1. Qualitative Information on Financial Results

(1) Operating Results

In the first three months of the fiscal year ending May 31, 2022, the Japanese economy continued to face harsh conditions. Despite some signs of recovery, including progress in COVID-19 vaccinations and a gradual pickup in consumer spending, new developments such as the surge of infections in Japan caused by the spread of COVID-19 variants prompted the issuance of a fourth state of emergency declaration. Accordingly, the LIKE Group must continue to monitor the spread of this disease with a sense of caution as the possibility of a further economic downturn remains.

Despite the uncertainties brought about by these circumstances, the situation has provided an opportunity for the Group to reaffirm the social significance and responsibilities of each of its businesses.

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 three months ended August 31, 2021 totaled ¥13,500 million (+2.6% year on year), operating profit was ¥758 million (-9.6%), and ordinary profit came to ¥1,009 million (-7.2%). Profit attributable to owners of parent amounted to ¥631 million (+50.4%).

Segment Results

Child-Rearing Support Service Business

Although the number of births in Japan in 2020 was the lowest on record owing to the impact of the COVID-19 pandemic, there is high interest in childcare-related policies, with discussions over the establishment of the Children's Agency taking place in the open debate between the candidates for the leadership of the Liberal Democratic Party, and all candidates in favor of doubling the budget for childcare programs. Against this backdrop, in the Child-Rearing Support Service business we focused on securing nursery teachers with an edge over our competitors, which is essential for us to provide excellent services, through close collaboration with our consolidated subsidiary, LIKE Staffing, Inc. At the same time, even as COVID-19 had spread among the younger generation, we proactively continued operations of 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, while taking thorough infection prevention measures in line with guidance from local governments and client companies. In the three months ended August 31, 2021, school lunch and other costs rose owing to normalized attendance at childcare facilities, compared to the three months ended August 31, 2020, when utilization rates fell due to voluntary restraint in attendance.

As a result, sales came to ¥6,468 million (+4.2% year on year), and operating profit was ¥375 million (-8.7%).

Comprehensive Human Resources Service Business

Securing human resources is an important management issue in industries supporting social infrastructure, which are our main business domains, as the working population shrinks in Japan due to declining birthrates and an aging population. In the Comprehensive Human Resources Service business, 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, carriers introduced new pricing plans as price competition intensified 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. This has in turn led to higher demand for human resources at carrier stores to explain mobile phone service plans, help with the registration process, and provide after-sales follow-up support, as well as at home electronics mass retailers, which are the main location for purchasing mobile phones. However, the skill level demanded by carriers for dispatched staff is becoming increasingly sophisticated each year, making it equally difficult to secure human resources. In addition, the demand for human resources at call centers was booming as each company took steps to move their registration processes online. Sales in the logistics industry grew thanks to strong demand for human resources as large logistics facilities began operations one after another across Japan to support the expanding e-commerce market. 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 our staffing services.

In addition, we continued to develop 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 have promoted these services for the last few years.

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. In particular, we are focusing on training BIM and CAD operators by enhancing our training program. 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, despite being affected by the spread of COVID-19, we strive to hire foreign nationals in Japan to provide employment support in the nursing care industry where demand for workers is outstripping supply. We are also 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.

In the three months ended August 31, 2021, there were no orders for administrative work related to benefit payments, which had emerged on a one-time basis due to the spread of COVID-19 in the same period of the previous fiscal year.

As a result, sales came to ¥5,104 million (+0.8% year on year), and operating profit was ¥424 million (-19.5%).

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, many of 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 three months ended August 31, 2021 totaled ¥1,864 million (+2.5% year on year), and operating profit amounted to ¥116 million (+18.4%).

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 three months ended August 31, 2021 were ¥63 million (-13.4% year on year), and the operating loss was less than ¥1 million (operating profit of ¥6 million in the three months ended August 31, 2020).

