

Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2019

[Japanese GAAP]

September 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 Annual General Meeting of Shareholders: October 30, 2019

Scheduled date of payment of dividend: October 31, 2019

Scheduled date of filing of Annual Securities Report: October 31, 2019

Preparation of supplementary materials for financial results: None

Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2019 (August 1, 2018 to July 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	%
Fiscal year ended Jul. 31, 2019	23,727	23.1	2,318	22.9	1,118	29.8	694	18.9
Fiscal year ended Jul. 31, 2018	19,263	29.7	1,885	35.4	861	22.3	584	22.8

	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, 2019	259.74	249.32	25.4	2.3	9.7
Fiscal year ended Jul. 31, 2018	292.03	-	38.4	2.1	9.7

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jul. 31, 2019: - Fiscal year ended Jul. 31, 2018: -

Notes: 1. Legal Corp. conducted a 100-for-1 common stock split on December 15, 2017. Net income per share is calculated as if this stock split had taken place at the beginning of the fiscal year ended July 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 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.

3. Diluted net income per share for the fiscal year ended July 31, 2018 is not shown. Although there were common stock equivalents, it is not possible to determine an average stock price because the stock of Legal Corp. was not listed.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jul. 31, 2019	48,416	3,649	7.5	1,265.07
As of Jul. 31, 2018	46,599	1,817	3.9	908.86

Reference: Shareholders' equity (millions of yen) As of Jul. 31, 2019: 3,649 As of Jul. 31, 2018: 1,817

(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, 2019	(1,999)	(282)	2,296	489
Fiscal year ended Jul. 31, 2018	(7,798)	(5,285)	12,826	476

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividends on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jul. 31, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Jul. 31, 2019	-	0.00	-	5.00	5.00	14	1.9	0.5
Fiscal year ending Jul. 31, 2020 (forecasts)	-	0.00	-	-	-		-	

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

3. Earnings Forecast for the Fiscal Year Ending July 31, 2020 (August 1, 2019 to 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	264.96

Note: Only the full-year forecast is shown from the fiscal year ending July 31, 2020 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, 2019:	2,885,200 shares	As of Jul. 31, 2018:	2,000,000 shares
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- 2) Number of treasury shares as of the end of the period

As of Jul. 31, 2019:	- shares	As of Jul. 31, 2018:	- shares
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- 3) Average number of outstanding shares during the period

Fiscal year ended Jul. 31, 2019:	2,674,398 shares	Fiscal year ended Jul. 31, 2018:	2,000,000 shares
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Note: Legal Corp. conducted a 100-for-1 common stock split on December 15, 2017. The number of shares outstanding is calculated as if this stock split had taken place at the beginning of the fiscal year ended July 31, 2018.

* 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, 2020 is diluted to reflect outstanding share acquisition rights.

Legal Corp. plans to hold an information meeting about results of operations for institutional investors and analysts on September 18, 2019. Materials to be distributed at this event will be posted on the Legal Corp. website immediately afterward.

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1. Overview of Results of Operations

(1) Results of Operations

The slow recovery of the Japanese economy continued during the fiscal year ended July 31, 2019 mainly due to an upturn in consumer spending backed by improvements in the labor market and personal income as the Japanese government and Bank of Japan used a variety of actions to support the economy. However, slowing economic growth in China, U.S.-China trade friction still with no end in sight, political instability in Europe and other sources of uncertainty involving the global economy and policies as well as the direction of financial and capital markets make the outlook unclear.

In Japan's real estate industry, there is no reason for an optimism about the outlook. One reason is the decline in public trust in the real estate sector caused by improper loans by some financial institutions for the purchase of residential properties by investors. But the 2020 Tokyo Olympics and Paralympics and the 2025 World Expo to be held in Osaka will help invigorate Japan's real estate market. Furthermore, low interest rates are likely to raise the level of interest in making real estate investments. As a result, Japan's real estate market will probably remain firm for the next several years.

On October 23, 2018, Legal Corp. stock was listed on the Mothers Market of the Tokyo Stock Exchange. The listing creates an even stronger base for more improvements in financial soundness. In addition, as a publicly owned company, Legal Corp. is in a better position to achieve business plan performance targets and become a provider of comprehensive line of real estate services.

