



July 14, 2021

## Summary of Consolidated Financial Results for the Fiscal Year Ended May 31, 2021

[Japanese GAAP]

Company name: SERIO HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange, Mothers  
 Securities code: 6567 URL: <https://www.serio-holdings.co.jp/>  
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 Scheduled date of Annual General Meeting of Shareholders: August 27, 2021  
 Scheduled date of payment of dividend: August 30, 2021  
 Scheduled date of filing of Annual Securities Report: August 27, 2021  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended May 31, 2021 (June 1, 2020 – May 31, 2021)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended May 31, 2021	8,218	18.3	337	147.1	344	105.5	223	121.3
Fiscal year ended May 31, 2020	6,948	11.0	136	115.0	167	152.2	101	146.6

Note: Comprehensive income Fiscal year ended May 31, 2021: 223 million yen (up 121.3%)

Fiscal year ended May 31, 2020: 101 million yen (up 146.6%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended May 31, 2021	35.34	-	12.2	8.2	4.1
Fiscal year ended May 31, 2020	15.97	-	6.0	4.7	2.0

Reference: Equity in earnings of affiliates Fiscal year ended May 31, 2021: - Fiscal year ended May 31, 2020: -

Notes: 1. SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. Earnings per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. Diluted earnings per share are not shown because there were no dilutive common stock equivalents.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2021	4,495	1,931	43.0	305.21
As of May 31, 2020	3,906	1,727	44.2	272.87

Reference: Shareholders' equity As of May 31, 2021: 1,931 million yen As of May 31, 2020: 1,727 million yen

Note: SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. Net assets per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended May 31, 2021	585	(265)	44	1,897
Fiscal year ended May 31, 2020	258	(295)	307	1,531

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended May 31, 2020	-	0.00	-	6.00	6.00	18	18.8	1.1
Fiscal year ended May 31, 2021	-	0.00	-	7.00	7.00	44	19.8	2.3
Fiscal year ending May 31, 2022 (forecast)	-	0.00	-	7.00	7.00		25.2	

Note: SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. The dividend per share for the fiscal year ended May 31, 2020 is the amount paid before the common stock split on October 1, 2020. The dividend per share for the fiscal year ended May 31, 2021 is the amount paid after the common stock split.

### 3. Consolidated Forecast for the Fiscal Year Ending May 31, 2022 (June 1, 2021 – May 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	9,000	9.5	275	(18.5)	270	(21.7)	175	(21.5)	27.73

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(3) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of May 31, 2021 6,329,400 shares As of May 31, 2020: 6,329,400 shares

2) Number of treasury shares at the end of the period

As of May 31, 2021: - shares As of May 31, 2020: - shares

3) Average number of shares during the period

Fiscal year ended May 31, 2021: 6,329,400 shares Fiscal year ended May 31, 2020: 6,329,400 shares

Note: SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. The number of issued shares (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended May 31, 2021 (June 1, 2020 – May 31, 2021)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended May 31, 2021	435	4.5	137	103.3	142	95.8	95	129.5
Fiscal year ended May 31, 2020	416	11.0	67	16.4	73	18.0	41	(3.7)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended May 31, 2021	15.14	-
Fiscal year ended May 31, 2020	6.60	-

Notes: 1. SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. Earnings per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. Diluted earnings per share are not shown because there were no dilutive common stock equivalents.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2021	1,811	1,710	94.4	270.19
As of May 31, 2020	1,729	1,633	94.4	258.05

Reference: Shareholders' equity As of May 31, 2021: 1,710 million yen As of May 31, 2020: 1,633 million yen

Note: SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. Net assets per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

\* The financial report is not subject to audit by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecasts and other special items

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the SERIO Holdings management at the time the materials were prepared, but are not promises by SERIO Holdings regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, (4) Outlook" for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

Supplementary materials for the financial results will be disclosed today (July 14, 2021), using the Timely Disclosure network (TDnet). SERIO Holdings plans to hold a web conference information meeting for institutional investors and analysts on July 20, 2021. Materials to be distributed at this event will be posted on the SERIO Holdings website on July 19, 2021.

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## 1. Overview of Results of Operations

### (1) Results of Operations

In the fiscal year that ended on May 31, 2021, there were several states of emergency in Japan because of the COVID-19 pandemic. Due to this crisis, the outlook for the Japanese economy remained uncertain. Widespread precautions to prevent the spread of COVID-19 affected some activities of the employment assistance business. However, this business has been performing well partially because of the firm demand at companies for workforce flexibility. Normal operations continued in the after-school day-care business and nursery school business, along with measures to protect participants from COVID-19, in order to fulfill the role of these businesses of caring for children while a parent or other guardian is at work.

