



LIKE, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending May 2024

January 17, 2024

*This transcript was edited from the original transcript provided by SCRIPTS Asia Inc.

Presentation

Operating Performance for the First Six Months of the Fiscal Year Ending May 31, 2024



January 12, 2024
LIKE, Inc.
TSE Prime
(Securities code: 2462)

Okamoto: Hello, everyone. I'm Yasuhiko Okamoto, Representative Director, President and Chairman of LIKE, Inc. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today.

Now, I would like to give an explanation based on the materials.

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In the table of contents today, I will give you an overview of the Company, followed by an explanation of consolidated business results for the second quarter, a forecast of consolidated business results for the fiscal year ending May 31, 2024, the medium-term management plan, and shareholder returns, in that order.

Company overview

Name	LIKE, Inc.	Locations		
Established	September 1993			
Listing	Tokyo Stock Exchange, Prime Market Securities code: 2462			
Representative	Yasuhiko Okamoto Representative Director, President and Chairman Group CEO			
Capital	¥1,548 million			
Business	Holding company that has under its umbrella operating companies that engage in following three businesses: <ul style="list-style-type: none">• Child-Rearing Support Service• Comprehensive Human Resources Service• Nursing Care -Related Service	Offices & facilities	Childcare facilities	394
Employees	7,512 (including 2,306 temporary employees) (Consolidated basis as of November 30, 2023)		Nursing care facilities	24
Group companies	<u>Consolidated Subsidiaries</u> LIKE Kids, Inc. LIKE Staffing, Inc. LIKE Care, Inc. LIKE Products, Inc.		Sales bases for comprehensive human resources services	13
			Employment support center for people with disabilities	1

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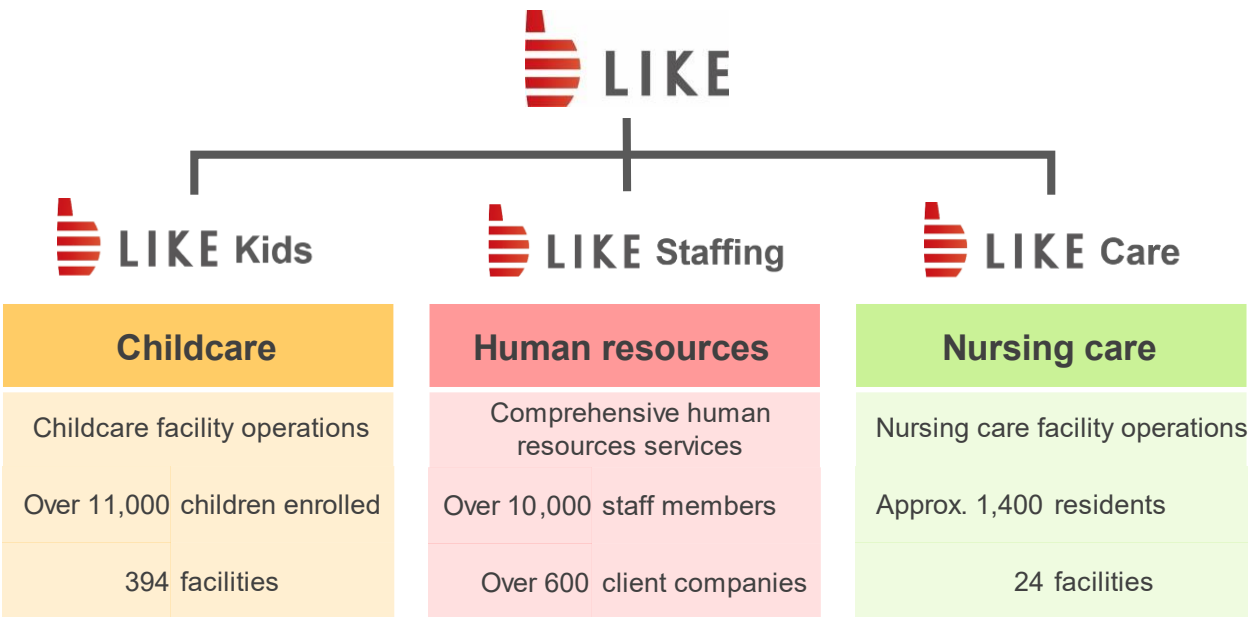
This is an overview of the Company.

LIKE, Inc. The securities code is 2462. Our businesses include childcare support services, comprehensive human resources service, and nursing care-related services.

We have about 7,500 employees, including temporary part-time workers. LIKE is a holding company, and its operating companies include LIKE Kids, Inc., LIKE Staffing, Inc., LIKE Care, Inc., and LIKE Products, Inc.

The Tokyo head office is in Shibuya, and Osaka office is in Umeda. I will explain the offices, etc. on a different page.

Business overview



Providing services to **all age groups**,
from the cradle to the happy twilight years

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Under the holding company LIKE, we are engaged in the childcare, human resources, and nursing care businesses through our operating companies, and currently have 394 childcare facilities with more than 11,000 children in care.

As a human resources company, we have more than 600 clients and more than 10,000 active staff.

As for the nursing care operation, we have 24 facilities with about 1,400 residents.

From the cradle to the happy twilight years, we provide services for all generations.

...planning the Future

Developing people and creating the future

Aiming to become a corporate group
that is **truly indispensable** to the world

Consolidated performance summary

Millions of yen	Q2 FY05/23	Q2 FY05/24	YoY	
			Change	% change
Net sales	28,659	28,879	+219	+0.8%
Operating profit	1,079	806	-273	-25.3%
Ordinary profit	1,244	1,113	-130	-10.5%
Profit attributable to owners of parent	710	689	-20	-2.9%

■ Net sales

Sales in the Child-Rearing Support Service and Nursing Care-Related Service businesses grew YoY.

