

Results of Operations for the First Half of the Fiscal Year Ending May 31, 2022



SERIO HOLDINGS CO., LTD.
Hisashi Wakahama, President and CEO



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Vision

A company that creates happiness for families

Mission



Support for work-family balance



Support for the sound growth and development of children

Support for women for jobs and raising children

Creating job opportunities

Part-time staffing service provides jobs that match each woman's stage of life

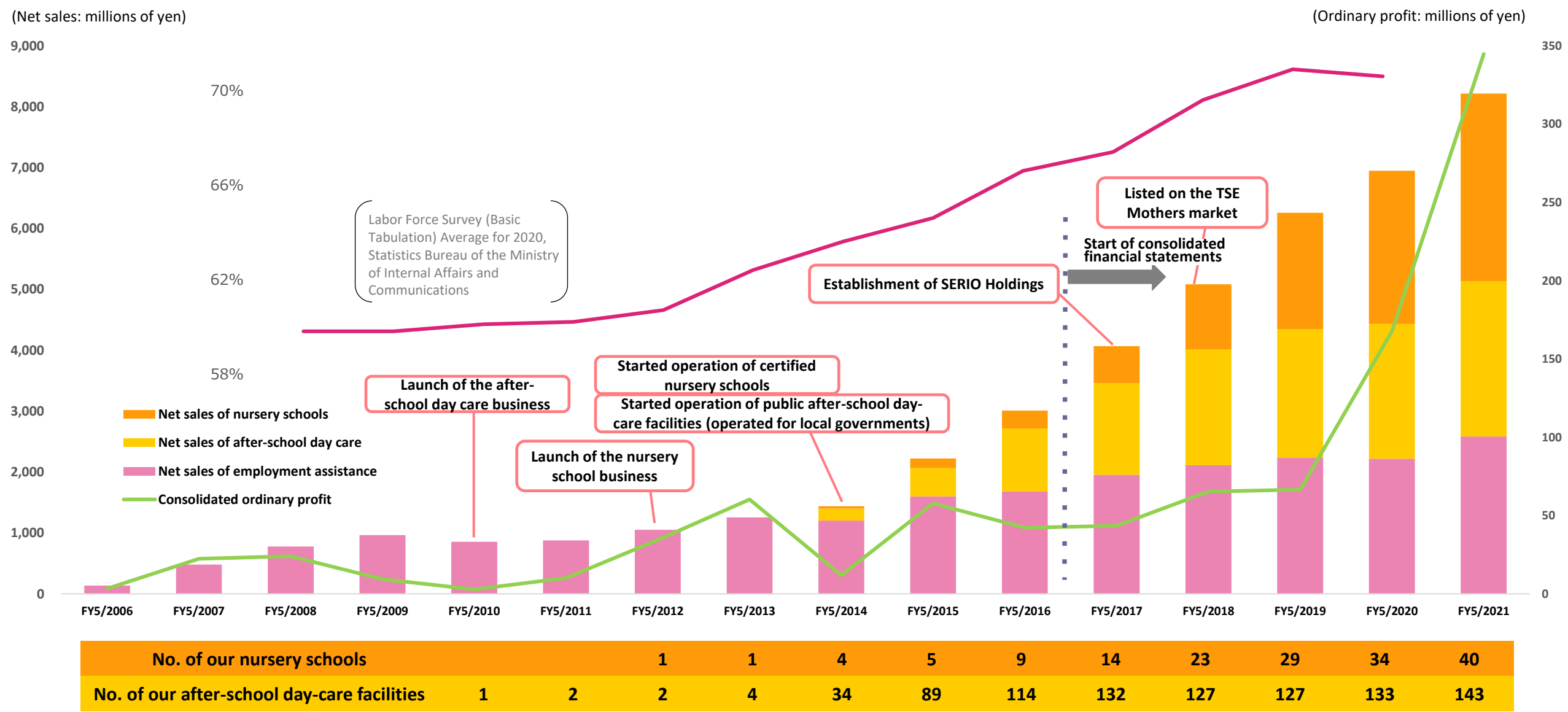
Employment assistance
(temporary staffing,
subcontracting, job placements)

Creating an environment for work

Provision of reliable child care facilities creates time for work

Nursery schools
(Operation of nursery schools)

