1. Overview of Operating Results

(1) Operating Results

In the fiscal year ended May 31, 2021, the Japanese economy continued to face harsh conditions. Despite some signs of recovery, the impact of COVID-19 on the global and domestic economies was substantial. Accordingly, the LIKE Group must continue to monitor the spread of this disease with a sense of caution.

Despite the difficulties of forecasting performance under such circumstances, the situation has provided a major opportunity for the Group to reaffirm the social significance of its business.

Each of the Group's businesses is closely related to social issues, such as 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. We are confident that improving the quality of the value we provide and expanding our business will contribute to the resolution of social issues and the realization of a sustainable society.

Going forward, based on its Group philosophy, "… planning the future: developing people and creating the future," the LIKE Group will continue aiming to become a corporate group that is truly indispensable to the world through the provision of high-quality services in the Child-Rearing Support Service, Comprehensive Human Resources Service, and Nursing Care-Related Service businesses. At the same time, we will focus on expanding the working population in an aging society with a declining birthrate by supporting diverse forms of employment.

As a result, net sales in the fiscal year ended May 31, 2021 totaled ¥54,274 million (+6.3% year on year), operating profit was ¥3,610 million (+80.5%), and ordinary profit came to ¥5,341 million (+31.3%). Profit attributable to owners of parent amounted to ¥3,262 million (+81.9%).

Further, 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

In the Child-Rearing Support Service business, although the number of children on nursery waiting lists is declining, the problem is still serious, especially in the Tokyo metropolitan area. Amid the promotion of national policies aimed at providing openings in nurseries, such as the Child-Rearing Security Plan launched in fiscal 2018 and the New Child-Rearing Security Plan launched in fiscal 2021, we continued to operate licensed nurseries and after-school clubs, and conducted outsourced operation of on-site childcare facilities, including company-led nurseries located at hospitals, companies, and universities.

As the industry faces a shortage of nursery teachers, we sought to strengthen our recruiting capabilities in conjunction with consolidated subsidiary LIKE Staffing, Inc. and retain staff working at these childcare facilities. In the fiscal year under review, we opened 12 new licensed nurseries (two in June 2020, two in October 2020, and eight in April 2021).

As a result, sales came to ¥26,396 million (+14.9% year on year), and operating profit was ¥2,118 million (+311.9%).

The substantial increase in profit was due to our focus on improving profitability in this business through an emphasis on accepting orders and managing the business in a manner conducive to ensuring appropriate profits. We also focused on reducing outsourcing expenses and other costs of sales accompanying lifestyle changes. Furthermore, we lowered SG&A expenses through more efficient hiring practices.

Comprehensive Human Resources Service Business

In the Comprehensive Human Resources Service business, as the working population shrinks in Japan due to declining birthrates and an aging population, in the industry supporting social infrastructure, which is our main business domain, securing human resources is an important management issue. The LIKE Group made efforts to increase working populations in the mobile phone, logistics and manufacturing, call center, childcare and nursing care, and construction industries—business domains pursued by consolidated subsidiaries LIKE Staffing, Inc. and LIKE Works, Inc.

In the mobile phone industry, price competition has intensified among carriers following the market entry of a fourth mobile carrier in April 2020 and the Action Plan for Creating a Fair Competitive Environment for the Mobile Market promoted by the Japanese government since October 2020. The spread of COVID-19 led to scheduled sales promotion events being canceled, but demand increased for human resources at stores for after-sales follow-up support as well as at home electronics mass retailers, which are the main location for purchasing mobile phones. In addition, the demand for human resources at call centers was booming as each company announced new plans and took steps to move services online. Sales in the logistics industry grew thanks to the positive impact on demand resulting from staying home under the spread of COVID-19. In the childcare and nursing care industries, where human resource shortages are increasing, we are reviewing our in-house sales system, linking the facilities management expertise of consolidated subsidiaries LIKE Kids, Inc., LIKE Academy, Inc., and LIKE Care, Inc. with recruitment capabilities to strengthen human resource employment introductions.

