

1. Qualitative Information on Financial Results

(1) Operating Results

In the first nine months of the fiscal year ending May 31, 2021, the Japanese economy showed signs of recovery through some indicators, such as capital investment. However, due to factors such as an additional state of emergency issued in response to the COVID-19 pandemic, these signs did not dispel concerns regarding possible downturns in economic activity. Consequently, the economic conditions continued to be severe and uncertain.

This uncertain economic environment presented a great opportunity for the LIKE Group to reaffirm the social significance of its businesses. Precisely due to the link between the growth of our businesses and the resolution of social issues, we believe that we can become a corporate group that is truly indispensable to society. In accordance with this belief, we turned our focus toward business management.

Placing top priority on the safety and security of the children and patients who enter them, we endeavored to conduct strong management of childcare and nursing care facilities that constitute essential social infrastructure, including on-site childcare facilities at hospitals, companies, and other institutions; licensed nurseries and after-school clubs for schoolchildren; and paid nursing homes. Our efforts to this end were grounded in collaboration with government agencies and local municipalities and included the thorough implementation of a variety of measures aimed at mitigating the spread of infectious diseases. Additionally, we recognized once again that the mobile phone, manufacturing and logistics, call center, childcare and nursing care, and construction industries are essential to our daily lives. Accordingly, we contributed to expansion in the working population and continued to support indispensable industries such as these by facilitating matches between jobseekers and corporate clients aiming to maintain their labor forces.

Due to the close connection between our businesses and the issues facing society at large, we are confident that our efforts to improve the substance of the value we provide and expand our businesses will contribute to both the resolution of these social issues and the achievement of a sustainable society.

Moving forward, we will continue aspiring to become an indispensable corporate group that plays an essential role at every stage of life (from the cradle to the happy twilight years) in accordance with our Group philosophy, "...planning the future: developing people and creating the future." At the same time, through the Child-Rearing Support Service business, the Comprehensive Human Resources Service business, and the Nursing Care-Related Service business, we will focus on operating childcare and nursing care facilities that are continuously favored by customers for their high-quality services while also expanding the working population by supporting diverse forms of employment. Additionally, in response to the prevailing unstable environment and to provide reassurance to society, we will expand our operations and accordingly strive to resolve social issues related to nursery waiting lists, participation of women in the workforce, labor shortages, the creation of employment, and circumstances that require workers to leave their jobs to care for elderly family members.

In our Comprehensive Human Resources Service business, sales declined in the fashion (apparel and cosmetics) and manufacturing (for inbound tourists) industries, and sales promotion events were cancelled due to the spread of COVID-19. However, we shifted our focus to other industries that are indispensable to society in the fourth quarter of the previous fiscal year, and our earnings were therefore not affected by these trends.

As a result, net sales in the nine months ended February 28, 2021 totaled 39,265 million yen (+4.8% year on year), operating profit was 1,820 million yen (+38.4%), and ordinary profit came to 2,674 million yen (+84.2%). Profit attributable to owners of parent amounted to 1,431 million yen (+110.2%).

Finally, following a tender offer for the shares of consolidated subsidiary LIKE Kids, Inc., we acquired all shares in the company on August 28, 2020, and converted the company into a wholly owned subsidiary.

Segment Results

Child-Rearing Support Service Business

Through the Child-Rearing Support Service business, we deliver corresponding services that are increasingly becoming a part of our social infrastructure, as they involve caring for children of healthcare professionals and others who support social infrastructure, even during states of emergency.

As of April 1, 2020, the number of children on nursery waiting lists was the lowest it has been since relevant authorities began collecting data on the subject. However, in December 2020, the Japanese Ministry of Health, Labour and Welfare released its New Child-Rearing Security Plan, which aims to make childcare services available for approximately 140,000 additional children during the four-year period spanning from FY2021 to FY2024. In accordance with this plan, our consolidated subsidiaries, LIKE Kids, Inc. and LIKE Academy, Inc., continue to focus on opening new childcare facilities. On April 1, 2021, we launched operations at 17 new facilities, opening eight licensed nurseries, five child centers, three in-hospital childcare facilities, and one company-led childcare facility in Tokyo and Kanagawa.