In July 2020, the Japanese government announced the 2020 Key Policies for Accelerating the Empowerment of Women. There have been numerous activities in accordance with these policies for the establishment of a framework that allows women to play an active role in workplaces. In December 2020, the Japanese government announced a New Child-raising Confidence Plan that has the goal of establishing an infrastructure of nursery schools for approximately 140,000 children by the end of 2024. Demand for child care is increasing because of the rising percentage of women in the workforce and demand is expected to continue to climb.

During the fiscal year, we continued to take actions aimed at creating jobs in order to provide an even larger number of people with opportunities to work while caring for children. We also continued to strengthen the administrative infrastructures of the after-school day-care and nursery school businesses to accommodate the growth of these two operations.

Sales increased because of the contribution to sales from newly opened nursery schools and after-school day-care facilities and a faster than expected recovery in sales in the employment assistance business following the downturn caused by the COVID-19 outbreak. Operating profit increased because the pandemic reduced expenses for instructors in the after-school day-care business, in addition to benefits from higher sales. There were expenditures for recruiting activities for more personnel, IT systems in order to reinforce security and other activities to strengthen our infrastructure that support the growth in the number of locations in the after-school day-care and nursery school businesses. In addition, to establish a base for consistent growth, we started new businesses such as the employment service for child care workers and the provision of greenery service mainly at nursery schools, kindergartens and other locations that care for children. Government employment adjustment subsidies and other payments received in association with employee furloughs were recorded as non-operating income.

As a result, net sales increased 18.3% year on year to 8,218 million yen. Operating profit was 337 million yen, up 147.1% and ordinary profit was 344 million yen, an increase of 105.5%. Profit attributable to owners of parent increased 121.3% to 223 million yen.

The following is a summary of business segment performance.

#### 1) Employment assistance

As a company dedicated to enabling people to continue working while caring for a family, we are a source of jobs that enable more women to work in a manner that matches each stage of their lives. We submit proposals to companies in a variety of industries for personnel support that makes it possible to reduce expenses by using people in the most productive ways possible. The business climate changed during the fiscal year because of several declarations of a state of emergency by the Japanese government. By using online sales meetings, we were able to focus on sales activities for adding new customers.

In the beginning of the current fiscal year, some current customers adjusted working hours for temporary staffing personnel due to COVID-19. However, the recovery in sales following these adjustments and working hour reductions was faster than expected. In the subcontracting business, sales increased because of the expanding breadth of call center operations, expansion in office work operations in our temporary staffing business and more new contracts. Earnings in this segment increased significantly because of the higher sales, a more streamlined infrastructure in the subcontracting business, a decline in the cost of sales ratio resulting mainly from higher productivity and revisions to temporary staffing contract rates, and an improvement of operational efficiency in

our back-office department.

As a result, net sales of this business were 2,585 million yen, up 16.4% year on year, and segment profit was 101 million yen, an increase of 113.0%.

## 2) After-school day care

We are continuing to operate after-school day-care facilities while strictly following the guidelines for protection against COVID-19 infections in order to allow people to use these facilities with confidence. In March 2020, all elementary schools in Japan closed in response to a request by the Japanese government due to the COVID-19 pandemic. In June, after the state of emergency ended, schools have slowly started to resume operations. Schools shortened summer vacation to offset the school days that were lost earlier in the year. As a result, there were revisions to the plans for days of operation and operating times of the after-school day-care facilities operated by the SERIO Holdings Group for local governments. In addition, the number of children using these facilities was smaller than the number initially registered as some parents kept children home because of the COVID-19 pandemic. Although there were more states of emergency in 2021, there was no significant impact on the business climate for after-school day care, such as shutting down all elementary schools in Japan.

As of July 2020, the number of children on waiting lists for the after-school day-care club nationwide, as announced by the Ministry of Health, Labour and Welfare, was 15,995. The demand for after-school day-care facilities also remains high due to the increase in percentage of women in the workforce.

As shown in the table below, the SERIO Group opened 13 locations and added an outsourcing contract from one local government agency during the fiscal year. Three locations were closed because of elementary school consolidations, contract completions and other reasons. The result was a net increase of 10 locations. The number of after-school day-care facilities operated by the SERIO Group at the end of May 2021 was 132 for public facilities (operated for local governments), 10 for private elementary schools and one in the private sector, a total of 143.

Although sales were negatively affected by a decline in the number of children using after-school day-care facilities and shorter operating hours of these facilities because of the pandemic, segment sales increased because of the net increase in the number of new facilities. Earnings were higher too. One reason was the increase in sales. Earnings also benefited from a decline in expenses for instructors because of reduced operating hours due to a shorter summer vacation at elementary schools caused by the pandemic, a decline in personnel and recruiting expenses as fewer instructors were hired because of this shorter summer vacation, and a decline in expenses for instructors because of the smaller average number of children at all locations.