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 foreign nationals. 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. Despite the postponement of new construction starts due to the spread of COVID-19 and the resulting lull in hiring activities, demand for human resources recovered in the second half of the fiscal year. In addition to hiring young people who are inexperienced yet ambitious in the industry, the number of qualified and experienced people has grown, resulting in higher average wages and increased sales. Further, through aggressive sales activities, we are steadily cultivating new clients, and the number of inquiries from companies seeking human resources is increasing.

Regarding employment support services for foreign nationals, the Group has employed more than 140 full-time foreign nationals from more than 20 countries of origin. In addition, more than 15 workers who obtained the Specified Skilled Workers status of residence (established in April 2019) are currently working and playing active roles in nursing care facilities operated by the Group and other companies. Despite being affected by the spread of COVID-19, we will actively hire foreign nationals in Japan to provide employment support in the nursing care and construction industries where demand for workers is outstripping supply. We are working to create comfortable working environments, including support for daily life, so that more companies will be able to accept these workers effortlessly when immigration becomes normalized.

Although a state of emergency was declared three times during the fiscal year ended May 31, 2021, we made steady progress in services for the logistics and manufacturing, call center, and construction industries. As a result, sales came to ¥20,301 million (-2.5% year on year), and operating profit was ¥1,922 million (+1.0%).

Nursing Care-Related Service Business

In the Nursing Care-Related Service business, consolidated subsidiary LIKE Care, Inc. operates assisted-living paid nursing homes in the Tokyo Metropolitan area comprising Kanagawa, Tokyo, and Saitama, where large numbers of people aged 65 or older reside. Leveraging strong collaborations with medical institutions, 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, Sunrise Villa Yokohama Higashiterao was opened on March 1, 2021, where occupancy rates are steadily increasing due to the good location and a flexible admittance system that considers the degree of care required by each resident.

As a result of the above, sales in the fiscal year ended May 31, 2021 totaled ¥7,252 million (+3.8% year on year), and operating profit amounted to ¥347 million (+16.7%).

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 fiscal year ended May 31, 2021 were ¥322 million (+5.4% year on year), and operating profit was ¥39 million (+22.5%).

(2) Financial Position

As of May 31, 2021, total assets stood at ¥37,711 million, down ¥2,113 million from May 31, 2020. Total net assets amounted to ¥11,940 million, down ¥2,214 million. The shareholders' equity ratio increased 6.4 percentage points from May 31, 2020, to 31.7%.

Current assets

Current assets as of May 31, 2021 came to ¥16,126 million, down ¥3,491 million from May 31, 2020. This was mainly the result of a ¥3,555 million decrease in cash and deposits due to repayments of short-term borrowings.

Non-current assets

Non-current assets as of May 31, 2021 amounted to ¥21,584 million, up ¥1,377 million from May 31, 2020. This mainly reflected a ¥1,722 million increase in property, plant and equipment following new nursery openings in the Child-Rearing Support Service business and a ¥444 million decrease in goodwill due to amortization.

Current liabilities

As of May 31, 2021, current liabilities stood at ¥11,215 million, down ¥5,212 million from May 31, 2020. This was attributable primarily to a ¥6,400 million decrease in short-term borrowings, partially offset by increases of ¥455 million in current portion of long-term borrowings and ¥308 million in income taxes payable.

Non-current liabilities

Non-current liabilities as of May 31, 2021 amounted to ¥14,555 million, up ¥5,312 million from May 31, 2020. This mainly reflected increases of ¥4,400 million in long-term borrowings and ¥907 million in lease obligations.

Net assets

As of May 31, 2021, net assets totaled ¥11,940 million, down ¥2,214 million from May 31, 2020. This was due primarily to ¥552 million in dividends paid, a ¥4,071 million decrease in non-controlling interests following the acquisition of all shares in consolidated subsidiary LIKE Kids, Inc. on August 28, 2020, and a ¥957 million decrease in capital surplus following a change in ownership interest of parent due to transactions with non-controlling interests, which offset the booking of ¥3,262 million in profit attributable to owners of parent.