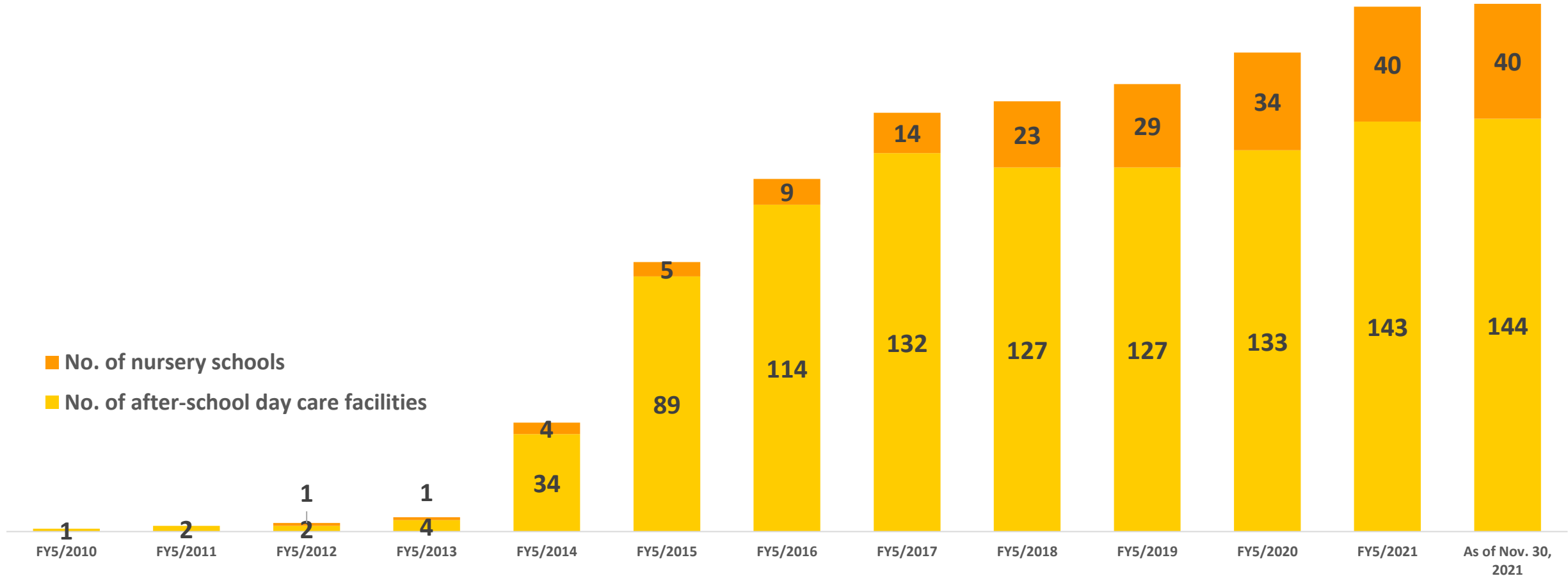
After-school day care
(Operation of after-school day-care facilities)



→ FY5/2010 to FY5/2013: Total sales After FY5/2014: Sales by segment

→ Jan. 2016: Started contract with audit firm

- ✓ As of the end of November 2021, 144 after-school day-care facilities and 40 nursery schools, a total of 184 locations
- ✓ Operation of after-school day-care facilities started in FY5/2010
- ✓ Operation of nursery schools started in FY5/2012



- Higher sales but lower earnings than one year earlier

New locations contributed to sales growth of the after-school day care and nursery schools businesses. Operations are returning to normal following the impact of the pandemic in the previous fiscal year, which raised personnel expenses and the cost of sales ratio. Earnings were also held down by up-front expenditures, such as for the new child care worker placement business and for recruiting people needed for large orders (expected to be posted in the 3Q) in the employment assistance business.

Net sales	¥4,479 million	<u>(+10.4% YoY)</u>
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Gross profit	¥812 million	<u>(-2.8% YoY)</u>
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Operating profit	¥131 million	<u>(-42.4% YoY)</u>
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Ordinary profit	¥131 million	<u>(-43.2% YoY)</u>
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Income Statement for the First Half of FY5/2022



(Millions of yen)

	FY5/2022 plan	1H FY5/2022 results	% to sales	YoY change	Progress rate vs. FY5/2022 plan	1H FY5/2021		1H FY5/2020	
						Results	% to sales	Results	% to sales
Net sales	9,000	4,479	100.0%	+10.4%	49.8%	4,057	100.0%	3,447	100.0%
Employment assistance	2,729	1,334	29.8%	+0.0%	48.9%	1,333	32.9%	1,162	33.7%
After-school day care	2,848	1,411	31.5%	+15.2%	49.5%	1,225	30.2%	1,098	31.9%
Nursery schools	3,423	1,733	38.7%	+15.7%	50.6%	1,498	36.9%	1,186	34.4%
Cost of sales	7,258	3,667	81.9%	+13.8%	50.5%	3,221	79.4%	2,851	82.7%
Gross profit	1,742	812	18.1%	-2.8%	46.7%	836	20.6%	595	17.3%
Selling, general and administrative expenses	1,467	681	15.2%	+12.0%	46.5%	608	15.0%	545	15.8%
Operating profit	275	131	2.9%	-42.4%	47.7%	227	5.6%	50	1.5%
Ordinary profit	270	131	2.9%	-43.2%	48.7%	231	5.7%	49	1.4%
Profit attributable to owners of parent	175	85	1.9%	-42.4%	49.0%	149	3.7%	33	1.0%