As a result, net sales of this business were 2,547 million yen, up 15.2% year on year, and segment profit was 157 million yen, an increase of 360.8%.

## Newly opened after-school day-care facilities during the fiscal year

Name of facility	Location	Opened	Format
Mukaihara Elementary School Child Care Club	Meguro-ku, Tokyo	April 2021	Public-sector after-school child care
Gekkohara Elementary School Child Care Club	Meguro-ku, Tokyo	April 2021	Public-sector after-school child care
Haramachi Elementary School Child Care Club	Meguro-ku, Tokyo	April 2021	Public-sector after-school child care
Akitsu Elementary School District After-School Child Care Club	Narashino-shi, Chiba	April 2021	Public-sector after-school child care
Akitsu Elementary School District After-School Classes	Narashino-shi, Chiba	April 2021	Public-sector after-school child care
Higashi-Saidera Child Care for Working Parents	Suita-shi, Osaka	April 2021	Public-sector after-school child care
Sada After-School Kids Club	Hirakata-shi, Osaka	April 2021	Public-sector after-school child care
Yamada After-School Kids Club	Hirakata-shi, Osaka	April 2021	Public-sector after-school child care
TKC Notre Dame Elementary School After-School Child Care ASC	Kyoto-shi, Kyoto	April 2021	Private school after-school child care
Nada Child Care Center	Kobe-shi, Hyogo	April 2021	Public-sector after-school child care
Nishi-Nada Child Care Corner	Kobe-shi, Hyogo	April 2021	Public-sector after-school child care
Saigo Child Care Corner	Kobe-shi, Hyogo	April 2021	Public-sector after-school child care
Nishi-Nada Child Care Corner Annex	Kobe-shi, Hyogo	April 2021	Public-sector after-school child care

## 3) Nursery schools

Although there was a decline in the percentage of registered children attending the nursery schools of this business in some locations, the result of government requests for parents to care for children at home during the states of emergency due to the pandemic, this decline did not have a significant effect on the sales and earnings of this business. We are continuing to implement numerous measures in accordance with COVID-19 prevention guidelines in order to ensure the safety of children and instructors.

As of April 1, 2020, there were 12,439 preschool children in Japan who were waiting for a nursery school opening, down by 4,333 from one year earlier. As the percentage of women who have jobs climbs, demand for child care is remaining very strong. The number of children using nursery schools and other care facilities has increased to 2,737,000, 57,708 more than one year earlier.

The Japanese government has announced the New Child-raising Confidence Plan that has the goal of expanding the nursery school infrastructure between 2021 and the end of 2024 to a capacity of approximately 140,000 children. The business climate for the nursery school business is expected to remain favorable because of this plan.

During the fiscal year, the SERIO Group opened five certified nursery schools, including small schools, one nursery school for a company, and one community child development support facility as shown in the table below. At the end of May 2021, there were 23 certified nursery schools, 11 small certified nursery schools, three nursery schools for companies, and three community child development support facilities, a total of 40 locations.

Sales benefited from the increasing number of children in the nursery schools of this business, the result of students at nursery schools newly opened in places where there is not enough nursery school capacity to meet demand. An increase in the number of children at existing locations also contributed to strong sales growth. Earnings increased because of sales growth. The greenery business of SERIO Garden Co., Ltd., which started operating in January 2021, are included in the nursery schools segment.

As a result, net sales of this business were 3,085 million yen, up 22.6% year on year, and segment profit was 205

million yen, an increase of 32.9%.

Newly opened nursery schools during the fiscal year

Name of facility	Location	Opened	Format
Treasure Kids Shonandai Nursery School	Fujisawa-shi, Kanagawa	April 2021	Certified nursery school
Treasure Kids Urayasu Nursery School	Urayasu-shi, Chiba	April 2021	Certified nursery school
Treasure Kids Nishinada Nursery School	Kobe-shi, Hyogo	April 2021	Certified nursery school
Angel Kids Kachigawaen	Kasugai-shi, Aichi	April 2021	Small certified nursery school
Angel Kids Konanyamateen	Kobe-shi, Hyogo	April 2021	Small certified nursery school
Angel Kids Land	Higashiosaka-shi, Osaka	April 2021	Nursery school for companies
Nishinomiya Parent-Child Salon (Comprehensive Center for Child Development)	Nishinomiya-shi, Hyogo	October 2020	Community child development support facility

## (2) Financial Position

### Assets

Total current assets at the end of the fiscal year increased 367 million yen from the end of the previous fiscal year to 2,579 million yen. This was mainly due to increases of 365 million yen in cash and deposits, 25 million yen in prepaid expenses and 16 million yen in accounts receivable-trade, and a decrease of 40 million yen in accounts receivable-other. Non-current assets increased 223 million yen to 1,916 million yen. This was mainly due to a 95 million yen increase in property, plant and equipment, a 13 million yen decrease in intangible assets and a 141 million yen increase in investments and other assets.