(3) Overview of Cash Flows

As of May 31, 2021, cash and cash equivalents were ¥9,516 million, down ¥3,555 million from May 31, 2020. This was mainly because of positive factors, including the booking of profit before income taxes, were outweighed by negative factors such as income taxes paid, purchase of property, plant and equipment, net reductions in short-term borrowings, repayments of long-term borrowings, and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥5,695 million (+65.0% year on year). The primary sources of cash include ¥5,354 million in profit before income taxes, ¥1,247 million in depreciation, and ¥444 million in amortization of goodwill, while the main use of cash was ¥1,837 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥1,806 million (-50.6% year on year). This mainly reflected cash inflows of ¥85 million in proceeds from sales and redemption of short-term and long-term investment securities, and cash outflows of ¥1,934 million for purchase of property, plant and equipment accompanying the opening of new facilities in the Child-Rearing Support Service business.

Cash Flows from Financing Activities

Net cash used by financing activities amounted to ¥7,444 million (versus ¥5,667 million provided in these activities in the previous fiscal year). The main source of cash was ¥7,116 million in proceeds from long-term borrowings, while cash outflows primarily reflected ¥6,400 million net decrease in short-term borrowings, ¥2,259 million in repayments of long-term borrowings, ¥5,256 million in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, and ¥552 million in dividends paid.

(Reference) Cash Flow Indicators

	Year ended May 31, 2017	Year ended May 31, 2018	Year ended May 31, 2019	Year ended May 31, 2020	Year ended May 31, 2021
Shareholders' equity ratio (%)	26.6	28.1	29.3	25.3	31.7
Shareholders' equity ratio on a market value basis (%)	117.3	144.6	77.1	76.7	107.7
Ratio of interest-bearing debt to cash flow (years)	3.2	2.5	3.1	5.0	3.0
Interest coverage ratio (x)	53.6	83.6	76.9	70.1	79.9

Shareholders' equity ratio: shareholders' equity / total assets

Shareholders' equity ratio on a market value basis: market capitalization / total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest payments

(Note 1) Each indicator is calculated based on consolidated financial figures.

(Note 2) Market capitalization is calculated on the basis of the number of shares outstanding (excluding treasury shares).

(Note 3) Cash flow reflects net cash provided by (used in) operating activities.

(Note 4) Interest-bearing debt is the sum of all liabilities shown on the consolidated balance sheet for which interest is paid.

(Note 5) The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standard Board of Japan [ASBJ] Statement No. 28 issued on February 16, 2018) was applied from the beginning of the fiscal year ended May 31, 2019. The partially amended standard was retrospectively applied to financial figures for the fiscal year ended May 31, 2018.

(4) Outlook

The COVID-19 pandemic has created a stark delineation between economic winners and losers. As companies, we have been faced with the fundamental question of whether our products and services are truly essential to society.

Addressing this question, we have realized that the businesses the LIKE Group undertakes align closely with social issues, that by expanding our business we can help resolve these problems, and that we can thereby help to create a sustainable society. Having confirmed our importance to society, we also recognize that we will face an even greater responsibility to meet society's needs.

Based on our Group philosophy, "...planning the future: developing people and creating the future," we will push forward with businesses and do our best to be a corporate group that is truly indispensable to the world.

Looking at market trends in the Child-Rearing Support Service business, the number of children on waiting lists for nurseries is declining. Still, the problem remains serious, especially in the Tokyo metropolitan area. Demographic trends suggest that no easy resolution to this problem exists. In an effort to swiftly resolve the issue of children remaining on nursery waiting lists, the Ministry of Health, Labour and Welfare has announced its New Child-Rearing Security Plan. The plan outlines the creation of new space for approximately 140,000 children during the four years from fiscal 2021 through fiscal 2024. As of April 2021, the job offer-to-applicant ratio for nursery teachers was 2.04x, compared with an average of 1.04x for all professions. These high figures suggest that a persistent shortage of nursery teachers is an urgent problem.