Net sales increased 23.1% year on year to 23,727 million yen, with operating profit of 2,318 million yen (up 22.9%), ordinary profit of 1,118 million yen (up 29.8%), and profit of 694 million yen (up 18.9%).

Business segment performance was as follows:

1) Real Estate Solutions

Segment sales increased 27.4% to 20,806 million yen and earnings increased 54.8% to 2,184 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 sales of some properties planned for the current fiscal year were pushed back to the next fiscal year, sales of properties were strong because of the consistently high level of interest in our real estate for sale. In addition, there were substantial profits on some properties that were sold at prices higher than expected. The result was growth in this segment's sales and earnings.

2) Real Estate Leasing

Segment sales decreased 1.6% to 2,226 million yen and earnings were down 9.3% to 944 million yen. This segment is a source of consistent income that is primarily income 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 in the previous fiscal year because of sales of real estate for sale 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 2.5% to 695 million yen and earnings fell 78.2% to 29 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 services.

In the nursing care business, a newly opened location has performed well and the occupancy rates at other locations were high. However, sales in this segment increased but earnings decreased because there was a large brokerage transaction in the real estate consulting business in the previous fiscal year that had a large profit margin.

(2) Financial Position

1) Assets

Total assets were 48,416 million yen, 1,816 million yen higher than at end of the previous fiscal year.

Current assets increased 1,727 million yen to 39,646 million yen. The main changes in current assets were an 8,954 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 7,266 million yen decrease in real estate for sale because of the sale of this real estate.

Non-current assets increased 88 million yen to 8,770 million yen. Land increased 505 million yen and buildings increased 280 million yen because of new purchases and the reclassification of some real estate for sale as real estate for ownership. In addition, buildings decreased 460 million yen and land decreased 230 million yen because of the change in the purpose of owning some properties to real estate for sale.

2) Liabilities

Total liabilities decreased 15 million yen to 44,766 million yen.

Current liabilities decreased 2,614 million yen to 12,781 million yen. Short-term loans payable increased 857 million yen. Due to the repayment of loans associated with the decline in real estate for sale as properties were sold, the current portion of long-term loans payable decreased 2,744 million yen and advances received in conjunction with sales of real estate for sale decreased 1,119 million yen.

Non-current liabilities increased 2,599 million yen to 31,985 million yen. The main reason was the 3,146 million yen increase in long-term loans payable for real estate purchases.

3) Net assets

Total net assets increased 1,832 million yen to 3,649 million yen. Capital stock and capital surplus each increased 561 million yen because of the public offering of stock and third-party allocation of stock in conjunction with the new stock listing. The fiscal year profit of 694 million yen also contributed to the increase in net assets. The equity ratio increased to 7.5% from 3.9% at the end of the previous fiscal year.

Starting with the beginning of the fiscal year ended July 31, 2019, Legal Corp. is applying Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year increased 13 million yen from the end of the previous fiscal year to 489 million yen.

Cash flows from operating activities

Net cash used in operating activities was 1,999 million yen, compared with 7,798 million yen used in the previous fiscal year. Major positive factors include profit before income taxes of 1,118 million yen. Major negative factors include an increase in inventories of 1,617 million yen and a decrease in advances received of 1,119 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 282 million yen, compared with 5,285 million yen used in the previous fiscal year. Major positive factors include proceeds from withdrawal of time deposits of 369 million yen. Major negative factors include purchase of property, plant and equipment (mainly real estate for leasing) of 347 million yen and payments into time deposits of 75 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 2,296 million yen, compared with 12,826 million yen provided in the previous fiscal year. Major positive factors include proceeds from long-term loans payable of 13,778 million yen and proceeds from issuance of common shares of 1,123 million yen. Major negative factors include repayments of long-term loans payable of 13,376 million yen.

(4) Outlook

Improper loans provided by some financial institutions for the purchase of residences by investors has damaged public trust in the entire real estate industry. There may be a variety of negative impacts on the real estate market as a result. However, activities involving the 2020 Tokyo Olympics and Paralympics and the 2025 World Expo in Osaka are likely to invigorate the real estate market. Furthermore, there are benefits from the high level of spending by foreign tourists in Japan and from low interest rates resulting from monetary easing. Interest in making real estate investments is still very strong even as investors become more selective. We believe that these trends affecting Japan's real estate market will continue.

