

Non-consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending July 31, 2021
(Six Months Ended January 31, 2021)



[Japanese GAAP]

March 16, 2021

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Listing: Tokyo Stock Exchange (Mothers)
 URL: <https://www.letech-corp.net/>

Scheduled date of filing of Quarterly Report: March 16, 2021
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: Yes (for individual investors)

(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, 2021
(August 1, 2020 – January 31, 2021)

(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, 2021	11,943	(21.9)	996	(21.4)	510	(20.7)	290	535.5
Six months ended Jan. 31, 2020	15,298	13.7	1,267	(21.3)	643	(37.6)	45	(92.6)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jan. 31, 2021	93.66	91.80
Six months ended Jan. 31, 2020	15.55	15.12

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jan. 31, 2021	37,364	4,284	11.5
As of Jul. 31, 2020	40,981	4,012	9.8

Reference: Shareholders' equity (millions of yen) As of Jan. 31, 2021: 4,284 As of Jul. 31, 2020: 4,012

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jul. 31, 2020	-	0.00	-	6.00	6.00
Fiscal year ending Jul. 31, 2021	-	0.00	-	-	-
Fiscal year ending Jul. 31, 2021 (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, 2021.

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

(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	26,643	(0.2)	1,209	(32.1)	290	(53.5)	141	40.9	45.54

Note: Revisions to the most recently announced earnings forecasts: None

*** 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, 2021:	3,153,478 shares	As of Jul. 31, 2020:	3,152,978 shares
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2) Number of treasury shares as of the end of the period

As of Jan. 31, 2021:	77,458 shares	As of Jul. 31, 2020:	2,332 shares
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3) Average number of outstanding shares during the period

Six months ended Jan. 31, 2021:	3,106,023 shares	Six months ended Jan. 31, 2020:	2,942,937 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 LeTech 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, 2021 was calculated by taking into account the effects of disposal of treasury shares for restricted stock compensation.

LeTech Corp. plans to hold an information meeting about results of operations starting at 14:45 Japan time on Saturday, March 27, 2021. Use the following URL to view this meeting. Materials to be distributed at this event will be posted on the LeTech Corp. website immediately afterward.

URL: https://www.bridge-salon.jp/salon_guide_rf/detail_58.html

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Results of Operations

There was a certain improvement in the Japanese economy in the first half of the fiscal year ending July 31, 2021. In the fourth quarter of calendar 2020, Japan's year-on-year real GDP growth rate was 11.7%. In addition, the Nikkei Stock Average has surpassed 28,000 yen, the highest level in 30 years. However, the continuation of the COVID-19 crisis resulted in another declaration of a state of emergency in January 2021. As a result, the outlook for the economy is still uncertain.

In Japan's real estate industry, there is a large number of residential property transactions mainly because of the demand among individuals for a residence and the high level of interest among investors in residential real estate. On the other hand, the volume of transactions for office buildings and hotels and other lodging properties is low because of the prolonged COVID-19 crisis. In addition, there is no clear outlook for the price of land. As a result, caution is required concerning the outlook for the real estate market.

During the first half, there were many activities for achieving the targets of the current business plan which aims at establishing our position as a provider of a comprehensive line of real estate services.

Net sales decreased 21.9% from one year earlier to 11,943 million yen, with operating profit down 21.4% to 996 million yen, ordinary profit down 20.7% to 510 million yen, and profit up 535.5% to 290 million yen one year earlier. Profit increased because an extraordinary loss for a contract cancellation penalty held down earnings in the first half of the previous fiscal year.

Business segment performance was as follows:

1) Real Estate Solutions

Segment sales decreased 22.6% year on year to 10,755 million yen and earnings increased 0.7% to 1,466 million yen. There was a large volume of activities for the purchase and sale of real estate for sale in accordance with the initial business plan for Real Estate Solutions. We are taking full advantage of our real estate market insight and knowledge when selecting real estate for sale to acquire as well as taking into account the current direction of real estate prices. Most of our purchases are real estate that come on the market only infrequently, such as properties near railway stations.

Sales of large properties contributed to segment sales one year earlier. In the first half of the current fiscal year, segment performance was supported by sales of properties with high profit margins, including properties using the core LEGALAND brand. The result was lower sales but higher earnings.

Orders in the first half totaled 7,619 million yen and the order backlog at the end of the first half was 2,979 million yen.

2) Real Estate Leasing

Segment sales decreased 29.2% year on year to 676 million yen and earnings were down 60.5% to 150 million yen. This segment is a source of consistent income that is primarily from income-producing properties owned by LeTech Corp. and properties that are held temporarily until they are sold. Although occupancy rates at leased properties remained steady in the first half, there were sales of real estate for sale due to considerations involving the balance between the long-term income from these properties and the high level of interest among buyers in these properties. As a result, the number of leased properties decreased. The first half declines in sales and earnings are also attributable to the decrease in private lodging demand as the number of hotel guests declined because COVID-19 shut out most foreign tourists.

We plan 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 16.3% year on year to 510 million yen and earnings decreased 25.8% to 39 million yen. Real estate consulting is the main activity in this segment. One major component 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.