Given these circumstances, in the Child-Rearing Support Service business we plan to proactively open new nurseries—approximately 10 licensed nurseries in the fiscal year ending May 31, 2022. To ensure sufficient nursery teachers, we will foster intra-Group synergies with the Comprehensive Human Resources Service business, aiming to recruit superior talent and boost the quality of care. We also plan to address the low ratio of for-profit companies within our industry through vigorous M&A. In this way, we aim to accelerate organizational growth beyond the organic growth we can achieve by leveraging internal resources.

Market trends in the Comprehensive Human Resources Service business are characterized by the market entry of a fourth mobile carrier, rising demand for call center personnel as the e-commerce market expands, and the launch of operations at large-scale logistics facilities. The nursing care and construction industries are expected to face labor shortages in the hundreds of thousands. To fill these gaps, we anticipate demand to employ foreign nationals and expect to see sharp growth in the markets we serve.

Against this backdrop, within the Comprehensive Human Resources Service business (the Group's original business) we will focus on the mobile phone industry, which is a core business domain. At the same time, we will further invest management resources in promising areas where demand for human resources is robust, including logistics and manufacturing, nursing care, construction, and areas that employ foreign nationals. By sharpening our focus of investments in growth markets, we aim to expand business dramatically.

The market surrounding the Nursing Care-Related Service business is characterized by accelerating aging. The number of people aged 75 or older is forecast to rise, with the number of people aged 65 or older increasing in Japan’s major cities. Accordingly, we expect demand for nursing care to rise, particularly in the Tokyo metropolitan area. Meanwhile, the country is likely to face a major shortage in care workers to meet this demand. We expect this situation to arise as a social issue, with Japan being unable to meet such demand through domestic talent alone.

As a result, in the Nursing Care-Related Service business we plan to continue opening new facilities, particularly assisted-living paid nursing homes, in response to rising demand for nursing care in the Tokyo metropolitan area. As one way to address this situation, we will work in concert with the Comprehensive Human Resources Service business to address the shortage of care workers by introducing large numbers of foreign nationals. We will begin by accumulating expertise as we accelerate the introduction of foreign nationals with specified skills at facilities in Japan. We will seek to maximize Group synergies in other ways, as well.

In the multimedia services business, we aim to step up sales while remaining attentive to synergies with the Comprehensive Human Resources Service business.

Through these business activities, in the fiscal year ending May 31, 2022, the LIKE Group aims to deliver consolidated net sales of ¥57,500 million (+5.9% year on year), operating profit of ¥3,800 million (+5.3%), ordinary profit of ¥5,500 million (+3.0%), and profit attributable to owners of parent of ¥3,300 million (+1.2%).

We aim to enhance our corporate value by strengthening our financial position and reinvesting profits into businesses. Our dividend policy targets a consolidated payout ratio of roughly 30% and calls for active and timely profit distributions by issuing dividends twice a year through interim and year-end dividends.

For the fiscal year ended May 31, 2021, we have set annual dividends at ¥50 per share, consisting of an interim dividend of ¥15 per share (already paid) and a projected year-end dividend of ¥35 per share for a consolidated payout ratio of 29.2%.

In line with our target of maintaining a consolidated dividend payout ratio of 30%, for the fiscal year ending May 31, 2022, we intend to award an interim dividend of ¥26 per share and a year-end dividend of ¥26 per share.

