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On **August 3, 2020**, Grandy House Corporation announced earnings results for Q1 FY03/21.

Cumulative (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,550	22,770	32,818	45,542	9,349			
YoY	2.0%	7.1%	0.2%	2.5%	-11.4%			
Gross profit	1,871	3,941	5,613	7,785	1,359			
YoY	-3.7%	0.6%	-5.5%	-3.1%	-27.4%			
GPM	17.7%	17.3%	17.1%	17.1%	14.5%			
SG&A expenses	1,282	2,687	4,075	5,643	1,486			
YoY	3.9%	9.6%	11.2%	15.0%	16.0%			
SG&A ratio	12.1%	11.8%	12.4%	12.4%	15.9%			
Operating profit	590	1,254	1,538	2,142	-127			
YoY	-16.8%	-14.4%	-32.4%	-31.6%	-			
OPM	5.6%	5.5%	4.7%	4.7%	-			
Recurring profit	632	1,341	1,662	2,311	-107			
YoY	-15.1%	-12.5%	-30.3%	-29.7%	-			
RPM	6.0%	5.9%	5.1%	5.1%	-			
Net income	421	872	1,057	1,413	-107			
YoY	43.3%	5.0%	-26.3%	-31.6%	-			
Net margin	4.0%	3.8%	3.2%	3.1%	-			

Quarterly (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,550	12,220	10,048	12,724	9,349			
YoY	2.0%	11.8%	-12.6%	8.8%	-11.4%			
Gross profit	1,871	2,070	1,672	2,172	1,359			
YoY	-3.7%	4.8%	-17.3%	3.5%	-27.4%			
GPM	17.7%	16.9%	16.6%	17.1%	14.5%			
SG&A expenses	1,282	1,405	1,388	1,568	1,486			
YoY	3.9%	15.4%	14.5%	26.3%	16.0%			
SG&A ratio	12.1%	11.5%	13.8%	12.3%	15.9%			
Operating profit	590	664	284	604	-127			
YoY	-16.8%	-12.1%	-64.9%	-29.5%	-			
OPM	5.6%	5.4%	2.8%	4.7%	-			
Recurring profit	632	709	321	649	-107			
YoY	-15.1%	-10.0%	-62.3%	-28.3%	-			
RPM	6.0%	5.8%	3.2%	5.1%	-			
Net income	421	451	186	356	-107			
YoY	43.3%	-15.9%	-69.3%	-43.7%	-			
Net margin	4.0%	3.7%	1.8%	2.8%	-			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Company forecasts are the most recent figures.

Quarterly performance by segment

Cumulative (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,550	22,770	32,818	45,542	9,349			
YoY	2.0%	7.1%	0.2%	2.5%	-11.4%			
Real Estate Sales	9,800	21,253	30,528	42,505	8,621			
YoY	2.9%	8.7%	1.2%	3.1%	-12.0%			
Pre-cut Parts	686	1,387	2,097	2,776	664			
YoY	-9.2%	-13.1%	-12.3%	-7.2%	-3.2%			
Real Estate Leasing	64	130	194	261	64			
YoY	0.6%	2.0%	2.9%	5.2%	0.8%			
Segment profit	632	1,341	1,662	2,311	-107			
YoY	-15.1%	-12.5%	-30.3%	-29.7%	-117.0%			
Real Estate Sales	574	1,193	1,450	2,014	-169			
YoY	-13.7%	-12.4%	-32.1%	-32.4%	-			
Segment profit margin	5.9%	5.6%	4.8%	4.7%	-			
Pre-cut Parts	22	62	103	143	16			
YoY	-52.8%	-37.9%	-24.3%	-5.9%	-26.8%			
Real Estate Leasing	41	89	128	172	39			
YoY	-4.1%	5.8%	9.1%	13.8%	-5.3%			
Adjustments	-5	-4	-18	-18	7			

Quarterly (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	10,550	12,220	10,048	12,724	9,349			
YoY	2.0%	11.8%	-12.6%	8.8%	-11.4%			
Real Estate Sales	9,800	11,453	9,275	11,977	8,621			
YoY	2.9%	14.3%	-12.8%	8.6%	-12.0%			
Pre-cut Parts	686	701	709	679	664			
YoY	-9.2%	-16.5%	-10.9%	13.1%	-3.2%			
Real Estate Leasing	64	66	64	68	64			
YoY	0.6%	3.5%	4.6%	12.5%	0.8%			
Segment profit	632	709	321	649	-107			
YoY	-15.1%	-10.0%	-62.3%	-28.3%	-117.0%			
Real Estate Sales	574	620	257	563	-169			
YoY	-13.7%	-11.2%	-66.8%	-32.9%	-			
Segment profit margin	5.9%	5.4%	2.8%	4.7%	-			
Pre-cut Parts	22	40	40	40	16			
YoY	-52.8%	-25.0%	14.7%	150.2%	-26.8%			
Real Estate Leasing	41	48	38	44	39			
YoY	-4.1%	16.1%	17.5%	30.0%	-5.3%			
Adjustments	-5	1	-15	1	7			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Homes sold and sales per home