(2) Financial Position

As of August 31, 2021, total assets stood at ¥36,456 million, down ¥1,254 million from May 31, 2021. Total net assets amounted to ¥11,898 million, down ¥42 million. The shareholders' equity ratio increased 0.9 percentage points from May 31, 2021, to 32.6%.

Current assets

Current assets as of August 31, 2021 came to ¥15,358 million, down ¥768 million from May 31, 2021. This was mainly the result of a ¥1,266 million decrease in notes and accounts receivable–trade, and contract assets.

Non-current assets

Non-current assets as of August 31, 2021 amounted to ¥21,097 million, down ¥486 million from May 31, 2021. This mainly reflected decreases of ¥289 million in property, plant and equipment and ¥111 million in goodwill due to amortization.

Current liabilities

As of August 31, 2021, current liabilities stood at ¥10,386 million, down ¥828 million from May 31, 2021. This was attributable primarily to decreases of ¥794 million in income taxes payable and ¥282 million in provision for bonuses.

Non-current liabilities

Non-current liabilities as of August 31, 2021 amounted to ¥14,171 million, down ¥383 million from May 31, 2021. This mainly reflected decreases of ¥327 million in long-term borrowings and ¥40 million in lease obligations.

Net assets

As of August 31, 2021, net assets totaled ¥11,898 million, down ¥42 million from May 31, 2021. This was due primarily to ¥668 million in dividends paid, which offset the booking of ¥631 million in profit attributable to owners of parent.

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

We have made no changes to our consolidated earnings forecast for the fiscal year ending May 31, 2022 released on July 12, 2021.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of May 31, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	9,536,239	10,498,881
Notes and accounts receivable–trade	4,879,908	—
Notes and accounts receivable–trade, and contract assets	—	3,613,548
Merchandise	7,966	7,910
Raw materials and supplies	11,013	10,774
Other	1,698,578	1,234,524
Allowance for doubtful accounts	(6,790)	(7,165)
Total current assets	16,126,916	15,358,474
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,822,838	11,903,096
Machinery, equipment and vehicles, net	18,614	16,981
Leased assets, net	2,361,948	2,329,019
Construction in progress	323,545	22,910
Other, net	541,816	506,970
Total property, plant and equipment	15,068,762	14,778,978
Intangible assets		
Goodwill	961,140	850,124
Other	123,089	115,035
Total intangible assets	1,084,230	965,160
Investments and other assets		
Investment securities	687,689	664,049
Shares of subsidiaries and associates	46,000	46,000
Long-term loans receivable	947,649	931,343
Guarantee deposits	2,550,002	2,536,328
Deferred tax assets	870,719	862,212
Other	365,286	349,635
Allowance for doubtful accounts	(36,129)	(35,725)
Total investments and other assets	5,431,219	5,353,845
Total non-current assets	21,584,212	21,097,984
Total assets	37,711,128	36,456,459

(Thousands of yen)

	As of May 31, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	107,541	111,445
Short-term borrowings	1,400,000	1,400,000
Current portion of long-term borrowings	2,860,367	2,994,542
Accounts payable–other	3,161,189	3,220,071
Income taxes payable	1,176,613	382,101
Accrued consumption taxes	438,323	508,227
Provision for bonuses	771,523	489,459
Provision for shareholder benefit program	35,034	15,276
Other	1,264,581	1,265,288
Total current liabilities	11,215,174	10,386,413
Non-current liabilities		
Long-term borrowings	10,279,089	9,951,993
Deferred tax liabilities	122,761	114,082
Asset retirement obligations	696,215	697,674
Move-in security deposits received	861,390	862,865
Retirement benefit liability	337,305	327,367
Lease obligations	2,197,413	2,157,085
Other	60,983	60,912
Total non-current liabilities	14,555,158	14,171,982
Total liabilities	25,770,333	24,558,395
Net assets		
Shareholders' equity		
Share capital	1,531,661	1,532,235
Capital surplus	148,804	149,379
Retained earnings	10,689,557	10,652,575
Treasury shares	(740,985)	(741,087)
Total shareholders' equity	11,629,037	11,593,102
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	315,522	295,783
Remeasurements of defined benefit plans	(4,093)	8,859
Total accumulated other comprehensive income	311,429	304,642
Share acquisition rights	328	317
Total net assets	11,940,795	11,898,063
Total liabilities and net assets	37,711,128	36,456,459