2. Basic Policy Regarding Selection of Accounting Standards

The LIKE Group applies the Japanese Generally Accepted Accounting Principles (J-GAAP), as the majority of its stakeholders are domestic shareholders, creditors, and business partners, and the Group has little need to raise capital overseas.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	13,092,211	9,536,239
Notes and accounts receivable–trade	4,258,075	4,879,908
Merchandise	5,924	7,966
Raw materials and supplies	6,373	11,013
Other	2,261,722	1,698,578
Allowance for doubtful accounts	(6,343)	(6,790)
Total current assets	19,617,965	16,126,916
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,886,392	16,290,701
Accumulated depreciation	(3,713,780)	(4,449,196)
Accumulated impairment loss	(18,666)	(18,666)
Buildings and structures, net	11,153,945	11,822,838
Machinery, equipment and vehicles	30,970	34,124
Accumulated depreciation	(22,012)	(15,510)
Machinery, equipment and vehicles, net	8,957	18,614
Leased assets	1,579,342	2,699,016
Accumulated depreciation	(226,654)	(337,068)
Leased assets, net	1,352,688	2,361,948
Construction in progress	243,310	323,545
Other	1,562,553	1,765,186
Accumulated depreciation	(969,018)	(1,217,641)
Accumulated impairment loss	(5,729)	(5,729)
Other, net	587,805	541,816
Total property, plant and equipment	13,346,707	15,068,762
Intangible assets		
Goodwill	1,405,206	961,140
Other	149,627	123,089
Total intangible assets	1,554,833	1,084,230
Investments and other assets		
Investment securities	655,844	687,689
Shares of subsidiaries and associates	53,000	46,000
Long-term loans receivable	1,003,634	947,649
Guarantee deposits	2,510,328	2,550,002
Deferred tax assets	721,082	870,719
Other	380,223	365,286
Allowance for doubtful accounts	(18,613)	(36,129)
Total investments and other assets	5,305,499	5,431,219
Total non-current assets	20,207,040	21,584,212
Total assets	39,825,005	37,711,128

(Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	94,444	107,541
Short-term borrowings	7,800,000	1,400,000
Current portion of long-term borrowings	2,404,908	2,860,367
Accounts payable–other	3,263,193	3,161,189
Income taxes payable	868,397	1,176,613
Accrued consumption taxes	562,647	438,323
Provision for bonuses	668,131	771,523
Provision for shareholder benefit program	21,980	35,034
Other	743,765	1,264,581
Total current liabilities	16,427,467	11,215,174
Non-current liabilities		
Long-term borrowings	5,878,137	10,279,089
Deferred tax liabilities	102,046	122,761
Asset retirement obligations	638,754	696,215
Move-in security deposits received	976,753	861,390
Retirement benefit liability	302,413	337,305
Lease obligations	1,289,646	2,197,413
Other	54,933	60,983
Total non-current liabilities	9,242,684	14,555,158
Total liabilities	25,670,152	25,770,333
Net assets		
Shareholders' equity		
Share capital	1,512,605	1,531,661
Capital surplus	1,087,224	148,804
Retained earnings	7,979,605	10,689,557
Treasury shares	(740,897)	(740,985)
Total shareholders' equity	9,838,536	11,629,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	251,464	315,522
Remeasurements of defined benefit plans	(6,916)	(4,093)
Total accumulated other comprehensive income	244,547	311,429
Share acquisition rights	721	328
Non-controlling interests	4,071,047	—
Total net assets	14,154,853	11,940,795
Total liabilities and net assets	39,825,005	37,711,128

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

Consolidated Statement of Income

(Thousands of yen)