Due to Japan's aging population, a period of an immense transfer of assets to the next generation is about to begin. We plan to continue performing many activities involving the development of Legaland, our core product that is sold mainly in Tokyo. We also plan to conduct residential development projects in the Kansai area.

There is an enormous volume of spending by foreign tourists in Osaka. To help meet demand associated with these tourists, we plan to develop hotels using our Legasta brand and other brands and to continue expanding our minpaku (short-term stays in residences) business, which uses our Legalie minpaku condominium brand and other activities. To help meet the demand for office space in Tokyo and Osaka, we plan to develop office buildings using a number of business models. One is the leasing of semi-finished office space that tenants can quickly start using after performing very few additional remodeling. In addition, we plan to expand businesses using collaboration with partners in order to combine a broad range of knowledge. Our goal is to establish competitively superior positions in all of our businesses as we closely monitor market conditions and social trends.

We forecast net sales of 34,163 million yen (up 43.9% year on year), operating profit of 2,504 million yen (up 8.0%), ordinary profit of 1,152 million yen (up 3.0%), and profit of 766 million yen (up 10.3%) for the fiscal year ending July 31, 2020.

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)	
	FY7/18 (As of Jul. 31, 2018)	FY7/19 (As of Jul. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,198,678	1,054,026
Operating accounts receivable	104,718	129,300
Real estate for sale	25,753,607	18,486,617
Real estate for sale in process	10,556,512	19,511,235
Advance payments-trade	60,615	306,104
Prepaid expenses	84,485	155,888
Other	162,670	5,846
Allowance for doubtful accounts	(2,764)	(2,681)
Total current assets	37,918,524	39,646,337
Non-current assets		
Property, plant and equipment		
Buildings, net	3,659,034	3,463,792
Machinery and equipment, net	5,290	4,586
Tools, furniture and fixtures, net	4,526	10,232
Land	4,474,603	4,749,132
Leased assets, net	34,079	24,776
Total property, plant and equipment	8,177,535	8,252,521
Intangible assets		
Software	5,675	40,501
Other	168	1,667
Total intangible assets	5,843	42,168
Investments and other assets		
Investments in capital	39,671	39,431
Long-term prepaid expenses	251,028	175,145
Deferred tax assets	83,677	67,720
Other	123,697	193,466
Total investments and other assets	498,075	475,763
Total non-current assets	8,681,454	8,770,453
Total assets	46,599,978	48,416,791

	(Thousands of yen)	
	FY7/18	FY7/19
	(As of Jul. 31, 2018)	(As of Jul. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	225,461	270,235
Short-term loans payable	7,336,500	8,193,869
Current portion of bonds	78,000	53,000
Current portion of long-term loans payable	5,637,384	2,893,037
Lease obligations	10,579	9,539
Accounts payable-other	40,791	62,791
Accrued expenses	372,241	650,233
Income taxes payable	265,564	273,293
Advances received	1,131,585	12,040
Deposits received	157,172	86,967
Unearned revenue	96,954	49,222
Provision for bonuses	43,481	32,672
Other	-	194,346
Total current liabilities	15,395,717	12,781,250
Non-current liabilities		
Bonds payable	155,000	102,000
Long-term loans payable	28,128,412	31,274,989
Lease obligations	27,187	18,073
Other	1,075,935	590,502
Total non-current liabilities	29,386,535	31,985,565
Total liabilities	44,782,252	44,766,816
Net assets		
Shareholders' equity		
Capital stock	90,000	651,924
Capital surplus		
Legal capital surplus	-	561,924
Total capital surpluses	-	561,924
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,741,480	2,436,125
Total retained earnings	1,741,480	2,436,125
Total shareholders' equity	1,831,480	3,649,975
Valuation and translation adjustments		
Deferred gains or losses on hedges	(13,754)	-
Total valuation and translation adjustments	(13,754)	-
Total net assets	1,817,726	3,649,975
Total liabilities and net assets	46,599,978	48,416,791

