1. Overview of Operating Results

(1) Operating Results

In the fiscal year ended May 31, 2023, the Japanese economy was expected to continue to gradually recover against a backdrop of improving employment and wage conditions and the effect of various government initiatives. However, the sluggish global economy amid ongoing monetary policy tightening posed risk to the domestic economy, and rising prices and fluctuations in the financial markets continued to warrant much caution.

Despite this unpredictable environment, the situation has provided an opportunity for the Group to reaffirm the social significance 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 the 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 all its 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.

The deterioration in operating results for the fiscal year ended May 31, 2023 was attributed to the surge in food ingredient and utility costs driven by rising commodity prices, as well as a ¥178 million year-on-year decline in deferred subsidies recorded in the first quarter in the Child-Rearing Support Service business, increased personnel expenses for dispatched staff in the Comprehensive Human Resources Service business, and upfront expenditures for a newly opened facility in the Nursing Care-Related Service business.

As a result, net sales in the fiscal year ended May 31, 2023 were ¥60,015 million (+4.1% year on year), operating profit was ¥3,580 million (-15.5%), ordinary profit was ¥4,255 million (-18.7%), and profit attributable to owners of parent was ¥2,568 million (-21.4%).

Segment Results

Child-Rearing Support Service Business

According to the Ministry of Health, Labour and Welfare's June 2023 release of the Vital Statistics Monthly Report Annual Total (preliminary data), the number of births in 2022 was 770,747, down from 811,622 in the previous year and falling below 800,000 for the first time since the survey began. In addition, according to the April 2022 survey by the Ministry of Health, Labour and Welfare, the number of children on waiting lists for nurseries and other childcare facilities was 2,944 (down 2,690 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 61,238, and the number of children on waiting lists for after-school clubs was 15,180 as of May 1, 2022, up 1,764 year on year. This indicates 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. As such, the need for childcare is projected to remain high in major metropolitan areas, and promoting various measures to ensure the availability of childcare services is still an urgent matter. In response to the declining birthrate, the Japanese government announced its intention to implement unprecedented measures. In June 2023, it established the Children's Future Strategy Policy with the aim of expanding child-rearing support initiatives over the next three years. As part of this policy, the government plans to allocate a higher budget for children and child-rearing support, aiming to achieve one of the highest levels of family-related spending per child among the OECD member countries. These initiatives are indicative of the government's commitment to strengthening policies to address the declining birthrate.

To this end, in addition to opening private licensed nurseries, consolidated subsidiary LIKE Kids, Inc. has 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.

In the fiscal year under review, we opened a total of 18 new childcare facilities: eight licensed nurseries, five on-site childcare facilities, and five after-school clubs and children's centers.

As a result, sales in the fiscal year ended May 31, 2023 totaled ¥29,047 million (+4.5% year on year). Operating profit was ¥2,359 million (-8.5% year on year), reflecting the surge in food ingredient and utility costs driven by rising commodity prices and a ¥178 million year-on-year decline in deferred subsidies booked in the first quarter.

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, intensified competition among mobile carriers to acquire customers has 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 lifted, enabling 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 planned, 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.

As a result, sales in the fiscal year ended May 31, 2023 amounted to ¥22,981 million (+4.0% year on year). Operating profit was ¥1,851 million (-1.0%) due to increased personnel expenses for dispatched staff.

Nursing Care-Related Service Business

In the Nursing Care-Related Service business, consolidated subsidiary LIKE Care, Inc. operates assisted-living 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, LIKE Care plans to open Ferie-de Kami-igusa (102 rooms) in Suginami-ku, Tokyo in February 2024, which will bring the total number of facilities in operation to 25. Note that from the fiscal year under review, we have changed the method of counting nursing care facilities.

Consequently, sales in the fiscal year ended May 31, 2023 totaled ¥7,748 million (+3.2% year on year). Operating profit amounted to ¥226 million (-47.9% year on year) due to upfront expenditures for the opening of Sunrise Villa Itabashi Mukaihara (64 rooms) in July 2022.

