

Non-consolidated Financial Results
for the First Quarter of the Fiscal Year Ending July 31, 2020
(Three Months Ended October 31, 2019)

[Japanese GAAP]

December 13, 2019

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: December 13, 2019
 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 First Quarter of the Fiscal Year Ending July 31, 2020
(August 1, 2019 – October 31, 2019)

(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	%
Three months ended Oct. 31, 2019	3,813	(52.4)	306	(65.6)	6	(98.8)	(20)	-
Three months ended Oct. 31, 2018	8,009	-	889	-	563	-	331	-

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Oct. 31, 2019	(6.97)	-
Three months ended Oct. 31, 2018	159.24	150.62

Notes: 1. The year-on-year changes for the three months ended October 31, 2018 are not presented because the quarterly financial statements were not prepared in the three months ended October 31, 2017.

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 three months ended October 31, 2018 was determined by using an average stock price during the period between the listing and the end of October 2018.

3. Diluted net income per share for the three months ended October 31, 2019 is not presented because net loss was posted although there were outstanding dilutive shares.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Oct. 31, 2019	51,864	3,622	7.0
As of Jul. 31, 2019	48,416	3,649	7.5

Reference: Shareholders' equity (millions of yen) As of Oct. 31, 2019: 3,622 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	-	-	-	-	-
Fiscal year ending Jul. 31, 2020 (forecast)	-	0.00	-	-	-

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	254.08

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

2. Legal Corp. expects sales and profits for the fiscal year ending July 31, 2020 to concentrate in the second quarter and especially 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 Oct. 31, 2019:	2,909,200 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 Oct. 31, 2019:	- shares	As of Jul. 31, 2019:	- shares
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3) Average number of outstanding shares during the period

Three months ended Oct. 31, 2019:	2,897,259 shares	Three months ended Oct. 31, 2018:	2,080,434 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.

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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 quarter of the fiscal year ending July 31, 2020 as corporate earnings recovered and the labor market and personal income improved. However, there are concerns about the impact of the prolonged U.S.-China trade friction and other events on the global economy as well as about financial and capital markets.

In Japan's real estate industry, although the rising cost of land for development projects and construction are sources of concern, market conditions remain favorable because of very strong demand in many categories of real estate. The primary reasons are Japan's low interest rates due to monetary easing, growing demand for stores and hotels because of the increasing number of foreign tourists and other reasons, and the higher profitability due to declining vacancy rates at office buildings in major cities.

During the first quarter, there were many activities for achieving the targets of the business plan and becoming a provider of a comprehensive line of real estate services.

Net sales decreased 52.4% year on year to 3,813 million yen, with operating profit of 306 million yen (down 65.6%), ordinary profit of 6 million yen (down 98.8%), and a loss of 20 million yen, compared with a 331 million yen profit one year earlier.

The first quarter loss was caused by income taxes of 26 million yen, which was mainly the result of additional taxes assessed on undistributed earnings. We believe this additional tax will be revised because Legal Corp. is expected to become exempt from this tax during the current fiscal year. This exemption is expected because of the December 20, 2019 issuance of restricted stock as remuneration for directors (except outside directors), the expected exercise of stock acquisition rights, and the planned issuance of restricted stock as remuneration for employees.

Business segment performance was as follows:

1) Real Estate Solutions

Segment sales decreased 56.6% to 3,122 million yen and earnings decreased 56.7% to 350 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.

Although properties were sold as planned, first quarter sales and earnings were lower than one year earlier because most property sales are expected to close in the second quarter and especially in the fourth quarter of the current fiscal year.

Orders received were generally as expected in relation to the outlook for sales. First quarter orders totaled 9,439 million yen and the order backlog at the end of the first quarter was 7,103 million yen.

2) Real Estate Leasing

Segment sales decreased 26.4% to 483 million yen and earnings were down 30.2% to 224 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 quarter, 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 32.3% to 207 million yen and earnings were 14 million yen, compared with 1 million yen one year earlier. 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 51,864 million yen, 3,447 million yen higher than at end of the previous fiscal year.

