February 14, 2023

Consolidated Financial Results for the First Three Quarters of Fiscal Year Ending March 31, 2023 (Japanese GAAP)

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Listing exchange: Tokyo Stock Exchange
Securities code: 7091
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Scheduled date for filing quarterly securities report: February 14, 2023
Scheduled date for commencing dividend payment: –
Supplementary materials on quarterly financial results: No
Quarterly financial results briefing session: No

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the First Three Quarters (April 1, 2022 – December 31, 2022) of Fiscal Year Ending March 31, 2023

(1) Consolidated operating results (cumulative)

(% figures show the rate of increase (decrease) compared with the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First three quarters ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	10,197	20.9	177	(56.7)	20	(96.3)	43	(87.3)
December 31, 2021	8,431	26.2	409	-	573	-	343	-

Note: Comprehensive income
First three quarters of fiscal year ending March 31, 2023: 42 million yen [(87.7%)]
First three quarters of fiscal year ended March 31, 2022: 343 million yen [-%]

	Basic earnings per share	Diluted earnings per share
First three quarters ended	Yen	Yen
December 31, 2022	9.81	9.58
December 31, 2021	76.39	75.89

Note 1: The Company conducted a three-for-one stock split of its common shares as of October 1, 2021. In accordance with this, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	10,965	1,407	12.7
March 31, 2022	10,866	1,346	12.4

Reference: Total shareholders' equity
As of December 31, 2022:1,393 million yen
As of March 31, 2022: 1,346 million yen

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2023	-	0.00	-		
Fiscal year ending March 31, 2023 (Forecast)				0.00	0.00

Note: Revisions to the most recently announced dividend forecast: No

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	13,951	20.0	595	21.3	262	(54.9)	261	(35.8)	58.86

Note: Revisions to the most recently announced dividend forecast: No

Notes:

(1) Changes in significant subsidiaries during the quarter (changes in specified subsidiaries resulting in change in scope of consolidation): No
Newly consolidated: No
Excluded from consolidation: No

(2) Application of special accounting methods for preparing consolidated quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement
[1] Changes in accounting policies due to revisions to accounting standards, etc.: No
[2] Changes in accounting policies other than those in [1]: No
[3] Changes in accounting estimates: No
[4] Restatement: No

(4) Number of shares issued and outstanding (common shares)
[1] Number of shares issued and outstanding (including treasury shares) at end of fiscal year

As of December 31, 2022	4,492,200 shares
As of March 31, 2022	4,489,500 shares

[2] Number of treasury shares at end of fiscal year

As of December 31, 2022	43,158 shares
As of March 31, 2022	43,136 shares

[3] Average number of shares outstanding during quarter

First three quarters ended December 31, 2022	4,447,021 shares
First three quarters ended December 31, 2021	4,500,545 shares

Note: The Company conducted a three-for-one stock split of its common shares as of October 1, 2021. In accordance with this, the numbers of shares issued and outstanding are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* This report on consolidated quarterly financial results is not subject to audit procedures by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes.
(Notes on forward-looking statements)
The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual operating results, etc. may differ materially due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please refer to “Explanations on Earnings Forecast and Other Forecast Information” on page 3 of the Attachment.

Contents of Attachment

1. Qualitative Information on the Financial Results

(1) Overview of Operating Results

In the first three quarters of the fiscal year ending March 2023, it was decided to re-classify COVID-19 from Class II to Class V under the Infectious Diseases Control Law and various political measures taken while coping with the pandemic effectively picked up the economy, although the impact of COVID-19 prolonged. As such, expectations have risen for the Japanese economy to recover. Meanwhile, the global landscape remains uncertain due to such factors as prolonged geographical risks surrounding the situation in Ukraine, price hikes led by soaring prices of energy resources and raw materials, and sharp fluctuations in currency exchange rates.

Under such circumstances, the Living Platform Group (the “Group”) has, in order to realize a world in which we can “Foster Peace of Mind, Encourage Endeavors through the “establishment of a sustainable social security system,” conducted businesses focusing on the three areas of “elderly care,” “disabilities support,” and “childcare.” However, in order to contribute to the resolution of various social issues, the Group has identified six materiality issues (priority issues) (see Medium-Term Business Plan 2024 posted on the Company’s website) to be addressed by the Group for the SDGs (Sustainable Development Goals) set by the United Nations.