Other businesses

In the multimedia services business, we operated a mobile phone store serving as an antenna shop for the mobile phone industry as part of the Comprehensive Human Resources Service business. However, following the change in mobile carriers' store incentive policy, we closed the mobile phone store and withdrew from the business as of the end of March 2023.

Sales in the fiscal year ended May 31, 2023 came to ¥237 million (-8.2% year on year), and operating profit was ¥45 million (+192.1%).

(2) Financial Position

As of May 31, 2023, total assets stood at ¥39,454 million, up ¥73 million from May 31, 2022. Total net assets amounted to ¥15,474 million, up ¥1,452 million. The shareholders' equity ratio increased 3.6 percentage points from May 31, 2022, to 39.2%.

Current assets

Current assets as of May 31, 2023 came to ¥17,772 million, up ¥24 million from May 31, 2022. This was mainly the result of a ¥367 million increase in notes and accounts receivable–trade, and contract assets.

Non-current assets

Non-current assets as of May 31, 2023 amounted to ¥21,681 million, up ¥49 million from May 31, 2022. This mainly reflected a ¥600 million increase in property, plant and equipment following new nursery openings in the Child-Rearing Support Service business, which was partially offset by a ¥443 million decrease in goodwill due to amortization.

Current liabilities

As of May 31, 2023, current liabilities stood at ¥15,189 million, up ¥3,548 million from May 31, 2022. This was attributable primarily to a ¥280 million increase in accounts payable–other and a ¥3,160 million increase in current portion of long-term borrowings.

Non-current liabilities

Non-current liabilities as of May 31, 2023 amounted to ¥8,790 million, down ¥4,927 million from May 31, 2022. This was due primarily to a ¥5,247 million decrease in long-term borrowings, partially offset by a ¥335 million increase in lease obligations.

Net assets

As of May 31, 2023, net assets totaled ¥15,474 million, up ¥1,452 million from May 31, 2022. This mainly reflected the booking of ¥2,568 million in profit attributable to owners of parent and ¥997 million in dividends paid.

(3) Overview of Cash Flows

As of May 31, 2023, cash and cash equivalents amounted to ¥10,649 million, up ¥46 million from May 31, 2022. Cash inflows, including the booking of profit before income taxes, 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 ¥4,797 million (+1.9% year on year). Primary sources of cash included ¥4,219 million in profit before income taxes, ¥1,356 million in depreciation, and ¥443 million in amortization of goodwill, while the main use of cash was ¥1,347 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥1,476 million (-11.4% year on year). This mainly reflected cash outflows of ¥1,455 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 ¥60 million in proceeds from distribution of investment in partnerships.

Cash Flows from Financing Activities

Net cash used by financing activities amounted to ¥3,274 million (+67.4% year on year). This consisted primarily of cash used to repay long-term borrowings of ¥3,287 million and cash used to pay dividends of ¥996 million.

(Reference) Cash Flow Indicators

	Year ended May 31, 2019	Year ended May 31, 2020	Year ended May 31, 2021	Year ended May 31, 2022	Year ended May 31, 2023
Shareholders' equity ratio (%)	29.3	25.3	31.7	35.6	39.2
Shareholders' equity ratio on a market value basis (%)	77.1	76.7	107.7	107.8	82.3
Ratio of interest-bearing debt to cash flow (years)	3.1	5.0	3.0	3.5	3.0
Interest coverage ratio (x)	76.9	70.1	79.9	68.0	62.5

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.