As a result, total assets increased 588 million yen from the end of the previous fiscal year to 4,495 million yen.

### Liabilities

Current liabilities at the end of the fiscal year increased 83 million yen from the end of the previous fiscal year to 1,347 million yen. This was mainly due to increases of 77 million yen in accrued expenses, 61 million yen in accrued consumption taxes, 39 million yen in income taxes payable, 23 million yen in accounts payable-other and 22 million yen in current portion of long-term borrowings, and a 134 million yen decrease in short-term borrowings. Non-current liabilities increased 300 million yen to 1,216 million yen. This was mainly due to increases of 187 million yen in long-term borrowings, 89 million yen in long-term advances received and 30 million yen in asset retirement obligations.

### Net assets

Total net assets at the end of the fiscal year increased 204 million yen from the end of the previous fiscal year to 1,931 million yen. This was mainly due to an increase resulting from profit attributable to owners of parent and a decrease of 18 million yen due to payment of dividends.

Consequently, the capital adequacy ratio was 43.0% (44.2% at the end of the previous fiscal year).

## (3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year increased 365 million yen from the end of the previous fiscal year to 1,897 million yen.

The cash flow components and the main reasons for changes are as follows.

#### Cash flows from operating activities

Net cash provided by operating activities increased 126.6% year on year to 585 million yen. Positive factors include profit before income taxes of 342 million yen, depreciation of 97 million yen, an increase of 77 million yen in accrued expenses, and a decrease of 17 million yen in trade receivables.

#### Cash flows from investing activities

Net cash used in investing activities was 265 million yen, compared with net cash used of 295 million yen in the previous fiscal year. Negative factors include purchase of property, plant and equipment of 453 million yen and payments of guarantee deposits of 29 million yen. Positive factors include subsidies received of 311 million yen.

#### Cash flows from financing activities

Net cash provided by financing activities was 44 million yen, compared with net cash provided of 307 million yen in the previous fiscal year. Main factors include a net decrease of 134 million yen in short-term borrowings, proceeds from long-term borrowings of 279 million yen and repayments of long-term borrowings of 68 million yen.

#### (4) Outlook

In the fiscal year ending in May 2022, the Japanese government is further stepping up activities for empowering women and enacting working style reforms based on the 2020 Key Policies for Accelerating the Empowerment of Women, which was announced in July 2020. Needs involving work are becoming more diverse, including the need for support for caring for both children and elderly parents. Furthermore, more activities are needed to increase job opportunities for women and to create workplace environments where women can realize their full potential.

The SERIO Group will continue to be a source of job opportunities where people have many options for working styles. Our activities are guided by our corporate missions of providing support for work-family balance and support for the sound growth and development of children. Another goal of this fiscal year is building a more powerful infrastructure to support the growth of the after-school day-care and nursing school businesses. We want to operate after-school facilities that children are excited to use and that parents choose over others because they know they can rely on the SERIO Group for excellent services. Beginning in April 2021, we plan to open about five certified nursery schools and about 12 after-school day-care facilities.

Although COVID-19 vaccinations have started in Japan, it is still impossible to predict when this crisis will end. Consequently, we are unable to determine a reliable estimate of the impact of this crisis on consolidated sales and earnings. An announcement will be made promptly if there is a need to revise the forecast because of the effects of the pandemic or for some other reason.

In the fiscal year ending in May 2022, we forecast a 9.5% increase in net sales to 9,000 million yen, an 18.5% decrease in operating profit to 275 million yen, a 21.7% decrease in ordinary profit to 270 million yen, and a 21.5% decrease in profit attributable to owners of parent to 175 million yen.

This forecast is based on the following assumptions.

##### 1) Net sales

In the employment assistance business, the forecast for sales is the sum of the outlook for sales from temporary staffing and other services provided to existing customers and, based on sales from new customers in prior years, the plan for sales from new customers.

This results in a sales forecast of 2,729 million yen, 5.5% higher than in the previous fiscal year.

In the after-school day-care business, sales consist of contractual outsourcing fees paid by local governments and schools and utilization fees paid by parents and guardians of children using day-care facilities. We have a sales plan for outsourcing expenses for each local government contract and a forecast for the number of children.

Based on this outlook, we forecast an 11.8% increase in sales to 2,848 million yen.