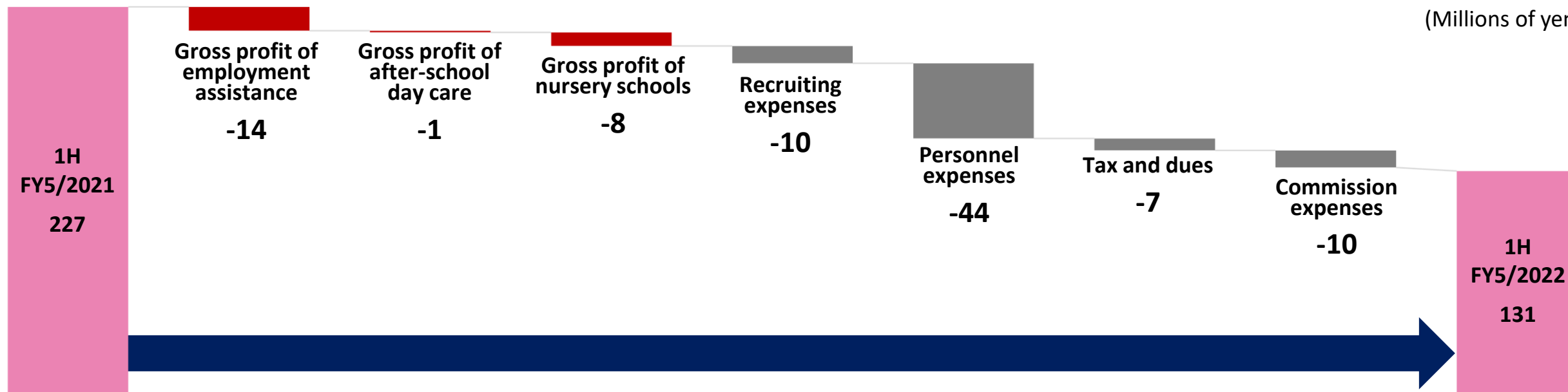
	As of May 31, 2021		As of Nov. 30, 2021		Change
	Amount	Comp.	Amount	Comp.	
Current assets	2,579	57.4%	2,552	58.0%	-26
Cash and deposits	1,897	42.2%	1,852	42.1%	-45
Non-current assets	1,916	42.6%	1,846	42.0%	-69
Property, plant and equipment	1,325	29.5%	1,342	30.5%	+17
Total assets	4,495	100.0%	4,399	100.0%	-95
Current liabilities	1,347	30.0%	1,341	30.5%	-6
Short-term borrowings	-	-	-	-	-
Non-current liabilities	1,216	27.1%	1,083	24.6%	-132
Long-term borrowings	880	19.6%	839	19.1%	-40
Total liabilities	2,563	57.0%	2,425	55.1%	-138
Net assets	1,931	43.0%	1,974	44.9%	+42
Total liabilities and net assets	4,495	100.0%	4,399	100.0%	-95

(Millions of yen)

(Millions of yen)

	1H FY5/2021	1H FY5/2022	Change	Reason for change
Cash flows from operating activities	316	127	-189	Higher tax payments Lower profits
Cash flows from investing activities	(47)	(74)	-26	Timing of recording subsidy payments for opening nursery schools
Cash flows from financing activities	(27)	(97)	-70	Timing of loans for the construction of nursery schools
Cash and cash equivalents at end of period	1,772	1,852	+79	-
Free cash flows	268	52	-215	-

(Millions of yen)