(4) Outlook

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 and other childcare facilities 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. Further, the so-called "barrier of the first graders," a term used to refer to the shortage of after-school care services for children when they graduate from nursery and start elementary school, has become a social issue, with the rise in the number of children waitlisted for after-school clubs exacerbating the issue. 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 2023, the job offer-to-applicant ratio for nursery teachers remained high at 3.12x, compared with an average of 1.44x 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 about 20 new facilities, including licensed nurseries, on-site childcare facilities, after-school clubs, and children's centers, in the fiscal year ending May 31, 2024. In addition to operating nurseries established by local governments under contract, we will consider and strongly promote the development of childcare facilities from various angles, including by taking on both the construction and operation of new childcare facilities to replace the aging, deteriorating ones operated by 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 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 and the expanding logistics and manufacturing industries. At the same time, we will invest management resources in the employment support for foreign nationals, where substantial growth is anticipated, especially in bolstering the placement of foreign nationals in the nursing care industry. By further focusing on 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 percentage of elderly in the population and the number of people aged 75 or older are 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, and with the domestic workforce alone, this shortage cannot be resolved. The shortage in care workers, as a result, has become a serious social issue.

Consequently, in the Nursing Care-Related Service business we plan to continue opening new facilities, particularly assisted-living 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.

Through these business activities, in the fiscal year ending May 31, 2024, the LIKE Group aims to deliver consolidated net sales of ¥63,300 million (+5.5% year on year), operating profit of ¥4,450 million (+24.3%), ordinary profit of ¥5,200 million (+22.2%), and profit attributable to owners of parent of ¥3,450 million (+34.3%).

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, 2023, we have set annual dividends at ¥58 per share, consisting of an interim dividend of ¥26 per share (already paid) and a projected year-end dividend of ¥32 per share (including a commemorative dividend of ¥5) for a consolidated payout ratio of 43.3%.

In line with our target of maintaining a consolidated dividend payout ratio of 30%, for the fiscal year ending May 31, 2024, we intend to award an interim dividend of ¥29 per share and a year-end dividend of ¥29 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, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	10,623,285	10,669,717
Notes and accounts receivable–trade, and contract assets	5,425,661	5,793,123
Merchandise	9,971	3,811
Raw materials and supplies	7,695	7,745
Other	1,690,907	1,311,676
Allowance for doubtful accounts	(9,023)	(13,245)
Total current assets	17,748,498	17,772,829
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,990,369	18,764,865
Accumulated depreciation	(5,435,787)	(6,321,666)
Accumulated impairment	(18,666)	(18,666)
Buildings and structures, net	12,535,915	12,424,532
Machinery, equipment and vehicles	34,124	31,556
Accumulated depreciation	(22,039)	(23,829)
Machinery, equipment and vehicles, net	12,085	7,726
Leased assets	3,119,169	3,663,611
Accumulated depreciation	(470,155)	(630,723)
Leased assets, net	2,649,014	3,032,888
Construction in progress	35,766	452,477
Other	1,901,820	1,999,180
Accumulated depreciation	(1,445,748)	(1,627,588)
Accumulated impairment	(5,729)	(5,729)
Other, net	450,342	365,862
Total property, plant and equipment	15,683,125	16,283,488
Intangible assets		
Goodwill	517,075	73,610
Other	164,373	131,105
Total intangible assets	681,449	204,716
Investments and other assets		
Investment securities	552,887	428,961
Shares of subsidiaries and associates	46,000	46,000
Long-term loans receivable	883,252	821,874
Guarantee deposits	2,683,839	2,784,478
Deferred tax assets	768,567	786,527
Other	374,249	367,229
Allowance for doubtful accounts	(41,171)	(41,984)
Total investments and other assets	5,267,625	5,193,087
Total non-current assets	21,632,200	21,681,291
Total assets	39,380,698	39,454,121