In order to acquire staff and improve the quality of services, which are important issues, we launched an in-house qualification system in the third quarter and are working to establish a system to promote efficient familiarization by utilizing the newly-introduced e-learning system. In addition, we promote digital transformation (DX) to accelerate paperless, seal-less, cashless and work-from-home operations, focusing on management operations. On top of these, as an initiative on sustainability, the Group has already employed over 25 workers from abroad, especially specified skilled workers, in the current fiscal year to date with an aim to “realize a society in which diverse staff can play an active role,” in an effort to enhance its corporate value.

As for the environment surrounding the Group, the nursing care business, its mainstay operations, is in a situation where the elderly population ratio (the ratio of the population aged 65 and above to the total population) rose to 29.1% in 2022 (quoted from Statistic Bureau, Ministry of Internal Affairs and Communications). It is widely understood that by 2025, when the baby boomers will be 75 or above, Japan will have to face the “super-aging society.” As such, there is a pressing need to reconstruct the entire social security system including medical care, nursing care and pension systems. The needs for nursing care services are expanding against the backdrop of the declining birthrate and aging population progressing, while it has become management issues to cope with the increasingly serious problem of labor shortage as well as to secure and foster nursing care workers.

Under such circumstances, the Group opened eight new facilities in the first three quarters under review. Consequently, the Group posted net sales of 10,197 million yen (up 20.9%), operating profit of 177 million yen (down 56.7%) and ordinary profit of 20 million yen (down 96.3%), all on a year-on-year basis. Profit attributable to owners of parent was 43 million yen, down 87.3% year on year, for the quarters.

The following are the situations by business domain.

<Elderly care business>

In the elderly care business, the Company newly opened four facilities (three residential care facilities and one group home) in the first three quarters. As of the end of the third quarter, the occupancy rate stood at 81.4% for residential care facilities, etc. (Note 1) (85.2% for facilities that opened a year or more ago) and 91.5% for group homes (93.1% for facilities that opened a year or more ago). With the pandemic of COVID-19 prolonging, clusters have occurred also in the areas where the Group provides services. As the disease is still classified as Class II according to the classification under the Infectious Diseases Control Law, the situation still remains unpredictable. However, the overall trend is upwards and our business is steadily expanding with the opening of new facilities, etc. Thus, we believe that the occupancy rate of our facilities and our revenue structure will improve in accordance with changes in various political measures going forward.

Other most recent issues include the rapid rise in energy prices, food costs and construction costs. As for energy prices, we are passing on the increase to facility users and installing solar panels at large facilities. For food costs, foodstuffs are more carefully selected and the increase is passed on to facility users. In terms of construction costs, we are working to shift the weight of such costs to M&As for business expansion. However, we understand that the energy prices, which have the largest impact, will be greatly affected by whether and how nuclear power plant operations are resumed at respective electric power companies.

The Group’s elderly care business focuses on conducting facility care services for which it is easier to secure staff and command a high profit margin. In particular, the Group has promoted business operations centering on residential care facilities, serviced care residences and group homes. High priorities are placed on residential elderly care facilities and group homes that require administrative approvals. Meanwhile, taking into consideration the status of public invitation for applications for such approvals at municipalities and the supply and demand conditions, the Group will also expand operations with the business model of adding visiting home care and nursing services to assisted living residences and serviced care residences.

Note 1: Includes residential elderly care facilities, assisted living residences, serviced care residences and short-term admission for daily life care.

<Disabilities support business>

In the disabilities support business, the Company newly opened three facilities (group homes) in the first three quarters. As of the end of the third quarter, the occupancy rate stood at 58.3% for type B working support facilities (58.3% for facilities that opened a year or more ago) and 73.5% for group homes, etc. (Note 2) (91.1% for facilities that opened a year or more ago). The occupancy rate and the revenue structure have failed to improve, because the impact of the spread of COVID-10 still persists and the Company is rapidly promoting development of group homes. On the other hand, since business development centering on group homes is making steady progress, we believe that earnings will improve over time at a high probability. With group homes highly likely shift to a public invitation system in the future as in the case of elderly care, we have adopted a policy of emphasizing the speed of business expansion, assuming that short-term profits will be restrained. Accordingly, we expect the profit to reach the expected level once the business has expanded to a certain scale.

In conducting the disabilities support business, the Group gives emphasis on establishing a total support system for those with disabilities to live an independent life. The Group not only conducts a variety of employment training services through daily living training and the government's continuous employment support programs, but also provides group homes, etc. as residences for people aiming to live an independent life, and works to expand their employment at the Group's facilities in such areas as elderly care, childcare and food services. By doing so, the Group intends to support the users to be active as an important workforce of the society.

