



October 14, 2021

**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending May 31, 2022
(Three Months Ended August 31, 2021)**

[Japanese GAAP]

Company name: SERIO HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange, Mothers
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 Scheduled date of filing of Quarterly Report: October 14, 2021
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 31, 2022
(June 1, 2021 – August 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	%
Three months ended Aug. 31, 2021	2,320	12.1	74	(46.5)	74	(48.0)	46	(49.6)
Three months ended Aug. 31, 2020	2,070	15.9	139	759.3	143	809.4	91	-

Note: Comprehensive income Three months ended Aug. 31, 2021: 46 million yen (down 49.6%)
 Three months ended Aug. 31, 2020: 91 million yen (-%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Aug. 31, 2021	7.31		-	
Three months ended Aug. 31, 2020	14.49		-	

- Notes: 1. No year-on-year percentage changes are shown for profit attributable to owners of parent and comprehensive income for the three months ended August 31, 2020 because the changes are more than 1,000%.
 2. 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.
 3. 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	
	Million yen		Million yen		%	
As of Aug. 31, 2021	4,383		1,910		43.6	
As of May 31, 2021	4,495		1,931		43.0	

Reference: Shareholders' equity As of Aug. 31, 2021: 1,910 million yen As of May 31, 2021: 1,931 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2021	-	0.00	-	7.00	7.00
Fiscal year ending May 31, 2022	-	-	-	-	-
Fiscal year ending May 31, 2022 (forecast)	-	0.00	-	7.00	7.00

Note: Revision to the most recently announced dividend forecast: None

Note: SERIO Holdings conducted a two-for-one common stock split on October 1, 2020.

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

Note: Revision to the most recently announced consolidated forecast: None

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

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

Note: Please refer to page 9 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(4) Number of issued shares (common stock)

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

As of Aug. 31, 2021	6,329,400 shares	As of May 31, 2021:	6,329,400 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2021:	30,000 shares	As of May 31, 2021:	- shares
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3) Average number of shares during the period

Three months ended Aug. 31, 2021:	6,315,379 shares	Three months ended Aug. 31, 2020:	6,329,400 shares
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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.

* The quarterly financial report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” for forecast assumptions and notes of caution for usage.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today (October 14, 2021), using the Timely Disclosure network (TDnet).

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of the SERIO Holdings Group (SERIO Holdings and its consolidated subsidiaries) as of August 31, 2021.

SERIO Holdings has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. As a result, prior-year comparisons are based on figures in the previous fiscal year that use different accounting standards. More information is in “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies.”

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year (June 1 to August 31, 2021), there were several states of emergency nationwide in Japan because of the COVID-19 pandemic. Due to this crisis, the outlook for the business climate of the SERIO Holdings Group remained uncertain.

Although the pandemic had a negative effect on some sectors of the employment assistance business, demand at companies involving workforce flexibility remained firm. In the after-school day-care business and nursery school business, operations were temporarily suspended from time to time at these locations because of the highly infectious delta variant and other issues concerning the pandemic. We continued to operate after-school day-care facilities and nursery schools while taking actions to prevent infections in order to meet the child care needs of working parents and guardians. 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 first quarter, 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.

Although there was a downturn in demand at some customers in the employment assistance business, sales increased because of the contribution to sales of after-school day-care facilities and nursery schools that opened in April 2021. The application of the new revenue recognition standard reduced sales by 22 million yen. The new standard is expected to continue to lower sales during the first nine months of the current fiscal year but will have only a negligible effect on sales for the fiscal year.

Operating profit decreased mainly because of higher personnel expenses as operating hours at after-school day-care facilities and attendance rates at nursery schools returned to normal. The application of the new revenue recognition standard reduced operating profit by 18 million yen and is expected to continue reducing operating profit during the first nine months. However, the effect on fiscal year operating profit will be negligible. In the first quarter, employment adjustment subsidies and other payments associated with employee furloughs, which are non-operating income, decreased.

As a result, net sales for the first quarter increased 12.1% year on year to 2,320 million yen. Operating profit was 74 million yen, down 46.5% and ordinary profit was 74 million yen, a decrease of 48.0%. Profit attributable to owners of parent decreased 49.6% to 46 million yen.

Business segment performance was as follows.

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. During the first quarter, there was steady progress with adding new customers, partly by using online sales meetings, despite several declarations of a state of emergency by the Japanese government.

Sales decreased mainly because of lower demand at some customers due to the pandemic and a decline in outsourced repair services for major home appliance and electronics manufacturers because of long rain and other unfavorable weather. However, the decline in sales was small because of contributions to sales from expansion of sales and factory operations to more market sectors and the receipt of new orders. The segment profit decreased because of the above-mentioned decline in sales and higher selling, general and administrative expenses caused by up-front expenditures for more salespeople in the child care worker placement business and for recruiting and training activities. The new revenue recognition standard reduced sales by 4 million yen and the cost of sales by 4 million yen.

As a result, net sales of this business were 703 million yen, down 1.0% year on year, and segment profit was 37 million yen, a decrease of 35.1%.