Cumulative (number of homes)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total new homes sold	316	683	962	1,341	277			
YoY	2.6%	7.2%	-2.4%	-1.0%	-12.3%			
Tochigi	-	339	-	642	-			
YoY	-	2.7%	-	-8.5%	-			
Ibaraki	-	192	-	379	-			
YoY	-	9.1%	-	0.3%	-			
Gunma	-	89	-	179	-			
YoY	-	0.0%	-	4.7%	-			
Chiba	-	60	-	112	-			
YoY	-	42.9%	-	7.7%	-			
Other	-	3	-	29	-			
YoY	-	-	-	-	-			
Sales per new home (JPYmn)	-	28.1	-	28.7	-			
YoY	-	1.2%	-	4.6%	-			
Total pre-owned homes sold	35	80	117	151	33			
YoY	12.9%	11.1%	5.4%	0.0%	-5.7%			
Sales per pre-owned home (JPYmn)	-	16.2	-	16.8	-			
YoY	-	2.7%	-	5.8%	-			

Quarterly (number of homes)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total new homes sold	316	367	279	379	277			
YoY	2.6%	11.6%	-20.1%	2.7%	-12.3%			
Total pre-owned homes sold	35	45	37	34	33			
YoY	12.9%	9.8%	-5.1%	-15.0%	-5.7%			

Source: Shared Research based on company data.

Note: Figures may differ from company materials due to differences in rounding methods.

(Reference) New housing starts for detached homes

Cumulative	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Kanto region	18,533	36,753	55,970	73,298	19,187	37,739	55,850	71,890
YoY	1.1%	1.7%	2.3%	3.4%	3.5%	2.7%	-0.2%	-1.9%
Three North Kanto prefectures	2,193	4,199	6,339	8,036	2,043	4,219	6,293	8,171
YoY	11.5%	6.7%	3.7%	-0.6%	-6.8%	0.5%	-0.7%	1.7%
Tochigi	632	1,212	1,847	2,309	568	1,149	1,690	2,224
YoY	6.4%	9.6%	2.6%	-5.1%	-10.1%	-5.2%	-8.5%	-3.7%
Ibaraki	869	1,671	2,519	3,216	827	1,754	2,549	3,310
YoY	13.6%	2.9%	3.6%	2.0%	-4.8%	5.0%	1.2%	2.9%
Gunma	692	1,316	1,973	2,511	648	1,316	2,054	2,637
YoY	13.8%	9.1%	5.1%	0.6%	-6.4%	0.0%	4.1%	5.0%

Quarterly	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Kanto region	18,533	18,220	19,217	17,328	19,187	18,552	18,111	16,040
YoY	1.1%	2.3%	3.5%	7.1%	3.5%	1.8%	-5.8%	-7.4%
Three North Kanto prefectures	2,193	2,006	2,140	1,697	2,043	2,176	2,074	1,878
YoY	11.5%	1.9%	-1.6%	-13.9%	-6.8%	8.5%	-3.1%	10.7%
Tochigi	632	580	635	462	568	581	541	534
YoY	6.4%	13.3%	-8.5%	-27.0%	-10.1%	0.2%	-14.8%	15.6%
Ibaraki	869	802	848	697	827	927	795	761
YoY	13.6%	-6.6%	5.0%	-3.2%	-4.8%	15.6%	-6.3%	9.2%
Gunma	692	624	657	538	648	668	738	583
YoY	13.8%	4.3%	-2.2%	-12.9%	-6.4%	7.1%	12.3%	8.4%

Source: Shared Research based on Ministry of Land, Transport, Infrastructure and Tourism data

