

Non-consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending July 31, 2020
(Nine Months Ended April 30, 2020)

[Japanese GAAP]

July 14, 2020

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 Stock code: 3497
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 Listing: Tokyo Stock Exchange (Mothers)
 URL: <https://www.legal-corp.co.jp/>
 Scheduled date of filing of Quarterly Report: July 14, 2020
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

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

1. Non-consolidated Financial Results for the Third Quarter of the Fiscal Year Ending July 31, 2020
(August 1, 2019 – April 30, 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 | % |
| Nine months ended Apr. 30, 2020 | 18,505 | 3.0 | 1,369 | (20.9) | 464 | (46.5) | 0 | (100.0) |
| Nine months ended Apr. 30, 2019 | 17,959 | 10.4 | 1,730 | (12.5) | 869 | (30.2) | 536 | (32.0) |

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Apr. 30, 2020 | 0.01 | 0.01 |
| Nine months ended Apr. 30, 2019 | 206.09 | 197.63 |

Note: 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 nine months ended April 30, 2019 was determined by using an average stock price during the period between the listing and the end of April 2019.

(2) Financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Apr. 30, 2020 | 45,668 | 3,907 | 8.6 |
| As of Jul. 31, 2019 | 48,416 | 3,649 | 7.5 |

Reference: Shareholders' equity (millions of yen) As of Apr. 30, 2020: 3,907 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) | - | - | - | 6.00 | 6.00 |

Notes: 1. Revisions to the most recently announced dividend forecast: Yes

2. Please refer to the press release "Notice of Revisions to Dividend Forecast for the Fiscal Year Ending July 31, 2020" (Japanese version only) that was announced today (July 14, 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 | 26,652 | 12.3 | 1,719 | (25.8) | 575 | (48.5) | 71 | (89.7) | 23.50 |

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

2. Legal Corp. expects a high percentage of sales 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 Apr. 30, 2020: | 3,139,978 shares | As of Jul. 31, 2019: | 2,885,200 shares |
|----------------------|------------------|----------------------|------------------|

2) Number of treasury shares as of the end of the period

| | | | |
|----------------------|--------------|----------------------|----------|
| As of Apr. 30, 2020: | 1,200 shares | As of Jul. 31, 2019: | - shares |
|----------------------|--------------|----------------------|----------|

3) Average number of outstanding shares during the period

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Nine months ended Apr. 30, 2020: | 3,003,758 shares | Nine months ended Apr. 30, 2019: | 2,603,359 shares |
|----------------------------------|------------------|----------------------------------|------------------|

* 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 exercise of share acquisition rights and purchase of treasury shares.

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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 nine months of the fiscal year ending July 31, 2020 as corporate earnings remained strong and the labor market and personal income improved. But consumer spending has been declining following the October 2019 consumption tax hike. Furthermore, U.S.-China trade friction is continuing, and the COVID-19 outbreak has severely impacted the economy. As a result, the outlook for the economy remains extremely uncertain.

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, there are negative effects of the rising cost of land, intense competition for purchasing land and the consistently high cost of constructing residences. In addition, COVID-19 may have a big impact on the real estate market by disrupting supply chains, increasing the time needed for construction projects, and reducing the interest in buying properties due to the need to stay home and to economic downturns in Japan and other countries.

During the first nine months, there were many activities for achieving the targets of the current business plan. Activities were also focused on financial soundness, the consistent growth of corporate value and becoming a provider of a comprehensive line of real estate services. Net sales increased 3.0% year on year to 18,505 million yen, with operating profit of 1,369 million yen (down 20.9%), ordinary profit of 464 million yen (down 46.5%), and profit of 0 million yen (down 100.0%). In the fiscal year's first half, Legal Corp. was required to pay a tax 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 4.7% to 16,456 million yen and earnings increased 9.5% to 1,713 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 and earnings were higher than one year earlier as properties were sold as planned.

Orders received were generally as expected in relation to the outlook for sales. Orders in the first nine months totaled 20,464 million yen and the order backlog at the end of the third quarter was 3,614 million yen.

2) Real Estate Leasing

Segment sales decreased 20.9% to 1,380 million yen and earnings were down 35.0% to 505 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 nine months, 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 33.4% to 668 million yen and earnings increased 544.6% to 77 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 45,668 million yen, 2,747 million yen lower than at the end of the previous fiscal year.

Current assets increased 154 million yen to 39,801 million yen. The main changes in current assets were a 2,131 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 397 million yen increase in cash and deposits, and a 2,441 million yen decrease in real estate for sale.

Non-current assets decreased 2,902 million yen to 5,867 million yen. This was mainly due to a 1,218 million yen decrease in buildings and a 1,980 million yen decrease in land because of new purchases and a reclassification due to the change in the purpose of ownership, a 192 million yen increase in deferred tax assets mainly 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 3,005 million yen to 41,761 million yen.

Current liabilities increased 9,885 million yen to 22,666 million yen. Current portion of long-term borrowings increased 10,163 million yen because of transfer from long-term borrowings, and income taxes payable decreased 235 million yen after the payment of income taxes.