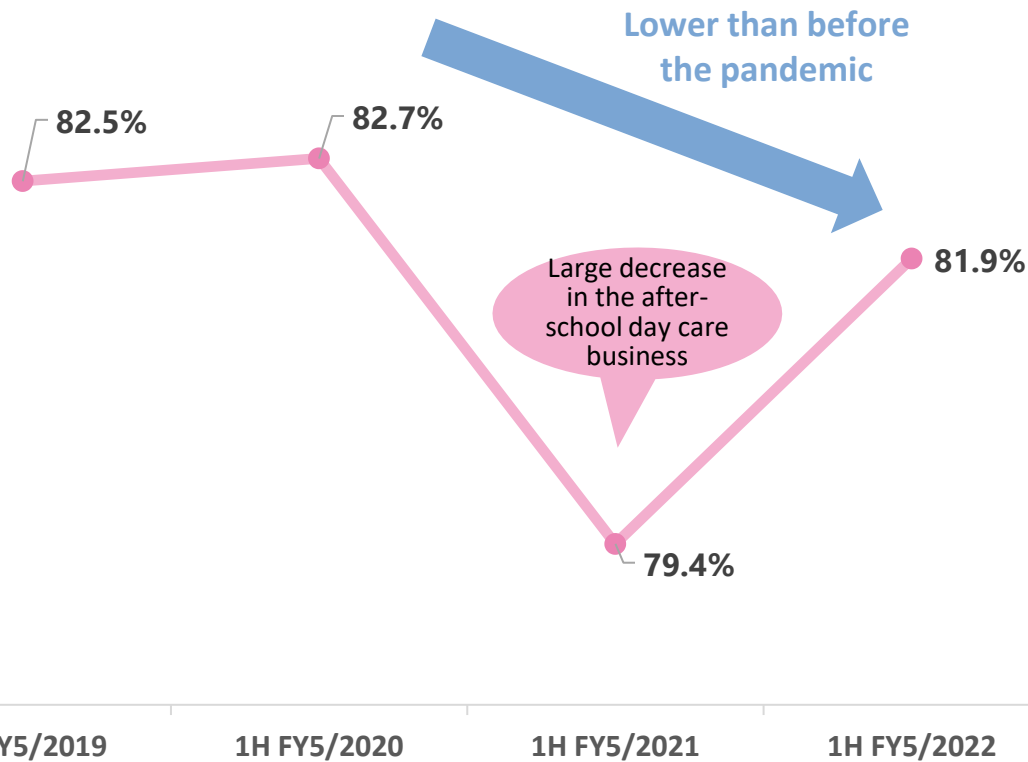


Segment	YoY change	Gross profit
Employment assistance	-14	Lower productivity for outsourced call center operations caused by unfavorable weather in the 1Q
After-school day care	-1	Sales increased as more care facilities were opened but personnel expenses increased as operations began returning to normal from the pandemic downturn in the prior year
Nursery schools	-8	Sales increased along with the number of nursery schools and children at existing schools. Personnel expenses increased as operations began returning to normal from the pandemic downturn in the prior year and the new SERIO Garden business added ¥9 million to the cost of sales

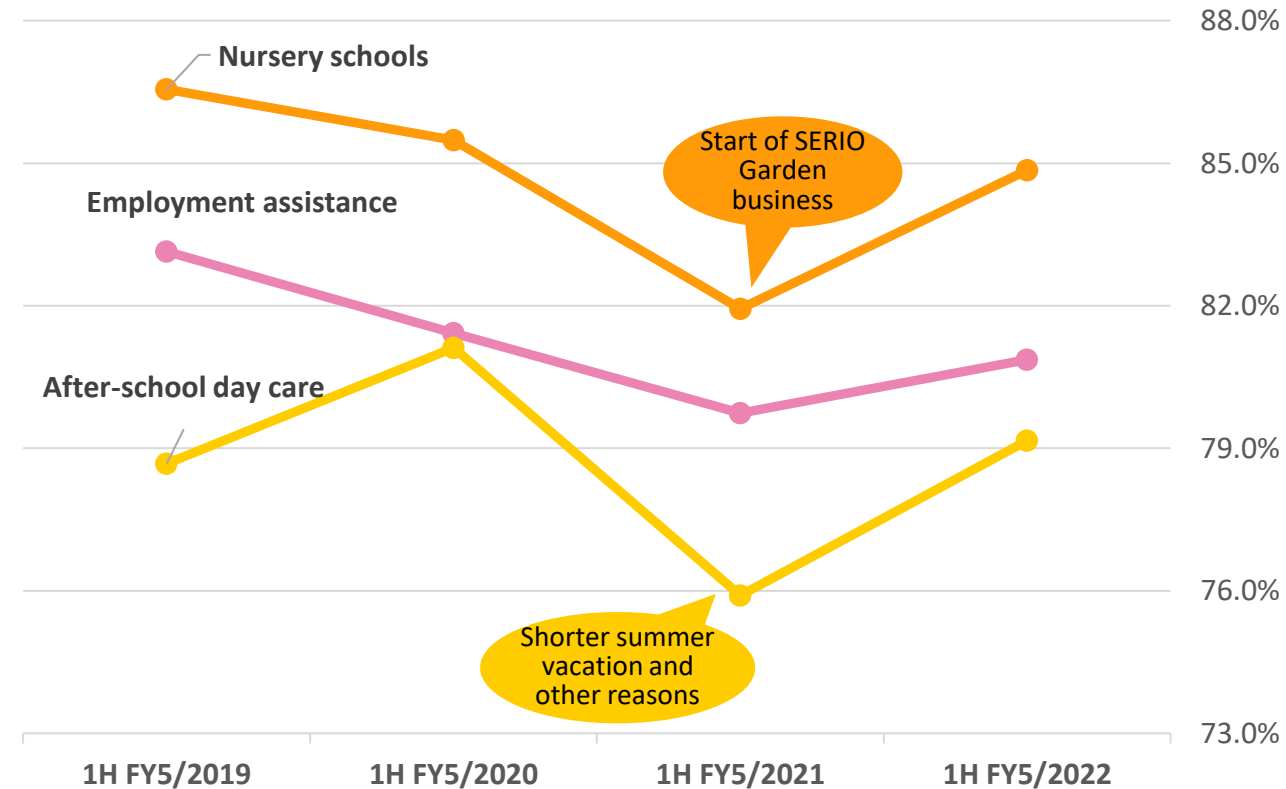
Segment	YoY change	SG&A expenses
Recruiting expenses	-10	Recruiting expenses for the child care worker placement service in the employment assistance business and ¥6 million for adding people who will be needed due to large new orders
Personnel expenses	-44	Personnel expenses increased 10.7% as full-time employees increased 13.8% from the end of Nov. 2020 to Nov. 2021
Commission expenses	-10	Fees for joining the corporate pension program (expanded to non-regular employees), expenses for human resource management systems, and other expenses