Sales in the Comprehensive Human Resources Service business declined YoY, due to lower sales to the mobile phone industry.

■ Operating profit

Operating profit fell YoY, due to soaring food prices and deteriorating cost ratio in the Comprehensive Human Resources Service business, as well as facility relocation costs in the Nursing Care -Related Service business.

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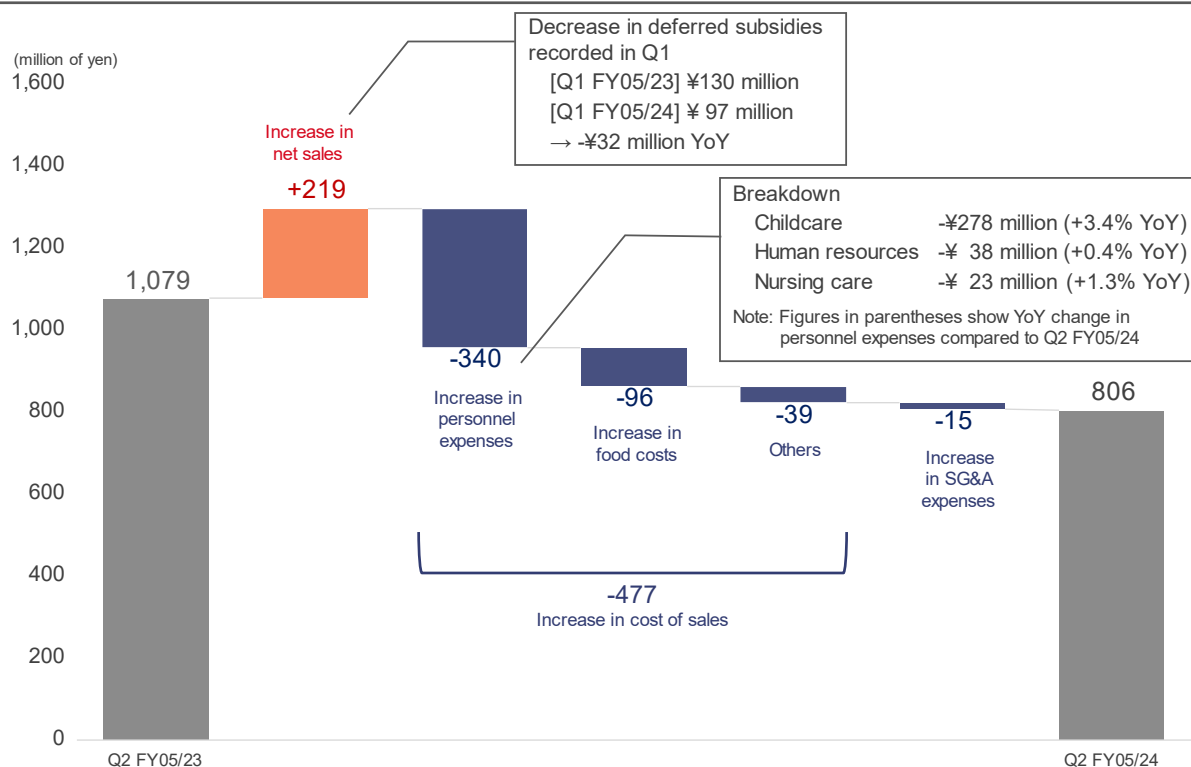
I will now explain the status of our consolidated business results for the fiscal year ended May 2024.

This is a financial results summary. Net sales were JPY28,879 million, up JPY219 million YoY. The ratio is 100.8%. Operating profit was JPY806 million, down JPY273 million YoY, and the ratio was 74.7%. Ordinary profit was JPY1,113 million, down JPY130 million YoY, and the ratio was 89.5%. Net income for the quarter was JPY689 million, down JPY20 million YoY, and the ratio was 97.1%.

First, sales in the childcare/nursing care business increased YoY. On the other hand, sales in the human resources business declined YoY due to lower sales to the mobile industry.

Operating profit was affected by a deterioration in the cost of sales ratio due to soaring labor costs in the childcare business and rising food ingredients costs. In addition, the profit decreased YoY due to expenses related to the relocation of the preschool building, etc.

Factors affecting operating profit



Notes: Consolidation adjustments to cost of sales are included in "Others."
Food costs include expenses related to outsourcing cafeteria operations in facilities.

The table below is an explanation of the factors affecting operating profit. I hope you can refer to it.

Operating expenses

Millions of yen	Q2 FY05/23		Q2 FY05/24		YoY	
	Amount	% of net Sales	Amount	% of net sales	Change	% change
Cost of sales	24,769	86.4%	25,247	87.4%	+477	+1.9%
SG&A expenses	2,810	9.8%	2,825	9.8%	+15	+0.5%
Personnel expenses	1,053	3.7%	1,112	3.9%	+59	+5.6%
Recruiting and education expenses	462	1.6%	410	1.4%	-52	-11.2%
Rent expenses on land and buildings	271	0.9%	262	0.9%	-8	-3.2%
Amortization of goodwill	222	0.8%	73	0.3%	-148	-66.8%
Other	801	2.8%	966	3.3%	+165	+20.6%
Operating profit	1,079	3.8%	806	2.8%	-273	-25.3%

The cost of sales ratio rose from 86.4% to 87.4% (+1.0pp YoY).

The rise was due to increases in personnel and food costs booked as cost of sales.