In response to the ongoing shortage of nursery teachers, we are appropriately collaborating with consolidated subsidiary

LIKE Staffing, Inc. to strengthen our recruiting capabilities. In addition, we are striving to establish comfortable working environments in accordance with our belief in the importance of retaining staff members who are currently employed at facilities operated by LIKE Academy, Inc.

Consequently, sales in the nine months ended February 28, 2021 came to 18,360 million yen (+12.5% year on year), and operating profit was 675 million yen (+65.2%).

Comprehensive Human Resources Service Business

In the Comprehensive Human Resources Service business, the spread of COVID-19 has reaffirmed our view that the mobile phone, manufacturing and logistics, call center, childcare and nursing care, and construction industries—the main business areas pursued by our consolidated subsidiaries, LIKE Staffing, Inc. and LIKE Works, Inc.—support social infrastructure.

In the mobile phone industry, demand for human resources capable of performing in-store sales promotion activities and providing follow-up services remains at a high level as price competition between telecommunications carriers intensifies. Demand for human resources at call centers has also risen following announcements regarding new services from telecommunications carriers and efforts targeting a shift toward online procedures. Meanwhile, in the logistics industry, sales continued to grow due to demand generated by the trend of consumers remaining at home during the COVID-19 pandemic. In response to chronic manpower shortages in the childcare and nursing care industries, we are utilizing the facility management expertise of our consolidated subsidiaries, LIKE Kids, Inc., LIKE Academy, Inc., and LIKE Care, Inc., to develop our recruitment capabilities as we continue to find employment for qualified human resources.

In addition, we continued to develop new businesses to serve as growth drivers, with a focus on expanding our services for the construction industry and our employment support services for non-Japanese workers. We began promoting these services prior to the fiscal year ended May 31, 2020.

To ensure the availability of services for the construction industry, which continues to incur sweeping impact from Japan's aging population, we are recruiting construction managers, site supervisors (assistants), on-site administrative staff, and building information modeling (BIM) and computer-aided design (CAD) operators. Demand for aspiring young workers who have solid communication skills but little work experience and wish to gain such experience is increasing in the construction industry. Under these circumstances, our designated “experts,” who as freshly recruited new college graduates decided on and developed career goals while gaining work experience within the LIKE Group, are actively contributing on a substantial scale.

Turning to employment support services for non-Japanese workers, while our operations in this area have been affected by the COVID-19 pandemic, our Group has hired over 140 foreign nationals from more than 20 countries as full-time employees. In addition, we have aided foreign workers in their immigration to Japan and their search for employment by assisting them in obtaining the Specified Skilled Workers status of residence (established in April 2019) for over one year. At present, a total of 10 such workers have found employment in Japan. We plan to leverage our expertise as a leading company in our areas of business in an effort to help facilitate the acceptance of foreign workers by a larger number of companies once immigration conditions return to normal. To this end, we are promoting employment support in the nursing care and construction industries, where demand for workers is outstripping supply, focusing particularly on foreign nationals who have earlier study or work experience in Japan.

In January 2021, the Japanese government declared a second state of emergency in response to the COVID-19 pandemic. Despite these conditions, performance from services for the manufacturing and logistics, call center, and construction industries held fast, and sales in the nine months ended February 28, 2021 amounted to 15,214 million yen (-3.3% year on year), while operating profit came to 1,412 million yen (+18.4%).

Nursing Care-Related Service Business

In the Nursing Care-Related Service business, our consolidated subsidiary, LIKE Care, Inc., has continued to operate paid nursing homes and other facilities notable for their strong collaboration within medical fields in Kanagawa, Tokyo, and Saitama. Staff stationed at these facilities provide end-of-life care with round-the-clock nursing support. Accordingly, these facilities have maintained high occupancy rates even during the COVID-19 pandemic, providing living quarters to many individuals who are in need of intensive nursing care and for whom receiving nursing care at home is prohibitively difficult.

Additionally, preparations for the opening of our new Sunrise Villa Yokohama Higashiterao facility progressed smoothly, resulting in the establishment's successful opening on March 1, 2021.

As a result of the above, sales in the nine months ended February 28, 2021 totaled 5,452 million yen (+5.0% year on year), and operating profit amounted to 281 million yen (+31.4%).

Other

In the multimedia services business, we operate a mobile phone store serving as an antenna shop for the mobile phone industry

as part of the Comprehensive Human Resources Service business. Sales in the nine months ended February 28, 2021 came to 237 million yen (-1.7% year on year), and operating profit was 28 million yen (+35.3%).

