	30,823,200 shares	March 31, 2022	30,823,200 shares
2) Number of treasury shares	March 31, 2023	1,402,345 shares	March 31, 2022	1,918,845 shares
3) Average number of shares during the period	March 31, 2023	29,110,686 shares	March 31, 2022	29,343,893 shares

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" (959,300 shares for the fiscal year ended March 2023, 1,194,000 shares for the fiscal year ended March 2022). The shares of the Company held by "Grandy House Employee Stock Holding Partnership Exclusive Trust Account" are included in treasury shares and deducted from the calculation of the average number of shares during the period (1,058,931 shares for the fiscal year ended March 2023, 184,477 shares for the fiscal year ended March 2022).

Reference: Non-Consolidated Financial Results

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

(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 2023	26,678	(0.9)	1,297	(29.2)	2,316	(12.7)	2,016	(5.5)
Fiscal 2022	26,920	14.1	1,833	38.3	2,653	23.3	2,134	11.5

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Fiscal 2023	69.28	68.81
Fiscal 2022	72.73	72.32

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
March 31, 2023	46,828	22,895	48.8	776.94
March 31, 2022	40,231	21,511	53.3	741.90

Reference: Shareholders' equity Fiscal 2023: ¥22,858 million
Fiscal 2022: ¥21,444 million

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

(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	27,000	1.2	2,300	(0.7)	1,900	(5.8)	64.58

* 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 2023" 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

(1) Overview of Operating Results for Fiscal 2023

In the consolidated fiscal year under review, the Japanese economy continued to recover slowly as the impact of COVID-19 infections weakened and the situation returned to normal. On the other hand, severe economic conditions continued through the second half of the consolidated fiscal year under review, as domestic demand recorded negative growth as a percentage of GDP growth in the third quarter (October-December 2022) due to a weakening of domestic consumption caused by rising resource prices stemming from Russia's invasion of Ukraine and the yen's depreciation compared to the previous fiscal year.

In the housing sector, the number of construction starts in the survey for Statistics on Building Construction Started publicized by the Ministry of Land, Infrastructure, Transport and Tourism have shown a worsening trend compared to the previous fiscal year since the rising demand for housing associated with the lifestyle changes in the coronavirus (COVID-19) crisis has slowed down. The number of new housing construction starts (detached houses for sale) in the survey had been steadily exceeding the level of the same month of the previous year for 18 consecutive months until October 2022, but has continuously fallen below the level of the same month of the previous fiscal year since November 2022.

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). Accordingly, the Group has made efforts to strengthen its business foundations and further improve its corporate value.

In the mainstay Real Estate Sales Business, we have engaged in measures to expand the scale of new home sales business by opening new branches to strengthen our sales capabilities in the Tokyo metropolitan area and actively acquiring land for sale in all sales areas. However, a reactionary drop in demand for housing due to lifestyle changes in the coronavirus (COVID-19) crisis that occurred in the previous fiscal year and surging sales prices due to higher building material costs affected the desire to acquire homes. As a result, compared with the previous consolidated fiscal year, the Construction Material Sales Business and the Real Estate Leasing Business posted higher sales and profits, but the Real Estate Sales Business posted lower sales and profits due to sluggish sales.

Following these initiatives, the Grandy House Group's results for the consolidated fiscal year ended March 2023 were as follows: Net sales totaled ¥55,205 million, an increase of 0.6% year-on-year; operating income was ¥3,329 million, a decrease of 17.2% year-on-year; ordinary income was ¥3,103 million, a decrease of 18.5% year-on-year; and net income attributable to owners of the parent totaled ¥2,168 million, a decrease of 16.1% year-on-year.

Operating results by business segment are presented as follows.

a. Real Estate Sales

In the real estate sales, we have continued to implement thorough infection prevention measures and focus on non-contact sales activities with the safety and security of customers and employees given top priority. Along with the normalization of economic activities, we have gradually revitalized sales practices previously implemented prior to the coronavirus (COVID-19) crisis, such as holding events to attract customers.

In new home sales, in the Tokyo metropolitan area (Tokyo, Saitama, Chiba and Kanagawa) we strengthened business foundations for growth including opening the Makuhari branch (Hanamigawa ward, the city of Chiba) in January 2023, shift to an in-house construction system in the Kanagawa area, and the acquisition of land to expand business from the Saitama area to the Tokyo area. In the northern Kanto region, we continued initiatives such as deepening relationships with local customers by strengthening our community-based procurement and sales systems. As a result, we have ranked No. 1 for two consecutive years in the regional builders category in the 2021 Home Builder Ranking published by JUTAKU SANGYO KENKYUSHO CO., LTD.