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. During the first half of 2020, all elementary schools in Japan were closed and there were other major actions in response to the pandemic. However, these actions did not continue during the subsequent declarations of a state of emergency.

The number of after-school day-care facilities operated by the SERIO Holdings Group at the end of August 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. This is the same as at the end of the previous fiscal year. Preparations are under way to open more locations beginning in April 2022.

Sales increased because of the inclusion of the sales of 10 locations opened during the previous fiscal year. Due to the new revenue recognition standard, this segment has started using more reasonable estimates of progress with fulfilling obligations to provide services and then using these estimates to recognize sales in specific periods. This change reduced sales by 18 million yen. Although the change is expected to continue reducing sales during the first nine months, there will be only a negligible effect on fiscal year sales. Earnings decreased as the return to normal operations following the impact of the pandemic in the previous fiscal year raised personnel expenses and the above-mentioned new revenue recognition standard reduced earnings. Although the new standard is expected to continue reducing the segment profit during the first nine months, the effect on fiscal year earnings will be negligible.

As a result, net sales of this business were 748 million yen, up 19.5% year on year, and segment profit was 28 million yen, a decrease of 43.9%.

3) Nursery schools

Although some nursery schools temporarily closed because of the pandemic, the operation of nursery schools continued while taking numerous actions to protect children and instructors from infections in accordance with government guidelines. As of April 1, 2021, there were 5,634 preschool children in Japan who were waiting for a nursery school opening. This is a decrease of 6,805 from one year earlier probably because parents are reluctant to use nursery schools during the pandemic. 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 2,740,000, 4,712 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.

The number of children using SERIO Holdings Group nursery schools has been increasing steadily. At the end of August 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. There was no increase in the number of locations during the first quarter, but preparations are under way to open more locations beginning in April 2022.

Sales benefited from the increasing number of children 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. In addition, sales increased at SERIO Garden Co., Ltd., which operates a greenery business for nursery schools and other schools. Earnings decreased because of higher personnel expenses as operations returned to normal and an increase in recruiting expenses for hiring the people needed for significantly increasing the number of children at nursery schools during the fiscal year.

As a result, net sales of this business were 868 million yen, up 18.5% year on year, and segment profit was 49 million yen, a decrease of 25.6%.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter decreased 112 million yen from the end of the previous fiscal year to 4,383 million yen. This was mainly due to decreases of 216 million yen in cash and deposits and 12 million yen in deferred tax assets, while there were increases of 100 million yen in accounts receivable-trade and contract assets and 29 million yen in prepaid expenses.

Liabilities

Total liabilities at the end of the first quarter decreased 90 million yen from the end of the previous fiscal year to 2,473 million yen. This was mainly due to increases of 115 million yen in provision for bonuses and 22 million yen in contract liabilities, while there were decreases of 92 million yen in income taxes payable, 78 million yen in accrued expenses and 22 million yen in accrued consumption taxes.

Net assets

Total net assets at the end of the first quarter decreased 21 million yen from the end of the previous fiscal year to 1,910 million yen. This was mainly due to an increase of 46 million yen in retained earnings resulting from profit attributable to owners of parent, a decrease of 44 million yen in retained earnings due to payment of dividends and purchase of treasury shares of 23 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the fiscal year consolidated forecast announced on July 14, 2021 in “Summary of Consolidated Financial Results for the Fiscal Year Ended May 31, 2021.” At this time, we believe that the pandemic will not have a significant negative effect on business operations and sales and earnings.

The consolidated forecast is based on assumption judged to be valid and information available when the forecast was announced. Actual results may differ from the forecasts for a number of reasons.

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

(Thousands of yen)

	FY5/21 (As of May 31, 2021)	First quarter of FY5/22 (As of Aug. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,897,424	1,680,500
Accounts receivable-trade	570,304	-
Accounts receivable-trade and contract assets	-	670,522
Prepaid expenses	86,965	116,367
Accounts receivable-other	12,681	13,553
Other	12,324	11,481
Allowance for doubtful accounts	(324)	(408)
Total current assets	2,579,375	2,492,016
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,112,829	1,104,407
Tools, furniture and fixtures, net	47,048	45,717
Land	161,735	161,735
Leased assets, net	3,484	3,283
Construction in progress	538	3,728
Total property, plant and equipment	1,325,635	1,318,872
Intangible assets		
Right to use facilities	11,543	11,303
Software	10,268	8,274
Leased assets	7,718	6,760
Other	1,132	1,101
Total intangible assets	30,663	27,439
Investments and other assets		
Investments in capital	10	10
Guarantee deposits	170,696	177,354
Long-term prepaid expenses	120,424	117,726
Deferred tax assets	53,287	40,612
Insurance funds	34,312	34,312
Construction assistance fund receivables	127,801	126,076
Other	53,469	49,047
Total investments and other assets	560,001	545,140
Total non-current assets	1,916,300	1,891,452
Total assets	4,495,676	4,383,469