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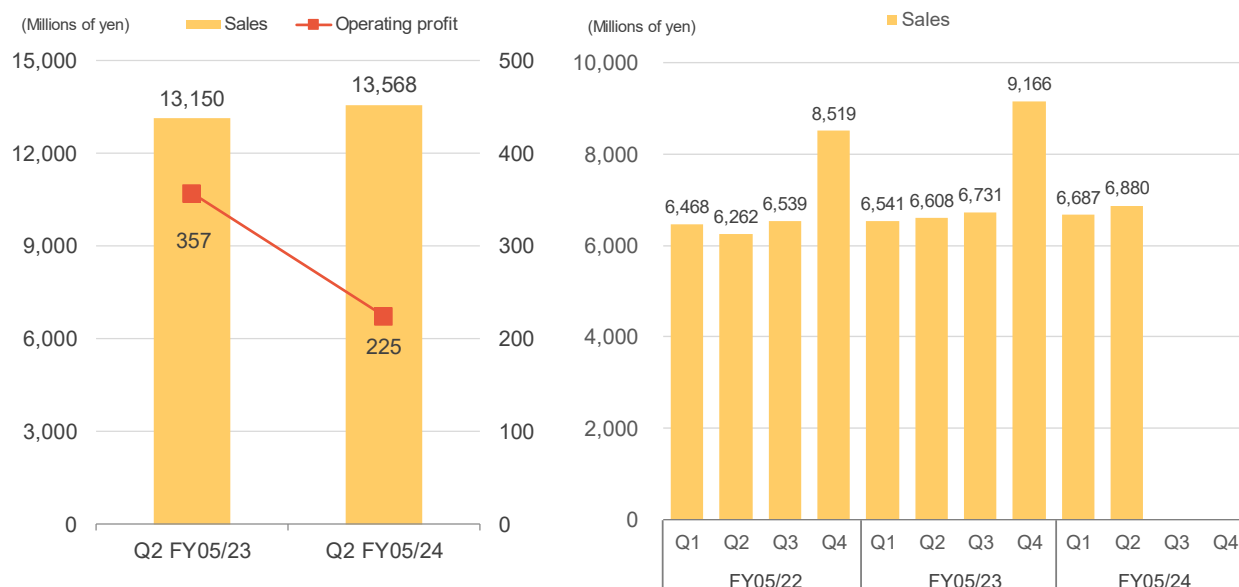
I would like to explain operating expenses. As for cost of sales, this second quarter was JPY25,247 million, an increase of JPY477 million YoY. The ratio was 102%.

SG&A expenses also increased by about JPY15 million to JPY2,825 million, or 100.5%. The main increase in SG&A expenses was personnel expenses, which was 105.6% YoY and 120.6% was in other expenses.

As a result, operating profit was minus JPY273 million.

Performance by segment: Child-Rearing Support Service

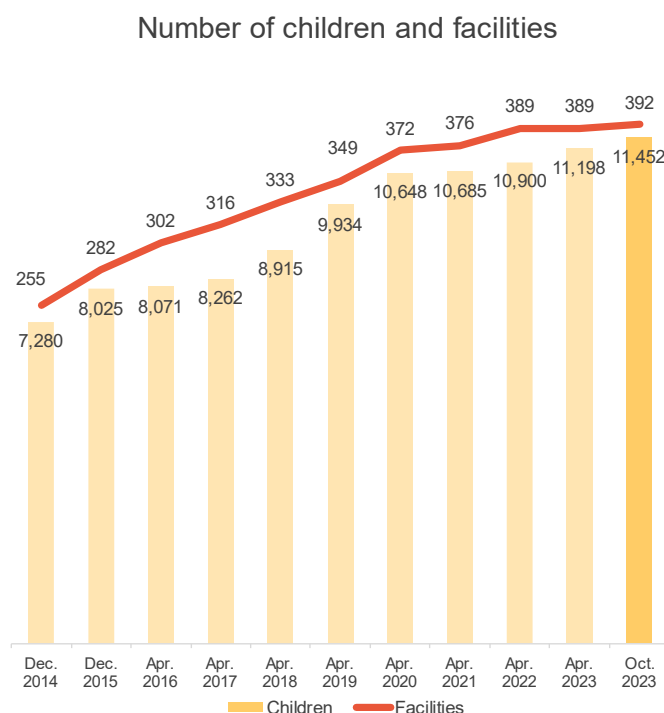
- Sales up 3.2%、operating profit down 37.0%
- Operating profit declined YoY due to higher food prices and facility relocation costs



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This is the performance by segment, child-relating support service. Net sales increased by 3.2% and operating profit decreased by 37.0%. As I have explained already, costs have increased due to rising food ingredient costs, the cost incurred in relocating the preschool building, and the improvement of personnel costs for childcare workers and other personnel, etc.

Number of children and facilities: Child-Rearing Support Service



Note: The number of children does not include children enrolled in after-school clubs. In addition, the number of children in outsourced childcare facilities changes daily.

Facilities by type

	Apr. 30, 2023	Jan. 1, 2024
Public childcare	256	257
Licensed nurseries	172	172
After-school clubs	84	85
Outsourced childcare	133	137
Nurseries at hospitals	115	118
Nurseries at offices and other institutions	18	19
Total	389	394

Scheduled facility openings for FY05/24

- Four licensed nurseries
- Twenty-one after-school clubs, etc.
- Eight outsourced childcare facilities

Notes:

The numbers above are not definite and subject to change. Includes six facilities (one after-school club and five outsourced childcare facilities) that were open as of January 1, 2024.

