

Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2020

[Japan GAAP]

September 14, 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 Annual General Meeting of Shareholders: October 29, 2020

Scheduled date of payment of dividend: October 30, 2020

Scheduled date of filing of Annual Securities Report: October 30, 2020

Preparation of supplementary materials for financial results: None

Holding of financial results meeting: Yes (Only video distribution)

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

1. Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2020 (August 1, 2019 to July 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	%
Fiscal year ended Jul. 31, 2020	26,703	12.5	1,780	(23.2)	624	(44.2)	100	(85.5)
Fiscal year ended Jul. 31, 2019	23,727	23.1	2,318	22.9	1,118	29.8	694	18.9

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jul. 31, 2020	33.07	32.35	2.6	1.4	6.7
Fiscal year ended Jul. 31, 2019	259.74	249.32	25.4	2.3	9.7

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jul. 31, 2020: - Fiscal year ended Jul. 31, 2019: -

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 fiscal year ended July 31, 2019 was determined by using an average stock price during the period between the listing and the end of July 2019.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jul. 31, 2020	40,981	4,012	9.8	1,273.45
As of Jul. 31, 2019	48,416	3,649	7.5	1,265.07

Reference: Shareholders' equity (millions of yen) As of Jul. 31, 2020: 4,012 As of Jul. 31, 2019: 3,649

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jul. 31, 2020	9,479	(787)	(7,542)	1,639
Fiscal year ended Jul. 31, 2019	(1,999)	(282)	2,296	489

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividends on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Jul. 31, 2019	Yen -	Yen 0.00	Yen -	Yen 5.00	Yen 5.00	Millions of yen 14	% 1.9	% 0.5
Fiscal year ended Jul. 31, 2020	Yen -	Yen 0.00	Yen -	Yen 6.00	Yen 6.00	Millions of yen 18	% 18.1	% 0.5
Fiscal year ending Jul. 31, 2021 (forecasts)	Yen -	Yen 0.00	Yen -	Yen -	Yen -	Millions of yen -	% -	% -

Note: There is currently no forecast for a year-end dividend for the fiscal year ending July 31, 2021.

3. Earnings Forecast for the Fiscal Year Ending July 31, 2021 (August 1, 2020 to July 31, 2021)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	26,643	(0.2)	1,209	(32.1)	290	(53.5)

Note: Only the full-year forecast is shown because Legal Corp. manages performance on a fiscal year basis.

*** Notes**

(1) 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

(2) Number of shares outstanding (common shares)

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

As of Jul. 31, 2020:	3,152,978 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 Jul. 31, 2020:	2,332 shares	As of Jul. 31, 2019:	- shares
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3) Average number of outstanding shares during the period

Fiscal year ended Jul. 31, 2020:	3,038,500 shares	Fiscal year ended Jul. 31, 2019:	2,674,398 shares
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* The current financial report is not subject to audit 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. Overview of Results of Operations, (4) Outlook” on page 4 for forecast assumptions and precautions concerning the use of forecasts.

The net income per share forecast for the fiscal year ending July 31, 2021 is diluted to reflect the effects of exercise of share acquisition rights and purchase of restricted stock at no cost.

Legal Corp. plans to hold an information meeting about results of operations by using a webcast on Saturday, September 26, 2020. Use the following URL to view this meeting. Materials to be distributed at this event will be posted on the Legal Corp. website immediately afterward.

URL: https://www.bridge-salon.jp/salon_guide_rf/detail_45.html

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1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy continued to recover slowly during the fiscal year ended July 31, 2020 as corporate earnings remained strong and the labor market and personal income improved as the Japanese government and Bank of Japan used a variety of actions to support the economy. 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 restrictions on travel and other outings and to economic downturns in Japan and other countries.

During the fiscal year, 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 12.5% year on year to 26,703 million yen, with operating profit of 1,780 million yen (down 23.2%), ordinary profit of 624 million yen (down 44.2%), and profit of 100 million yen (down 85.5%).