(Thousands of yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	104,636	181,196
Short-term borrowings	1,400,000	1,400,000
Current portion of long-term borrowings	3,285,512	6,445,909
Accounts payable–other	3,684,899	3,965,858
Income taxes payable	722,116	711,278
Accrued consumption taxes	546,501	473,158
Provision for bonuses	759,229	835,939
Provision for shareholder benefit program	47,697	67,679
Other	1,089,878	1,108,172
Total current liabilities	11,640,471	15,189,192
Non-current liabilities		
Long-term borrowings	9,190,612	3,943,034
Deferred tax liabilities	95,302	38,578
Asset retirement obligations	744,090	769,838
Move-in security deposits received	825,413	746,130
Retirement benefit liability	359,471	450,931
Lease obligations	2,439,606	2,774,662
Other	63,722	67,289
Total non-current liabilities	13,718,219	8,790,464
Total liabilities	25,358,691	23,979,656
Net assets		
Shareholders' equity		
Share capital	1,548,683	1,548,683
Capital surplus	165,827	165,827
Retained earnings	12,792,238	14,363,295
Treasury shares	(741,087)	(741,087)
Total shareholders' equity	13,765,661	15,336,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	254,820	177,053
Remeasurements of defined benefit plans	1,524	(39,308)
Total accumulated other comprehensive income	256,345	137,745
Total net assets	14,022,007	15,474,464
Total liabilities and net assets	39,380,698	39,454,121

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

Consolidated Statement of Income

(Thousands of yen)

	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)	Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)
Net sales	57,642,511	60,015,221
Cost of sales	47,497,213	50,355,286
Gross profit	10,145,298	9,659,935
Selling, general and administrative expenses		
Payroll, remuneration and allowances	1,554,684	1,644,042
Provision for bonuses	115,024	119,082
Amortization of goodwill	444,065	443,465
Hiring and education expenses	1,018,521	1,033,487
Rent expenses	561,962	551,252
Taxes and dues	975,874	944,909
Provision for shareholder benefit program	50,141	67,679
Other	1,186,359	1,275,401
Total selling, general and administrative expenses	5,906,633	6,079,319
Operating profit	4,238,664	3,580,616
Non-operating income		
Interest income	6,472	6,054
Dividend income	14,868	15,285
Gain on investments in investment partnerships	12,882	48,235
Facilities subsidy income	1,025,730	675,306
Other	35,999	29,715
Total non-operating income	1,095,954	774,597
Non-operating expenses		
Interest expenses	70,762	76,859
Donations	12,212	12,000
Loss on investments in investment partnerships	1,218	—
Provision of allowance for doubtful accounts	7,532	—
Other	8,747	10,814
Total non-operating expenses	100,472	99,674
Ordinary profit	5,234,146	4,255,539
Extraordinary income		
Gain on sale of non-current assets	27	27
Subsidy income	25,316	—
Other	9	—
Total extraordinary income	25,353	27
Extraordinary losses		
Loss on retirement of non-current assets	10,080	35,074
Loss on tax purpose reduction entry of non-current assets	25,316	—
Other	4,411	842
Total extraordinary losses	39,808	35,917
Profit before income taxes	5,219,690	4,219,649
Income taxes–current	1,851,943	1,673,117
Income taxes–deferred	98,952	(22,411)
Total income taxes	1,950,895	1,650,706
Profit	3,268,795	2,568,943
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,268,795	2,568,943

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)	Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)
Profit	3,268,795	2,568,943
Other comprehensive income		
Valuation difference on available-for-sale securities	(60,701)	(77,767)
Remeasurements of defined benefit plans, net of tax	5,618	(40,832)
Total other comprehensive income	(55,083)	(118,600)
Comprehensive income	3,213,711	2,450,342
Comprehensive income attributable to:		
Owners of parent	3,213,711	2,450,342
Non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

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	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

Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,548,683	165,827	12,792,238	(741,087)	13,765,661
Changes during period					
Dividends of surplus			(997,885)		(997,885)
Profit attributable to owners of parent			2,568,943		2,568,943
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,571,057	—	1,571,057
Balance at end of period	1,548,683	165,827	14,363,295	(741,087)	15,336,719

(Thousands of yen)