	(Thousands of yen)	
	FY5/21 (As of May 31, 2021)	First quarter of FY5/22 (As of Aug. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	8,362	8,962
Current portion of long-term borrowings	81,600	81,600
Lease obligations	10,781	9,424
Accounts payable-other	85,232	87,951
Accounts payable for equipment investment	1,340	539
Dividends payable	-	1,958
Accrued expenses	645,763	567,364
Income taxes payable	111,143	18,607
Accrued consumption taxes	126,705	104,410
Advances received	131,855	-
Contract liabilities	-	154,573
Deposits received	144,719	130,258
Provision for bonuses	-	115,058
Total current liabilities	1,347,502	1,280,710
Non-current liabilities		
Long-term borrowings	880,336	859,936
Lease obligations	8,183	6,344
Asset retirement obligations	238,586	238,793
Long-term advances received	89,293	-
Long-term contract liabilities	-	87,587
Total non-current liabilities	1,216,399	1,192,661
Total liabilities	2,563,902	2,473,372
Net assets		
Shareholders' equity		
Share capital	693,263	693,263
Capital surplus	671,433	671,433
Retained earnings	567,078	568,950
Treasury shares	-	(23,550)
Total shareholders' equity	1,931,774	1,910,096
Total net assets	1,931,774	1,910,096
Total liabilities and net assets	4,495,676	4,383,469

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY5/21 (Jun. 1, 2020 – Aug. 31, 2020)	First three months of FY5/22 (Jun. 1, 2021 – Aug. 31, 2021)
Net sales	2,070,063	2,320,626
Cost of sales	1,641,973	1,909,769
Gross profit	428,090	410,856
Selling, general and administrative expenses	288,217	336,066
Operating profit	139,872	74,790
Non-operating income		
Interest income	6	8
Subsidy income	5,314	850
Miscellaneous income	723	980
Total non-operating income	6,045	1,839
Non-operating expenses		
Interest expenses	2,079	2,170
Amortization of share issuance costs	658	-
Miscellaneous losses	-	3
Total non-operating expenses	2,738	2,174
Ordinary profit	143,179	74,455
Extraordinary income		
Subsidy income	454	-
Total extraordinary income	454	-
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	454	-
Loss on retirement of non-current assets	2,116	-
Total extraordinary losses	2,570	-
Profit before income taxes	141,063	74,455
Income taxes-current	46,662	15,601
Income taxes-deferred	2,690	12,675
Total income taxes	49,353	28,277
Profit	91,709	46,178
Profit attributable to owners of parent	91,709	46,178

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

(Thousands of yen)

	First three months of FY5/21 (Jun. 1, 2020 – Aug. 31, 2020)	First three months of FY5/22 (Jun. 1, 2021 – Aug. 31, 2021)
Profit	91,709	46,178
Comprehensive income	91,709	46,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	91,709	46,178

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Purchase of treasury shares

Following the resolution of the Board of Directors meeting on July 19, 2021, SERIO Holdings purchased 30,000 treasury shares of common stock on July 20, 2021 through an off-auction own share repurchase trading system (ToSTNeT-3) of the Tokyo Stock Exchange. As a result, treasury shares increased 23,550 thousand yen during the first quarter of the current fiscal year.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition

SERIO Holdings has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the first quarter of the current fiscal year. Based on these standard and guidance, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. The most significant change resulting from this application is in the after-school day-care segment, which now uses more reasonable estimates of progress with fulfilling obligations to provide services and then uses these estimates to recognize sales in specific periods.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, in the first quarter of the current fiscal year, net sales decreased 22,715 thousand yen, cost of sales decreased 4,497 thousand yen, and operating profit, ordinary profit and profit before income taxes declined 18,217 thousand yen each. There is no effect of the application of the new standards on retained earnings at the beginning of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "accounts receivable-trade" in the current assets section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, included in "accounts receivable-trade and contract assets." In addition, "advances received" in the current liabilities section is now "contract liabilities," and "long-term advances received" presented in the non-current liabilities section is now "long-term contract liabilities." In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation.

Application of the Accounting Standard for Fair Value Measurement

SERIO Holdings has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment Information

I. First three months of FY5/21 (Jun. 1, 2020 – Aug. 31, 2020)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	710,671	626,276	733,116	2,070,063	-	2,070,063
Inter-segment sales and transfers	-	-	-	-	-	-
Total	710,671	626,276	733,116	2,070,063	-	2,070,063
Segment profit	57,914	50,671	65,916	174,502	(34,629)	139,872

Notes: 1. The negative adjustment of 34,629 thousand yen to segment profit is mainly selling, general and administrative expenses that cannot be attributed to any reportable segments.

2. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

II. First three months of FY5/22 (Jun. 1, 2021 – Aug. 31, 2021)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	703,602	748,469	868,554	2,320,626	-	2,320,626
Inter-segment sales and transfers	-	-	-	-	-	-
Total	703,602	748,469	868,554	2,320,626	-	2,320,626
Segment profit	37,587	28,414	49,025	115,027	(40,237)	74,790

Notes: 1. The negative adjustment of 40,237 thousand yen to segment profit is mainly selling, general and administrative expenses that cannot be attributed to any reportable segments.

2. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

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.