Note 2: Includes group homes and welfare homes.

<Childcare business>

In the childcare business, the Company newly opened one facility (approved childcare facility) in the first three quarters. As of the end of the third quarter, the occupancy rate stood at 80.6% for approved childcare facilities (84.6% for facilities that opened a year or more ago) and 48.6% for private in-house childcare facilities (also 48.6% for facilities that opened a year or more ago). The impact of the spread of COVID-19 has not been significant, and we believe that the business is on a recovery track. However, with the increase in municipalities that suspend public invitations for new businesses with the improvement in establishment rates, we believe that the market is not far from its peak.

With the declining birthrate and aging population progressing, it is required to establish social infrastructures as a national policy that facilitate childbirth of those who want to give birth to children. In this context, solving the problem of children on waiting lists for childcare services remains to be a most important issue. Moreover, revisions to the government's Childcare Guidelines now require nursery schools to provide not only care but also education. Attaching importance to the factor of "education," the Group works to promote inheritance of traditional culture and support children to foster their ability of getting through life by way of multi-generational interaction in cooperation with its facilities for the elderly, among other measures, while enhancing the childcare facilities.

(2) Financial Position

Total assets at the end of the first three quarters under review amounted to 10,965 million yen, an increase of 99 million yen from the end of the previous fiscal year, due to increases in notes and accounts receivable - trade. buildings and structures, etc. despite a decrease in cash and deposits and other items.

Total liabilities at the end of the first three quarters under review amounted to 9,557 million yen, an increase of 37 million yen from the end of the previous fiscal year, due to increases in short-term borrowings and accrued expenses, etc. despite decreases in long-term borrowings, income taxes payable and current portion of long-term borrowings, among other items.

Total net assets at the end of the first three quarters under review amounted to 1,407 million yen, an increase of 61 million yen from the end of the previous fiscal year, due to an increase in retained earnings, etc. despite decreases in capital surplus and other items.

(3) Explanations on Earnings Forecast and Other Forecast Information

In the elderly care business, the Group's mainstay operations, establishment of elderly care facilities is actively promoted in expectation of continued expansion of needs for elderly care services due to a rise in the elderly population ratio. The Group will also endeavor to expand its disabilities support business and childcare business, as the business environment allows anticipation for strong needs to continue.

The earnings outlook and other forward-looking statements are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors.

Furthermore, the Company will promptly disclose when revisions to earnings forecasts are required due to changes in the impact on the economy in accordance with the spread of COVID-19, etc. going forward.

2. Consolidated Quarterly Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	First three quarters of fiscal year ending March 2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	1,751,866	1,551,370
Notes and accounts receivable - trade	1,555,354	1,678,378
Merchandise and finished goods	3,533	4,835
Raw materials and supplies	22,519	26,545
Prepaid expenses	259,647	314,680
Other	209,689	240,462
Allowance for doubtful accounts	-	(3,437)
Total current assets	3,802,610	3,812,836
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,272,740	2,506,571
Vehicles, net	5,140	4,319
Tools, furniture and fixtures, net	91,258	81,198
Land	1,620,078	1,550,428
Leased assets, net	508,946	479,900
Construction in progress	271,883	227,449
Other, net	23,387	23,727
Total property, plant and equipment	4,793,435	4,873,595
Intangible assets		
Goodwill	983,015	907,554
Software	18,056	34,436
Other	56,619	54,933
Total intangible assets	1,057,692	996,924
Investments and other assets		
Investment securities	88,837	117,107
Long-term loans receivable	29,355	29,102
Long-term prepaid expenses	27,159	21,860
Deferred tax assets	150,040	136,171
Guarantee deposits	743,040	815,622
Other	193,311	182,482
Allowance for doubtful accounts	(22,828)	(22,828)
Total investments and other assets	1,208,915	1,279,517
Total non-current assets	7,060,043	7,150,038
Deferred assets		
Deferred consumption tax	3,614	2,550
Total deferred assets	3,614	2,550
Total assets	10,866,268	10,965,425