(2) Non-consolidated Statement of Income

	(Thousands of yen)	
	FY7/18	FY7/19
	(Aug. 1, 2017 – Jul. 31, 2018)	(Aug. 1, 2018 – Jul. 31, 2019)
Net sales		
Real estate sales	16,322,254	20,805,813
Rent income	2,176,286	2,124,931
Other sales	764,926	797,218
Net sales	19,263,467	23,727,964
Cost of sales		
Cost of sales-real estate	13,500,620	16,664,677
Rent cost	912,499	953,904
Other cost	450,365	680,842
Total cost of sales	14,863,485	18,299,424
Gross profit	4,399,981	5,428,539
Selling, general and administrative expenses	2,514,333	3,109,941
Operating profit	1,885,648	2,318,597
Non-operating income		
Interest income	95	396
Dividend income	816	908
Insurance income	911	11,398
Insurance premiums refunded cancellation	1,360	37,211
Settlement received	16,817	-
Other	4,253	6,926
Total non-operating income	24,254	56,841
Non-operating expenses		
Interest expenses	869,938	1,053,230
Commission expenses	170,638	180,043
Other	7,666	23,361
Total non-operating expenses	1,048,243	1,256,635
Ordinary profit	861,659	1,118,803
Extraordinary losses		
Loss on retirement of non-current assets	4,735	-
Impairment loss	1,196	-
Total extraordinary losses	5,931	-
Profit before income taxes	855,727	1,118,803
Income taxes-current	402,070	414,261
Income taxes-deferred	(130,406)	9,898
Total income taxes	271,663	424,159
Profit	584,064	694,644

(3) Non-consolidated Statement of Changes in Equity

FY7/18 (Aug. 1, 2017 – Jul. 31, 2018)

(Thousands of yen)

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other retained earnings				
			Retained earnings brought forward				
Balance at beginning of current period	90,000	-	1,157,416	1,247,416	(25,532)	(25,532)	1,221,884
Changes of items during period							
Issuance of new shares				-			-
Profit			584,064	584,064			584,064
Net changes of items other than shareholders' equity					11,777	11,777	11,777
Total changes of items during period	-	-	584,064	584,064	11,777	11,777	595,842
Balance at end of current period	90,000	-	1,741,480	1,831,480	(13,754)	(13,754)	1,817,726

FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)

(Thousands of yen)

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

(4) Non-consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY7/18	FY7/19
	(Aug. 1, 2017 – Jul. 31, 2018)	(Aug. 1, 2018 – Jul. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	855,727	1,118,803
Depreciation	255,774	201,180
Impairment loss	1,196	-
Increase (decrease) in allowance for doubtful accounts	2,443	(82)
Interest and dividend income	(911)	(1,305)
Interest expenses	869,938	1,053,230
Commission expenses	170,638	180,043
Decrease (increase) in notes and accounts receivable-trade	(58,405)	(24,581)
Decrease (increase) in inventories	(9,978,354)	(1,617,205)
Increase (decrease) in notes and accounts payable-trade	(138,488)	44,773
Decrease (increase) in long-term prepaid expenses	(14,557)	75,883
Increase (decrease) in guarantee deposits received	126,268	(471,035)
Increase (decrease) in advances received	919,828	(1,119,544)
Increase (decrease) in accounts payable-other	20,958	22,000
Increase (decrease) in accrued expenses	117,181	271,127
Other, net	200,269	(219,697)
Subtotal	(6,650,492)	(486,409)
Interest and dividend income received	911	1,304
Interest expenses paid	(878,967)	(1,051,215)
Income taxes paid	(270,323)	(462,973)
Net cash provided by (used in) operating activities	(7,798,872)	(1,999,293)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,895,131)	(347,056)
Payments into time deposits	(471,119)	(75,000)
Proceeds from withdrawal of time deposits	108,607	369,009
Payments for investments in capital	(4,110)	(2,310)
Other, net	(23,755)	(227,490)
Net cash provided by (used in) investing activities	(5,285,509)	(282,847)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,675,498	857,369
Proceeds from long-term loans payable	17,201,024	13,778,600
Repayments of long-term loans payable	(6,087,533)	(13,376,369)
Proceeds from issuance of bonds	100,000	-
Redemption of bonds	(53,000)	(78,000)
Proceeds from issuance of common shares	-	1,123,849
Repayments of lease obligations	(9,644)	(9,368)
Net cash provided by (used in) financing activities	12,826,344	2,296,080
Net increase (decrease) in cash and cash equivalents	(258,037)	13,938
Cash and cash equivalents at beginning of period	734,053	476,016
Cash and cash equivalents at end of period	476,016	489,955

(5) Notes to Non-consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Reclassifications

Changes Caused by the Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

Starting with the beginning of the fiscal year ended July 31, 2019, Legal Corp. is applying Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities are included in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

As a result, deferred tax assets of 131 million yen in current assets and deferred tax liabilities of 48 million yen in non-current liabilities that were included in the previous fiscal year's balance sheet have been combined and reclassified as deferred tax assets of 83 million yen in investments and other assets.

