

**Non-consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending July 31, 2020**  
**(Six Months Ended January 31, 2020)**

[Japanese GAAP]

March 13, 2020

Company name: LEGAL CORPORATION Listing: Tokyo Stock Exchange (Mothers)  
 Stock code: 3497 URL: <https://www.legal-corp.co.jp/>  
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Scheduled date of filing of Quarterly Report: March 13, 2020

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: Yes (only live streaming)

(All amounts are rounded down to the nearest million yen)

**1. Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending July 31, 2020**  
**(August 1, 2019 – January 31, 2020)**

(1) Results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Jan. 31, 2020	15,298	13.7	1,267	(21.3)	643	(37.6)	45	(92.6)
Six months ended Jan. 31, 2019	13,453	-	1,611	-	1,030	-	621	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jan. 31, 2020	15.55	15.12
Six months ended Jan. 31, 2019	252.01	241.07

Notes: 1. The year-on-year changes for the six months ended January 31, 2019 are not presented because the quarterly financial statements were not prepared in the six months ended January 31, 2018.

2. The stock of Legal Corp. was listed on the Tokyo Stock Exchange Mothers Market on October 23, 2018. Diluted net income per share for the six months ended January 31, 2019 was determined by using an average stock price during the period between the listing and the end of January 2019.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jan. 31, 2020	45,229	3,872	8.6
As of Jul. 31, 2019	48,416	3,649	7.5

Reference: Shareholders' equity (millions of yen) As of Jan. 31, 2020: 3,872 As of Jul. 31, 2019: 3,649

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jul. 31, 2019	-	0.00	-	5.00	5.00
Fiscal year ending Jul. 31, 2020	-	0.00			
Fiscal year ending Jul. 31, 2020 (forecast)			-	-	-

Notes: 1. Revisions to the most recently announced dividend forecast: None

2. There is currently no forecast for a year-end dividend for the fiscal year ending July 31, 2020.

**3. Earnings Forecasts for the Fiscal Year Ending July 31, 2020 (August 1, 2019 – July 31, 2020)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	34,163	43.9	2,504	8.0	1,152	3.0	766	10.3	251.68

Notes: 1. Revisions to the most recently announced earnings forecasts: None

2. Legal Corp. expects a high percentage of sales and earnings in the fiscal year ending July 31, 2020 in the fourth quarter.

**\* Notes**

(1) Application of special accounting methods for presenting quarterly financial statements: None

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

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding as of the end of the period (including treasury shares)

As of Jan. 31, 2020:	3,071,578 shares	As of Jul. 31, 2019:	2,885,200 shares
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2) Number of treasury shares as of the end of the period

As of Jan. 31, 2020:	- shares	As of Jul. 31, 2019:	- shares
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3) Average number of outstanding shares during the period

Six months ended Jan. 31, 2020:	2,942,937 shares	Six months ended Jan. 31, 2019:	2,467,034 shares
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\* This quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available at the time these materials were prepared, but are not promises by Legal Corp. regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Financial Performance, (3) Explanation of Earnings Forecasts and Other Forward-looking Statements” on page 3 for forecast assumptions and precautions concerning the use of forecasts.

The net income per share forecast for the fiscal year ending July 31, 2020 is diluted to reflect the effects of issuance and exercise of share acquisition rights.

Legal Corp. plans to live stream the information meeting for first half results of operations starting at 19:00 Japan time on Tuesday, March 17, 2020. The meeting can be viewed on the following URL. Materials used for this meeting will be posted on the Legal Corp. website immediately afterward.

URL:

[https://www.sbisec.co.jp/ETGate/WPLETmgR001Control?OutSide=on&getFlg=on&burl=search\\_home&cat1=home&cat2=seminar&dir=seminar&file=home\\_seminar\\_briefing\\_200317\\_legal-corp.html](https://www.sbisec.co.jp/ETGate/WPLETmgR001Control?OutSide=on&getFlg=on&burl=search_home&cat1=home&cat2=seminar&dir=seminar&file=home_seminar_briefing_200317_legal-corp.html)

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Results of Operations

The Japanese economy continued to recover slowly during the first half of the fiscal year ending July 31, 2020 as corporate earnings remained strong and the labor market and personal income improved. However, caution is still required about the economic outlook because of U.S.-China trade friction, uncertainty about the European economy because of Brexit, and the impact of the growing COVID-19 outbreak.

In Japan's real estate industry, the environment for buying homes is still favorable because of government measures to assist homebuyers and low interest rates on mortgages. On the other hand, the outlook is not necessarily positive because of a slowdown in some sectors of the real estate industry due to the rising cost of land, intense competition for purchasing land and the consistently high cost of constructing residences.