In the product side, we improved quality and services, such as by focusing on creating sustainable homes that take social issues into consideration with an increased ratio of ZEH-specification products with solar panels and improved insulation performance. As a result, we have ranked No. 1 for four consecutive years in the tract-home builders category of the northern Kanto region in the 2023 Oricon Customer Satisfaction Survey.

However, the number of new homes sold for the consolidated fiscal year was 1,432 a decrease of 78 homes year-on-year, because of a surge in housing prices due to rising construction materials and a shortage of products for sale in some areas.

In existing home sales, purchase and selling prices were on an upward trend mainly in the Tokyo metropolitan area as the price of new homes kept increasing, which raised the need for existing homes whose selling prices were lower than those of new housing. Under these circumstances, in terms of purchasing, we endeavored to acquire prime properties and accumulate inventory to expand our operations. On the other hand, in terms of sales, the desire to purchase property showed a decline as property prices rose. Consequently, the number of homes sold for the consolidated fiscal year under review was 126, a decrease of 22 year-on-year.

As a result of these initiatives, sales in the real estate sales segment during the fiscal year under review decreased 0.2% year-on-year to ¥50,925 million, while segment profit was ¥2,526 million, down 22.8% from the previous fiscal year.

b. Construction Material Sales

The number of new housing starts for wooden houses, an indicator of the market environment, fell year-on-year for twelve consecutive months up to March 2023. Accompanying the slowdown in demand, domestic lumber prices began to decline in the second half of the current fiscal year.

Under these circumstances, we strove to reinforce not only the supply chain to secure raw materials but also our salesforce to secure excellent customers with whom we can trade at fairer selling prices, which led to a year-on-year improvement in earnings. As a result, sales in the construction materials sales segment during the consolidated fiscal year under review rose by 10.3% year-on-year to ¥3,946 million, with a segment profit of ¥481 million, an increase of 18.6% year-on-year.

c. Real Estate Leasing

In the office leasing market in Tochigi Prefecture, our mainstay target, the occupancy ratios of properties far from railway stations and older properties stayed low for a longer period while the redevelopment of the east entrance of JR Utsunomiya Station progressed and new properties were put on the market. In the parking market, the operational rate of pay-by-the-hour parking lots remained on a recovery trend due to the revitalization of social and economic activities.

Under these circumstances, in the office leasing market, etc., the occupancy rates of existing properties have been improving and Sun Village Shonan (Kashiwa city, Chiba prefecture), newly acquired by Chiba Grandy House, began operations in the fourth quarter. The operational rate of pay-by-the-hour parking lots, which had declined due to the coronavirus (COVID-19) crisis, improved significantly, despite a decrease in the number of available parking spaces due to the sale of some assets. As a result, sales in the real estate leasing segment for the consolidated fiscal year under review were ¥ 333 million, an increase of 18.1% year-on-year, with a segment profit of ¥158 million, an increase of 33.9% year-on-year, an increase in both sales and income over the previous fiscal year.

(2) Overview of Financial Position for Fiscal 2023

As of the end of the consolidated fiscal year under review, consolidated total assets rose to ¥72,645 million, a rise of ¥11,743 million compared to the end of the previous consolidated fiscal year. This is primarily the result of an increase in inventories and property, plant and equipment caused by the acquisition of housing lots to reflect the expanded area of the Real Estate Sales Business and the purchase of properties for leasing with an eye to redirecting them to housing lots in the future.

Liabilities increased to ¥46,449 million, an increase of ¥10,207 million from the end of the previous fiscal year. This was mainly due to an increase in loans payable for the acquisition of housing lots in the real estate sales segment.

Total net assets stood at ¥26,196 million as of March 31, 2023. This represents an increase of ¥1,535 million from the balance recorded as of March 31, 2022. 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 2023

Cash and cash equivalents (hereinafter, "cash flows") as of the end of the consolidated fiscal year under review decreased by ¥258 million from the end of the previous fiscal year, as a result of smaller cash flows from operating activities and investing activities and larger cash flows from financing activities, to reach ¥10,825 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 ¥8,845 million (net cash used in operating activities for the previous fiscal year was ¥444 million). This was mainly due to a decrease in funds resulting from an increase in inventories resulting from the acquisition of housing lots despite earning net income before income taxes.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥1,488 million (net cash used in investing activities for the previous fiscal year was ¥481 million). This was mainly due to the acquisition of properties for leasing and land for branch parking lots.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥10,075 million (net cash used in financing activities for the previous fiscal year was ¥1,339 million). This was mainly due to an increase in loans payable associated with an increase in inventories, etc., despite the payment of dividends.

