1. Qualitative Information on Financial Results

(1) Operating Results

In the first six months of the fiscal year ending May 31, 2022, the Japanese economy saw a decline in the number of COVID-19 infections and the consequent lifting of the emergency declaration, with economic and social activities gradually beginning to normalize. However, there are still downside risks to the economy that should not be overlooked, such as supply constraints, soaring raw material prices, and the further spread of COVID-19 variants. Accordingly, the LIKE Group must continue to monitor economic trends in Japan and overseas with a sense of caution.

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 six months ended November 30, 2021 totaled ¥27,158 million (+3.9% year on year), operating profit was ¥1,399 million (+18.2%), and ordinary profit came to ¥1,654 million (-3.7%). Profit attributable to owners of parent amounted to ¥1,024 million (+22.6%).

Segment Results

Child-Rearing Support Service Business

According to the April 2021 survey by the Ministry of Health, Labour and Welfare, the number of children on nursery waiting lists was at 5,634 (down 6,805 year on year), the lowest for the third consecutive year since the survey began. However, the number of latent children on waiting lists (those seeking childcare services that do not appear on waiting lists) totals 63,581, and the employment rate of women, which temporarily fell due to the spread of COVID-19, is expected to rise further going forward. As such, the need for childcare facilities is projected to grow further, and promoting various measures to ensure the availability of childcare services is still an urgent matter.

To this end, in addition to opening private licensed nurseries, we have made efforts to improve the availability of childcare from various angles, such as by conducting outsourced operation of public nurseries established by local governments, opening new nurseries in large development projects of real estate developers, and conducting outsourced operation of on-site childcare facilities including company-led nurseries located at hospitals, companies, and universities. At the same time, we focused on recruiting excellent nursery teachers to ensure the quality of our childcare services by working closely with our consolidated subsidiary, LIKE Staffing, Inc. In addition, we continued to promote sound facility management by voluntarily implementing thorough infection prevention measures in line with requests and guidance from local governments and client companies.

As a result, sales in the six months ended November 30, 2021 came to ¥12,731 million (+4.7% year on year), and operating profit was ¥600 million (+40.3%).

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 announced by the Japanese government in 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. Additionally, new carrier store openings have led to major human resource demand. 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 in response 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, promoting measures to optimize recruiting channels, and 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 and placement 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 improving the value-add of our BIM and CAD operators for dispatch and placement by enhancing our training program and establishing a training model that provides in-house training to develop skills up to a certain level. In addition to hiring young people who are inexperienced yet ambitious in the industry, the number of qualified and experienced staff members 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, human resource demand in various industries, which had temporarily slowed down due to the COVID-19 pandemic, is steadily recovering as the economy recently picked up. We will continue to actively hire foreign nationals in Japan to provide employment support in the nursing care industry where demand for workers is outstripping supply. Furthermore, we are actively expanding our sales activities to the restaurant, accommodation, and food and beverage manufacturing industries in anticipation of future expansion outside of the nursing care industry, while 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 six months ended November 30, 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 ¥10,539 million (+3.3% year on year), and operating profit was ¥842 million (-15.5%).

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 offer end-of-life care with round-the-clock nursing support, 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. With the spread of COVID-19 and the subsequent state of emergency declaration, we were forced to restrict family visits for residents, but the restrictions have been lifted in stages and our facilities are gradually returning to normal. As a result, the number of visitors looking to move into our facilities has increased, and our occupancy rate, which has remained above 90% for some time, has further improved.

Additionally, occupancy rates at Sunrise Villa Yokohama Higashiterao, which opened on March 1, 2021, have continued to steadily increase thanks to its good location and flexible admittance system that considers the degree of care required by each resident.

As a result of the above, sales in the six months ended November 30, 2021 totaled ¥3,758 million (+3.7% year on year), and operating profit amounted to ¥243 million (+52.1%).

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. Due to a change in the carrier’s store incentive policy from this fiscal year, sales in the six months ended November 30, 2021 were ¥128 million (-12.9% year on year), and operating profit was ¥2 million (-80.3%).

(2) Financial Position

As of November 30, 2021, total assets stood at ¥36,367 million, down ¥1,343 million from May 31, 2021. Total net assets amounted to ¥12,253 million, up ¥312 million. The shareholders' equity ratio increased 2.0 percentage points from May 31, 2021, to 33.7%.

Current assets

Current assets as of November 30, 2021 came to ¥15,493 million, down ¥633 million from May 31, 2021. This was mainly the result of an ¥823 million decrease in notes and accounts receivable–trade, and contract assets.

Non-current assets

Non-current assets as of November 30, 2021 amounted to ¥20,873 million, down ¥710 million from May 31, 2021. This mainly reflected decreases of ¥459 million in depreciation and other items and ¥222 million in goodwill amortization, which offset an increase in property, plant and equipment connected with new nursery openings in the Child-Rearing Support Service business.

Current liabilities

As of November 30, 2021, current liabilities stood at ¥10,710 million, down ¥504 million from May 31, 2021. This was attributable primarily to a decrease of ¥532 million in income taxes payable.

Non-current liabilities

Non-current liabilities as of November 30, 2021 amounted to ¥13,403 million, down ¥1,152 million from May 31, 2021. This mainly reflected a decrease of ¥1,062 million in long-term borrowings.