In the nursery school business, our sales forecast includes payments received in accordance with standards of the national government and additional payments received in accordance with standards of local governments, where applicable. National government payments change depending on the number of children using each location. As a result, the number of children is a key indicator used for the management of facilities in the nursing school business. The sales forecast is calculated by using the outlook for changes in sales from current facilities and the growth in sales from new nursery schools. In addition, we use the outlook for changes in the number of children and the outlook for changes in the sales addition ratio caused by the number of years of service of instructors in order to calculate a forecast for the change in sales.

This process results in a sales forecast of 3,423 million yen, 10.9% higher than in the previous fiscal year. Risk factors involving the opening of new nursery schools may affect results of operations. For example, the global pandemic or other events may prevent procuring building materials for new schools or may stop the construction of these schools.

## 2) Operating profit

The operating profit forecast is determined by using the plans for the cost of sales and selling, general and administrative expenses which are based on the outlook for sales. Personnel expenses are the primary component of both the cost of sales and selling, general and administrative expenses. As a result, the forecasts for these expenses incorporate salaries and the cost of legally required benefits for the current personnel as well as the personnel plan for new after-school day-care facilities and nursery schools. In the fiscal year ending in May 2022, we do not expect an order to close all elementary schools in Japan or any other event that significantly affects the business climate. We therefore forecast higher expenses primarily for personnel expenses, which decreased briefly in the fiscal year ended in May 2021, chiefly in the after-school day-care business.

## 3) Ordinary profit

The ordinary profit reflects the outlook for non-operating income and expenses. In the fiscal year ending in May 2022, we do not expect to receive government employment adjustment subsidies and other payments associated with the pandemic that were received in the fiscal year ended in May 2021.

## 4) Profit attributable to owners of parent

The forecast for profit attributable to owners of parent reflects the outlook for extraordinary income and losses and tax expenses.

The above forecasts were prepared based on information available at the release of these materials. Actual results may differ from the forecasts for a number of reasons.

## **(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years**

Distributing profits to shareholders is one of the highest priorities of SERIO Holdings. The basic policy is to pay a consistent and stable dividend by comprehensively taking into account the payout ratio and net asset ratio while retaining sufficient earnings for activities for rapid growth and other measures for business operations. In accordance with the dividend policy, shareholders at the general shareholders meeting to be held on August 27, 2021 will be asked to approve a resolution to pay a fiscal year-end dividend of 7 yen per share. Although we forecast higher sales and lower earnings in the fiscal year ending in May 2022, in accordance with the basic policy for a consistent and stable dividend, we plan to pay a fiscal year-end dividend of 7 yen per share.

## **2. Basic Approach to the Selection of Accounting Standards**

The SERIO Holdings Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will nevertheless consider applying International Financial Reporting Standards (IFRS) in light of future trends in our foreign investor ownership ratio and application of IFRS by our industry peers in Japan.

**3. Consolidated Financial Statements and Notes****(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY5/20 (As of May 31, 2020)	FY5/21 (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	1,531,821	1,897,424
Accounts receivable-trade	553,722	570,304
Prepaid expenses	61,541	86,965
Accounts receivable-other	52,804	12,681
Other	12,418	12,324
Allowance for doubtful accounts	(256)	(324)
Total current assets	2,212,051	2,579,375
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,034,938	1,112,829
Tools, furniture and fixtures, net	32,412	47,048
Land	161,735	161,735
Leased assets, net	-	3,484
Construction in progress	1,210	538
Total property, plant and equipment	1,230,295	1,325,635
Intangible assets		
Right to use facilities	12,225	11,543
Software	18,568	10,268
Leased assets	11,761	7,718
Other	1,257	1,132
Total intangible assets	43,812	30,663
Investments and other assets		
Investments in capital	10	10
Guarantee deposits	148,139	170,696
Long-term prepaid expenses	19,132	120,424
Deferred tax assets	29,903	53,287
Insurance funds	32,954	34,312
Construction assistance fund receivables	134,548	127,801
Other	54,048	53,469
Total investments and other assets	418,737	560,001
Total non-current assets	1,692,846	1,916,300
Deferred assets		
Share issuance costs	1,994	-
Total deferred assets	1,994	-
Total assets	3,906,892	4,495,676