	Accumulated other comprehensive income			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	254,820	1,524	256,345	14,022,007
Changes during period				
Dividends of surplus				(997,885)
Profit attributable to owners of parent				2,568,943
Net changes in items other than shareholders' equity	(77,767)	(40,832)	(118,600)	(118,600)
Total changes during period	(77,767)	(40,832)	(118,600)	1,452,457
Balance at end of period	177,053	(39,308)	137,745	15,474,464

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)	Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)
Cash flows from operating activities		
Profit before income taxes	5,219,690	4,219,649
Depreciation	1,322,907	1,356,554
Amortization of goodwill	444,065	443,465
Increase (decrease) in allowance for doubtful accounts	7,275	5,035
Increase (decrease) in provision for bonuses	(12,293)	76,709
Interest and dividend income	(21,341)	(21,339)
Facilities subsidy income	(1,025,730)	(675,306)
Decrease (increase) in trade receivables	(545,752)	(367,461)
Increase (decrease) in trade payables	(2,905)	76,560
Increase (decrease) in accounts payable–other	519,421	282,286
Increase (decrease) in move-in deposits received	(35,976)	(79,283)
Decrease (increase) in prepaid expenses	(6,291)	(44,321)
Increase (decrease) in accrued consumption taxes	241,820	18,716
Decrease (increase) in consumption taxes refund receivable	9,284	(119,670)
Other, net	23,323	109,316
Subtotal	6,137,497	5,280,909
Interest and dividends received	21,341	21,339
Interest paid	(69,256)	(76,802)
Income taxes refund (paid)	(2,499,714)	(1,347,492)
Subsidies received	1,120,169	919,984
Net cash provided by (used in) operating activities	4,710,037	4,797,939
Cash flows from investing activities		
Proceeds from distributions from investment partnerships	59,024	60,146
Payments into time deposits	(20,000)	(20,000)
Proceeds from withdrawal of time deposits	20,000	20,000
Purchase of property, plant and equipment	(1,573,959)	(1,455,500)
Proceeds from sale of property, plant and equipment	28	27
Purchase of intangible assets	(79,307)	(31,959)
Payments of guarantee deposits	(221,762)	(149,308)
Proceeds from refund of guarantee deposits	86,498	39,825
Other, net	63,077	60,057
Net cash provided by (used in) investing activities	(1,666,400)	(1,476,710)

(Thousands of yen)

	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)	Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)
Cash flows from financing activities		
Repayments of long-term borrowings	(2,963,332)	(3,287,181)
Proceeds from long-term borrowings	2,300,000	1,200,000
Proceeds from issuance of shares resulting from exercise of share acquisition rights	33,726	—
Dividends paid	(1,165,118)	(996,995)
Other, net	(161,865)	(190,619)
Net cash provided by (used in) financing activities	(1,956,590)	(3,274,796)
Net increase (decrease) in cash and cash equivalents	1,087,046	46,432
Cash and cash equivalents at beginning of period	9,516,239	10,603,285
Cash and cash equivalents at end of period	10,603,285	10,649,717

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of a Going Concern)

There are no applicable matters to report.

(Changes in Accounting Policies)

Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Group began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued June 17, 2021; “Fair Value Measurement Implementation Guidance”) at the beginning of the fiscal year ended May 31, 2023, and will apply the new accounting policies prescribed by the Fair Value Measurement Implementation Guidance in accordance with the transitional treatments prescribed in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. The adoption of the Fair Value Measurement Implementation Guidance has no impact on the consolidated financial statements.

(Segment Information)

Segment Information

1. Overview of reportable segments

The Like Group’s reportable segments are constituent units of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate performance.

The Group categorizes its businesses into three reportable segments based on the nature of the services provided: Comprehensive Human Resources Service, Child-Rearing Support Service, and Nursing Care-Related Service.

In the Comprehensive Human Resources Service business, the Group provides temporary staffing service, outsourcing service, placement service, and hiring and education support service for client companies.