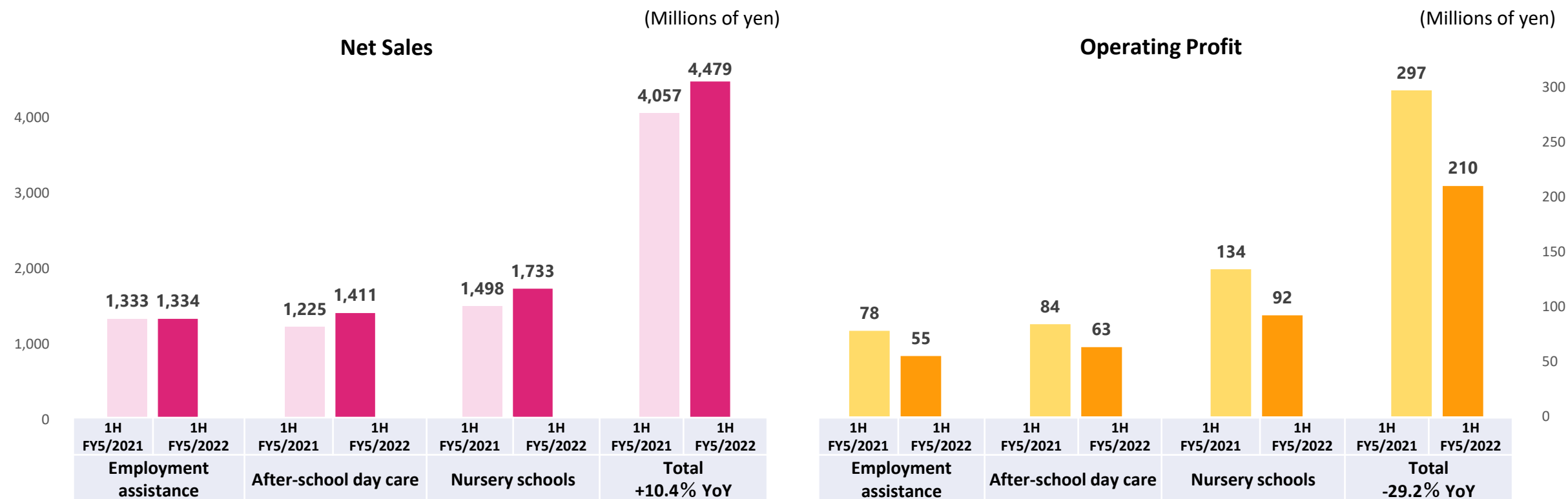
- ✓ The cost of sales ratio increased as all businesses began returning to normal after the prior-year pandemic downturn, but this ratio is still below the first half of the two fiscal years before the pandemic
- ✓ In the nursery schools business, the cost of sales ratio increased because of the more personnel to handle the larger number of children during the fiscal year and of the expenses of SERIO Garden