(Reference) Number of households

('000 households)	2018	2018	2018	2019	2019	2019	2019	2020
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Tochigi	832	833	834	835	838	840	841	843
YoY	0.9%	0.9%	0.8%	0.9%	0.8%	0.9%	0.9%	0.9%
Ibaraki	1,158	1,161	1,163	1,163	1,170	1,172	1,175	1,177
YoY	1.1%	1.1%	1.0%	1.0%	1.0%	0.9%	1.0%	1.1%
Southern Ibaraki	412	413	414	415	418	419	421	421
YoY	1.5%	1.6%	1.4%	1.3%	1.5%	1.4%	1.6%	1.7%
Gunma	847	848	848	850	853	854	855	857
YoY	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%
Chiba	2,719	2,724	2,730	2,743	2,758	2,763	2,768	2,770
YoY	1.5%	1.5%	1.4%	1.9%	1.4%	1.4%	1.4%	1.0%
Kashiwa	185	186	186	187	189	190	191	191
YoY	1.9%	1.8%	1.9%	2.0%	2.2%	2.3%	2.4%	2.4%

Source: Shared Research based on statistical data from each prefecture

(Reference) Jobs-to-applicants ratio

(times)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Nationwide	1.60	1.63	1.63	1.63	1.62	1.59	1.57	1.44
YoY change (points)	0.11	0.11	0.06	0.04	0.02	-0.04	-0.06	-0.19
Tochigi	1.44	1.44	1.44	1.41	1.45	1.39	1.37	1.27
YoY	0.10	0.09	0.06	0.01	0.01	-0.05	-0.07	-0.14
Ibaraki	1.60	1.62	1.62	1.64	1.60	1.61	1.61	1.52
YoY	0.17	0.14	0.09	0.07	-	-0.01	-0.01	-0.12
Gunma	1.74	1.74	1.73	1.75	1.72	1.68	1.63	1.52
YoY	0.13	0.12	0.08	0.13	-0.02	-0.06	-0.10	-0.23

Source: Shared Research based on data from the Ministry of Health, Labour and Welfare

(Reference) Flat 35 interest rate

	2018	2018	2018	2019	2019	2019	2019	2020
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Flat 35 (term 21–35 years)	1.37%	1.39%	1.41%	1.27%	1.27%	1.11%	1.21%	1.24%
YoY change	0.28pp	0.31pp	0.07pp	-0.09pp	-0.10pp	-0.28pp	-0.20pp	-0.03pp

Source: Shared Research based on Japan Housing Finance Agency materials

Note: Flat 35 refers to fixed-rate mortgage loans for the full duration of the loan offered to consumers through a partnership between private financial institutions and the Japan Housing Finance Agency

Note: Interest rates until September 2017 show the minimum interest rates where the borrowing period is 21 to 35 years and the loan amount is 90% or less.

Note: Interest rates for December 2017 and later show the minimum interest rates where the borrowing period is 21 to 35 years, the loan amount is 90% or less, and the loan comes with an insurance policy to guarantee full repayment of mortgage in case the borrower falls seriously ill or dies.

(Reference) Quarterly performance of detached homes (including sale of land) at Iida Group Holdings

Cumulative (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of detached homes	10,227	20,928	31,392	44,677	9,865	21,562	31,825	45,773
YoY	3.8%	-1.4%	0.1%	0.9%	-3.5%	3.0%	1.4%	2.5%
Detached home sales	274,428	562,954	843,552	1,191,516	261,870	576,150	849,285	1,215,953
YoY	2.9%	-1.5%	-0.2%	0.5%	-4.6%	2.3%	0.7%	2.1%
Detached home gross profit	41,925	85,088	127,221	174,381	39,472	87,196	125,260	167,567
YoY	-1.2%	-3.8%	-2.5%	-1.3%	-5.9%	2.5%	-1.5%	-3.9%
GPM	15.3%	15.1%	15.1%	14.6%	15.1%	15.1%	14.7%	13.8%

Quarterly (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of detached homes	10,227	10,701	10,464	13,285	9,865	11,697	10,263	13,948
YoY	3.8%	-5.9%	3.2%	2.9%	-3.5%	9.3%	-1.9%	5.0%
Detached home sales	274,428	288,526	280,598	347,964	261,870	314,280	273,135	366,668
YoY	2.9%	-5.4%	2.4%	2.2%	-4.6%	8.9%	-2.7%	5.4%
Detached home gross profit	41,925	43,163	42,133	47,160	39,472	47,724	38,064	42,307
YoY	-1.2%	-6.1%	0.3%	1.8%	-5.9%	10.6%	-9.7%	-10.3%
GPM	15.3%	15.0%	15.0%	13.6%	15.1%	15.2%	13.9%	11.5%

Source: Shared Research based on data from Iida Group Holdings Co., Ltd.

Note: Figures may differ from company materials due to differences in rounding methods.