Business segment performance was as follows:

1) Real Estate Solutions

Segment sales increased 15.3% year on year to 23,989 million yen and earnings increased 3.1% to 2,252 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 were relatively strong for residential properties, but the closings of these sales were delayed by the effects of COVID-19, including the need to stay home for safety, travel and other restrictions affecting visitors from other countries, and the temporary suspension of some sales meetings. In the real estate development sector, which includes hotels, sales of some properties were postponed to the fiscal year ending on July 31, 2021 because buyers and investors decided to watch upcoming market trends before completing purchases. But due to firm sales of other properties, sales and earnings were higher than in the previous fiscal year.

2) Real Estate Leasing

Segment sales decreased 19.1% year on year to 1,800 million yen and earnings were down 29.5% to 665 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 current fiscal year, 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 31.5% year on year to 913 million yen and earnings increased 215.0% to 93 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, two newly opened location have performed well and the occupancy rates at other locations remained high. Consequently, sales and earnings in this segment increased.

(2) Financial Position

1) Assets

Total assets were 40,981 million yen, 7,434 million yen lower than at the end of the previous fiscal year.

Current assets decreased 5,850 million yen to 33,795 million yen. The main changes in current assets were a 7,547 million yen decrease in real estate for sale mainly because of the sale of this real estate, 494 million yen increase in real estate for sale in process, chiefly the result of an increase in acquisitions of real estate for development projects, and a 928 million yen increase in cash and deposits.

Non-current assets decreased 1,584 million yen to 7,186 million yen. This was mainly due to a 1,323 million yen decrease in land and a 502 million yen decrease in buildings because of new purchases and a reclassification due to the change in the purpose of ownership, a 183 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.

2) Liabilities

Total liabilities decreased 7,797 million yen to 36,969 million yen.

Current liabilities increased 8,058 million yen to 20,839 million yen. Current portion of long-term borrowings increased 10,439 million yen because of transfer from long-term borrowings and short-term borrowings decreased 2,380 million yen.

Non-current liabilities decreased 15,855 million yen to 16,130 million yen. The main reason was the 15,542 million yen decrease in long-term borrowings mainly because of transfer to current portion of long-term borrowings.

3) Net assets

Total net assets increased 362 million yen to 4,012 million yen. This was mainly due to increases in share capital and capital surplus of 138 million yen each due to the issuance of restricted stock as remuneration. The fiscal year profit of 100 million yen also contributed to the increase in net assets. The equity ratio increased to 9.8% from 7.5% at the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year increased 1,149 million yen from the end of the previous fiscal year to 1,639 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 9,479 million yen, compared with 1,999 million yen used in the previous fiscal year. Major positive factors include a decrease in inventories of 9,661 million yen. Major negative factors include income taxes paid of 477 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 787 million yen, compared with 282 million yen used in the previous fiscal year. Major negative factors include purchase of property, plant and equipment (mainly real estate for leasing) of 966 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 7,542 million yen, compared with 2,296 million yen provided in the previous fiscal year. Major positive factors include proceeds from long-term borrowings of 7,503 million yen. Major negative factors include repayments of long-term borrowings of 12,606 million yen and a decrease in short-term borrowings of 2,380 million yen.

(4) Outlook

Consumer spending in Japan has been declining following the October 2019 consumption tax hike. Furthermore, U.S.-China trade friction is continuing and the COVID-19 outbreak is impacting economies worldwide. As a result, we believe the business climate will remain extremely challenging.

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 restrictions on travel and other outings and to economic downturns in Japan and other countries.

Although COVID-19 is creating difficulties, the real estate market remains relatively stable. We plan to continue the development of residential income-producing properties, including for the core LEGALAND brand, a category where sales have been strong. There will also be development projects for residences to be sold to people who will live there rather than to investors.

In the real estate leasing business, we plan to place more emphasis during the next two fiscal years on purchasing income-producing properties. This business is a source of consistent income that usually does not decline during an economic downturn. Restoring the strength of this business will be vital to our ability to increase the stability and efficiency of our operations as well as to build a portfolio with a lower risk profile. We plan to maintain high occupancy rates at properties we own while increasing the number of these properties. The objective is ordinary profit growth by improving profit margins while keeping sales steady.