Breakdown of children

	Apr. 30, 2023	Oct. 31, 2023
Public childcare	9,447	9,613
Outsourced childcare	1,751	1,839
Total	11,198	11,452

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This is the number of children and facilities. The number of children is 11,452 and the number of facilities is 392 in October 2023. Comparing the number of public childcares in April 30 2023 with January 1, 2024, that has increased from 256 to 257 and of licensed nurseries has remained at 172. The number of after-school clubs has increased by one during the past six months, from 84 to 85. The number of outsourced childcares has increased from 133 to 137. I believe this is the result of our focus on strengthening orders for outsourced childcare services.

In terms of licensed nursery schools, we will open four new sites in the fiscal year ending May 31, 2024.. We plan to open 21 after-school clubs, one was in November 2023, so that is 20 new clubs in April 2024.

A total of about eight new outsourced childcare facilities have been ordered in the fiscal year ending May 31, 2024. Due to the characteristics of the outsourced childcare, there are many patterns we operate immediately after receiving an order, and we have already started operating two facilities in June 2023, one in July 2023, one in October 2023, and one in November 2023. We will start the operation in two places in April 2024 and one more place is currently being adjusted.

With the opening of each of the four public licensed nurseries, we expect a JPY360 million increase in annual sales in public childcare and we consider will be reflected in the next fiscal year. We are considering a JPY130 million to JPY140 million increase for outsourced childcare facilities.

With the after-school clubs, we expect to contribute to a total of about JPY1.08 billion in sales in the next fiscal year.

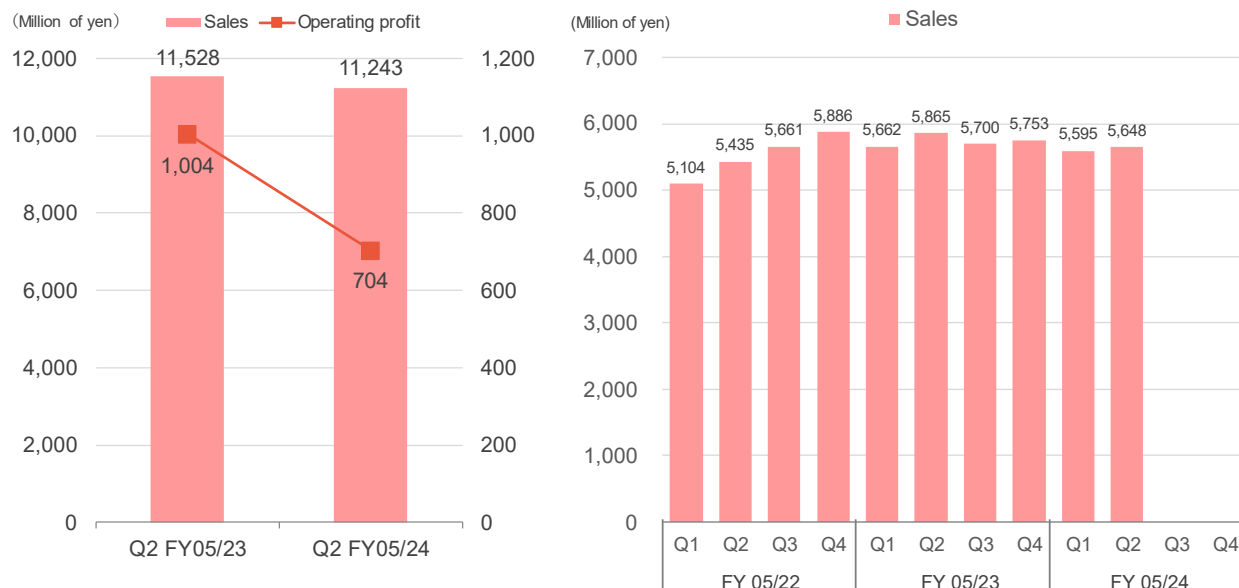
At this time, operations are progressing rather smoothly for 2025, with five new licensed nurseries already planned to open in April 2025. We have about five projects in progress. We hope to finalize two or three projects of these five in progress to open about seven to eight new facilities in April 2025.

It is only one facility increase, from four to five, in April 2025 compared to April 2024; however, in terms of the number capacity of the children in our care, it is 197 in April 2024, but it will be 432 in April 2025. Therefore, even though it is only one facility increase, the approved new facility has a large scale, and we believe it will contribute tremendously to our sales.

As for after-school clubs, although projects will not be determined as early as for licensed nurseries, there is a "bubble" of after-school clubs, and each municipality is putting a great deal of effort into opening after-school clubs. We are conducting sales activities with the aim of opening about 20 facilities in April 2025 similar to April 2024.

Performance by segment: Comprehensive Human Resources Service

- Sales down 2.5%, operating profit down 29.8%
- Sales and operating profit declined YoY due to lower sales to the mobile phone industry and higher personnel expenses



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Next, I would like to explain our comprehensive human resources service. To be honest, things are not going so well here, with sales down 2.5% and operating profit down 29.8%.

We believe that the biggest factor for the large decrease in operating profit was the large decrease in sales for the mobile industry with high unit price with high profitability. This was the biggest factor, rather than increases in labor and other costs.

Sales by industry: Comprehensive Human Resources Service

Millions of yen	Q2 FY05/23	Q2 FY05/24	YoY	
			Change	% change
Mobile phone	5,964	4,985	-978	-16.4%
Logistics and manufacturing	3,562	4,446	+884	+24.8%
Call center	1,255	1,098	-156	-12.5%
Childcare	200	227	+26	+13.4%
Nursing care	54	37	-17	-32.3%
Construction	130	155	+24	+18.6%
Others	358	292	-66	-18.6%
Total	11,528	11,243	-284	-2.5%

■ Mobile phone

The number of carrier stores declined due to changes in the terms of commissions paid to agencies from telecom carriers. Meanwhile, personnel demand from home electronics mass retailers, the epicenter of competition for customers among carriers, increased.

