1. Overview of Operating Results

(1) Operating Results

In the fiscal year ended May 31, 2022, the Japanese economy showed signs of recovery owing to the positive effects of various initiatives—for instance, advances in measures to combat the pandemic helped make progress in normalizing economic and social activities. However, rising geopolitical risks may restrain economic activities, and there are downside risks such as soaring raw material prices, supply constraints, and fluctuations in the financial markets. Accordingly, the LIKE Group must continue to monitor these developments with a sense of caution.

Despite this unpredictable environment, the situation has provided an opportunity for the Group to reaffirm the social significance of its businesses. At the same time, we believe that the various recent changes in the business environment also present a once-in-a-lifetime opportunity for the Group.

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, 2022 reached ¥57,642 million (+6.2% year on year), operating profit was ¥4,238 million (+17.4%), and ordinary profit came to ¥5,234 million (-2.0%). Profit attributable to owners of parent amounted to ¥3,268 million (+0.2%).

Segment Results

Child-Rearing Support Service Business

According to the Ministry of Health, Labour and Welfare's June 2022 release of the Vital Statistics Monthly Report Annual Total (preliminary data), the number of births in 2021 was 811,604, down from 840,835 in the previous year, and the lowest since the survey began. 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 since the survey began. However, the number of latent children on waiting lists (those seeking childcare services that do not appear on waiting lists) totaled 63,581, and the number of children on waiting lists for after-school clubs totaled 13,416, indicating that the waitlist issue remains serious, especially in the Tokyo metropolitan area. Furthermore, the employment rate of women, which temporarily fell due to the spread of COVID-19, is expected to rise again going forward. As such, the need for childcare facilities is projected to remain high, especially in major metropolitan areas including Tokyo, 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 by conducting outsourced operation of nurseries established by local governments, opening new nurseries in large development projects of real estate developers, conducting outsourced operation of on-site childcare facilities including company-led nurseries located at hospitals, companies, and universities, and conducting outsourced operation of after-school clubs and children's centers of local governments. At the same time, we have focused on recruiting excellent nursery teachers to ensure the quality of our childcare services by working closely with our consolidated subsidiary, LIKE Staffing, Inc. During the fiscal year ended May 31, 2022, we opened 11 new licensed nurseries (opened all 11 in April 2022), six outsourced childcare facilities (two in September 2021, three in October, and one in December), and six after-school clubs and children's centers (two in January 2022 and four in April).

In addition, we carried out an absorption-type merger with LIKE Academy, Inc. as the surviving company and LIKE Kids, Inc. as the dissolving company effective May 1, 2022 (the trade name of the surviving company, LIKE Academy, Inc. was changed to LIKE Kids, Inc.) to further optimize and streamline management by eliminating an intermediate holding company in the Group.

As a result, sales in the fiscal year ended May 31, 2022 totaled ¥27,790 million (+5.3% year on year), and operating profit was ¥2,579 million (+21.8%).

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 subsidiary LIKE Staffing, Inc. engaged in proactive sales activities to increase working populations in the business domains of 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 mobile carriers to acquire customers. These changes in the competitive environment have translated into major human resource demand at home electronics mass retailers, which is the epicenter 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. 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 these 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 sufficient training, 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 on the rise.

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 recovery. In addition, Japan’s entry restrictions have been eased gradually, which enabled us to recruit and place not only foreign nationals that are already in Japan, but also those from overseas. As a result, we actively engaged in sales activities in the nursing care industry, which we had initially expected, as well as in the building cleaning, restaurant, accommodation, and food and beverage manufacturing industries. 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.

We carried out an absorption-type merger effective June 1, 2022, with LIKE Staffing, Inc. as the surviving company and LIKE Works, Inc. as the dissolving company, in order to streamline our business by achieving economies of scale and to strengthen our competitiveness by sharing our expertise.

As a result, sales in the fiscal year ended May 31, 2022 amounted to ¥22,087 million (+8.8% year on year), and operating profit was ¥1,870 million (-2.7%).

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. As a result, the occupancy rate of these facilities has remained high.

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 fiscal year ended May 31, 2022. Furthermore, we opened Sunrise Villa Itabashi Mukaihara (64 rooms) on July 1, 2022, bringing the total number of facilities in operation to 26.