First Half Cost of Sales Ratio



First Half Business Segment Cost of Sales Ratio





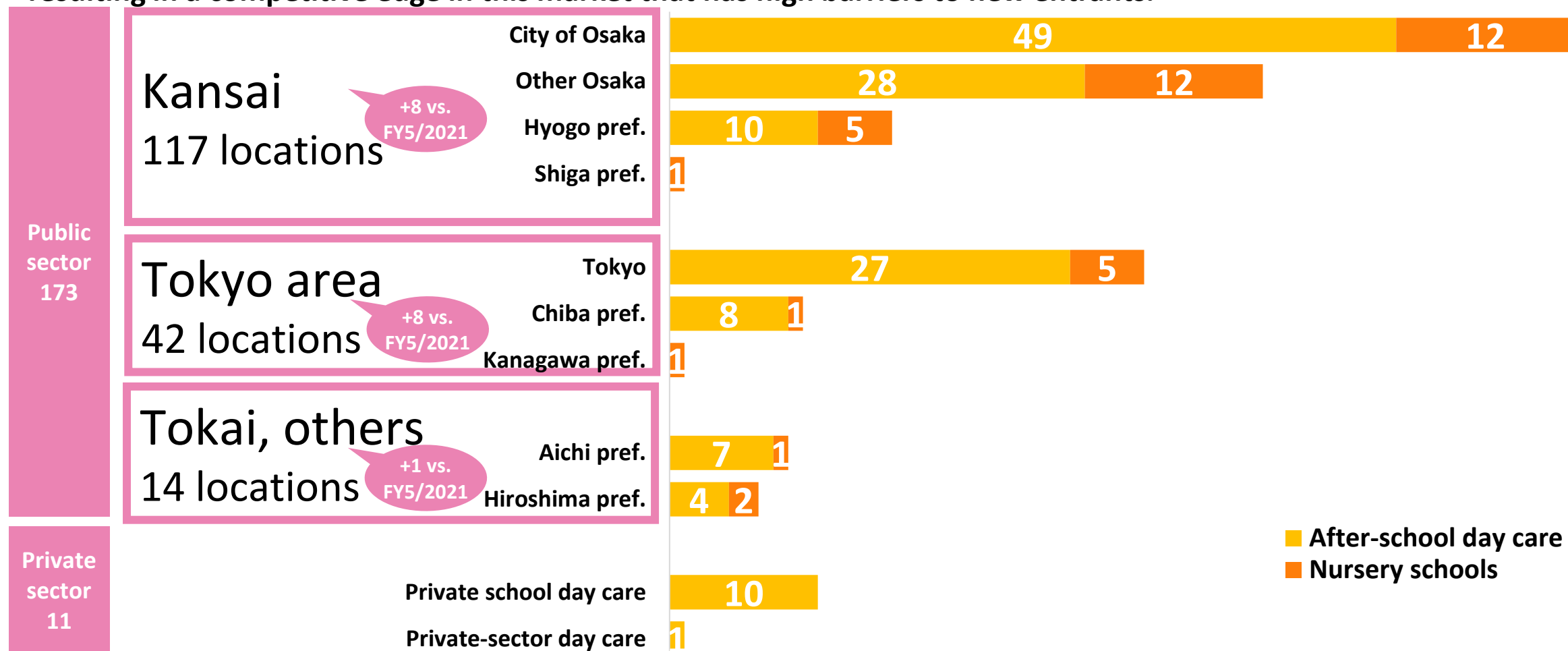
Segment	Net sales	Operating profit
Employment assistance	→ Increased YoY despite smaller volume of business for current major customers due to the pandemic and the downturn in demand caused by heavy rain and other unfavorable weather for handling repair orders for products of major home appliance and electronics manufacturers	↓ Higher SG&A expenses caused by up-front expenses for the child care worker placement service and activities needed due to new large orders
After-school day care	↑ Higher sales from 10 facilities opened in FY5/2021	↓ Sales increased as more facilities were added but personnel expenses rose as operations began returning to normal after the prior-year pandemic downturn. Also, higher expenses for recruiting and training new graduates for the planned addition of more facilities during the next several years.
Nursery schools	↑ More children at new locations, extensive actions throughout the year to increase children at existing locations	↓ Personnel expenses increased as operations began returning to normal after the prior-year pandemic downturn. Higher personnel expenses for hiring people for significantly increasing the number of children during the FY and due to ¥10 million of expenses at SERIO Garden.