■ Logistics and manufacturing

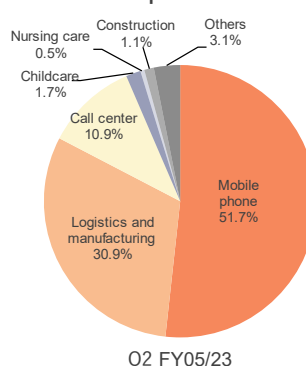
Personnel demand at large logistics facilities remained at high levels

■ Sales to Group companies

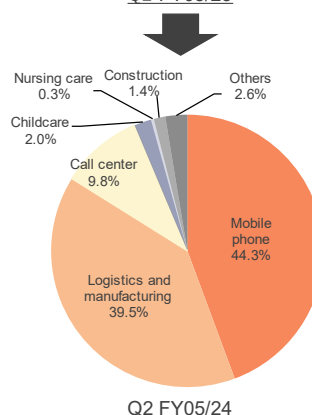
Sales to LIKE Kids : ¥140 million (-¥4 million YoY)

Sales to LIKE Care : ¥141 million (-¥29 million YoY)

Sales composition



Q2 FY05/23



Q2 FY05/24

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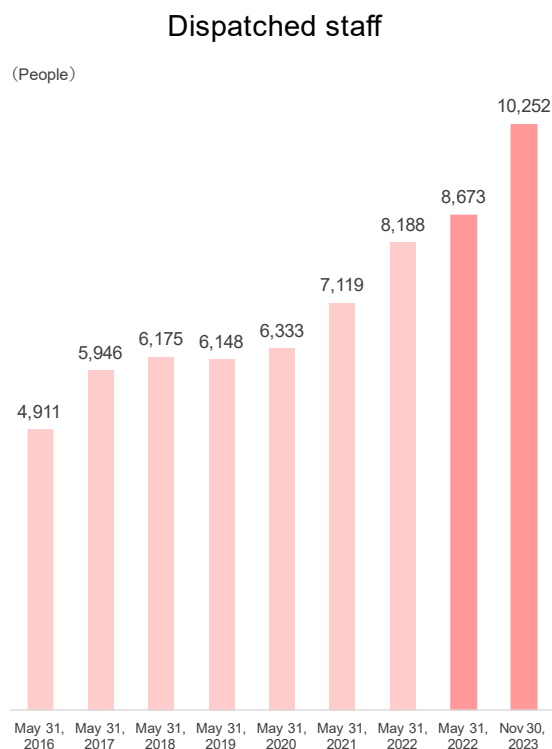
Let me explain the sales by industry in Comprehensive Human Resources Service. In the second quarter of the fiscal year ending May 2024, sales to the mobile industry totaled JPY4,985 million, down about JPY1,000 million YoY.

The main factor of this JPY1,000 million decrease was the sales to Rakuten Mobile, which we stopped doing business with at the end of December 2022. The sales to Rakuten Mobile were JPY1,070 million, so the entire amount from terminating the business with them has dropped. There was a slight sales increase to mass retailers, and it slightly offset the drop in sales to Rakuten Mobile, and the total decrease was JPY978 million.

Logistics and manufacturing are still well -ordered; however, the reality is that the growth in sales was not enough to fully cover profits because the unit price is low, and profitability is low compared to the mobile industry.

Below you can see that the number of carrier stores has decreased due to changes in commission terms from mobile carriers to agents. As you have already heard in the mass media, docomo Shops have been closed in many locations, but as I have explained before, the number of personnel we dispatched to docomo Shops was quite small, so there was almost no impact on our business performance. Again, the biggest factor of decrease in sales was that Rakuten Mobile's part could not be covered elsewhere.

Dispatched staff: Comprehensive Human Resources Service



Dispatched staff by industry

People	Nov. 30, 2022	Nov. 30, 2023
Mobile phone	2,329	1,966
Logistics and manufacturing	5,995	7,199
Call center and others	1,109	778
Childcare	206	211
Nursing care	82	52
Construction	37	46
Total	9,758	10,252

Note: From Q2 FY05/24, some dispatched staff previously included in "Call center and others" have been reclassified to "Logistics and manufacturing." Figures for previous fiscal years are based on the previous classification.