Q1 FY03/21 results

- ▷ Sales: JPY9.3bn (-11.4% YoY)
- ▷ Operating loss: JPY127mn (operating profit of JPY590mn in Q1 FY03/20)
- ▷ Recurring loss: JPY107mn (recurring profit of JPY632mn in Q1 FY03/20)
- ▷ Net loss*: JPY107mn (net income of JPY421mn in Q1 FY03/20)

*Net income/loss attributable to owners of the parent

Although orders recovered to the year-earlier level once the Japanese government's state of emergency declaration was lifted in May 2020, sales declined YoY as the company sold fewer new and pre-owned homes. This decline in sales, lower GPM accompanying enhanced inventory management, and increased SG&A expenses and goodwill amortization related to a subsidiary acquired in FY03/20 caused the company to book an operating loss.

Key initiatives

- ▷ Even in the housing industry, the business environment has been difficult as companies restrained their business activities to prevent the spread of COVID-19 and customers refrained from going out. After the emergency declaration was lifted in May 2020, economic activity began to restart, but concern about a resurgence of COVID-19 means the situation remains unpredictable.
- ▷ In its core new home sales business, Grandy House implemented thorough measures to prevent infection and sought to enhance its online sales activities. To expand sales, the company began selling units in another large-scale subdivision and worked to strengthen its sales framework in Saitama and Kanagawa prefectures, which became new sales areas for Grandy House in FY03/20.
- ▷ In terms of pre-owned homes, the company worked to secure product inventory to expand the number of homes it had available for sale despite deterioration in the acquisition environment, including the suspension of bidding at auctions.

Real Estate Sales segment

- ▷ Sales: JPY8.6bn (-12.0% YoY)
- ▷ Segment loss: JPY169mn (segment profit of JPY574mn in Q1 FY03/20)

Sales of new homes

- ▷ The company sold 277 new homes (-39 units or -12.3% YoY). While the emergency declaration was in effect, restrictions on sales activities and the fact that customers were voluntarily staying home had a severely negative impact on house viewings, making it difficult to win orders. Once the declaration was lifted in May 2020, orders recovered to the year-earlier level, but the drop in orders in the first half of Q1 had a serious negative impact.
- ▷ During Q1, as a measure to prevent the spread of COVID-19, the company conducted viewings only by appointment, while enhancing its online sales activities by using email and its website to introduce houses to potential customers.
- ▷ In Saitama Prefecture, which became a new sales area for Grandy House in FY03/20, it strengthened its advertising to improve brand recognition and increased the number of sales personnel.
- ▷ The company worked to enhance the construction arm of a subsidiary it acquired in Kanagawa Prefecture in FY03/20 to prepare for a shift to its own construction methods.
- ▷ In Tsukuba, Ibaraki Prefecture, after lots at Yotsubanomori sold out in FY03/20, Grandy House began selling lots in the next large-scale subdivision Yotsubanomori Tsukuba Matsushiro (103 lots). It sought to distinguish itself from the competition by offering high-value-added products, for example by providing walking paths and street design that create a comfortable and safe townscape and houses that include multipurpose spaces useful for telecommuting.

Sales of pre-owned homes

- ▷ The company sold 33 pre-owned homes (-2 units or -5.7% YoY). It aimed to increase the number of homes sold by enhancing its product inventory, but both acquisition and selling were negatively impacted by the COVID-19 pandemic, which caused bidding at auctions to be suspended and customers to stay at home.

Pre-cut Parts segment

- ▷ Sales: JPY664mn (-3.2% YoY)
- ▷ Segment profit: JPY16mn (-26.8% YoY)
- ▷ Due to stagnation in economic and purchasing activities specifically in connection to the COVID-19 pandemic, demand for pre-cut parts fell substantially on a sharp YoY decline in housing starts for wood frame houses. In addition, prices of wood materials have been trending downward on a drop in wholesale building material prices in the face of lower demand.
- ▷ Given these circumstances, Grandy House prioritized securing order volume and conducting thorough credit management, but sales volume still declined substantially.

Real Estate Leasing segment

- ▷ Sales: JPY64mn (+0.8% YoY)
- ▷ Segment profit: JPY39mn (-5.3% YoY)
- ▷ With economic stagnation due to the COVID-19 pandemic, there was an increase in tenant requests for rent reductions or exemptions, and occupancy rates in the office building and parking markets deteriorated.
- ▷ Although the number of leased properties increased YoY, Grandy House granted rent reductions or exemptions on leased offices and other properties, and parking lots saw a drop in occupancy rates as people voluntarily stayed home.

This note is the most recent addition to the [full report](#).

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