(2) Financial Position

As of February 28, 2021, total assets stood at 34,968 million yen, down 4,856 million yen from May 31, 2020. Total net assets amounted to 10,079 million yen, down 4,075 million yen. The shareholders' equity ratio increased 3.5 percentage points from May 31, 2020 to 28.8%.

Current assets

Current assets came to 13,580 million yen, down 6,037 million yen from May 31, 2020. This was mainly the result of a 4,416 million yen decrease in cash and deposits associated with repayments of short-term borrowings and a 613 million yen decline in notes and accounts receivable-trade.

Non-current assets

Non-current assets amounted to 21,388 million yen, up 1,181 million yen from May 31, 2020. This mainly reflected a 1,570 million yen rise in property, plant and equipment connected with new nursery openings in the Child-Rearing Support Service business, while goodwill fell 333 million yen due to amortization.

Current liabilities

As of February 28, 2021, current liabilities totaled 11,030 million yen, down 5,396 million yen from May 31, 2020, primarily reflecting a 5,650 million yen decrease in short-term borrowings.

Non-current liabilities

Non-current liabilities stood at 13,858 million yen, up 4,615 million yen from May 31, 2020. This was attributable mainly to a 3,796 million yen rise in long-term borrowings and an 822 million yen increase in lease obligations.

Net assets

As of February 28, 2021, net assets totaled 10,079 million yen, down 4,075 million yen from May 31, 2020. This was primarily the result of the booking of 1,431 million yen in profit attributable to owners of parent, 552 million yen in dividends paid, and a 4,071 million yen decline in non-controlling interests following the acquisition of all shares in consolidated subsidiary LIKE Kids, Inc. on August 28, 2020. Also, capital surplus fell 957 million yen following a change in ownership interest of parent due to transactions with shareholders with non-controlling interests.

(3) Consolidated Earnings Forecast and Other Forward-Looking Statements

We revised profit projections in our consolidated earnings forecast for the fiscal year ending May 31, 2021 upward, partly in response to positive impact generated by our focus on improving profits in the Child-Rearing Support Service business through concentration on receiving orders, and conducting management, appropriately conducive to overall profitability. Also driving this upward revision were a decline in outsourcing expenses and other costs of sales that accompanied the adoption of new living patterns and a decrease in SG&A expenses resulting from improved hiring efficiency.

For more details, please see our April 12, 2021 press release entitled, "Notice concerning upward revisions to our full-year consolidated earnings forecast and year-end dividend forecast."

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Year ended May 31, 2020 (As of May 31, 2020)	First nine months of year ending May 31, 2021 (As of February 28, 2021)
Assets		
Current assets		
Cash and deposits	13,092,211	8,675,933
Notes and accounts receivable—trade	4,258,075	3,644,862
Merchandise	5,924	6,765
Raw materials and supplies	6,373	10,998
Other	2,261,722	1,247,648
Allowance for doubtful accounts	(6,343)	(6,202)
Total current assets	19,617,965	13,580,007
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,153,945	11,090,825
Machinery, equipment and vehicles, net	8,957	6,648
Leased assets, net	1,352,688	2,263,462
Construction in progress	243,310	1,043,843
Other, net	587,805	512,032
Total property, plant and equipment	13,346,707	14,916,813
Intangible assets		
Goodwill	1,405,206	1,072,157
Other	149,627	126,215
Total intangible assets	1,554,833	1,198,372
Investments and other assets		
Investment securities	655,844	696,381
Shares of subsidiaries and associates	53,000	53,000
Long-term loans receivable	1,003,634	965,829
Guarantee deposits	2,510,328	2,540,803
Deferred tax assets	721,082	719,990
Other	380,223	310,487
Allowance for doubtful accounts	(18,613)	(13,098)
Total investments and other assets	5,305,499	5,273,392
Total non-current assets	20,207,040	21,388,578
Total assets	39,825,005	34,968,586

(Thousands of yen)