	Year ended May 31, 2020 (June 1, 2019 to May 31, 2020)	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)
Net sales	51,072,226	54,274,116
Cost of sales	42,688,421	44,496,010
Gross profit	8,383,805	9,778,105
Selling, general and administrative expenses		
Salaries, remuneration and allowances	1,687,341	1,661,986
Provision for bonuses	115,622	134,055
Amortization of goodwill	449,065	444,065
Recruiting and education expenses	1,109,707	914,834
Rent expenses	619,812	646,027
Taxes and dues	991,512	971,107
Provision for shareholder benefit program	21,980	35,583
Other	1,388,599	1,360,153
Total selling, general and administrative expenses	6,383,640	6,167,812
Operating profit	2,000,165	3,610,293
Non-operating income		
Interest income	8,744	6,896
Dividend income	22,335	17,285
Gain on investments in investment partnerships	41,021	4,860
Facilities subsidy income	2,018,652	1,783,024
Other	35,179	40,313
Total non-operating income	2,125,933	1,852,380
Non-operating expenses		
Interest expenses	47,615	70,525
Donations	—	17,119
Loss on investments in investment partnerships	518	2,431
Provision of allowance for doubtful accounts	—	19,366
Other	10,049	11,905
Total non-operating expenses	58,183	121,349
Ordinary profit	4,067,915	5,341,324
Extraordinary income		
Gain on sales of investment securities	140,221	61,029
Gain on sales of non-current assets	81	1,268
Other	14	36
Total extraordinary income	140,317	62,334
Extraordinary losses		
Loss on sales of non-current assets	30	—
Loss on retirement of non-current assets	7,366	11,853
Loss on valuation of shares of subsidiaries and associates	—	6,999
Loss on valuation of investment securities	—	30,065
Head office relocation expenses	145,051	—
Total extraordinary losses	152,448	48,918
Profit before income taxes	4,055,784	5,354,739
Income taxes–current	1,442,444	2,014,999
Income taxes–deferred	(91,872)	(150,054)
Total income taxes	1,350,571	1,864,944
Profit	2,705,212	3,489,794
Profit attributable to non-controlling interests	912,164	227,361
Profit attributable to owners of parent	1,793,048	3,262,433

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Year ended May 31, 2020 (June 1, 2019 to May 31, 2020)	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)
Profit	2,705,212	3,489,794
Other comprehensive income		
Valuation difference on available-for-sale securities	(80,018)	64,048
Remeasurements of defined benefit plans, net of tax	(22,614)	3,238
Total other comprehensive income	(102,632)	67,286
Comprehensive income	2,602,580	3,557,081
Comprehensive income attributable to:		
Owners of parent	1,701,705	3,329,315
Non-controlling interests	900,874	227,766

(3) Consolidated Statement of Changes in Equity

Year ended May 31, 2020 (June 1, 2019 to May 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,490,807	1,065,439	6,717,915	(740,801)	8,533,361
Changes during period					
Issuance of new shares–exercise of share acquisition rights	21,797	21,797			43,595
Dividends of surplus			(531,359)		(531,359)
Profit attributable to owners of parent			1,793,048		1,793,048
Purchase of treasury shares				(96)	(96)
Purchase of treasury shares of consolidated subsidiaries		(13)			(13)
Net changes in items other than shareholders' equity					
Total changes during period	21,797	21,784	1,261,689	(96)	1,305,175
Balance at end of period	1,512,605	1,087,224	7,979,605	(740,897)	9,838,536

(Thousands of yen)

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	331,476	4,413	335,890	1,145	3,170,235	12,040,632
Changes during period						
Issuance of new shares–exercise of share acquisition rights						43,595
Dividends of surplus						(531,359)
Profit attributable to owners of parent						1,793,048
Purchase of treasury shares						(96)
Purchase of treasury shares of consolidated subsidiaries						(13)
Net changes in items other than shareholders' equity	(80,012)	(11,330)	(91,342)	(424)	900,811	809,044
Total changes during period	(80,012)	(11,330)	(91,342)	(424)	900,811	2,114,220
Balance at end of period	251,464	(6,916)	244,547	721	4,071,047	14,154,853

Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,512,605	1,087,224	7,979,605	(740,897)	9,838,536
Changes during period					
Issuance of new shares–exercise of share acquisition rights	19,055	19,055			38,111
Dividends of surplus			(552,481)		(552,481)
Profit attributable to owners of parent			3,262,433		3,262,433
Purchase of treasury shares				(87)	(87)
Purchase of treasury shares of consolidated subsidiaries		(53)			(53)
Change in ownership interest of parent due to transactions with non-controlling interests		(957,422)			(957,422)
Net changes in items other than shareholders' equity					
Total changes during period	19,055	(938,419)	2,709,951	(87)	1,790,500
Balance at end of period	1,531,661	148,804	10,689,557	(740,985)	11,629,037