Leasing income decreased during the past two fiscal years because of sales of properties that reflected considerations involving earnings from a long-term perspective and the high level of interest among buyers in purchasing these properties. Consequently, we forecast a decrease in ordinary profit in the fiscal year ending on July 31, 2021. We forecast a higher profit because of the outlook for a decline in extraordinary losses.

We forecast net sales of 26,643 million yen (down 0.2% year on year), operating profit of 1,209 million yen (down 32.1%), ordinary profit of 290 million yen (down 53.5%), and profit of 141 million yen (up 40.9%) for the fiscal year ending July 31, 2021.

2. Basic Approach to the Selection of Accounting Standards

Legal Corp. currently applies Japanese accounting standards for its financial statements to facilitate comparisons with prior-year performance and the performance of other companies.

3. Non-consolidated Financial Statements and Notes

(1) Non-consolidated Balance Sheet

	(Thousands of yen)	
	FY7/19 (As of Jul. 31, 2019)	FY7/20 (As of Jul. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,054,026	1,982,825
Trade accounts receivable	129,300	215,835
Real estate for sale	18,486,617	10,939,358
Real estate for sale in process	19,511,235	20,006,201
Advance payments-trade	306,104	19,629
Prepaid expenses	155,888	197,591
Other	5,846	437,828
Allowance for doubtful accounts	(2,681)	(3,670)
Total current assets	<u>39,646,337</u>	<u>33,795,601</u>
Non-current assets		
Property, plant and equipment		
Buildings, net	3,463,792	2,960,883
Machinery and equipment, net	4,586	3,976
Tools, furniture and fixtures, net	10,232	11,442
Land	4,749,132	3,425,424
Leased assets, net	24,776	15,920
Total property, plant and equipment	<u>8,252,521</u>	<u>6,417,647</u>
Intangible assets		
Software	40,501	33,838
Other	1,667	1,537
Total intangible assets	<u>42,168</u>	<u>35,375</u>
Investments and other assets		
Investments in capital	39,431	139,431
Long-term prepaid expenses	175,145	156,088
Deferred tax assets	67,720	251,239
Other	193,466	186,604
Total investments and other assets	<u>475,763</u>	<u>733,362</u>
Total non-current assets	<u>8,770,453</u>	<u>7,186,386</u>
Total assets	<u>48,416,791</u>	<u>40,981,987</u>

	(Thousands of yen)	
	FY7/19 (As of Jul. 31, 2019)	FY7/20 (As of Jul. 31, 2020)
Liabilities		
Current liabilities		
Trade accounts payable	270,235	514,613
Short-term borrowings	8,193,869	5,813,636
Current portion of bonds payable	53,000	28,000
Current portion of long-term borrowings	2,893,037	13,332,258
Lease obligations	9,539	8,522
Accounts payable-other	62,791	111,003
Accrued expenses	650,233	470,628
Income taxes payable	273,293	99,880
Advances received	12,040	9,947
Deposits received	86,967	197,495
Unearned revenue	49,222	58,867
Provision for bonuses	32,672	57,310
Other	194,346	137,533
Total current liabilities	<u>12,781,250</u>	<u>20,839,697</u>
Non-current liabilities		
Bonds payable	102,000	74,000
Long-term borrowings	31,274,989	15,732,643
Lease obligations	18,073	9,593
Other	590,502	313,876
Total non-current liabilities	<u>31,985,565</u>	<u>16,130,114</u>
Total liabilities	<u>44,766,816</u>	<u>36,969,811</u>
Net assets		
Shareholders' equity		
Share capital	651,924	790,016
Capital surplus		
Legal capital surplus	561,924	700,016
Total capital surpluses	<u>561,924</u>	<u>700,016</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,436,125	2,522,178
Total retained earnings	<u>2,436,125</u>	<u>2,522,178</u>
Treasury shares	-	(36)
Total shareholders' equity	<u>3,649,975</u>	<u>4,012,175</u>
Total net assets	<u>3,649,975</u>	<u>4,012,175</u>
Total liabilities and net assets	<u>48,416,791</u>	<u>40,981,987</u>