Non-current liabilities decreased 12,890 million yen to 19,094 million yen. The main reason was the 12,674 million yen decrease in long-term borrowings mainly because of transfer to current portion of long-term borrowings.

Net assets

Total net assets increased 257 million yen to 3,907 million yen. This was mainly due to increases in share capital and capital surplus of 136 million yen each due to the issuance of restricted stock as remuneration. 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 also in the fourth quarter.

We revised the earnings forecasts for the fiscal year ending July 31, 2020 following the current performance trends. Please refer to the press release "Notice of Revisions to Earnings Forecasts for the Fiscal Year Ending July 31, 2020" (Japanese version only) that was announced on June 25, 2020. Actual results may differ significantly from the forecasts for a number of reasons.

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

| | (Thousands of yen) | |
|---|---------------------------------|--|
| | FY7/19 (As of Jul. 31, 2019) | Third Quarter of FY7/20 (As of Apr. 30, 2020) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,054,026 | 1,451,910 |
| Trade accounts receivable | 129,300 | 173,050 |
| Real estate for sale | 18,486,617 | 16,045,367 |
| Real estate for sale in process | 19,511,235 | 21,642,562 |
| Other | 467,839 | 493,118 |
| Allowance for doubtful accounts | (2,681) | (4,951) |
| Total current assets | 39,646,337 | 39,801,058 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 3,463,792 | 2,245,255 |
| Land | 4,749,132 | 2,769,086 |
| Other, net | 39,596 | 34,705 |
| Total property, plant and equipment | 8,252,521 | 5,049,046 |
| Intangible assets | 42,168 | 37,903 |
| Investments and other assets | 475,763 | 780,881 |
| Total non-current assets | 8,770,453 | 5,867,830 |
| Total assets | 48,416,791 | 45,668,888 |
| Liabilities | | |
| Current liabilities | | |
| Trade accounts payable | 270,235 | 148,773 |
| Short-term borrowings | 8,193,869 | 8,009,603 |
| Current portion of bonds | 53,000 | 28,000 |
| Current portion of long-term borrowings | 2,893,037 | 13,057,013 |
| Income taxes payable | 273,293 | 37,713 |
| Provision for bonuses | 32,672 | 55,926 |
| Other | 1,065,142 | 1,329,265 |
| Total current liabilities | 12,781,250 | 22,666,295 |
| Non-current liabilities | | |
| Bonds payable | 102,000 | 74,000 |
| Long-term borrowings | 31,274,989 | 18,600,414 |
| Other | 608,576 | 420,330 |
| Total non-current liabilities | 31,985,565 | 19,094,744 |
| Total liabilities | 44,766,816 | 41,761,039 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 651,924 | 788,066 |
| Capital surplus | 561,924 | 698,066 |
| Retained earnings | 2,436,125 | 2,421,716 |
| Total shareholders' equity | 3,649,975 | 3,907,849 |
| Total net assets | 3,649,975 | 3,907,849 |
| Total liabilities and net assets | 48,416,791 | 45,668,888 |

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

| | (Thousands of yen) | |
|--|---|---|
| | First nine months of FY7/19 (Aug. 1, 2018 – Apr. 30, 2019) | First nine months of FY7/20 (Aug. 1, 2019 – Apr. 30, 2020) |
| Net sales | 17,959,415 | 18,505,999 |
| Cost of sales | 13,886,886 | 14,800,760 |
| Gross profit | 4,072,528 | 3,705,239 |
| Selling, general and administrative expenses | 2,342,337 | 2,336,050 |
| Operating profit | 1,730,190 | 1,369,188 |
| Non-operating income | | |
| Interest income | 356 | 68 |
| Dividend income | 35 | 151 |
| Insurance claim income | 7,905 | 3,073 |
| Surrender value of insurance policies | 2,011 | 30,073 |
| Other | 1,988 | 3,441 |
| Total non-operating income | 12,297 | 36,806 |
| Non-operating expenses | | |
| Interest expenses | 770,047 | 840,674 |
| Commission expenses | 81,994 | 91,563 |
| Other | 21,264 | 8,854 |
| Total non-operating expenses | 873,306 | 941,092 |
| Ordinary profit | 869,181 | 464,902 |
| Extraordinary losses | | |
| Cancellation penalty | - | 410,000 |
| Loss on retirement of non-current assets | - | 18,143 |
| Total extraordinary losses | - | 428,143 |
| Profit before income taxes | 869,181 | 36,759 |
| Income taxes-current | 302,562 | 229,036 |
| Income taxes-deferred | 30,090 | (192,293) |
| Total income taxes | 332,653 | 36,742 |
| Profit | 536,527 | 16 |

(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.

In addition, Legal Corp. issued restricted stock as remuneration on February 14, 2020. As a result, share capital and capital surplus increased 40 million yen each.

As of the end of the third quarter of the current fiscal year, share capital was 788 million yen and capital surplus was 698 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.