- ✓ **Employment assistance: Sales down because of the smaller volume of business at large current customers due to the pandemic**
- ✓ **After-school day care and nursery schools: Higher personnel expenses as operations began to return to normal**
- ✓ **After-school day care: Impact on new day care contracts of the smaller number of public-sector projects submitted for bidding as governments focused on pandemic measures**

	FY5/2022		FY5/2021	
	Impact/Risk	1H FY5/2022 vs. 1H FY5/2021	Results of operations	Impact
Overall		-	<ul style="list-style-type: none"> • Decrease in transportation, business travel and other expenses • Integration of Tokyo office, use of free address work space 	¥8 million reduction in FY Tokyo office rent
Employment assistance	Expect no impact at this time	Smaller volume of business at large current customers due to the pandemic Sales reduction of ¥20 million	<ul style="list-style-type: none"> • Negative impact on sales from client companies ranging from only 1Q to the entire FY • Cut recruiting expenses by increasing the internet registration ratio (94%) • Increases in new customers and existing business sectors at businesses and companies where employment assistance needs are high during the pandemic 	Growth of business with current customers and business from new customers were much higher than initially expected
After-school day care	Fewer projects submitted for bids by governments	<p>* Includes effect of the addition of 11 day care facilities (10 in FY5/2021, 1 in FY5/2022)</p> <p>Personnel expenses increased 19% Recruiting expenses increased 32%</p>	Lower sales due to shorter operating hours. No additions of short-term workers for summer vacation, using only current personnel → reduced personnel and recruiting expenses	Fiscal year sales reduction of ¥40 million Fiscal year personnel expense reduction of ¥82 million
Nursery schools	Expect no impact at this time	<p>* Includes effect of the addition of 6 nursery schools</p> <p>Personnel expenses increased 19% Recruiting expenses increased 2%</p>	Asked parents for sibling home care cooperation due to elementary school closings in June.	Only a minor impact for FY5/2021

There were 184 locations at the end of November 2021, including 173 public-sector facilities

- ✓ Most new locations open in the fourth quarter (April) because of the characteristics of this business model.
- ✓ Most locations are in the Kansai and Tokyo areas. SERIO has considerable experience serving local governments, resulting in a competitive edge in this market that has high barriers to new entrants.



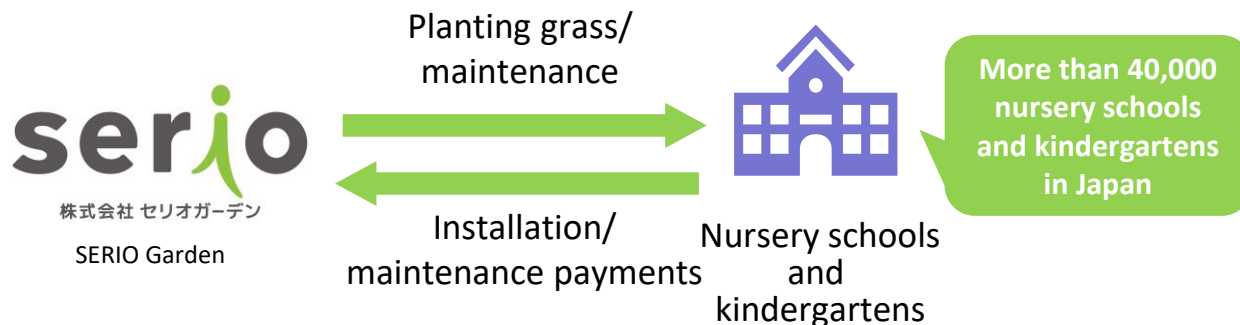
More grass-covered areas for nursery schools, kindergartens and schools for a healthy and pleasant school environment for children

Number of locations at end of Nov. 2021

18 locations

- ✓ Large share of business in the 1Q due to the business model
- ✓ Goals of the FY5/2022 sales plan have been accomplished
- ✓ Expect consistent sales due to recurring revenue from maintenance services for current customers

Business Structure



AI robot lawnmower and automatic sprinkler system dramatically reduce lawn care expenses

Starting in FY5/2022

Add more offices and other actions for faster growth



	Benefits
Reduce heat island effect	Prevention of heat stroke About WBGT 13°C difference* between school grass areas and roof of playground equipment
Dust prevention	Reduction in airborne soil and sand particles
Biodiversity	Greenery attracts birds, insects and other fauna
Environmental education	Children learn about the natural environment → Interaction with nature during pre-school years provides a basis for children to coexist with nature and understanding the importance of a sustainable society
Better learning environment	Grass reduces scrapes and other injuries → More outdoor play increases strength and athletic skills

*Source: Heat Index Survey “Report of Greenery Project for Residents of Hyogo Prefecture (Phase 3)”

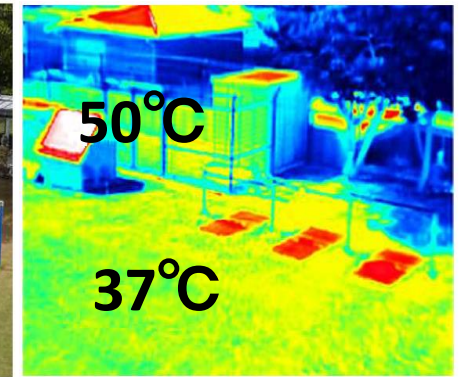
Measurements showed a surface temperature difference of about 13°C