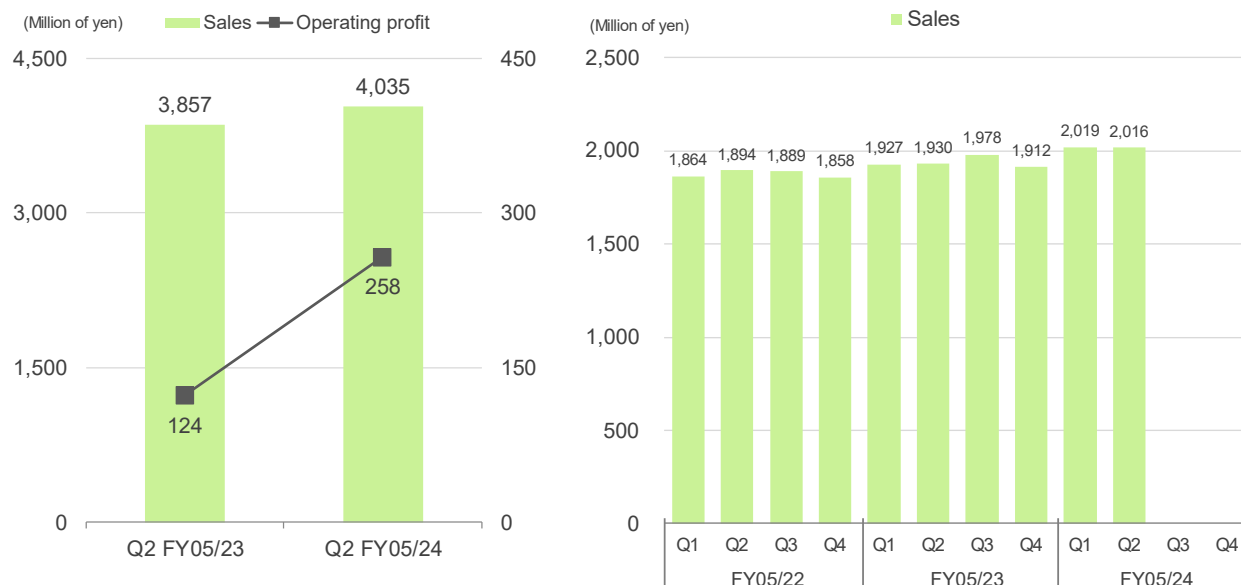
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The following table shows the number of dispatched staff in human resources service. This is finally over 10,000 people. It was a significant increase considering it was 9,758 at the end of November 2022 but increased to 10,252 at the end of November 2023. However, the increase was mostly in the logistics and manufacturing industry, and unfortunately, the number of staff working in the mobile business has been decreasing significantly.

The number of dispatched staff for the mobile industry was 363, but we used to dispatch about 400 staff to Rakuten Mobile, so we were able to make up for this with other clients.

Performance by segment: Nursing Care-Related Service

- Sales up 4.6%, operating profit up 106.7%
- Sales and operating profit increased YoY, owing to a revision of service fees and the absence of facility opening costs, as no new facility was opened in the first half of FY05/24 (versus one new facility opened in Q1 FY05/23)

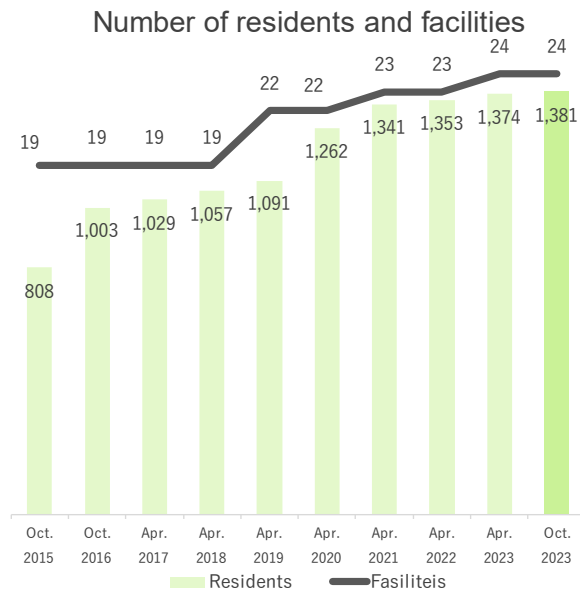


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Now, let me explain the sales by segment for Nursing Care-Related Service. Net sales increased by 4.6% and operating profit increased by 106.7%. In the fiscal year ending May 31, 2024, no new facilities were opened by the second quarter, so there was no upfront investment in opening new facilities, which resulted in an increase in profit.

However, in the fiscal Year ending May 31, 2024, we will open a large-scale facility in February 2024, and we believe that the final results will be in line with the performance of our previous nursing care-related services.

Residents, facilities, and occupancy rates: Nursing Care -Related Service

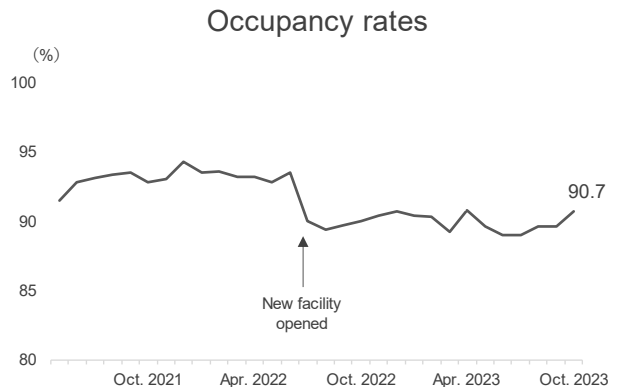


Note: In Q4 FY05/23, the Company changed the method of counting facilities, e.g., excluding day service centers that also functioned as paid nursing homes. The revised counting method has been retroactively applied to previous fiscal years.

Facility scheduled for opening

February 2024: Ferie-de Kami-igusa (102 rooms; Suginami-Ku, Tokyo)
February 2025: Sunrise Villa Kasukabe -higashi (tentative) (72 rooms; Kasukabe-Shi, Saitama)

Note: The plan for Sunrise Villa Kasukabe -higashi (tentative) was selected in the review of pre-construction consultation forms.



Note: Includes newly opened facilities

Facility breakdown

Assisted-living nursing home	18
Residence-type nursing home	4
Serviced housing facility for seniors	2
Group home	1
Day service center	1

Notes: Two facilities that serve as both assisted -living nursing homes and serviced housing facilities for seniors are counted as one assisted - living nursing home and one serviced housing facility for seniors. There are two more day service centers in addition to the above that also function as residence -type nursing homes.

