1. Qualitative Information on Financial Results

(1) Operating Results

In the first nine months of the fiscal year ending May 31, 2022, the Japanese economy showed some signs of recovery from the economic downturn caused by the COVID-19 pandemic. However, there are still downside risks to the economy that should not be overlooked, such as a resurgence in COVID-19 infections, supply constraints, and soaring raw material prices. Accordingly, the LIKE Group must continue to monitor developments in the financial markets 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 nine months ended February 28, 2022 totaled ¥41,308 million (+5.2% year on year), operating profit was ¥2,226 million (+22.3%), and ordinary profit came to ¥2,463 million (-7.9%). Profit attributable to owners of parent amounted to ¥1,527 million (+6.7%).

Segment Results

Child-Rearing Support Service Business

According to the 2021 Report on Internal Migration in Japan (released on January 28, 2022) by the Statistics Bureau of the Ministry of Internal Affairs and Communications, the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, and Chiba prefectures), the core business area for our Child-Rearing Support Service business, had a net inflow of 81,699 residents. In addition, 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, but the number of latent children on waiting lists (those seeking childcare services that do not appear on waiting lists) totaled 63,581. Furthermore, 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 remain high, especially in major metropolitan areas including the Tokyo metropolitan area, 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 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 nine months ended February 28, 2022 came to ¥19,270 million (+5.0% year on year), and operating profit was ¥1,029 million (+52.4%).

Comprehensive Human Resources Service Business

Securing human resources is an important management issue in our main business domains, which can be described as social infrastructure, as the working population shrinks in Japan due to declining birthrates and an aging population.

Accordingly, consolidated subsidiaries LIKE Staffing, Inc. and LIKE Works, Inc. engaged in proactive sales activities to increase working populations in their respective business domains, which include the mobile phone, logistics and manufacturing, call center, childcare and nursing care, and construction industries.

In the mobile phone industry, the fourth carrier, which newly entered the market in April 2020, has reached its target population coverage ratio after installing base stations and expanding its network coverage area. It then shifted focus toward strengthening its sales force to capture more subscriptions, which has further intensified competition among carriers to acquire customers. These changes in the competitive environment have translated into major human resource demand at home electronics mass retailers and carrier stores, which are the epicenters of competition for customers, and orders for our human resources service have increased alongside this trend. In addition, the demand for human resources at call centers was robust as carriers took steps to move their registration processes online. Although there have been reports that some carriers are reducing their store count, we believe that the consolidation of carrier stores will only have a negligible impact on our business performance as our mobile phone staff are generally assigned to home electronics mass retailers. 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 addition, we are creating new value by offering our full-time employees serving as “experts” in the mobile phone industry a new career in the construction industry as a construction manager to encourage them to reskill while at the same time matching our expert employees with our clients’ recruiting needs. Moreover, we have established a training model for BIM and CAD operators, for which the construction industry lacks a sufficient training environment, by providing a two-month course and practical training program aimed at developing skills up to a certain level, and this has enabled us to dispatch and place human resources with higher added value. 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 improving as the economy showed signs of a recovery. 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 have actively expanded our sales activities to the building cleaning, restaurant, accommodation, and food and beverage manufacturing industries in anticipation of future expansion outside of the nursing care industry. At the same time, 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.

As a result, sales in the nine months ended February 28, 2022 came to ¥16,200 million (+6.5% year on year), and operating profit was ¥1,237 million (-12.4%).

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 metropolitan area of 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, we were forced to restrict family visits for residents, but the restrictions have been lifted and our facilities are gradually returning to normal.

Additionally, occupancy rates at Sunrise Villa Yokohama Higashiterao, which opened on March 1, 2021, made steady progress thanks to its good location and flexible admittance system that considers the degree of care required by each resident, and reached full capacity during the nine months ended February 28, 2022.

Consequently, sales in the nine months ended February 28, 2022 totaled ¥5,648 million (+3.6% year on year), and operating profit amounted to ¥395 million (+40.7%).

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. Due to a change in the carrier's store incentive policy from this fiscal year, sales in the nine months ended February 28, 2022 came to ¥188 million (-20.6% year on year), and operating profit was ¥2 million (-91.7%).

(2) Financial Position

As of February 28, 2022, total assets stood at ¥35,284 million, down ¥2,426 million from May 31, 2021. Total net assets amounted to ¥12,231 million, up ¥290 million. The shareholders' equity ratio increased 3.0 percentage points from May 31, 2021, to 34.7%.

Current assets

Current assets as of February 28, 2022 came to ¥14,370 million, down ¥1,756 million from May 31, 2021. This was mainly the result of a ¥1,003 million decrease in cash and deposits, as well as an ¥883 million decline in notes and accounts receivable–trade, and contract assets.

Non-current assets

Non-current assets as of February 28, 2022 amounted to ¥20,913 million, down ¥670 million from May 31, 2021. This mainly reflected decreases of ¥261 million in depreciation and other items and ¥333 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 February 28, 2022, current liabilities stood at ¥10,281 million, down ¥933 million from May 31, 2021. This was primarily due to decreases of ¥742 million in income taxes payable and ¥263 million in provision for bonuses.

Non-current liabilities

Non-current liabilities as of February 28, 2022 amounted to ¥12,771 million, down ¥1,783 million from May 31, 2021. This mainly reflected a decrease of ¥1,631 million in long-term borrowings.