During the first half, there were many activities for achieving the targets of the current business plan. Activities were also focused on increasing financial soundness, increasing corporate value consistently, and becoming a provider of a comprehensive line of real estate services.

Net sales increased 13.7% year on year to 15,298 million yen, with operating profit of 1,267 million yen (down 21.3%) and ordinary profit of 643 million yen (down 37.6%). Profit decreased 92.6% to 45 million yen primarily because of a contract cancellation penalty that was recorded as an extraordinary loss and a tax assessed on undistributed earnings. In the third quarter, Legal Corp. became exempt from this undistributed earnings tax due to the issuance of restricted stock as remuneration for employees on February 14, 2020.

Business segment performance was as follows:

#### 1) Real Estate Solutions

Segment sales increased 16.7% to 13,903 million yen and earnings decreased 1.1% to 1,455 million yen. There was a large volume of purchases of real estate for sale as well as sales of real estate in accordance with the initial business plan for Real Estate Solutions. Due to the increasing cost of purchasing real estate, we took full advantage of our real estate market insight and knowledge when selecting properties to acquire. Most of our purchases were real estate that comes on the market only infrequently, such as properties near railway stations.

Sales of properties were higher than one year earlier as properties were sold as planned but earnings decreased because the first half of the previous fiscal year included sales of properties with high profit margins.

Orders received were generally as expected in relation to the outlook for sales. First half orders totaled 17,017 million yen and the order backlog at the end of the second quarter was 2,716 million yen.

#### 2) Real Estate Leasing

Segment sales decreased 21.4% to 956 million yen and earnings were down 34.4% to 379 million yen. This segment is a source of consistent income that is primarily from leasing income-producing properties owned by Legal Corp. and properties that are held temporarily until they are sold. During the first half, occupancy rates at leased properties remained high. However, sales and earnings were lower than one year earlier because of sales of real estate for sale in the previous fiscal year due to considerations involving long-term earnings and the high level of interest among buyers in purchasing this real estate.

We expect to build an even stronger basis for sales and earnings in this segment by increasing the volume of income-producing properties we own while maintaining high occupancy rates.

#### 3) Other business

Segment sales increased 35.5% to 439 million yen and earnings increased 885.7% to 53 million yen. Real estate consulting is the main activity in this segment. One major component of this segment is brokerage services, mostly for voluntary sales of properties where owners are unable to make loan payments. This segment also includes the operation of private nursing homes and, in accordance with Japan's Long-term Care Insurance Law,

the provision of services for helping seniors prevent conditions that require nursing care and the provision of home nursing care service.

In the nursing care business, a newly opened location has performed well and the occupancy rates at other locations remained high. Consequently, sales and earnings in this segment increased.

## **(2) Explanation of Financial Position**

### **Assets**

Total assets were 45,229 million yen, 3,187 million yen lower than at end of the previous fiscal year.

Current assets decreased 3,262 million yen to 36,383 million yen. The main changes in current assets were a 3,182 million yen increase in real estate for sale in process, chiefly the result of an increase in acquisitions of real estate for development projects, a 1,359 million yen increase in cash and deposits, and a 7,885 million yen decrease in real estate for sale.

Non-current assets increased 75 million yen to 8,845 million yen. This was mainly due to a 234 million yen increase in buildings and a 680 million yen decrease in land because of new purchases and a reclassification due to the change in the purpose of ownership, a 390 million yen increase in deferred tax assets due to an adjustment related to a joint development project, and a 100 million yen increase in an investment in a special purpose company.

### **Liabilities**

Total liabilities decreased 3,409 million yen to 41,357 million yen.

Current liabilities increased 7,984 million yen to 20,765 million yen. Current portion of long-term borrowings increased 7,601 million yen because of transfer from long-term borrowings, deposits received related to a joint development project increased 908 million yen, and short-term borrowings decreased 807 million yen.

Non-current liabilities decreased 11,393 million yen to 20,591 million yen. The main reason was the 11,260 million yen decrease in long-term borrowings mainly because of transfer to current portion of long-term borrowings.

### **Net assets**

Total net assets increased 222 million yen to 3,872 million yen. This was mainly due to increases in share capital and capital surplus of 95 million yen each due to the issuance of restricted stock as remuneration and profit of 45 million yen. The equity ratio increased to 8.6% from 7.5% at the end of the previous fiscal year.