(Thousands of yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	First three quarters of fiscal year ending March 2023 (As of December 31, 2022)
Liabilities		
Current liabilities		
Short-term borrowings	287,503	564,200
Current portion of long-term borrowings	1,051,301	964,646
Lease liabilities	28,170	30,185
Accounts payable - other	346,038	363,183
Accrued expenses	558,232	700,131
Income taxes payable	234,905	18,512
Advances received	292,598	326,265
Deposits received	55,447	148,203
Provision for bonuses	93,865	27,430
Other	70,000	113,088
Total current liabilities	3,018,063	3,255,848
Non-current liabilities		
Long-term borrowings	4,825,642	4,539,487
Long-term advances received	377,129	393,669
Lease liabilities	643,883	619,122
Retirement benefit liability	198,499	246,666
Deferred tax liabilities	6,085	-
Other	450,467	502,753
Total non-current liabilities	6,501,708	6,301,700
Total liabilities	9,519,771	9,557,548
Net assets		
Shareholders’ equity		
Share capital	357,757	358,995
Capital surplus	1,297,257	905,241
Retained earnings	(221,630)	217,054
Treasury shares	(79,416)	(79,459)
Total shareholders’ equity	1,353,967	1,401,832
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7,470)	(8,787)
Total accumulated other comprehensive income	(7,470)	(8,787)
Share acquisition rights	-	14,831
Total net assets	1,346,496	1,407,876
Total liabilities and net assets	10,866,268	10,965,425

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

Consolidated Quarterly Statement of Income

First three quarters of fiscal year ending March 2023

(Thousands of yen)

	First three quarters of fiscal year ended March 31, 2022 (April 1, 2021 to December 31, 2021)	First three quarters of fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022)
Net sales	8,431,908	10,197,186
Cost of sales	7,420,592	9,149,673
Gross profit	1,011,316	1,047,513
Selling, general and administrative expenses	602,296	870,269
Operating profit	409,019	177,244
Non-operating income		
Interest and dividend income	1,988	234
Subsidy income	376,768	118,401
Other	33,285	38,630
Total non-operating income	412,041	157,265
Non-operating expenses		
Interest expenses	86,991	84,956
Non-deductible consumption taxes	154,780	222,894
Bad debts written off	-	3,437
Other	5,676	2,258
Total non-operating expenses	247,449	313,547
Ordinary profit	573,611	20,962
Extraordinary income		
Gain on sale of non-current assets	-	65,558
Gain on receipt of cash	10,757	-
Gain on reversal of share acquisition rights	-	2,791
Total extraordinary income	10,757	68,349
Extraordinary losses		
Impairment losses	14,819	-
Total extraordinary losses	14,819	-
Profit before income taxes	569,548	89,312
Income taxes - current	230,347	38,314
Income taxes - deferred	(4,575)	7,358
Total income taxes	225,771	45,672
Profit	343,776	43,639
Profit attributable to owners of parent	343,776	43,639

Consolidated Statement of Comprehensive Income

First three quarters of fiscal year ending March 2023

(Thousands of yen)

	First three quarters of fiscal year ended March 31, 2022 (April 1, 2021 to December 31, 2021)	First three quarters of fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022)
Profit	343,776	43,639
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(1,316)
Total other comprehensive income	-	(1,316)
Comprehensive income	343,776	42,323
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	343,776	42,323

(3) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes When There Are Significant Changes in Amounts of Equity)

The Company covered the deficiency in retained earnings by using legal capital surplus for the purpose of improving the Company's financial soundness and enhancing its future capital policy and flexibility. As a result, legal capital surplus of 909,007 thousand yen was reduced by 393,253 thousand yen to 515,753 thousand yen, and the entire amount of the reduction was transferred to retained earnings brought forward.

(Additional Information)

[Impact of the Spread of COVID-19 on Accounting Estimates]

The accounting estimates regarding the impact of COVID-19, as described in (Material Accounting Estimates) in the securities report for the previous fiscal year, and the assumptions used for making the estimates were impacted by the arrival of the eighth wave during the third quarter, which was not assumed as of March 31, 2022. Although there were impacts including cluster cases in some of the facilities under operation and such facilities being unable to accept new residents, the occupancy rate is on track to recovery. Please note that, although operations are expected to stabilize due to such factors as the decision to re-classify COVID-19 from Class II to Class V under the Infectious Diseases Control Law, estimating factors including future infections of COVID-19 and when the pandemic will be contained involves uncertainty, which may impact the Company's financial position and operating results in the future.