(2) Non-consolidated Statement of Income

	(Thousands of yen)	
	FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)	FY7/20 (Aug. 1, 2019 – Jul. 31, 2020)
Net sales		
Real estate sales	20,805,813	23,974,334
Lease revenue	2,124,931	1,541,072
Other sales	797,218	1,188,300
Net sales	<u>23,727,964</u>	<u>26,703,707</u>
Cost of sales		
Cost of sales-real estate	16,664,677	20,217,082
Cost of lease revenue	953,904	735,281
Other costs	680,842	937,548
Total cost of sales	<u>18,299,424</u>	<u>21,889,912</u>
Gross profit	5,428,539	4,813,795
Selling, general and administrative expenses	3,109,941	3,033,332
Operating profit	<u>2,318,597</u>	<u>1,780,463</u>
Non-operating income		
Interest income	396	111
Dividend income	908	882
Insurance claim income	11,398	3,073
Surrender value of insurance policies	37,211	53,536
Other	6,926	14,320
Total non-operating income	<u>56,841</u>	<u>71,924</u>
Non-operating expenses		
Interest expenses	1,053,230	1,097,754
Commission expenses	180,043	107,731
Other	23,361	22,562
Total non-operating expenses	<u>1,256,635</u>	<u>1,228,048</u>
Ordinary profit	1,118,803	624,339
Extraordinary losses		
Cancellation penalty	-	410,000
Loss on retirement of non-current assets	-	18,143
Total extraordinary losses	-	428,143
Profit before income taxes	<u>1,118,803</u>	<u>196,196</u>
Income taxes-current	414,261	279,235
Income taxes-deferred	9,898	(183,518)
Total income taxes	<u>424,159</u>	<u>95,717</u>
Profit	<u>694,644</u>	<u>100,479</u>

(3) Non-consolidated Statement of Changes in Equity

FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)

(Thousands of yen)

	Shareholders' equity					Valuation and translation adjustments		Total net assets	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Legal capital surplus	Other retained earnings						
Balance at beginning of period	90,000	-	1,741,480	-	1,831,480	(13,754)	(13,754)	1,817,726	
Changes during period									
Issuance of new shares	561,924	561,924			1,123,849			1,123,849	
Dividends of surplus					-			-	
Profit			694,644		694,644			694,644	
Purchase of treasury shares					-			-	
Net changes in items other than shareholders' equity						13,754	13,754	13,754	
Total changes during period	561,924	561,924	694,644	-	1,818,494	13,754	13,754	1,832,249	
Balance at end of period	651,924	561,924	2,436,125	-	3,649,975	-	-	3,649,975	

FY7/20 (Aug. 1, 2019 – Jul. 31, 2020)

(Thousands of yen)

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	
		Legal capital surplus	Other retained earnings			Retained earnings brought forward	
Balance at beginning of period	651,924	561,924	2,436,125	-	3,649,975	-	3,649,975
Changes during period							
Issuance of new shares	138,091	138,091			276,183		276,183
Dividends of surplus			(14,426)		(14,426)		(14,426)
Profit			100,479		100,479		100,479
Purchase of treasury shares				(36)	(36)		(36)
Net changes in items other than shareholders' equity						-	-
Total changes during period	138,091	138,091	86,053	(36)	362,200	-	362,200
Balance at end of period	790,016	700,016	2,522,178	(36)	4,012,175	-	4,012,175