	(Thousands of yen)	
	FY5/20	FY5/21
	(As of May 31, 2020)	(As of May 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	3,344	8,362
Short-term borrowings	134,100	-
Current portion of long-term borrowings	58,854	81,600
Lease obligations	12,122	10,781
Accounts payable-other	61,468	85,232
Accounts payable for equipment investment	5,243	1,340
Accrued expenses	568,698	645,763
Income taxes payable	71,458	111,143
Accrued consumption taxes	64,724	126,705
Advances received	122,150	131,855
Deposits received	161,884	144,719
<b>Total current liabilities</b>	<b>1,264,048</b>	<b>1,347,502</b>
<b>Non-current liabilities</b>		
Long-term borrowings	692,338	880,336
Lease obligations	15,132	8,183
Asset retirement obligations	208,286	238,586
Long-term advances received	-	89,293
<b>Total non-current liabilities</b>	<b>915,756</b>	<b>1,216,399</b>
<b>Total liabilities</b>	<b>2,179,804</b>	<b>2,563,902</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	693,263	693,263
Capital surplus	671,433	671,433
Retained earnings	362,391	567,078
<b>Total shareholders' equity</b>	<b>1,727,087</b>	<b>1,931,774</b>
<b>Total net assets</b>	<b>1,727,087</b>	<b>1,931,774</b>
<b>Total liabilities and net assets</b>	<b>3,906,892</b>	<b>4,495,676</b>

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

(Thousands of yen)

	FY5/20 (Jun. 1, 2019 – May 31, 2020)	FY5/21 (Jun. 1, 2020 – May 31, 2021)
Net sales	6,948,846	8,218,529
Cost of sales	5,668,924	6,587,271
Gross profit	1,279,922	1,631,258
Selling, general and administrative expenses	1,143,316	1,293,749
Operating profit	136,605	337,508
Non-operating income		
Interest income	15	15
Subsidy income	37,304	8,593
Insurance claim income	179	-
Subsidy income	3,003	6,951
Miscellaneous income	2,046	2,444
Total non-operating income	42,549	18,005
Non-operating expenses		
Interest expenses	7,708	8,653
Amortization of share issuance costs	2,634	1,994
Miscellaneous losses	1,011	49
Total non-operating expenses	11,354	10,696
Ordinary profit	167,799	344,817
Extraordinary income		
Subsidy income	798,934	304,933
Total extraordinary income	798,934	304,933
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	798,934	304,933
Loss on retirement of non-current assets	-	2,116
Total extraordinary losses	798,934	307,049
Profit before income taxes	167,799	342,701
Income taxes-current	77,531	142,410
Income taxes-deferred	(10,791)	(23,383)
Total income taxes	66,740	119,026
Profit	101,059	223,674
Profit attributable to owners of parent	101,059	223,674

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY5/20 (Jun. 1, 2019 – May 31, 2020)	FY5/21 (Jun. 1, 2020 – May 31, 2021)
Profit	101,059	223,674
Comprehensive income	101,059	223,674
Comprehensive income attributable to Comprehensive income attributable to owners of parent	101,059	223,674

**(3) Consolidated Statement of Changes in Equity**

FY5/20 (Jun. 1, 2019 – May 31, 2020)

(Thousands of yen)

	Shareholders' equity				Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	
Balance at beginning of period	693,263	671,433	270,193	1,634,889	1,634,889
Changes during period					
Dividends of surplus			(8,861)	(8,861)	(8,861)
Profit attributable to owners of parent			101,059	101,059	101,059
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	92,198	92,198	92,198
Balance at end of period	693,263	671,433	362,391	1,727,087	1,727,087

FY5/21 (Jun. 1, 2020 – May 31, 2021)

(Thousands of yen)

	Shareholders' equity				Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	
Balance at beginning of period	693,263	671,433	362,391	1,727,087	1,727,087
Changes during period					
Dividends of surplus			(18,988)	(18,988)	(18,988)
Profit attributable to owners of parent			223,674	223,674	223,674
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	204,686	204,686	204,686
Balance at end of period	693,263	671,433	567,078	1,931,774	1,931,774