(Significant Subsequent Events)

[Business Combination through Acquisition]

Based on the resolution made at the Board of Directors meeting held on January 10, 2023, the Company resolved that Living Platform Care, Ltd. (LPFC), a consolidated subsidiary, would acquire the entire shares of Toukasha Inc. (Toukasha). LPFC and Toukasha concluded a share transfer agreement and LPFC acquired the entire shares of Toukasha on February 1, 2023, making it a wholly-owned subsidiary.

1. Overview of business combination

(1) Name and description of the acquired company

Name of acquired company: Toukasha Inc.
Description of business: Elderly care business

(2) Main reasons for conducting the business combination

With a corporate vision of "Establishing a sustainable social security system" and a corporate mission of "Fostering Assurance, Creating Challenges," the Group operates 65 elderly care facilities (comprising 30 group homes with dementia care (capacity: 621 people) and 35 residential care facilities, etc. (capacity: 2,686 people) at LPFC and three other consolidated subsidiaries. Particularly in Hokkaido, where Toukasha is located and the Group was founded, the Group currently implementing comprehensive welfare services, including elderly care business, disabilities support business and childcare business, in the cities of Sapporo, Asahikawa and Ebetsu. In such a situation, the Company determined that, as it would be the first operation in the city of Eniwa for the Group's elderly care business in Hokkaido, succeeding the elderly care business of Toukasha should reinforce the Company's dominant strategy, etc. and contribute to expanded market share in Hokkaido, and decided on the acquisition of the shares.

(3) Date of business combination

February 1, 2023

(4) Legal format of business combination

Acquisition of shares

(5) Company name after business combination

No change is made.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

The Company acquired the shares of the subsidiary for a cash consideration.

2. Acquisition cost and consideration paid, by type, for the acquired company

Not disclosed by the request of the acquired party.

3. Main items and amounts related to the acquisition

Yet to be finalized.

4. Goodwill generated by acquisition, reason, amortization method and period

Yet to be finalized.

[Absorption-Type Company Split]

Based on the resolution made at the Board of Directors meeting held on January 30, 2023, the Company resolved that Living Platform Care, Ltd. (LPFC), a consolidated subsidiary, would conduct an absorption-type company split with LPFC as the succeeding company and ECO Inc. (ECO) as the splitting company (hereinafter, the "absorption-type company split"), in which part of the operation business of group homes for the elderly in the elderly care business conducted by ECO (hereinafter, the "concerned business") would be succeeded by LPFC, as described below.

1. Purpose of the absorption-type company split

ECO is one of the leading elderly care providers with a long history in the business in Fukushima Prefecture. Since opening its first facility in 2003, ECO has operated multiple elderly care facilities mainly in Koriyama, Fukushima Prefecture. Meanwhile, with a corporate vision of "Establishing a sustainable social security system" and a corporate mission of "Fostering Assurance, Creating Challenges", the Group operates 65 elderly care facilities (comprising 30 group homes with dementia care (capacity: 621 people) and 35 residential care facilities, etc. (capacity: 2,686 people)) at LPFC and three other consolidated subsidiaries throughout Japan (Hokkaido, Miyagi, Tokyo, Saitama, Chiba, Kanagawa, Osaka and Hyogo Prefectures), in an effort to expand the coverage areas and reinforce the system to provide community-based services. In the Tohoku region, the Group has not conducted its elderly care business in Fukushima Prefecture to date. However, as Fukushima Prefecture has the second largest population in the Tohoku region after Miyagi Prefecture, the Group aims to establish a base for expanding its market share in the Tohoku region by succeeding the concerned business through the absorption-type company split.

2. Summary of the absorption-type company split

(1) Schedule of the absorption-type company split

1) Date of resolution at the General Meeting of Shareholders: March 24, 2023 (scheduled)
2) Effective date of the absorption-type company split: April 1, 2023 (scheduled)

(2) Method of the absorption-type company split

An absorption-type company split with ECO as the splitting company and LPFC as the succeeding company

(3) Details of allotments in connection with the absorption-type company split

LPFC plans to provide ECO with money as consideration of the absorption-type company split, but the amount is not disclosed by the request of ECO.

(4) Handling of share acquisition rights and bonds with share acquisition rights in association with the absorption-type company split

Not applicable.

(5) Changes in share capital due to the absorption-type company split

There is no change in the share capital of the Company or LPFC as a result of the absorption-type company split.

(6) Rights and obligations to be assumed by the succeeding company

LPFC will succeed the assets, liabilities, contracts, and other rights and obligations in connection with the concerned business held by ECO as of the effective date, as set forth in the absorption-type company split agreement concluded upon the absorption-type company split.