(4) Non-consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)	FY7/20 (Aug. 1, 2019 – Jul. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	1,118,803	196,196
Depreciation	201,180	201,156
Share-based remuneration expenses	-	112,401
Increase (decrease) in allowance for doubtful accounts	(82)	989
Interest and dividend income	(1,305)	(994)
Interest expenses	1,053,230	1,097,754
Commission expenses	180,043	107,731
Cancellation penalty	-	410,000
Loss on retirement of non-current assets	-	18,143
Decrease (increase) in trade receivables	(24,581)	(86,535)
Decrease (increase) in inventories	(1,617,205)	9,661,942
Increase (decrease) in trade payables	44,773	244,377
Decrease (increase) in long-term prepaid expenses	75,883	149,970
Increase (decrease) in guarantee deposits received	(471,035)	(271,210)
Increase (decrease) in advances received	(1,119,544)	(2,092)
Increase (decrease) in accounts payable-other	22,000	48,212
Increase (decrease) in accrued expenses	271,127	(270,248)
Other, net	(219,697)	(253,208)
Subtotal	(486,409)	11,364,585
Interest and dividends received	1,304	995
Interest paid	(1,051,215)	(1,098,670)
Cancellation penalty paid	-	(310,000)
Income taxes paid	(462,973)	(477,483)
Net cash provided by (used in) operating activities	(1,999,293)	9,479,427
Cash flows from investing activities		
Purchase of property, plant and equipment	(347,056)	(966,902)
Payments into time deposits	(75,000)	(302,500)
Proceeds from withdrawal of time deposits	369,009	381,267
Payments for investments in capital	(2,310)	(100,000)
Other, net	(227,490)	200,760
Net cash provided by (used in) investing activities	(282,847)	(787,373)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	857,369	(2,380,233)
Proceeds from long-term borrowings	13,778,600	7,503,000
Repayments of long-term borrowings	(13,376,369)	(12,606,124)
Redemption of bonds	(78,000)	(53,000)
Proceeds from issuance of shares	1,123,849	-
Proceeds from exercise of employee share options	-	16,050
Purchase of treasury shares	-	(36)
Dividends paid	-	(12,454)
Repayments of lease obligations	(9,368)	(9,496)
Net cash provided by (used in) financing activities	2,296,080	(7,542,295)
Net increase (decrease) in cash and cash equivalents	13,938	1,149,758
Cash and cash equivalents at beginning of period	476,016	489,955
Cash and cash equivalents at end of period	489,955	1,639,713

(5) Notes to Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

Additional Information

A change in the purpose of holding assets

Following the change in the purpose of holding assets, 5,389 million yen out of property, plant and equipment has been transferred to real estate for sale and 2,719 million yen out of real estate for sale has been transferred to property, plant and equipment.

Segment and Other Information

Segment information

1. Overview of reportable segment

(1) Method of determining the reportable segments

The reportable segments are business components for which separate financial information is available and operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Legal Corp. establishes comprehensive strategies for the products and services of each business unit and conducts the associated business operations based on these strategies.

Consequently, there are two reportable segments consisting of products and services that are divided in accordance with business domains: Real Estate Solutions and Real Estate Leasing.

(2) Products and services of reportable segments

Real Estate Solutions

Legal Corp. uses information about available properties from a variety of sources for purchasing properties and then makes carefully selected investments in order to increase the asset value of these properties. Then properties are sold primarily to wealthy individuals and companies created for the purpose of holding assets. Every property precisely matches the requirements of the investor who is purchasing the property. The asset value of these income-producing properties, which are purchased by using information acquired through our own channels, is increased by improving the building's management, altering its use, replacing tenants, performing extensive renovations or other measures. Properties are sold for the purposes of productively utilizing land, developing condominium buildings, supplying buildings suitable for use as offices, hotels, minpaku space or other commercial use, conversions of buildings to new uses, renovations, and other purposes.

Real Estate Leasing

The primary activity of this business is leasing income-producing properties owned by Legal Corp. and real estate for sale that is held temporarily by Legal Corp. until a sale is completed.

2. Calculation methods for net sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the financial statements.

Earnings for reportable segments are operating profit.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment

FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)

(Thousands of yen)

	Reportable segment			Others (Note)	Total
	Real Estate Solutions	Real Estate Leasing	Subtotal		
Net sales					
Sales to external customers	20,806,473	2,226,344	23,032,818	695,146	23,727,964
Inter-segment sales and transfers	-	-	-	-	-
Total	20,806,473	2,226,344	23,032,818	695,146	23,727,964
Segment profit	2,184,421	944,189	3,128,610	29,596	3,158,207
Ordinary profit	-	-	2,008,084	31,150	2,039,235
Segment assets	-	-	46,733,374	85,967	46,819,342
Other items					
Depreciation	-	-	187,737	107	187,844
Increase in property, plant and equipment and intangible assets	-	-	789,731	867	790,599

Note: Others is businesses that are not included in the reportable segments and mainly consist of real estate consulting and nursing care businesses.