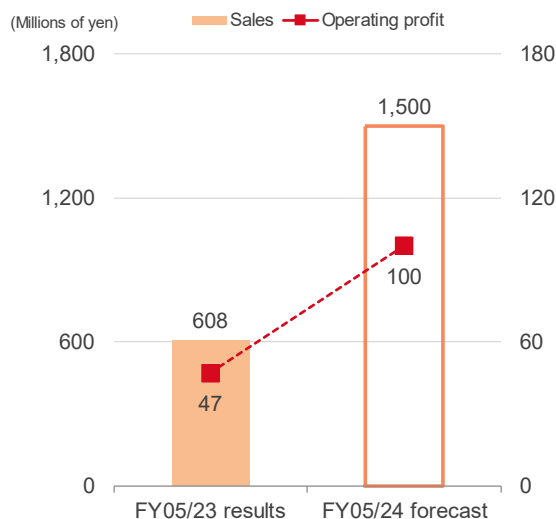
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The table below shows the number of residents, facilities, and occupancy rates. As I explained earlier, in February 2024, next month, we will open Ferie-de Kami-igusa in Suginami-Ku, Tokyo. With 102 rooms, this is a rather large project among our past openings, and we believe that how quickly we promote residents' occupancy will have a significant impact on our business performance.

Since the unit price is also high, we have moved our occupancy activities up quite a bit, and as a result, I think the current response has been favorable. We are determined to be vigilant and ensure a proper occupancy rate.

After that, we are planning to open Sunrise Villa Kasukabe East (tentative) in February 2025 in Kasukabe, Saitama Prefecture. We are already operating two facilities in Kasukabe. This will be a rather inexpensive facility, so we decided to open it, thinking that it would be a facility that would make a very good contribution to the occupancy rate.

Other business: LIKE Products



Note: Sales and operating profit include intra-group transactions.

Sales breakdown

Millions of yen	FY05/23 results	FY05/24 forecast
Internal	582	1,400
External	25	100
Total	608	1,500

Service

- For business operators
Facility operation under contract
Goods sales and service provision to facility operators
Ex) sales of food ingredients and consumables, provision of back office system services
- For consumers
Goods sales, service provision
Ex) sales of childcare-related goods and clothing, provision of educational contents

Initiatives

- Target number of partner facilities by FY05/27: 600
- Launched a B2B business and began operating business process outsourcing (BPO) projects
The Company also began selling goods to business operators, with the aim of expanding various transactions.
- Conducted test sales in the B2C business
To enhance services, LIKE aims to increase the number of partner business operators.

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Next, by segment, we have a newly established company called LIKE Products, which is expected to achieve sales of approximately JPY1.5 billion and operating profit of JPY100 million in the current fiscal year.

However, as you can see from the breakdown of sales, sales are almost exclusively for group companies, and external sales are still only about JPY100 million. It is mainly from joint purchases in areas such as childcare and nursing care, and so on. For external customers, LIKE Products is wholesaling of products to childcare providers and billing operations on their behalf. In the future, we would like to increase external sales.

FY05/24 consolidated earnings forecast

Millions of yen	FY05/23 results		FY05/24 forecast		YoY	
	Amount	% of net sales	Amount	% of net sales	Change	% change
Net sales	60,015	100.0%	63,300	100.0%	+3,284	+5.5%
Child-Rearing Support Service	29,047	48.4%	30,100	47.6%	+1,052	+3.6%
Comprehensive Human Resources Service	22,981	38.3%	24,700	39.0%	+1,718	+7.5%
Nursing Care-Related Service	7,748	12.9%	8,400	13.3%	+651	+8.4%
Other	237	0.4%	100	0.2%	-137	-57.8%
Operating profit	3,580	6.0%	4,450	7.0%	+869	+24.3%
Ordinary profit	4,255	7.1%	5,200	8.2%	+944	+22.2%
Profit attributable to owners of parent	2,568	4.3%	3,450	5.5%	+881	+34.3%
Earnings per share (yen)	133.87	—	179.78	—	+45.19	—

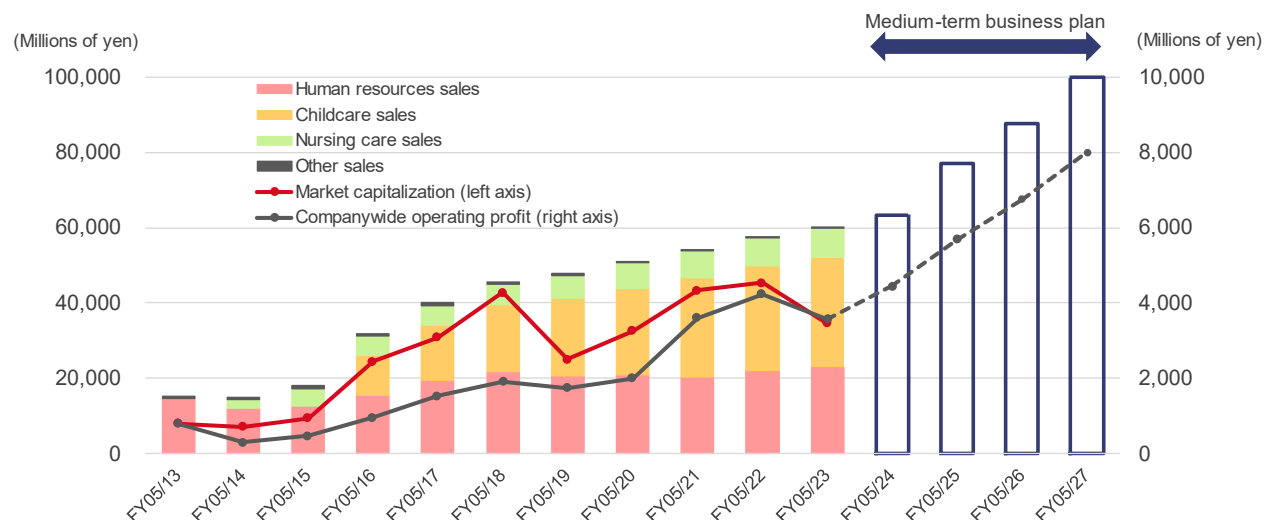
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I will now explain the consolidated earnings forecast for the fiscal year ending May 2024.