Consequently, sales in the fiscal year ended May 31, 2022 totaled ¥7,506 million (+3.5% year on year), and operating profit amounted to ¥426 million (+22.6%).

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 fiscal year ended May 31, 2022 came to ¥257 million (-20.2% year on year), and operating profit was ¥14 million (-63.2%).

(2) Financial Position

As of May 31, 2022, total assets stood at ¥39,380 million, up ¥1,669 million from May 31, 2021. Total net assets amounted to ¥14,022 million, up ¥2,081 million. The shareholders' equity ratio increased 3.9 percentage points from May 31, 2021, to 35.6%.

Current assets

Current assets as of May 31, 2022 came to ¥17,748 million, up ¥1,621 million from May 31, 2021. This was mainly the result of a ¥1,087 million increase in cash and deposits and a ¥545 million increase in notes and accounts receivable–trade, and contract assets.

Non-current assets

Non-current assets as of May 31, 2022 amounted to ¥21,632 million, up ¥47 million from May 31, 2021. This mainly reflected a ¥614 million increase in property, plant and equipment following new nursery openings in the Child-Rearing Support Service business, which was partially offset by a ¥444 million decrease in goodwill due to amortization and a ¥134 million decrease in investment securities.

Current liabilities

As of May 31, 2022, current liabilities stood at ¥11,640 million, up ¥425 million from May 31, 2021. This was attributable primarily to a ¥523 million increase in accounts payable–other and a ¥425 million increase in current portion of long-term borrowings, partially offset by a ¥454 million decrease in income taxes payable.

Non-current liabilities

Non-current liabilities as of May 31, 2022 amounted to ¥13,718 million, down ¥836 million from May 31, 2021. This was due primarily to a ¥1,088 million decrease in long-term borrowings, partially offset by a ¥242 million increase in lease obligations.

Net assets

As of May 31, 2022, net assets totaled ¥14,022 million, up ¥2,081 million from May 31, 2021. This mainly reflected the booking of ¥3,268 million in profit attributable to owners of parent and ¥1,166 million in dividends paid.

(3) Overview of Cash Flows

As of May 31, 2022, cash and cash equivalents amounted to ¥10,603 million, up ¥1,087 million from May 31, 2021. Cash inflows, including the booking of profit before income taxes and increased borrowings, exceeded cash outflows resulting from the purchase of property, plant and equipment and repayments of long-term borrowings.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥4,710 million (-17.3% year on year). Primary sources of cash included ¥5,219 million in profit before income taxes, ¥1,322 million in depreciation, and ¥444 million in amortization of goodwill, while the main use of cash was ¥2,499 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥1,666 million (-7.8% year on year). This mainly reflected cash outflows of ¥1,573 million for the purchase of property, plant and equipment accompanying the opening of new nurseries in the Child-Rearing Support Service business, and cash inflows of ¥59 million in proceeds from sale and redemption of short-term and long-term investment securities.

Cash Flows from Financing Activities

Net cash used by financing activities amounted to ¥1,956 million (-73.7% year on year). This consisted primarily of cash used to repay long-term borrowings of ¥2,963 million and cash used to pay dividends of ¥1,165 million, partially offset by proceeds from long-term borrowings of ¥2,300 million.

(Reference) Cash Flow Indicators

	Year ended May 31, 2018	Year ended May 31, 2019	Year ended May 31, 2020	Year ended May 31, 2021	Year ended May 31, 2022
Shareholders' equity ratio (%)	28.1	29.3	25.3	31.7	35.6
Shareholders' equity ratio on a market value basis (%)	144.6	77.1	76.7	107.7	107.8
Ratio of interest-bearing debt to cash flow (years)	2.5	3.1	5.0	3.0	3.5
Interest coverage ratio (x)	83.6	76.9	70.1	79.9	68.0

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 spread of COVID-19 has brought about major changes in the business environment, and the companies that are able to adapt to these changes will survive, while those that cannot will fall going forward.

In this environment, the LIKE Group remains strongly committed to the growth of each of its businesses as they are closely aligned with social issues, and their growth will directly contribute to solving social issues, which in turn will help create a sustainable society.