Current assets increased 2,164 million yen to 41,810 million yen. The main changes in current assets were a 4,742 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 2,343 million yen decrease in real estate for sale because of the sale of this real estate.

Non-current assets increased 1,283 million yen to 10,053 million yen. Buildings increased 854 million yen and land increased 353 million yen because of new purchases and the reclassification due to the change in the purpose of ownership.

Liabilities

Total liabilities increased 3,474 million yen to 48,241 million yen.

Current liabilities increased 9,229 million yen to 22,010 million yen. Current portion of long-term borrowings increased 8,360 million yen because of transfer from long-term borrowings and short-term borrowings increased 806 million yen.

Non-current liabilities decreased 5,754 million yen to 26,230 million yen. The main reason was the 5,713 million yen decrease in long-term borrowings mainly because of transfer to current portion of long-term borrowings.

Net assets

Total net assets decreased 27 million yen to 3,622 million yen. This was mainly due to loss of 20 million yen and dividends of surplus of 14 million yen. The equity ratio decreased to 7.0% 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 performance of this business in the same quarter of 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. Because first quarter performance was generally consistent with the plan that reflects this outlook, there is no change in the full year sales and earnings forecasts announced on September 13, 2019.

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

	(Thousands of yen)	
	FY7/19 (As of Jul. 31, 2019)	First quarter of FY7/20 (As of Oct. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,054,026	916,614
Trade accounts receivable	129,300	136,972
Real estate for sale	18,486,617	16,143,404
Real estate for sale in process	19,511,235	24,253,998
Other	467,839	362,442
Allowance for doubtful accounts	(2,681)	(2,940)
Total current assets	39,646,337	41,810,493
Non-current assets		
Property, plant and equipment		
Buildings, net	3,463,792	4,318,019
Land	4,749,132	5,102,190
Other, net	39,596	39,967
Total property, plant and equipment	8,252,521	9,460,177
Intangible assets	42,168	40,118
Investments and other assets	475,763	553,328
Total non-current assets	8,770,453	10,053,625
Total assets	48,416,791	51,864,118
Liabilities		
Current liabilities		
Trade accounts payable	270,235	215,832
Short-term borrowings	8,193,869	9,000,066
Current portion of bonds	53,000	53,000
Current portion of long-term borrowings	2,893,037	11,253,374
Income taxes payable	273,293	130,922
Provision for bonuses	32,672	52,156
Other	1,065,142	1,305,411
Total current liabilities	12,781,250	22,010,763
Non-current liabilities		
Bonds payable	102,000	88,000
Long-term borrowings	31,274,989	25,561,467
Other	608,576	581,322
Total non-current liabilities	31,985,565	26,230,790
Total liabilities	44,766,816	48,241,554
Net assets		
Shareholders' equity		
Share capital	651,924	655,524
Capital surplus	561,924	565,524
Retained earnings	2,436,125	2,401,514
Total shareholders' equity	3,649,975	3,622,564
Total net assets	3,649,975	3,622,564
Total liabilities and net assets	48,416,791	51,864,118

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

	(Thousands of yen)	
	First three months of FY7/19 (Aug. 1, 2018 – Oct. 31, 2018)	First three months of FY7/20 (Aug. 1, 2019 – Oct. 31, 2019)
Net sales	8,009,138	3,813,760
Cost of sales	6,183,340	2,803,462
Gross profit	1,825,797	1,010,298
Selling, general and administrative expenses	935,986	704,030
Operating profit	889,811	306,268
Non-operating income		
Interest income	30	41
Dividend income	35	151
Insurance claim income	534	2,448
Surrender value of insurance policies	304	28,944
Other	829	612
Total non-operating income	1,733	32,197
Non-operating expenses		
Interest expenses	271,150	294,452
Commission expenses	40,311	34,849
Other	16,804	2,463
Total non-operating expenses	328,267	331,764
Ordinary profit	563,277	6,700
Profit before income taxes	563,277	6,700
Income taxes-current	306,567	118,718
Income taxes-deferred	(74,582)	(91,832)
Total income taxes	231,985	26,886
Profit (loss)	331,292	(20,185)

(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.