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

	Fiscal 2021	Fiscal 2022	Fiscal 2023
Shareholders' equity ratio (%)	39.6	40.4	36.0
Equity ratio on market value basis (%)	24.3	24.8	22.2
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, 2022 and the fiscal year ended March 31, 2023 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 2024

The Japanese economy is expected to continue moving toward the normalization of economic activity as the impact of COVID-19 subsides. However, it is forecast to remain uncertain in the future because there are concerns that several factors will affect domestic demand. Such factors include concerns about rising prices and interest rates, unrest over geopolitical risks and persistently high raw material and energy prices.

In the housing market, the business environment is expected to remain severe due to soaring housing prices and the impact of the backlash from the special demand generated by the coronavirus (COVID-19) crisis, while the housing market is required to respond to new needs created by that crisis and to address social issues such as energy conservation, energy generation, and disaster prevention.

In this business environment, we have revised the third medium-term business plan (from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024) in the "Notice Concerning Revision of Numerical Targets of Medium-Term Management Plan" (Japanese language only), released today. We maintained the consolidated net sales target of ¥60 billion for the fiscal year ending March 31, 2024, the final year of the plan, but revised the numerical targets to ¥3.2 billion in consolidated ordinary income, a decrease of 20.0% from the original plan and ¥2.2 billion in net income attributable to owners of the parent, a decrease of 15.4% from the original plan. We will continue to implement the initial plan with respect to management policy, management strategy, etc.

In the new home sales business, one of our core operations, we will expand our business coverage in the Tokyo metropolitan area (including Chiba, Saitama, and Kanagawa prefectures) positioned as a priority area for business growth and establish a sales base such as securing human resources.

In the housing stock business, in light of the government's promotion of the expansion and revitalization of the housing stock market, the renovation business will enhance business value aiming to maximize synergies with the new home sales business, focusing on former new-home customers. In the existing-home business, we will grow sales through selecting prime properties and increasing inventory levels of completed properties.

In terms of our response to sustainability (ESG) issues, we will enhance our initiatives to realize a recycling-based society through the provision of housing and disclosures on decarbonization. We will also address issues required in the TSE Prime Market, such as strengthening our governance structure.

(5) Basic Policy concerning the Allocation of Profits and Dividends for Fiscal 2023 and Fiscal 2024

Grandy House focuses on increasing the corporate value and returning more profits to shareholders in a positive and stable manner as one of its priority management issues. For shareholders, we will pay dividends in line with its business performance while aiming for a consolidated dividend payout ratio of 35%.

The dividend per share for fiscal 2023 under review will be ¥32 per share as announced on May 9, 2022 and March 20, 2023. Under the basic policy described above, we plan to maintain 32 yen per share for the year ending March 31, 2024 in consideration of stable returns to shareholders.

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, Saitama Prefecture, and Tokyo Metropolis