	Year ended May 31, 2020 (As of May 31, 2020)	First nine months of year ending May 31, 2021 (As of February 28, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	94,444	113,091
Short-term borrowings	7,800,000	2,150,000
Current portion of long-term borrowings	2,404,908	2,597,242
Accounts payable–other	3,263,193	3,284,338
Income taxes payable	868,397	702,750
Accrued consumption taxes	562,647	411,512
Provision for bonuses	668,131	478,718
Provision for shareholder benefit program	21,980	5,403
Other	743,765	1,287,745
Total current liabilities	16,427,467	11,030,803
Non-current liabilities		
Long-term borrowings	5,878,137	9,675,054
Deferred tax liabilities	102,046	112,320
Asset retirement obligations	638,754	663,626
Move-in security deposits received	976,753	901,610
Retirement benefit liability	302,413	337,600
Lease obligations	1,289,646	2,112,344
Other	54,933	55,604
Total non-current liabilities	9,242,684	13,858,161
Total liabilities	25,670,152	24,888,964
Net assets		
Shareholders' equity		
Share capital	1,512,605	1,527,770
Capital surplus	1,087,224	144,913
Retained earnings	7,979,605	8,858,161
Treasury shares	(740,897)	(740,897)
Total shareholders' equity	9,838,536	9,789,947
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	251,464	294,130
Remeasurements of defined benefit plans	(6,916)	(4,858)
Total accumulated other comprehensive income	244,547	289,271
Share acquisition rights	721	402
Non-controlling interests	4,071,047	—
Total net assets	14,154,853	10,079,621
Total liabilities and net assets	39,825,005	34,968,586

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

First nine months of the fiscal year ending May 31, 2021

(Thousands of yen)

	First nine months of year ended May 31, 2020 (From June 1, 2019 to February 29, 2020)	First nine months of year ending May 31, 2021 (From June 1, 2020 to February 28, 2021)
Net sales	37,483,962	39,265,401
Cost of sales	31,758,517	32,925,219
Gross profit	5,725,444	6,340,182
Selling, general and administrative expenses	4,410,459	4,519,808
Operating profit	1,314,984	1,820,373
Non-operating income		
Interest income	6,918	5,250
Dividend income	13,755	10,941
Gain on investments in investment partnerships	41,021	4,860
Facilities subsidy income	102,033	879,963
Other	24,303	29,051
Total non-operating income	188,032	930,066
Non-operating expenses		
Interest expenses	33,122	52,207
Loss on investments in investment partnerships	400	2,184
Donations	11	17,119
Subsidy refund amount	12,108	—
Other	4,826	4,050
Total non-operating expenses	50,470	75,561
Ordinary profit	1,452,546	2,674,878
Extraordinary income		
Gain on sales of non-current assets	48	—
Gain on sales of investment securities	135,524	61,029
Other	14	35
Total extraordinary income	135,588	61,065
Extraordinary losses		
Loss on sales of non-current assets	30	—
Loss on retirement of non-current assets	4,467	9,551
Head office relocation expenses	98,688	—
Total extraordinary losses	103,186	9,551
Profit before income taxes	1,484,948	2,726,392
Income taxes	613,476	1,067,992
Profit	871,471	1,658,399
Profit attributable to non-controlling interests	190,690	227,361
Profit attributable to owners of parent	680,781	1,431,037

Quarterly Consolidated Statement of Comprehensive Income
First nine months of the fiscal year ending May 31, 2021

(Thousands of yen)

	First nine months of year ended May 31, 2020 (From June 1, 2019 to February 29, 2020)	First nine months of year ending May 31, 2021 (From June 1, 2020 to February 28, 2021)
Profit	871,471	1,658,399
Other comprehensive income		
Valuation difference on available-for-sale securities	(71,461)	42,656
Remeasurements of defined benefit plans, net of tax	(747)	2,473
Total other comprehensive income	(72,208)	45,129
Comprehensive income	799,263	1,703,528
Comprehensive income attributable to:		
Owners of parent	608,930	1,475,761
Non-controlling interests	190,332	227,766

(3) Notes to Quarterly Consolidated Financial Statements

Notes Regarding Assumption of a Going Concern

There are no applicable matters to report.

Notes on Significant Changes in the Amount of Shareholders' Equity

There are no applicable matters to report.

Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements

Tax expenses are calculated by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax-effect accounting to estimated profit before income taxes for the fiscal year ending May 31, 2021, including the first nine months under review.

However, in cases where calculating tax expenses using an estimated effective tax rate yields a result that is notably lacking rationality, tax expenses are calculated using the statutory effective tax rate.