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

Quarterly Consolidated Statement of Income

First three months of the fiscal year ending May 31, 2022

(Thousands of yen)

	Three months ended August 31, 2020 (June 1, 2020 to August 31, 2020)	Three months ended August 31, 2021 (June 1, 2021 to August 31, 2021)
Net sales	13,163,408	13,500,462
Cost of sales	10,774,622	11,347,156
Gross profit	2,388,785	2,153,306
Selling, general and administrative expenses	1,550,077	1,394,815
Operating profit	838,708	758,490
Non-operating income		
Interest income	1,758	1,644
Dividend income	2,101	516
Gain on investments in investment partnerships	268	9,457
Facilities subsidy income	254,824	251,686
Other	9,195	7,440
Total non-operating income	268,148	270,745
Non-operating expenses		
Interest expenses	16,961	18,772
Donations	11	212
Other	2,028	553
Total non-operating expenses	19,001	19,539
Ordinary profit	1,087,854	1,009,697
Extraordinary income		
Gain on reversal of share acquisition rights	14	—
Total extraordinary income	14	—
Extraordinary losses		
Loss on retirement of non-current assets	660	0
Total extraordinary losses	660	0
Profit before income taxes	1,087,208	1,009,697
Income taxes	439,923	378,109
Profit	647,285	631,587
Profit attributable to non-controlling interests	227,361	—
Profit attributable to owners of parent	419,924	631,587

Quarterly Consolidated Statement of Comprehensive Income

First three months of the fiscal year ending May 31, 2022

(Thousands of yen)

	Three months ended August 31, 2020 (June 1, 2020 to August 31, 2020)	Three months ended August 31, 2021 (June 1, 2021 to August 31, 2021)
Profit	647,285	631,587
Other comprehensive income		
Valuation difference on available-for-sale securities	(41,290)	(19,739)
Remeasurements of defined benefit plans, net of tax	831	12,953
Total other comprehensive income	(40,458)	(6,786)
Comprehensive income	606,827	624,801
Comprehensive income attributable to:		
Owners of parent	379,060	624,801
Non-controlling interests	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, 2022, including the first three 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.

Changes in Accounting Standard

Adoption of Accounting Standard for Revenue Recognition, etc.

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 31, 2020) and relevant standards at the beginning of the first quarter of the fiscal year ending May 31, 2022, and will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

The Company has adopted the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional measures prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. This includes adding or subtracting the cumulative effect of retroactive application of the new accounting standard prior to the beginning of the first quarter of the fiscal year ending May 31, 2022 to retained earnings at the beginning of the first quarter of the fiscal year ending May 31, 2022, and applied the new accounting standard using the resulting beginning balance. However, since there was no cumulative effect, no adjustment has been made to the beginning balance of retained earnings.

The adoption of the Accounting Standard for Revenue Recognition, etc. has minimal impact on earnings for the first three months of the fiscal year ending May 31, 2022.

As a result of adopting the Accounting Standard for Revenue Recognition, etc., notes and accounts receivable–trade, which were included in current assets in the consolidated balance sheet for the fiscal year ended May 31, 2021, are now classified under notes and accounts receivable–trade, and contract assets from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, we have not reflected the new classification in the consolidated balance sheet for the fiscal year ended May 31, 2021.

Adoption of Accounting Standard for Fair Value Measurement, etc.

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued July 4, 2019) and relevant standards at the beginning of the first quarter of the fiscal year ending May 31, 2022, and will apply the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatments prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued July 4, 2019) going forward. The adoption of the Accounting Standard for Fair Value Measurement, etc. has no impact on the quarterly consolidated financial statements.