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 considering the number of latent children on waiting lists, especially in the Tokyo metropolitan area. Coupled with the future demographics of the Tokyo metropolitan area, there is no easy solution to this problem. In addition, we expect that the medium- to long-term demand for childcare will increase, as nurseries supplant the existing demand for kindergarten care as the employment rate of women will also increase going forward. Furthermore, as of January 2022, the job offer-to-applicant ratio for nursery teachers remained high at 2.92x, compared with an average of 1.27x 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, 2023. In addition to opening private licensed nurseries, we will strongly promote efforts to improve the availability of childcare from various angles by conducting outsourced operation of nurseries established by local governments, opening new nurseries in large development projects of real estate developers, conducting outsourced operation of on-site childcare facilities including company-led nurseries located at hospitals, companies, and universities, and conducting outsourced operation of after-school clubs and children's centers of local governments. To ensure sufficient nursery teachers, we will foster synergies with the Comprehensive Human Resources Service business within the Group, aiming to recruit superior talent and boost the quality of our childcare services. Furthermore, on top of achieving organic growth by leveraging internal resources, we will also expand our business performance discontinuously by flexibly executing M&A deals, taking into account the fact that there will be clear winners and losers in the industry going forward as the competitive environment will intensify due to the declining number of births and that the industry is fragmented with large operators holding a small share of the market.

Market trends in the Comprehensive Human Resources Service business are characterized by the market entry of the 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 for foreign nationals to grow 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. At the same time, we will 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 our human resources service 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 grow, 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.

Consequently, 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. At the same time, we will work in concert with the Comprehensive Human Resources Service business to further accelerate the placement of foreign nationals with specified skills in nursing care facilities, thereby securing care workers and improving the quality of services we provide at these facilities. Furthermore, we will continue to maximize Group synergies by introducing educated and talented foreign nationals to other nursing care providers to help alleviate the social issue of the shortage in care workers while improving the quality of services provided by the nursing care industry as a whole.

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, 2023, the LIKE Group aims to deliver consolidated net sales of ¥61,600 million (+6.9% year on year), operating profit of ¥4,350 million (+2.6%), ordinary profit of ¥5,300 million (+1.3%), and profit attributable to owners of parent of ¥3,350 million (+2.5%).

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, 2022, we have set annual dividends at ¥52 per share, consisting of an interim dividend of ¥26 per share (already paid) and a projected year-end dividend of ¥26 per share for a consolidated payout ratio of 30.4%.

In line with our target of maintaining a consolidated dividend payout ratio of 30%, for the fiscal year ending May 31, 2023, we intend to award an interim dividend of ¥26 per share and a year-end dividend of ¥27 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, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	9,536,239	10,623,285
Notes and accounts receivable–trade	4,879,908	—
Notes and accounts receivable–trade, and contract assets	—	5,425,661
Merchandise	7,966	9,971
Raw materials and supplies	11,013	7,695
Other	1,698,578	1,690,907
Allowance for doubtful accounts	(6,790)	(9,023)
Total current assets	16,126,916	17,748,498
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,390,701	17,990,369
Accumulated depreciation	(4,549,196)	(5,435,787)
Accumulated impairment	(18,666)	(18,666)
Buildings and structures, net	11,822,838	12,535,915
Machinery, equipment and vehicles	34,124	34,124
Accumulated depreciation	(15,510)	(22,039)
Machinery, equipment and vehicles, net	18,614	12,085
Leased assets	2,699,016	3,119,169
Accumulated depreciation	(337,068)	(470,155)
Leased assets, net	2,361,948	2,649,014
Construction in progress	323,545	35,766
Other	1,765,186	1,897,709
Accumulated depreciation	(1,217,641)	(1,441,637)
Accumulated impairment	(5,729)	(5,729)
Other, net	541,816	450,342
Total property, plant and equipment	15,068,762	15,683,125
Intangible assets		
Goodwill	961,140	517,075
Other	123,089	164,373
Total intangible assets	1,084,230	681,449
Investments and other assets		
Investment securities	687,689	552,887
Shares of subsidiaries and associates	46,000	46,000
Long-term loans receivable	947,649	883,252
Guarantee deposits	2,550,002	2,683,839
Deferred tax assets	870,719	768,567
Other	365,286	374,249
Allowance for doubtful accounts	(36,129)	(41,171)
Total investments and other assets	5,431,219	5,267,625
Total non-current assets	21,584,212	21,632,200
Total assets	37,711,128	39,380,698