**(4) Consolidated Statement of Cash Flows**

	(Thousands of yen)	
	FY5/20	FY5/21
	(Jun. 1, 2019 – May 31, 2020)	(Jun. 1, 2020 – May 31, 2021)
Cash flows from operating activities		
Profit before income taxes	167,799	342,701
Depreciation	78,898	97,302
Amortization of long-term prepaid expenses	2,925	3,026
Loss on tax purpose reduction entry of non-current assets	798,934	304,933
Subsidy income	(798,934)	(304,933)
Increase (decrease) in allowance for doubtful accounts	(173)	68
Interest and dividend income	(15)	(15)
Interest expenses	7,708	8,653
Decrease (increase) in trade receivables	(85,530)	17,150
Decrease (increase) in prepaid expenses	(17,643)	(25,164)
Decrease (increase) in other assets	(38,827)	(18,179)
Increase (decrease) in trade payables	(1,739)	5,018
Increase (decrease) in advances received	47,377	98,998
Increase (decrease) in accounts payable-other	(10,903)	28,878
Increase (decrease) in accrued expenses	77,022	77,065
Increase (decrease) in accrued consumption taxes	(25,160)	65,299
Other, net	83,893	2,127
Subtotal	285,631	702,930
Interest received	15	15
Interest paid	(7,583)	(8,860)
Income taxes paid	(19,503)	(108,228)
Net cash provided by (used in) operating activities	258,560	585,856
Cash flows from investing activities		
Purchase of property, plant and equipment	(984,557)	(453,795)
Subsidies received	753,979	311,323
Payments of construction assistance fund receivables	(30,000)	-
Proceeds from collection of construction assistance fund receivables	4,947	6,747
Purchase of intangible assets	(8,877)	(789)
Proceeds from refund of guarantee deposits	791	6,836
Payments of guarantee deposits	(17,123)	(29,393)
Other, net	(14,402)	(106,125)
Net cash provided by (used in) investing activities	(295,242)	(265,197)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	134,100	(134,100)
Proceeds from long-term borrowings	240,179	279,250
Repayments of long-term borrowings	(45,873)	(68,506)
Dividends paid	(8,861)	(18,988)
Repayments of lease obligations	(12,122)	(12,712)
Net cash provided by (used in) financing activities	307,422	44,943
Net increase (decrease) in cash and cash equivalents	270,739	365,602
Cash and cash equivalents at beginning of period	1,261,081	1,531,821
Cash and cash equivalents at end of period	1,531,821	1,897,424

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

## 1. Scope of consolidation

Number of consolidated subsidiaries: 2

Names of consolidated subsidiaries:

SERIO Co., Ltd.

SERIO Garden Co., Ltd.

## 2. Application of the equity method

Not applicable.

## 3. Fiscal years of consolidated subsidiaries

The fiscal year of all consolidated subsidiaries ends on the closing date of consolidated financial statements.

## 4. Accounting policies

## (1) Depreciation and amortization of principal assets

## a. Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated by the declining-balance method, except for buildings (excluding attached facilities) acquired on or after April 1, 1998, as well as facilities attached to buildings and structures acquired on or after April 1, 2016 on which depreciation is calculated by the straight-line method.

Useful lives of principle assets are as follows:

Buildings and structures: 3 - 34 years

Tools, furniture and fixtures: 3 - 15 years

## b. Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

Software for internal use is amortized over an expected useful life of five years by the straight-line method.

## c. Leased assets

Leased assets associated with finance lease transactions where there is no transfer of ownership are depreciated using the straight-line method over the lease term with no residual value.

## (2) Accounting for reduction entry of subsidies, etc.

The Group receives subsidies from local governments.

These subsidies are recorded by directly deducting the amount equivalent to the relevant subsidy from the acquisition cost of the acquired non-current assets upon completion of construction.

In the consolidated statement of income, the amount of subsidy received is recorded as subsidy income in extraordinary income, and the amount directly deducted from the acquisition cost of non-current assets is recorded as loss on tax purpose reduction entry of non-current assets in extraordinary losses.

## (3) Recognition of significant allowances

## Allowance for doubtful accounts

Allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio and bad receivables based on case-by-case determination of collectibility.



(4) Scope of cash and cash equivalents on consolidated statement of cash flows

Cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible and present insignificant risk of change in value.

(5) Other significant matters for preparation of the consolidated financial statements

a. Accounting for deferred assets

Share issuance costs are amortized on a straight-line basis over an effective period of not more than three years.

b. Accounting for consumption taxes

All amounts stated are exclusive of national and local consumption taxes. However, non-deductible consumption taxes related to assets are recorded as deferred consumption taxes in “Other” under investments and other assets and amortized over the period stipulated in the Corporate Tax Act.

## Segment Information

### 1. Overview of reportable segments

Segments used for financial reporting are the SERIO Holdings Group's constituent units for which separate financial information is available and for which Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The business operations of the SERIO Holdings Group consist of three reportable segments, which are the business units used for the management of earnings: employment assistance, after-school day care, and nursery schools.

(1) Employment assistance: Working style support that match the needs of each individual

(2) After-school day care: After-school child care for public and private schools

(3) Nursery schools: Operation of certified child welfare facilities

### 2. Calculation method for net sales, profit, assets, and other items for each reportable segment

The accounting method used for reportable business segments are generally the same as those described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable business segments are operating profit figures.