## **(3) Explanation of Earnings Forecasts and Other Forward-looking Statements**

In the real estate solutions business, there are big changes in sales and earnings regardless of the number of sales contracts signed in each quarter. Since sales are recorded only when a sale closes, sales and earnings are high when a large number of sales are completed and ownership is transferred to buyers. As a result, there may be significant differences in the quarterly performance of this business in each fiscal year and from one fiscal year to the next. In the fiscal year ending July 31, 2020, we expect a large number of sales to close in the second quarter and especially in the fourth quarter.

As was announced on January 31, 2020, an extraordinary loss was posted in the first half of the current fiscal year for a contract cancellation penalty. There is no change in the fiscal year sales and earnings forecasts announced on September 13, 2019 mainly because of a reexamination of the sales plan and other items.

The COVID-19 outbreak is not incorporated in the fiscal year forecast because there is no significant effect on results of operations at this time. An announcement will be made promptly if there is a need to revise the forecast.

**2. Quarterly Non-consolidated Financial Statements and Notes****(1) Quarterly Non-consolidated Balance Sheet**

	(Thousands of yen)	
	FY7/19 (As of Jul. 31, 2019)	Second Quarter of FY7/20 (As of Jan. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	1,054,026	2,413,732
Trade accounts receivable	129,300	252,349
Real estate for sale	18,486,617	10,600,633
Real estate for sale in process	19,511,235	22,693,249
Other	467,839	429,060
Allowance for doubtful accounts	(2,681)	(5,665)
Total current assets	39,646,337	36,383,360
Non-current assets		
Property, plant and equipment		
Buildings, net	3,463,792	3,698,483
Land	4,749,132	4,068,820
Other, net	39,596	37,983
Total property, plant and equipment	8,252,521	7,805,287
Intangible assets	42,168	39,439
Investments and other assets	475,763	1,001,193
Total non-current assets	8,770,453	8,845,920
Total assets	48,416,791	45,229,280
<b>Liabilities</b>		
Current liabilities		
Trade accounts payable	270,235	202,668
Short-term borrowings	8,193,869	7,386,469
Current portion of bonds	53,000	28,000
Current portion of long-term borrowings	2,893,037	10,494,882
Income taxes payable	273,293	615,961
Provision for bonuses	32,672	42,408
Other	1,065,142	1,994,908
Total current liabilities	12,781,250	20,765,298
Non-current liabilities		
Bonds payable	102,000	88,000
Long-term borrowings	31,274,989	20,014,977
Other	608,576	488,876
Total non-current liabilities	31,985,565	20,591,854
Total liabilities	44,766,816	41,357,152
<b>Net assets</b>		
Shareholders' equity		
Share capital	651,924	747,326
Capital surplus	561,924	657,326
Retained earnings	2,436,125	2,467,475
Total shareholders' equity	3,649,975	3,872,128
Total net assets	3,649,975	3,872,128
Total liabilities and net assets	48,416,791	45,229,280

**(2) Quarterly Non-consolidated Statement of Income**  
**(For the Six-month Period)**

	(Thousands of yen)	
	First six months of FY7/19 (Aug. 1, 2018 – Jan. 31, 2019)	First six months of FY7/20 (Aug. 1, 2019 – Jan. 31, 2020)
Net sales	13,453,949	15,298,505
Cost of sales	10,016,172	12,350,394
Gross profit	3,437,776	2,948,110
Selling, general and administrative expenses	1,826,421	1,680,597
Operating profit	1,611,355	1,267,513
Non-operating income		
Interest income	242	53
Dividend income	35	151
Insurance claim income	7,546	2,861
Surrender value of insurance policies	758	29,183
Other	1,206	1,916
Total non-operating income	9,789	34,166
Non-operating expenses		
Interest expenses	526,304	592,661
Commission expenses	45,480	61,170
Other	18,821	4,406
Total non-operating expenses	590,605	658,237
Ordinary profit	1,030,539	643,441
Extraordinary losses		
Cancellation penalty	-	410,000
Total extraordinary losses	-	410,000
Profit before income taxes	1,030,539	233,441
Income taxes-current	468,480	577,811
Income taxes-deferred	(59,660)	(390,146)
Total income taxes	408,819	187,665
Profit	621,720	45,776

### **(3) Notes to Quarterly Non-consolidated Financial Statements**

#### **Going Concern Assumption**

Not applicable.

#### **Significant Changes in Shareholders' Equity**

Legal Corp. issued restricted stock as remuneration on December 20, 2019. As a result, share capital and capital surplus increased 90 million yen each. As of the end of the second quarter of the current fiscal year, share capital was 747 million yen and capital surplus was 657 million yen.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*