FY7/20 (Aug. 1, 2019 – Jul. 31, 2020)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total
	Real Estate Solutions (Note 2)	Real Estate Leasing	Subtotal		
Net sales					
Sales to external customers	23,989,336	1,800,442	25,789,779	913,928	26,703,707
Inter-segment sales and transfers	-	-	-	-	-
Total	23,989,336	1,800,442	25,789,779	913,928	26,703,707
Segment profit	2,252,383	665,374	2,917,757	93,223	3,010,981
Ordinary profit	-	-	1,843,961	89,939	1,933,900
Segment assets	-	-	38,120,991	107,172	38,228,164
Other items					
Depreciation	-	-	180,282	296	180,579
Increase in property, plant and equipment and intangible assets	-	-	3,758,996	958	3,759,954

Notes: 1. Others is businesses that are not included in the reportable segments and mainly consist of real estate consulting and nursing care businesses.

2. In the real estate solutions business segment, selling, general and administrative expenses have decreased as a result of a reduction in personnel due to changes in staffing assignment in order to strengthen sales strategies and management structure.

4. Reconciliation of amounts shown in the financial statements with total for reportable segments

(Thousands of yen)		
Net sales	FY7/19	FY7/20
Total for reportable segments	23,032,818	25,789,779
Net sales in "Others"	695,146	913,928
Elimination of inter-segment transactions	-	-
Net sales in financial statements	23,727,964	26,703,707

(Thousands of yen)		
Profit	FY7/19	FY7/20
Total for reportable segments	3,128,610	2,917,757
Profit in "Others"	29,596	93,223
Elimination of inter-segment transactions	-	-
Corporate expenses (Notes 1 and 2)	(839,609)	(1,230,518)
Operating profit in financial statements	2,318,597	1,780,463

Notes: 1. Corporate expenses mainly include head office expenses that cannot be allocated to a reportable segment.

- Regarding corporate expenses for FY7/20, selling, general and administrative expenses have increased as a result of an increase in personnel due to changes in staffing assignment in order to strengthen sales strategies and management structure.

(Thousands of yen)		
Assets	FY7/19	FY7/20
Total for reportable segments	46,733,374	38,120,991
Assets in "Others"	85,967	107,172
Corporate assets (Note)	1,597,448	2,753,823
Total assets in financial statements	48,416,791	40,981,987

Note: Corporate assets mainly include assets that cannot be allocated to a reportable segment.

Other items	Total for reportable segments		Others		Adjustment (Note)		Amounts shown on financial statements	
	FY7/19	FY7/20	FY7/19	FY7/20	FY7/19	FY7/20	FY7/19	FY7/20
Depreciation	187,737	180,282	107	296	13,335	20,576	201,180	201,156
Increase in property, plant and equipment and intangible assets	789,731	3,758,996	867	958	50,515	7,300	841,114	3,767,255

Note: The adjustment consists mainly of head office expenses and assets that cannot be allocated to a reportable segment.

Equity in Earnings of Affiliates

Not applicable.

Per Share Information

	(Yen)	
	FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)	FY7/20 (Aug. 1, 2019 – Jul. 31, 2020)
Net assets per share	1,265.07	1,273.45
Net income per share	259.74	33.07
Diluted net income per share	249.32	32.35

Notes: 1. The stock of Legal Corp. was listed on the Tokyo Stock Exchange Mothers Market on October 23, 2018. Diluted net income per share for FY7/19 was determined by using an average stock price during the period between the listing and the end of July 2019.

2. The basis of calculating the net income per share and diluted net income per share is as follows:

	(Thousands of yen)	
	FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)	FY7/20 (Aug. 1, 2019 – Jul. 31, 2020)
Net income per share		
Profit	694,644	100,479
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	694,644	100,479
Average number of common shares outstanding during the period (Shares)	2,674,398	3,038,500
Diluted net income per share		
Increase in the number of common shares (Shares)	111,807	67,822
[of which, share acquisition rights (Shares)]	[111,807]	[67,822]
Common stock equivalents not included in the calculation of diluted net income per share because there was no dilutive effect	-	-

Material Subsequent Events

Not applicable.

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.