### 3. Information related to net sales, profit, assets, and other items for each reportable segment

FY5/20 (Jun. 1, 2019 - May 31, 2020)

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on consolidated financial statements
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	2,220,649	2,211,808	2,516,388	6,948,846	-	6,948,846
Inter-segment sales and transfers	-	-	-	-	-	-
Total	2,220,649	2,211,808	2,516,388	6,948,846	-	6,948,846
Segment profit	47,527	34,280	154,370	236,178	(99,573)	136,605
Segment assets	529,174	364,722	1,798,717	2,692,613	1,214,278	3,906,892
Other items						
Depreciation	1,585	1,969	60,024	63,578	15,319	78,898
Extraordinary income	-	-	798,934	798,934	-	798,934
(Subsidy income)	( - )	( - )	( 798,934)	( 798,934)	( - )	( 798,934)
Extraordinary losses	-	-	798,934	798,934	-	798,934
(Loss on tax purpose reduction entry of non-current assets)	( - )	( - )	( 798,934)	( 798,934)	( - )	( 798,934)
(Loss on retirement of non-current assets)	( - )	( - )	( - )	( - )	( - )	( - )
Increase in property, plant and equipment and intangible assets	-	8,125	338,589	346,715	3,561	350,276

FY5/21 (Jun. 1, 2020 - May 31, 2021)

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on consolidated financial statements
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	2,585,802	2,547,077	3,085,650	8,218,529	-	8,218,529
Inter-segment sales and transfers	-	-	-	-	-	-
Total	2,585,802	2,547,077	3,085,650	8,218,529	-	8,218,529
Segment profit	101,236	157,953	205,228	464,418	(126,910)	337,508
Segment assets	515,571	428,103	2,111,617	3,055,292	1,440,384	4,495,676
Other items						
Depreciation	1,652	2,483	76,705	80,840	16,462	97,302
Extraordinary income	-	-	304,933	304,933	-	304,933
(Subsidy income)	(-)	(-)	(304,933)	(304,933)	(-)	(304,933)
Extraordinary losses	2,116	-	304,933	307,049	-	307,049
(Loss on tax purpose reduction entry of non-current assets)	(-)	(-)	(304,933)	(304,933)	(-)	(304,933)
(Loss on retirement of non-current assets)	(2,116)	(-)	(-)	(2,116)	(-)	(2,116)
Increase in property, plant and equipment and intangible assets	4,001	4,442	161,798	170,242	11,569	181,812

Note: Contents of adjustments are as follows.

(Thousands of yen)

Profit	FY5/20	FY5/21
Total for reportable segments	236,178	464,418
Elimination of inter-segment transactions	-	-
Corporate expenses (Note)	(99,573)	(126,910)
Operating profit in consolidated financial statements	136,605	337,508

Note: Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segments.

(Thousands of yen)

Profit	FY5/20	FY5/21
Total for reportable segments	2,692,613	3,055,292
Corporate assets (Note)	1,214,278	1,440,384
Total assets in consolidated financial statements	3,906,892	4,495,676

Note: Corporate assets mainly include head office assets that cannot be attributed to any reportable segments.

(Thousands of yen)

Other items	Total for reportable segments		Others		Adjustment		Amounts shown on consolidated financial statements	
	FY5/20	FY5/21	FY5/20	FY5/21	FY5/20	FY5/21	FY5/20	FY5/21
Depreciation	63,578	80,840	-	-	15,319	16,462	78,898	97,302
Extraordinary income	798,934	304,933	-	-	-	-	798,934	304,933
(Subsidy income)	(798,934)	(304,933)	(-)	(-)	(-)	(-)	(798,934)	(304,933)
Extraordinary losses	798,934	307,049	-	-	-	-	798,934	307,049
(Loss on tax purpose reduction entry of non-current assets)	(798,934)	(304,933)	(-)	(-)	(-)	(-)	(798,934)	(304,933)
(Loss on retirement of non-current assets)	(-)	(2,116)	(-)	(-)	(-)	(-)	(-)	(2,116)
Increase in property, plant and equipment and intangible assets	346,715	170,242	-	-	3,561	11,569	350,276	181,812

Note: The adjustment to depreciation includes depreciation of head office assets that cannot be attributed to any reportable segments.

The adjustment to an increase in property, plant and equipment and intangible assets is related to head office assets.

Information related to impairment losses on non-current assets for each reportable segment

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

Not applicable.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

### Per Share Information

(Yen)

	FY5/20 (Jun. 1, 2019 – May 31, 2020)	FY5/21 (Jun. 1, 2020 – May 31, 2021)
Net assets per share	272.87	305.21
Earnings per share	15.97	35.34

Notes: 1. Diluted earnings per share are not shown because there were no dilutive common stock equivalents.

2. SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. Net assets per share and earnings per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

3. The basis of calculating earnings per share is as follows:

	FY5/20 (Jun. 1, 2019 – May 31, 2020)	FY5/21 (Jun. 1, 2020 – May 31, 2021)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	101,059	223,674
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	101,059	223,674
Average number of shares outstanding of common stock (Shares)	6,329,400	6,329,400

### Subsequent Events

Not applicable.

*This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*