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

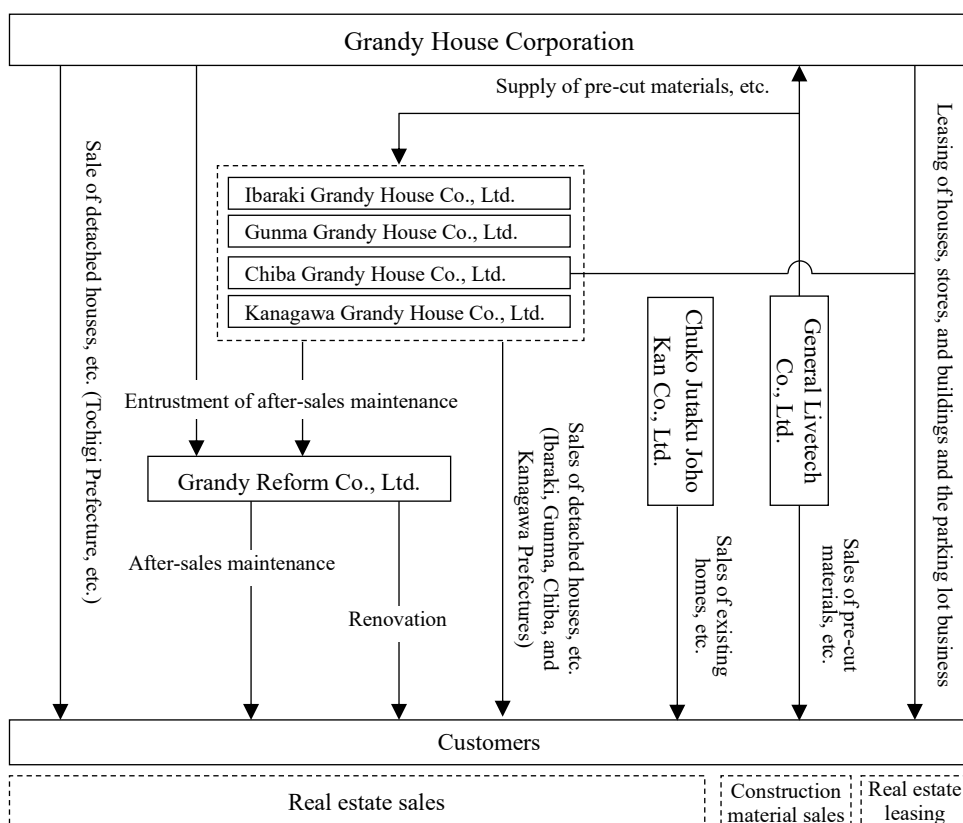
General Livetech Co., Ltd. is engaged in sales of construction materials and components, mainly pre-cut materials.

(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, 2023)

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 2022 (As of March 31, 2022)	Fiscal 2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	11,098,044	10,839,975
Notes and accounts receivable – trade and contract assets	702,666	574,709
Real estate for sale	8,129,757	11,352,157
Costs on uncompleted construction contracts	7,246	17,584
Real estate for sale in process	26,090,400	33,998,068
Merchandise and finished goods	350,922	376,807
Raw materials and supplies	279,751	176,128
Other	1,100,457	989,203
Allowance for doubtful accounts	(4,398)	(1)
Total current assets	47,754,848	58,324,634
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,300,048	6,519,600
Accumulated depreciation	(2,515,788)	(2,701,061)
Buildings and structures, net	3,784,259	3,818,539
Machinery, equipment and vehicles	107,170	107,590
Accumulated depreciation	(80,410)	(88,609)
Machinery, equipment and vehicles, net	26,759	18,980
Tools, furniture and fixtures	392,491	415,707
Accumulated depreciation	(336,898)	(363,126)
Tools, furniture and fixtures, net	55,593	52,580
Land	6,063,224	7,261,402
Leased assets	181,104	170,096
Accumulated depreciation	(88,685)	(92,893)
Leased assets, net	92,419	77,202
Construction in progress	19,064	20,000
Total property, plant and equipment	10,041,319	11,248,706
Intangible assets		
Goodwill	1,028,445	891,319
Other	51,284	65,246
Total intangible assets	1,079,729	956,566
Investments and other assets		
Investment securities	143,000	177,000
Long-term loans receivable	14,601	9,217
Deferred tax assets	647,621	618,717
Other	1,175,569	1,227,394
Total investments and other assets	1,980,792	2,032,329
Total non-current assets	13,101,841	14,237,601
Deferred assets		
Bond issuance costs	45,286	83,078
Total deferred assets	45,286	83,078
Total assets	60,901,976	72,645,313

(Thousands of Yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,870,228	3,668,472
Short-term loans payable	13,082,700	15,262,600
Current portion of bonds	1,000,000	500,000
Current portion of long-term loans payable	2,604,311	3,103,044
Lease obligations	34,201	34,124
Income taxes payable	899,770	367,833
Provision for warranties for completed construction	185,469	189,175
Other	1,105,187	1,039,922
Total current liabilities	22,781,868	24,165,172
Non-current liabilities		
Bonds payable	2,300,000	4,600,000
Long-term loans payable	9,820,280	16,232,236
Lease obligations	67,647	50,805
Provision for directors' retirement benefits	251,695	257,787
Net defined benefit liability	904,811	1,014,424
Other	115,459	128,876
Total non-current liabilities	13,459,893	22,284,129
Total liabilities	36,241,762	46,449,301
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,592,335	2,674,902
Retained earnings	20,718,007	21,983,746
Treasury shares	(813,488)	(629,596)
Total shareholders' equity	24,574,354	26,106,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,000	52,000
Total accumulated other comprehensive income	18,000	52,000
Share acquisition rights	67,860	37,460
Total net assets	24,660,214	26,196,011
Total liabilities and net assets	60,901,976	72,645,313