We forecast net sales of JPY63.3 billion. This includes JPY30.1 billion for child-rearing support service, JPY24.7 billion for comprehensive human resources service, JPY8.4 billion for nursing care-related service, and JPY0.1 billion for other services. We plan operating profit of JPY4.45billion and net profit of JPY3.45 billion.

We believe that child-rearing support service and nursing care-related service are progressing as we had expected. As for the comprehensive human resources service, I believe it will depend on how far we can build up from here. Currently, we are struggling a bit.

Consolidated operating performance and Medium-term business plan



FY05/27 net sales target:

¥100 billion

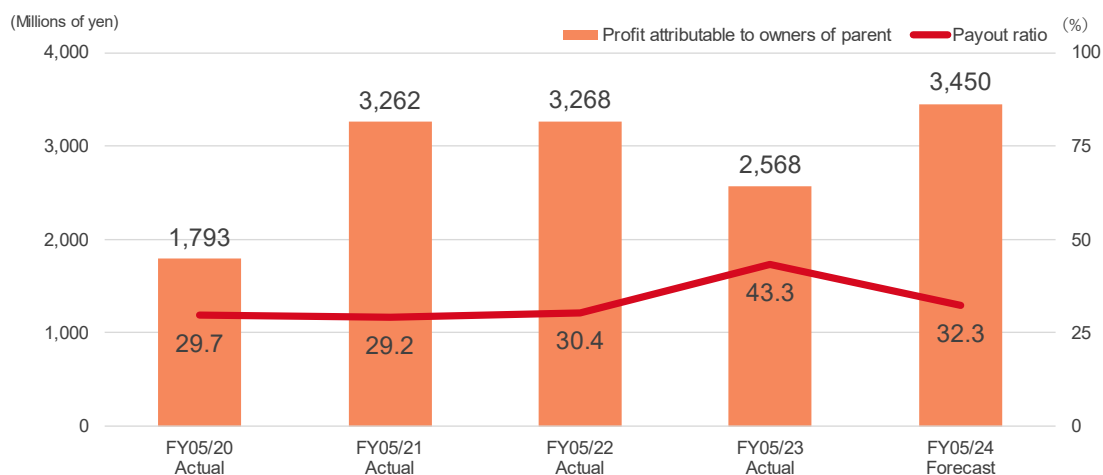
FY05/27 operating profit target:

¥8 billion

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The next is the medium-term business plan. For the fiscal year ending May 31, 2027, we are targeting sales of JPY100 billion and operating profit of JPY8 billion. We intend to accomplish this without any change.

Dividends and payout ratio



Yen	Interim	Year-end	Annual
FY05/20 actual	14	14	28
FY05/21 actual	15	35	50
FY05/22 actual	26	26	52
FY05/23 actual	26	32 <small>Incl. ¥5 commemorative dividend</small>	58 <small>Incl. ¥5 commemorative dividend</small>
FY05/24 forecast	29	29	58

- Dividend policy
- Payout ratio target: approx. **30%**
 - Two dividends per year (interim and year-end)

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Finally, I would like to explain shareholder returns.

We have traditionally paid dividends twice a year, at the interim and at the end of the fiscal year, with a dividend payout ratio of approximately 30%. For the fiscal year ending May 31, 2024, we have announced an interim dividend of JPY29 and a year-end dividend of JPY29, for an annual dividend of JPY58.

Shareholder benefit program

LIKE Premium Shareholder Benefits Club

- Objective
Increase the number of shareholders with longer-term holdings
- Eligible people
Shareholders who hold at least 300 shares of the Company and are listed or recorded in the shareholder register as of May 31 each year.
- Shareholder benefits
Shareholders can redeem their benefit points for more than 5,000 items, including food, electronic appliances, gifts, and sundry goods, on the exclusive shareholder website (<https://like.premium-yutaiclub.jp>)

Number of shares held	Shareholding period	
	Less than one year	Over one year
300–399	5,000 points	5,000 points (±0 points)
400–499	8,000 points	8,000 points (±0 points)
500–599	12,000 points	15,000 points (+3,000 points)
600–699	15,000 points	18,000 points (+3,000 points)
700–799	18,000 points	21,000 points (+3,000 points)
800–899	21,000 points	25,000 points (+4,000 points)
900–999	25,000 points	30,000 points (+5,000 points)
1,000–1,999	30,000 points	40,000 points (+10,000 points)
2,000–2,999	60,000 points	75,000 points (+15,000 points)
3,000 or more	80,000 points	100,000 points (+20,000 points)

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We have a special benefit program for individual investors, the LIKE Premium Shareholder Benefits Club. In the past, there were some areas where the rate of return was lowered at the line, so we have reviewed this system and improved the content so that investors will benefit if they purchase more shares. As a result, the reputation of the new system among individual shareholders has been favorable, and we believe that we have created an environment in which the number of individual shareholders will increase steadily.

This concludes my briefing.

If you have any questions, I will be happy to answer them.

It seems that there is no question from anyone, but if you have any, please contact us individually and we will be happy to answer them.

I would like to conclude today's briefing. Thank you very much for taking time out of your busy schedule to join us today. Thank you for your continued support.

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