In the Child-Rearing Support Service business, the Group provides outsourced childcare services in which it operates on-site childcare facilities located on the premises of hospitals, companies, and universities, as well as public-sector childcare services in which it operates licensed nurseries, after-school clubs, and other public childcare facilities.

In the Nursing Care-Related Service business, the Group provides nursing and elderly care services to the residents of nursing care facilities operated by LIKE Care, Inc.

2. Calculation methods for sales, profit, assets, liabilities, and other items for each reportable segment

The accounting treatment for the reportable segments is generally consistent with the accounting methods used to prepare the consolidated financial statements.

The profit in each reportable segment is based on operating profit.

Intersegment income and transfer amounts between reportable segments are based on market prices.

3. Information on sales, profit, assets, liabilities, and other items for each reportable segment

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded in consolidate financial statements (Note 3)
	Comprehensive Human Resources Service	Child-Rearing Support Service	Nursing Care-Related Service	Subtotal				
Sales								
Sales to external customers	22,087,063	27,790,448	7,506,452	57,383,964	258,546	57,642,511	—	57,642,511
Intersegment sales and transfers	515,917	—	—	515,917	—	515,917	(515,917)	—
Total	22,602,980	27,790,448	7,506,452	57,899,881	258,546	58,158,428	(515,917)	57,642,511
Segment profit	1,870,309	2,579,206	426,523	4,876,039	15,729	4,891,768	(653,104)	4,238,664
Segment assets	5,997,976	28,612,930	2,630,491	37,241,398	66,232	37,307,630	2,073,067	39,380,698
Segment liabilities	2,426,489	19,182,032	2,023,956	23,632,479	28,742	23,661,221	1,697,469	25,358,691
Other items								
Depreciation	15,894	1,211,342	60,254	1,287,491	2,577	1,290,069	32,838	1,322,907
Goodwill amortization	2,400	441,665	—	444,065	—	444,065	—	444,065
Increase in property, plant and equipment and intangible assets	7,990	1,913,985	28,918	1,950,895	—	1,950,895	6,050	1,956,945

(Notes) 1. Other is not a reportable segment, and includes the multimedia services business.

2. Adjustments on segment profit of -¥653,104 thousand are companywide expenses not allocated to each reportable segment. Companywide expenses are primarily general and administrative expenses not attributable to reportable segments.
Adjustments on segment assets of ¥2,073,067 thousand are companywide assets, most of which are cash and deposits and investment securities not attributable to reportable segments.
Adjustments on segment liabilities of ¥1,697,469 thousand are companywide liabilities, most of which are liabilities for the administrative division of the Company and subsidiaries.
Adjustments on depreciation of ¥32,838 thousand are mainly depreciation on companywide assets.

3. Segment profit is adjusted with operating profit shown in the consolidated financial statements.

Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded in consolidate financial statements (Note 3)
	Comprehensive Human Resources Service	Child-Rearing Support Service	Nursing Care-Related Service	Subtotal				
Sales								
Sales to external customers	22,981,374	29,047,620	7,748,981	59,777,976	237,245	60,015,221	—	60,015,221
Intersegment sales and transfers	596,638	—	—	596,638	571,561	1,168,200	(1,168,200)	—
Total	23,578,013	29,047,620	7,748,981	60,374,615	808,806	61,183,422	(1,168,200)	60,015,221
Segment profit	1,851,019	2,359,044	226,147	4,436,211	45,948	4,482,159	(901,543)	3,580,616
Segment assets	6,282,599	28,474,461	2,686,871	37,443,932	83,807	37,527,739	1,926,381	39,454,121
Segment liabilities	2,443,757	17,280,761	1,899,944	21,624,463	122,178	21,746,642	2,233,014	23,979,656
Other items								
Depreciation	11,852	1,251,474	63,078	1,326,405	2,364	1,328,769	27,785	1,356,554
Goodwill amortization	1,800	441,665	—	443,465	—	443,465	—	443,465
Increase in property, plant and equipment and intangible assets	62,428	1,890,687	40,374	1,993,490	—	1,993,490	1,897	1,995,388

(Notes) 1. Other is not a reportable segment, and includes the multimedia services business.