The nursing care business performed well because occupancy rates were high at all locations, including newly opened facilities. However, in the real estate consulting business, there were decreases in the number of voluntary property sales and the associated brokerage commissions. The result was higher sales but lower earnings.

(2) Explanation of Financial Position

Assets

Total assets were 37,364 million yen, 3,617 million yen lower than at the end of the previous fiscal year.

Current assets decreased 2,715 million yen to 31,079 million yen. The main changes were a 9,123 million yen decrease in real estate for sale in process, chiefly the result of completion of real estate development projects, and a 6,008 million yen increase in real estate for sale.

Non-current assets decreased 901 million yen to 6,284 million yen. This was mainly due to a 754 million yen decrease in land and a 214 million yen decrease in buildings mainly due to the change in the purpose of ownership, and a 123 million yen increase in deferred tax assets because of an increase in temporary differences involving tax effect accounting.

Liabilities

Total liabilities decreased 3,889 million yen to 33,080 million yen.

Current liabilities decreased 446 million yen to 20,392 million yen. The main changes were a 1,613 million yen decrease in short-term borrowings mainly due to repayments associated with property sales, a 525 million yen decrease in current portion of long-term borrowings, a 750 million yen increase in advances received, and a 729 million yen increase in accounts payable-other, which are mainly associated with payments at joint projects.

Non-current liabilities decreased 3,442 million yen to 12,687 million yen. The main reason was the 3,320 million yen decrease in long-term borrowings mainly because of transfer to current portion of long-term borrowings and repayments associated with property sales.

Net assets

Total net assets increased 272 million yen to 4,284 million yen. This was mainly due to the first half profit of 290 million yen and dividends from surplus of 18 million yen. The equity ratio increased to 11.5% from 9.8% 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.

We still need to be cautious about economic uncertainty to determine the effects of COVID-19 on our business activities and earnings forecasts. However, there is no change in the fiscal year forecast announced on September 14, 2020 because first half performance was generally consistent with this forecast.

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)	
	FY7/20 (As of Jul. 31, 2020)	Second Quarter of FY7/21 (As of Jan. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,982,825	1,758,498
Trade accounts receivable	215,835	209,516
Real estate for sale	10,939,358	16,948,198
Real estate for sale in process	20,006,201	10,882,657
Other	655,050	1,310,410
Allowance for doubtful accounts	(3,670)	(29,328)
Total current assets	33,795,601	31,079,951
Non-current assets		
Property, plant and equipment		
Buildings, net	2,960,883	2,746,631
Land	3,425,424	2,671,342
Other, net	31,340	21,595
Total property, plant and equipment	6,417,647	5,439,570
Intangible assets	35,375	33,357
Investments and other assets	733,362	811,518
Total non-current assets	7,186,386	6,284,446
Total assets	40,981,987	37,364,397
Liabilities		
Current liabilities		
Trade accounts payable	514,613	664,472
Short-term borrowings	5,813,636	4,200,632
Current portion of bonds payable	28,000	28,000
Current portion of long-term borrowings	13,332,258	12,806,736
Income taxes payable	99,880	372,422
Provision for bonuses	57,310	48,362
Other	993,999	2,272,199
Total current liabilities	20,839,697	20,392,826
Non-current liabilities		
Bonds payable	74,000	60,000
Long-term borrowings	15,732,643	12,412,628
Other	323,470	214,617
Total non-current liabilities	16,130,114	12,687,246
Total liabilities	36,969,811	33,080,072
Net assets		
Shareholders' equity		
Share capital	790,016	790,091
Capital surplus	700,016	700,091
Retained earnings	2,522,178	2,794,178
Treasury shares	(36)	(36)
Total shareholders' equity	4,012,175	4,284,325
Total net assets	4,012,175	4,284,325
Total liabilities and net assets	40,981,987	37,364,397

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

	(Thousands of yen)	
	First six months of FY7/20 (Aug. 1, 2019 – Jan. 31, 2020)	First six months of FY7/21 (Aug. 1, 2020 – Jan. 31, 2021)
Net sales	15,298,505	11,943,104
Cost of sales	12,350,394	9,400,112
Gross profit	2,948,110	2,542,992
Selling, general and administrative expenses	1,680,597	1,546,449
Operating profit	1,267,513	996,542
Non-operating income		
Interest income	53	26
Dividend income	151	189
Subsidy income	-	9,182
Penalty income	-	4,578
Surrender value of insurance policies	29,183	81
Other	4,777	5,367
Total non-operating income	34,166	19,425
Non-operating expenses		
Interest expenses	592,661	445,787
Commission expenses	61,170	24,338
Other	4,406	35,647
Total non-operating expenses	658,237	505,773
Ordinary profit	643,441	510,194
Extraordinary losses		
Cancellation penalty	410,000	-
Loss on retirement of non-current assets	-	1,177
Total extraordinary losses	410,000	1,177
Profit before income taxes	233,441	509,016
Income taxes-current	577,811	341,888
Income taxes-deferred	(390,146)	(123,775)
Total income taxes	187,665	218,113
Profit	45,776	290,903

(3) Notes to Quarterly Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

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.