(Thousands of yen)

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	251,464	(6,916)	244,547	721	4,071,047	14,154,853
Changes during period						
Issuance of new shares–exercise of share acquisition rights						38,111
Dividends of surplus						(552,481)
Profit attributable to owners of parent						3,262,433
Purchase of treasury shares						(87)
Purchase of treasury shares of consolidated subsidiaries						(53)
Change in ownership interest of parent due to transactions with non-controlling interests						(957,422)
Net changes in items other than shareholders' equity	64,058	2,823	66,881	(392)	(4,071,047)	(4,004,558)
Total changes during period	64,058	2,823	66,881	(392)	(4,071,047)	(2,214,057)
Balance at end of period	315,522	(4,093)	311,429	328	—	11,940,795

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Year ended May 31, 2020 (June 1, 2019 to May 31, 2020)	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)
Cash flows from operating activities		
Profit before income taxes	4,055,784	5,354,739
Depreciation	1,043,575	1,247,218
Amortization of goodwill	449,065	444,065
Loss (gain) on valuation of investment securities	—	30,065
Increase (decrease) in allowance for doubtful accounts	(426)	17,962
Increase (decrease) in provision for bonuses	28,566	103,391
Interest and dividend income	(31,079)	(24,181)
Loss (gain) on sales of investment securities	(140,221)	(61,029)
Facilities subsidy income	(2,018,652)	(1,783,024)
Decrease (increase) in trade receivables	(462,984)	(621,833)
Increase (decrease) in trade payables	(30,248)	13,097
Increase (decrease) in accounts payable–other	291,614	(99,214)
Increase (decrease) in move-in security deposits received	80,625	(115,363)
Decrease (increase) in prepaid expenses	(58,266)	(15,909)
Increase (decrease) in accrued consumption taxes	528,298	44,085
Decrease (increase) in consumption taxes refund receivable	(3,926)	(5,358)
Other, net	(609,313)	576,954
Subtotal	3,122,411	5,105,665
Interest and dividends received	31,285	24,182
Interest paid	(49,241)	(71,258)
Income taxes paid	(1,014,941)	(1,837,224)
Subsidies received	1,361,285	2,473,702
Net cash provided by (used in) operating activities	3,450,799	5,695,067
Cash flows from investing activities		
Proceeds from sales and redemption of short-term and long-term investment securities	442,509	85,298
Payments into time deposits	(20,000)	(20,000)
Proceeds from withdrawal of time deposits	20,000	20,000
Purchase of property, plant and equipment	(3,707,172)	(1,934,585)
Proceeds from sales of property, plant and equipment	306	5,363
Purchase of intangible assets	(74,141)	(14,382)
Payments of guarantee deposits	(459,990)	(123,890)
Proceeds from refund of guarantee deposits	64,502	84,216
Other, net	78,802	91,190
Net cash provided by (used in) investing activities	(3,655,183)	(1,806,788)

(Thousands of yen)

	Year ended May 31, 2020 (June 1, 2019 to May 31, 2020)	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,750,000	(6,400,000)
Repayments of long-term borrowings	(1,459,005)	(2,259,927)
Proceeds from long-term borrowings	2,900,000	7,116,338
Proceeds from issuance of shares resulting from exercise of share acquisition rights	43,186	37,755
Dividends paid	(530,701)	(552,414)
Dividends paid to non-controlling interests	(160)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(5,256,222)
Other, net	(35,394)	(129,781)
Net cash provided by (used in) financing activities	5,667,925	(7,444,251)
Net increase (decrease) in cash and cash equivalents	5,463,541	(3,555,972)
Cash and cash equivalents at beginning of period	7,608,670	13,072,211
Cash and cash equivalents at end of period	13,072,211	9,516,239