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

(Thousands of Yen)

	Fiscal 2022 (From April 1, 2021 to March 31, 2022)	Fiscal 2023 (From April 1, 2022 to March 31, 2023)
Net sales	54,884,855	55,205,407
Cost of sales	44,399,017	45,428,055
Gross profit	10,485,838	9,777,351
Selling, general and administrative expenses	6,462,958	6,448,326
Operating income	4,022,879	3,329,025
Non-operating income		
Interest income	826	122
Dividends income	5,698	5,611
Commission	31,859	30,907
Penalty income	5,190	8,590
Other	21,341	36,890
Total non-operating income	64,914	82,121
Non-operating expenses		
Interest expenses	237,522	269,326
Commission for syndicate loan	12,529	13,157
Other	27,535	25,103
Total non-operating expenses	277,587	307,587
Ordinary income	3,810,207	3,103,560
Extraordinary income		
Gain on sales of non-current assets	23,133	95,810
Gain on reversal of share acquisition rights	–	2,220
Total extraordinary income	23,133	98,030
Extraordinary loss		
Loss on retirement of non-current assets	21,002	14,085
Loss on cancellation of lease contracts	358	–
Total extraordinary loss	21,360	14,085
Net income before income taxes	3,811,980	3,187,504
Income taxes – current	1,313,218	989,910
Income taxes – deferred	(85,127)	28,904
Total income taxes	1,228,091	1,018,815
Net income	2,583,889	2,168,689
Net income attributable to owners of the parent	2,583,889	2,168,689

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Fiscal 2022 (From April 1, 2021 to March 31, 2022)	Fiscal 2023 (From April 1, 2022 to March 31, 2023)
Net income	2,583,889	2,168,689
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,500)	34,000
Total other comprehensive income	(2,500)	34,000
Comprehensive income	2,581,389	2,202,689
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,581,389	2,202,689
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets
 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 share acquisition rights		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		Share acquisition rights	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 share acquisition rights			(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

Fiscal 2023 (From April 1, 2022 to March 31, 2023)

(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	2,592,335	20,718,007	(813,488)	24,574,354
Changes of items during the period					
Dividends from surplus			(902,950)		(902,950)
Net income attributable to owners of the parent			2,168,689		2,168,689
Disposal of treasury shares				135,421	135,421
Exercise of share acquisition rights		82,567		48,469	131,037
Forfeiture of share acquisition rights					
Net changes to items other than shareholder equity					
Total changes of items during the period	–	82,567	1,265,738	183,891	1,532,197
Balance as of the end of the period	2,077,500	2,674,902	21,983,746	(629,596)	26,106,551

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance as of the beginning of the period	18,000	18,000	67,860	24,660,214
Changes of items during the period				
Dividends from surplus				(902,950)
Net income attributable to owners of the parent				2,168,689
Disposal of treasury shares				135,421
Exercise of share acquisition rights			(28,180)	102,857
Forfeiture of share acquisition rights			(2,220)	(2,220)
Net changes to items other than shareholder equity	34,000	34,000		34,000
Total changes of items during the period	34,000	34,000	(30,400)	1,535,797
Balance as of the end of the period	52,000	52,000	37,460	26,196,011