(Thousands of yen)

	As of May 31, 2021	As of May 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	107,541	104,636
Short-term borrowings	1,400,000	1,400,000
Current portion of long-term borrowings	2,860,367	3,285,512
Accounts payable–other	3,161,189	3,684,899
Income taxes payable	1,176,613	722,116
Accrued consumption taxes	438,323	546,501
Provision for bonuses	771,523	759,229
Provision for shareholder benefit program	35,034	47,697
Other	1,264,581	1,089,878
Total current liabilities	11,215,174	11,640,471
Non-current liabilities		
Long-term borrowings	10,279,089	9,190,612
Deferred tax liabilities	122,761	95,302
Asset retirement obligations	696,215	744,090
Move-in security deposits received	861,390	—
Move-in deposits received	—	825,413
Retirement benefit liability	337,305	359,471
Lease obligations	2,197,413	2,439,606
Other	60,983	63,722
Total non-current liabilities	14,555,158	13,718,219
Total liabilities	25,770,333	25,358,691
Net assets		
Shareholders' equity		
Share capital	1,531,661	1,548,683
Capital surplus	148,804	165,827
Retained earnings	10,689,557	12,792,238
Treasury shares	(740,985)	(741,087)
Total shareholders' equity	11,629,037	13,765,661
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	315,522	254,820
Remeasurements of defined benefit plans	(4,093)	1,524
Total accumulated other comprehensive income	311,429	256,345
Share acquisition rights	328	—
Total net assets	11,940,795	14,022,007
Total liabilities and net assets	37,711,128	39,380,698

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

Consolidated Statement of Income

(Thousands of yen)

	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)
Net sales	54,274,116	57,642,511
Cost of sales	44,496,010	47,497,213
Gross profit	9,778,105	10,145,298
Selling, general and administrative expenses		
Payroll, remuneration and allowances	1,661,986	1,554,684
Provision for bonuses	134,055	115,024
Amortization of goodwill	444,065	444,065
Recruiting and education expenses	914,834	1,018,521
Rent expenses	646,027	561,962
Taxes and dues	971,107	975,874
Provision for shareholder benefit program	35,583	50,141
Other	1,360,153	1,186,359
Total selling, general and administrative expenses	6,167,812	5,906,633
Operating profit	3,610,293	4,238,664
Non-operating income		
Interest income	6,896	6,472
Dividend income	17,285	14,868
Gain on investments in investment partnerships	4,860	12,882
Facilities subsidy income	1,783,024	1,025,730
Other	40,313	35,999
Total non-operating income	1,852,380	1,095,954
Non-operating expenses		
Interest expenses	70,525	70,762
Donations	17,119	12,212
Loss on investments in investment partnerships	2,431	1,218
Provision of allowance for doubtful accounts	19,366	7,532
Other	11,905	8,747
Total non-operating expenses	121,349	100,472
Ordinary profit	5,341,324	5,234,146
Extraordinary income		
Gain on sale of investment securities	61,029	—
Gain on sale of non-current assets	1,268	27
Subsidy income	—	25,316
Other	36	9
Total extraordinary income	62,334	25,353
Extraordinary losses		
Loss on retirement of non-current assets	11,853	10,080
Loss on valuation of shares of subsidiaries and associates	6,999	—
Loss on valuation of investment securities	30,065	—
Loss on tax purpose reduction entry of non-current assets	—	25,316
Other	—	4,411
Total extraordinary losses	48,918	39,808
Profit before income taxes	5,354,739	5,219,690
Income taxes–current	2,014,999	1,851,943
Income taxes–deferred	(150,054)	98,952
Total income taxes	1,864,944	1,950,895
Profit	3,489,794	3,268,795
Profit attributable to non-controlling interests	227,361	—
Profit attributable to owners of parent	3,262,433	3,268,795

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)
Profit	3,489,794	3,268,795
Other comprehensive income		
Valuation difference on available-for-sale securities	64,048	(60,701)
Remeasurements of defined benefit plans, net of tax	3,238	5,618
Total other comprehensive income	67,286	(55,083)
Comprehensive income	3,557,081	3,213,711
Comprehensive income attributable to:		
Owners of parent	3,329,315	3,213,711
Non-controlling interests	227,766	—