2. Adjustments on segment profit of -¥901,543 thousand largely reflect companywide expenses not allocated to each reportable segment. Companywide expenses are primarily general and administrative expenses not attributable to reportable segments.
Adjustments on segment assets of ¥1,926,381 thousand are companywide assets, most of which are cash and deposits and investment securities not attributable to reportable segments.
Adjustments on segment liabilities of ¥2,233,014 thousand are companywide liabilities, most of which are liabilities for the administrative division of the Company and subsidiaries.
Adjustments on depreciation of ¥27,785 thousand are mainly depreciation on companywide assets.

3. Segment profit is adjusted with operating profit shown in the consolidated financial statements.

Related Information

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

1. Information by product and service

This information has been omitted, as relevant information is disclosed as segment information.

2. Information by region

(1) Sales

There are no applicable matters to report, as there are no sales to external customers outside Japan.

(2) Property, plant and equipment

There are no applicable matters to report, as the Group has no consolidated subsidiaries or branches in countries or regions outside Japan.

3. Information by key customer

This information has been omitted, as no customer accounts for more than 10% of net sales shown in the consolidated financial statements.

Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)

1. Information by product and service

This information has been omitted, as relevant information is disclosed as segment information.

2. Information by region

(1) Sales

There are no applicable matters to report, as there are no sales to external customers outside Japan.

(2) Property, plant and equipment

There are no applicable matters to report, as the Group has no consolidated subsidiaries or branches in countries or regions outside Japan.

3. Information by key customer

This information has been omitted, as no customer accounts for more than 10% of net sales shown in the consolidated financial statements.

Information Regarding Impairment Losses on Fixed Assets by Reportable Segment

There are no applicable matters to report.

Information Regarding Amortization of Goodwill and Unamortized Balance by Reportable Segment

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

(Thousands of yen)

	Comprehensive Human Resources Service	Child-Rearing Support Service	Nursing Care-Related Service	Subtotal	Other	Companywide expenses and eliminations	Total
Year-end balance	1,800	515,275	—	517,075	—	—	517,075

(Note) Information on the amount of goodwill amortization has been omitted, as relevant information is disclosed as segment information.

Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)

(Thousands of yen)

	Comprehensive Human Resources Service	Child-Rearing Support Service	Nursing Care-Related Service	Subtotal	Other	Companywide expenses and eliminations	Total
Year-end balance	—	73,610	—	73,610	—	—	73,610

(Note) Information on the amount of goodwill amortization has been omitted, as relevant information is disclosed as segment information.

Information on Gains on Bargain Purchase by Reportable Segment

There are no applicable matters to report.

(Per Share Information)

	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)	Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)
Book value per share	¥730.69	¥806.38
Basic earnings per share	¥170.87	¥133.87
Diluted earnings per share	¥170.45	—

(Note) The basis of calculation for basic earnings per share and diluted earnings per share is as below. Note that diluted earnings per share for the fiscal year ended May 31, 2023 are not provided as there were no dilutive shares.

	Year ended May 31, 2022 (June 1, 2021 to May 31, 2022)	Year ended May 31, 2023 (June 1, 2022 to May 31, 2023)
(1) Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	3,268,795	2,568,943
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent applicable to common shares (thousands of yen)	3,268,795	2,568,943
Average number of shares outstanding during the fiscal year (shares)	19,130,220	19,190,103
(2) Diluted earnings per share		
Profit attributable to owners of parent (thousands of yen)	—	—
Increase in common stock (shares)	47,779	—
(Of which, share acquisition rights [shares])	(47,779)	—
Dilutive shares not included in the calculation of diluted earnings per share, as they had no dilutive effect	―――	

(Significant Subsequent Events)

There are no applicable matters to report.