Net assets

As of November 30, 2021, net assets totaled ¥12,253 million, up ¥312 million from May 31, 2021. This was primarily the result of the booking of ¥1,024 million in profit attributable to owners of parent, which offset ¥668 million in dividends paid.

(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 November 30, 2021
Assets		
Current assets		
Cash and deposits	9,536,239	10,451,680
Notes and accounts receivable–trade	4,879,908	—
Notes and accounts receivable–trade, and contract assets	—	4,055,995
Merchandise	7,966	7,973
Raw materials and supplies	11,013	11,480
Other	1,698,578	974,447
Allowance for doubtful accounts	(6,790)	(8,179)
Total current assets	16,126,916	15,493,397
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,822,838	11,725,528
Machinery, equipment and vehicles, net	18,614	15,348
Leased assets, net	2,361,948	2,296,091
Construction in progress	323,545	107,499
Other, net	541,816	464,786
Total property, plant and equipment	15,068,762	14,609,254
Intangible assets		
Goodwill	961,140	739,108
Other	123,089	158,999
Total intangible assets	1,084,230	898,108
Investments and other assets		
Investment securities	687,689	601,354
Shares of subsidiaries and associates	46,000	46,000
Long-term loans receivable	947,649	915,122
Guarantee deposits	2,550,002	2,619,454
Deferred tax assets	870,719	862,500
Other	365,286	366,477
Allowance for doubtful accounts	(36,129)	(44,323)
Total investments and other assets	5,431,219	5,366,586
Total non-current assets	21,584,212	20,873,949
Total assets	37,711,128	36,367,347

(Thousands of yen)

	As of May 31, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	107,541	121,783
Short-term borrowings	1,400,000	1,400,000
Current portion of long-term borrowings	2,860,367	2,991,069
Accounts payable–other	3,161,189	3,419,506
Income taxes payable	1,176,613	644,089
Accrued consumption taxes	438,323	357,950
Provision for bonuses	771,523	628,193
Provision for shareholder benefit program	35,034	—
Other	1,264,581	1,148,226
Total current liabilities	11,215,174	10,710,819
Non-current liabilities		
Long-term borrowings	10,279,089	9,216,998
Deferred tax liabilities	122,761	96,739
Asset retirement obligations	696,215	699,928
Move-in security deposits received	861,390	873,480
Retirement benefit liability	337,305	338,364
Lease obligations	2,197,413	2,116,638
Other	60,983	60,938
Total non-current liabilities	14,555,158	13,403,087
Total liabilities	25,770,333	24,113,907
Net assets		
Shareholders’ equity		
Share capital	1,531,661	1,533,473
Capital surplus	148,804	150,617
Retained earnings	10,689,557	11,045,541
Treasury shares	(740,985)	(741,087)
Total shareholders’ equity	11,629,037	11,988,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	315,522	256,392
Remeasurements of defined benefit plans	(4,093)	8,208
Total accumulated other comprehensive income	311,429	264,601
Share acquisition rights	328	293
Total net assets	11,940,795	12,253,440
Total liabilities and net assets	37,711,128	36,367,347

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

Quarterly Consolidated Statement of Income

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

(Thousands of yen)

	Six months ended November 30, 2020 (June 1, 2020 to November 30, 2020)	Six months ended November 30, 2021 (June 1, 2021 to November 30, 2021)
Net sales	26,132,521	27,158,343
Cost of sales	21,855,289	23,006,111
Gross profit	4,277,232	4,152,232
Selling, general and administrative expenses	3,093,264	2,752,296
Operating profit	1,183,967	1,399,935
Non-operating income		
Interest income	3,522	3,292
Dividend income	10,941	7,588
Gain on investments in investment partnerships	268	9,557
Facilities subsidy income	542,329	270,030
Other	15,627	13,444
Total non-operating income	572,688	303,914
Non-operating expenses		
Interest expenses	34,245	36,144
Loss on investments in investment partnerships	1,866	1,304
Other	2,376	12,370
Total non-operating expenses	38,488	49,819
Ordinary profit	1,718,167	1,654,030
Extraordinary income		
Gain on sale of investment securities	61,029	—
Other	14	0
Total extraordinary income	61,044	0
Extraordinary losses		
Loss on retirement of non-current assets	7,583	1,206
Total extraordinary losses	7,583	1,206
Profit before income taxes	1,771,628	1,652,824
Income taxes	708,887	628,271
Profit	1,062,740	1,024,553
Profit attributable to non-controlling interests	227,361	—
Profit attributable to owners of parent	835,379	1,024,553

Quarterly Consolidated Statement of Comprehensive Income

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

(Thousands of yen)

	Six months ended November 30, 2020 (June 1, 2020 to November 30, 2020)	Six months ended November 30, 2021 (June 1, 2021 to November 31, 2021)
Profit	1,062,740	1,024,553
Other comprehensive income		
Valuation difference on available-for-sale securities	95,557	(59,129)
Remeasurements of defined benefit plans, net of tax	1,663	12,302
Total other comprehensive income	97,220	(46,827)
Comprehensive income	1,159,961	977,725
Comprehensive income attributable to:		
Owners of parent	932,195	977,725
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 six 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 six 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.