Non-consolidated Statement of Income

Insurance income, which was included in other under non-operating income in the previous fiscal year, is presented separately beginning with the fiscal year ended July 31, 2019 since the amount exceeded 10% of non-operating income. To conform to this change, the financial statements for the previous fiscal year have been reclassified.

As a result, other of 5 million yen that was included in non-operating income in the previous fiscal year's non-consolidated statement of income has been reclassified and divided into insurance income of 911 thousand yen and other of 4 million yen.

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 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

FY7/18 (Aug. 1, 2017 – Jul. 31, 2018)

(Thousands of yen)

	Reportable segment			Others (Note)	Total
	Real Estate Solutions	Real Estate Leasing	Subtotal		
Net sales					
Sales to external customers	16,322,254	2,263,103	18,585,358	678,108	19,263,467
Inter-segment sales and transfers	-	-	-	-	-
Total	16,322,254	2,263,103	18,585,358	678,108	19,263,467
Segment profit	1,411,038	1,041,013	2,452,052	136,158	2,588,211
Ordinary profit	-	-	1,461,823	136,278	1,598,101
Segment assets	-	-	44,776,013	60,236	44,836,249
Other items					
Depreciation	-	-	242,621	-	242,621
Increase in property, plant and equipment and intangible assets	-	-	4,895,843	-	4,895,843

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

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.

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

(Thousands of yen)

Net sales	FY7/18	FY7/19
Total for reportable segments	18,585,358	23,032,818
Net sales in "Others"	678,108	695,146
Elimination of inter-segment transactions	-	-
Net sales in financial statements	19,263,467	23,727,964

(Thousands of yen)

Profit	FY7/18	FY7/19
Total for reportable segments	2,452,052	3,128,610
Profit in "Others"	136,158	29,596
Elimination of inter-segment transactions	-	-
Corporate expenses (Note)	(702,563)	(839,609)
Operating profit in financial statements	1,885,648	2,318,597

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

(Thousands of yen)

Assets	FY7/18	FY7/19
Total for reportable segments	44,776,013	46,733,374
Assets in "Others"	60,236	85,967
Corporate assets (Note)	1,763,728	1,597,448
Total assets in financial statements	46,599,978	48,416,791

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

(Thousands of yen)

Other items	Total for reportable segments		Others		Adjustment (Note)		Amounts shown on financial statements	
	FY7/18	FY7/19	FY7/18	FY7/19	FY7/18	FY7/19	FY7/18	FY7/19
Depreciation	242,621	187,737	-	107	13,153	13,335	255,774	201,180
Increase in property, plant and equipment and intangible assets	4,895,843	789,731	-	867	17,604	50,515	4,913,447	841,114

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)

	FY7/18 (Aug. 1, 2017 – Jul. 31, 2018)	FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)
Net assets per share	908.86	1,265.07
Net income per share	292.03	259.74
Diluted net income per share	-	249.32

Notes: 1. Legal Corp. conducted a 100-for-1 common stock split on December 15, 2017. Net assets per share and net income per share are calculated as if this stock split had taken place at the beginning of FY7/18.

2. Diluted net income per share for FY7/18 is not shown. Although there were common stock equivalents, it is not possible to determine an average stock price because the stock of Legal Corp. was not listed.

3. 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.

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

(Thousands of yen)

	FY7/18 (Aug. 1, 2017 – Jul. 31, 2018)	FY7/19 (Aug. 1, 2018 – Jul. 31, 2019)
Net income per share		
Profit	584,064	694,644
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	584,064	694,644
Average number of common shares outstanding during the period (Shares)	2,000,000	2,674,398
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (Shares)	-	111,807
[of which, share acquisition rights (Shares)]	[-]	[111,807]
Common stock equivalents not included in the calculation of diluted net income per share because there was no dilutive effect	2 types of share acquisition rights (147,500 common shares if all rights are exercised)	-

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.