Net assets

As of February 28, 2022, net assets totaled ¥12,231 million, up ¥290 million from May 31, 2021. This was primarily the result of the booking of ¥1,527 million in profit attributable to owners of parent, which offset ¥1,166 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 February 28, 2022
Assets		
Current assets		
Cash and deposits	9,536,239	8,532,896
Notes and accounts receivable–trade	4,879,908	—
Notes and accounts receivable–trade, and contract assets	—	3,996,452
Merchandise	7,966	8,460
Raw materials and supplies	11,013	11,432
Other	1,698,578	1,829,846
Allowance for doubtful accounts	(6,790)	(8,282)
Total current assets	16,126,916	14,370,805
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,822,838	11,503,359
Machinery, equipment and vehicles, net	18,614	13,716
Leased assets, net	2,361,948	2,263,163
Construction in progress	323,545	604,014
Other, net	541,816	422,541
Total property, plant and equipment	15,068,762	14,806,795
Intangible assets		
Goodwill	961,140	628,092
Other	123,089	156,162
Total intangible assets	1,084,230	784,254
Investments and other assets		
Investment securities	687,689	519,969
Shares of subsidiaries and associates	46,000	46,000
Long-term loans receivable	947,649	898,878
Guarantee deposits	2,550,002	2,666,914
Deferred tax assets	870,719	862,951
Other	365,286	371,835
Allowance for doubtful accounts	(36,129)	(43,980)
Total investments and other assets	5,431,219	5,322,569
Total non-current assets	21,584,212	20,913,618
Total assets	37,711,128	35,284,424

(Thousands of yen)

	As of May 31, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	107,541	119,703
Short-term borrowings	1,400,000	1,400,000
Current portion of long-term borrowings	2,860,367	2,975,784
Accounts payable–other	3,161,189	3,041,216
Income taxes payable	1,176,613	434,319
Accrued consumption taxes	438,323	500,122
Provision for bonuses	771,523	507,829
Provision for shareholder benefit program	35,034	—
Other	1,264,581	1,302,557
Total current liabilities	11,215,174	10,281,533
Non-current liabilities		
Long-term borrowings	10,279,089	8,647,800
Deferred tax liabilities	122,761	83,267
Asset retirement obligations	696,215	701,389
Move-in security deposits received	861,390	852,438
Retirement benefit liability	337,305	349,560
Lease obligations	2,197,413	2,076,074
Other	60,983	61,042
Total non-current liabilities	14,555,158	12,771,573
Total liabilities	25,770,333	23,053,107
Net assets		
Shareholders' equity		
Share capital	1,531,661	1,535,330
Capital surplus	148,804	152,474
Retained earnings	10,689,557	11,051,361
Treasury shares	(740,985)	(741,087)
Total shareholders' equity	11,629,037	11,998,079
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	315,522	225,791
Remeasurements of defined benefit plans	(4,093)	7,186
Total accumulated other comprehensive income	311,429	232,978
Share acquisition rights	328	258
Total net assets	11,940,795	12,231,316
Total liabilities and net assets	37,711,128	35,284,424

(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, 2022

(Thousands of yen)

	Nine months ended February 28, 2021 (June 1, 2020 to February 28, 2021)	Nine months ended February 28, 2022 (June 1, 2021 to February 28, 2022)
Net sales	39,265,401	41,308,973
Cost of sales	32,925,219	34,950,406
Gross profit	6,340,182	6,358,566
Selling, general and administrative expenses	4,519,808	4,132,015
Operating profit	1,820,373	2,226,551
Non-operating income		
Interest income	5,250	4,897
Dividend income	10,941	7,588
Gain on investments in investment partnerships	4,860	12,882
Facilities subsidy income	879,963	270,030
Other	29,051	20,484
Total non-operating income	930,066	315,882
Non-operating expenses		
Interest expenses	52,207	53,104
Loss on investments in investment partnerships	2,184	1,273
Donations	17,119	12,212
Other	4,050	12,103
Total non-operating expenses	75,561	78,694
Ordinary profit	2,674,878	2,463,739
Extraordinary income		
Gain on sale of investment securities	61,029	—
Other	35	0
Total extraordinary income	61,065	0
Extraordinary losses		
Loss on retirement of non-current assets	9,551	3,733
Total extraordinary losses	9,551	3,733
Profit before income taxes	2,726,392	2,460,006
Income taxes	1,067,992	932,478
Profit	1,658,399	1,527,528
Profit attributable to non-controlling interests	227,361	—
Profit attributable to owners of parent	1,431,037	1,527,528

Quarterly Consolidated Statement of Comprehensive Income

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

(Thousands of yen)

	Nine months ended February 28, 2021 (June 1, 2020 to February 28, 2021)	Nine months ended February 28, 2022 (June 1, 2021 to February 28, 2022)
Profit	1,658,399	1,527,528
Other comprehensive income		
Valuation difference on available-for-sale securities	42,656	(89,731)
Remeasurements of defined benefit plans, net of tax	2,473	11,280
Total other comprehensive income	45,129	(78,450)
Comprehensive income	1,703,528	1,449,077
Comprehensive income attributable to:		
Owners of parent	1,475,761	1,449,077
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 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.

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 recognizes 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 nine 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.