(3) Consolidated Statement of Changes in Equity

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

Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,531,661	148,804	10,689,557	(740,985)	11,629,037
Changes during period					
Issuance of new shares–exercise of share acquisition rights	17,022	17,022			34,045
Dividends of surplus			(1,166,114)		(1,166,114)
Profit attributable to owners of parent			3,268,795		3,268,795
Purchase of treasury shares				(102)	(102)
Net changes in items other than shareholders' equity					
Total changes during period	17,022	17,022	2,102,680	(102)	2,136,623
Balance at end of period	1,548,683	165,827	12,792,238	(741,087)	13,765,661

(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	315,522	(4,093)	311,429	328	—	11,940,795
Changes during period						
Issuance of new shares–exercise of share acquisition rights						34,045
Dividends of surplus						(1,166,114)
Profit attributable to owners of parent						3,268,795
Purchase of treasury shares						(102)
Net changes in items other than shareholders' equity	(60,701)	5,618	(55,083)	(328)		(55,412)
Total changes during period	(60,701)	5,618	(55,083)	(328)	—	2,081,211
Balance at end of period	254,820	1,524	256,345	—	—	14,022,007

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)
Cash flows from operating activities		
Profit before income taxes	5,354,739	5,219,690
Depreciation	1,247,218	1,322,907
Amortization of goodwill	444,065	444,065
Loss (gain) on valuation of investment securities	30,065	—
Increase (decrease) in allowance for doubtful accounts	17,962	7,275
Increase (decrease) in provision for bonuses	103,391	(12,293)
Interest and dividend income	(24,181)	(21,341)
Loss (gain) on sale of investment securities	(61,029)	—
Facilities subsidy income	(1,783,024)	(1,025,730)
Decrease (increase) in trade receivables	(621,833)	(545,752)
Increase (decrease) in trade payables	13,097	(2,905)
Increase (decrease) in accounts payable–other	(99,214)	519,421
Increase (decrease) in move-in security deposits received	(115,363)	—
Increase (decrease) in move-in deposits received	—	(35,976)
Decrease (increase) in prepaid expenses	(15,909)	(6,291)
Increase (decrease) in accrued consumption taxes	44,085	241,820
Decrease (increase) in consumption taxes refund receivable	(5,358)	—
Other, net	576,954	32,608
Subtotal	5,105,665	6,137,497
Interest and dividends received	24,182	21,341
Interest paid	(71,258)	(69,256)
Income taxes paid	(1,837,224)	(2,499,714)
Subsidies received	2,473,702	1,120,169
Net cash provided by (used in) operating activities	5,695,067	4,710,037
Cash flows from investing activities		
Proceeds from sale and redemption of short-term and long-term investment securities	85,298	59,024
Payments into time deposits	(20,000)	(20,000)
Proceeds from withdrawal of time deposits	20,000	20,000
Purchase of property, plant and equipment	(1,934,585)	(1,573,959)
Proceeds from sale of property, plant and equipment	5,363	28
Purchase of intangible assets	(14,382)	(79,307)
Payments of guarantee deposits	(123,890)	(221,762)
Proceeds from refund of guarantee deposits	84,216	86,498
Other, net	91,190	63,077
Net cash provided by (used in) investing activities	(1,806,788)	(1,666,400)

(Thousands of yen)

	Year ended May 31, 2021 (June 1, 2020 to May 31, 2021)	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,400,000)	—
Repayments of long-term borrowings	(2,259,927)	(2,963,332)
Proceeds from long-term borrowings	7,116,338	2,300,000
Proceeds from issuance of shares resulting from exercise of share acquisition rights	37,755	33,726
Dividends paid	(552,414)	(1,165,118)
Dividends paid to non-controlling interests	—	(37)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(5,256,222)	—
Other, net	(129,781)	(161,828)
Net cash provided by (used in) financing activities	(7,444,251)	(1,956,590)
Net increase (decrease) in cash and cash equivalents	(3,555,972)	1,087,046
Cash and cash equivalents at beginning of period	13,072,211	9,516,239
Cash and cash equivalents at end of period	9,516,239	10,603,285