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Fiscal 2022 (From April 1, 2021 to March 31, 2022)	Fiscal 2023 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Net income before income taxes	3,811,980	3,187,504
Depreciation and amortization	283,996	294,467
Amortization of goodwill	137,126	137,126
Increase (decrease) in provision for directors' retirement benefits	33,175	6,091
Increase (decrease) in provision for warranties for completed construction	(33)	3,706
Increase (decrease) in allowance for doubtful accounts	(2,236)	(4,396)
Increase (decrease) in net defined benefit liability	94,521	109,612
Interest and dividends income	(6,524)	(5,733)
Interest expenses	237,522	269,326
Gain on reversal of share acquisition rights	—	(2,220)
Loss (gain) on sales of non-current assets	(23,133)	(95,810)
Loss on retirement of non-current assets	21,002	14,085
Decrease (increase) in notes and accounts receivable-trade	(201,408)	127,957
Decrease (increase) in inventories	(4,461,971)	(11,062,668)
Increase (decrease) in notes and accounts payable-trade	614,996	(201,756)
Other	65,083	275,157
Subtotal	<u>604,097</u>	<u>(6,947,550)</u>
Interest and dividends income received	8,948	5,758
Interest expenses paid	(237,706)	(272,117)
Income taxes paid	<u>(819,826)</u>	<u>(1,631,634)</u>
Net cash provided by (used in) operating activities	<u>(444,486)</u>	<u>(8,845,544)</u>
Cash flows from investing activities		
Proceeds from redemption of securities	200,000	—
Purchase of property, plant and equipment	(710,029)	(1,658,012)
Proceeds from sales of property, plant and equipment	109,495	243,551
Purchase of intangible assets	(9,114)	(33,170)
Collection of loans receivable	4,391	5,384
Payments for guarantee deposits	(43,853)	(36,000)
Other	<u>(32,659)</u>	<u>9,919</u>
Net cash provided by (used in) investing activities	<u>(481,769)</u>	<u>(1,488,167)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,613,900)	2,179,900
Proceeds from long-term loans payable	9,623,000	12,613,000
Repayment of long-term loans payable	(3,207,374)	(5,763,311)
Proceeds from issuance of bonds	1,000,000	2,800,000
Redemption of bonds	(24,000)	(1,000,000)
Proceeds from disposition of treasury shares due to exercise of share acquisition rights	309,447	48,469
Purchase of treasury shares	(700,997)	—
Proceeds from sale of treasury shares	12,059	135,421
Cash dividends paid	(701,501)	(901,988)
Repayments of lease obligations	<u>(35,949)</u>	<u>(35,849)</u>
Net cash provided by (used in) financing activities	<u>(1,339,215)</u>	<u>10,075,642</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,265,472)</u>	<u>(258,068)</u>
Cash and cash equivalents at beginning of the period	<u>13,349,007</u>	<u>11,083,535</u>
Cash and cash equivalents at end of the period	<u>11,083,535</u>	<u>10,825,466</u>

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(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.

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

(Adoption of a trust-type employee stock holding incentive plan (E-Ship[®]))

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

(1) Overview of transactions

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

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

Grandy House's own company stock remaining in the Trust is recorded as treasury shares in net assets in accordance with the book value (excluding the amount of incidental expenses) in the Trust. The book value and the number of the relevant treasury shares are ¥688,938 thousand and 1,194,000 shares for the previous consolidated fiscal year, and ¥553,516 thousand and 959,300 shares for the consolidated fiscal year under review.

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

The previous consolidated fiscal year: ¥690,870 thousand

The consolidated fiscal year under review.: ¥534,370 thousand

(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.

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

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 external 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

Fiscal 2023 (From April 1, 2022 to March 31, 2023)

(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 external customers	50,925,204	3,946,711	333,491	55,205,407	–	55,205,407
Inter-segment sales or transfers	53,520	4,860,118	81,994	4,995,633	(4,995,633)	–
Total	50,978,724	8,806,829	415,486	60,201,040	(4,995,633)	55,205,407
Segment profit	2,526,452	481,344	158,317	3,166,114	(62,553)	3,103,560
Segment assets	56,625,883	2,790,458	5,329,390	64,745,732	7,899,581	72,645,313
Segment liabilities	44,557,243	2,010,115	394,526	46,961,885	(512,583)	46,449,301
Other items						
Depreciation and amortization	203,296	22,123	69,047	294,467	–	294,467
Amortization of goodwill	137,126	–	–	137,126	–	137,126
Interest income	119	2	–	122	–	122
Interest expenses	262,376	6,120	829	269,326	–	269,326
Increase in property, plant and equipment and intangible assets	263,697	36,186	1,403,992	1,703,876	–	1,703,876

Note 1: Details of adjustments are presented as follows.

Segment profit

(Thousands of Yen)

	Fiscal 2022	Fiscal 2023
Eliminations of inter-segment transactions	13,121	(62,553)
Total	13,121	(62,553)

Segment assets

(Thousands of Yen)

	Fiscal 2022	Fiscal 2023
Eliminations of inter-segment receivables	(570,436)	(512,583)
Eliminations of inter-segment unrealized profit	(56,877)	(96,171)
Corporate assets*	9,091,272	8,508,336
Total	8,463,959	7,899,581

* 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 2022	Fiscal 2023
Eliminations of inter-segment payables	(570,436)	(512,583)
Total	(570,436)	(512,583)

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