- **No greenery (roof of playground equipment): About 50°C**
- **With greenery (grass-covered school area): About 37°C**

○ Location: Kindergarten school garden in Kita-ku, Kobe

○ Date/Time: 11:00AM, September 9, 2019

Heat index (Web bulb globe temperature)



- ✓ Forecast higher sales and lower earnings (No revisions to the forecast announced on July 14, 2021)
- ✓ The impact of the pandemic is expected to be minor in all businesses
- ✓ Major factors: Big earnings increase from prior year in after-school day care in FY5/2021 as the pandemic reduced personnel expenses, but expect the operating environment to return to normal in FY5/2022
- ✓ Will continue investments for new businesses, people, ICT and other activities for consistent growth

(Millions of yen)

	FY5/2022 plan	% to sales	YoY change	FY5/2021 results	(Reference) FY5/2020 results
Net sales	9,000	100.0%	+9.5%	8,218	6,948
Cost of sales	7,258	80.6%	+10.2%	6,587	5,668
Gross profit	1,742	19.4%	+6.8%	1,631	1,279
Selling, general and administrative expenses	1,467	16.3%	+13.4%	1,293	1,143
Operating profit	275	3.1%	-18.5%	337	136
Ordinary profit	270	3.0%	-21.7%	344	167
Profit attributable to owners of parent	175	2.0%	-21.5%	223	101

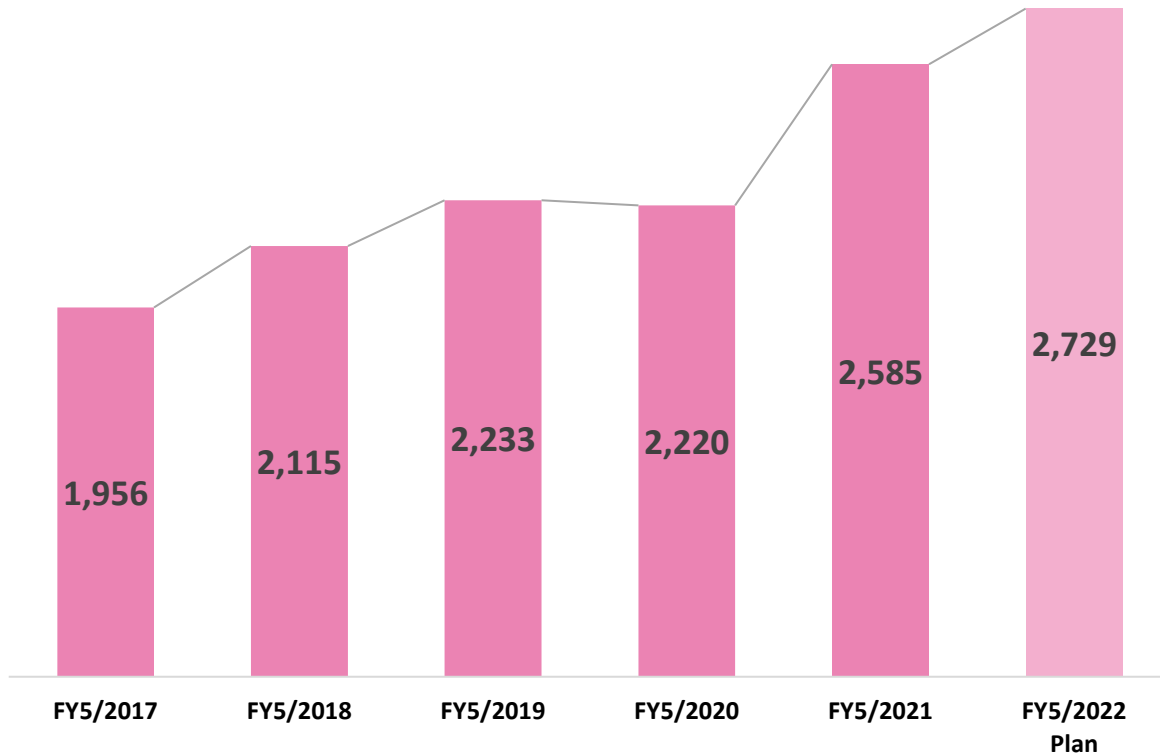
- ✓ Anticipate higher sales in all segments (No revisions to the forecast announced on July 14, 2021)
- ✓ After-school day care: Expect sales contribution from 10 schools opened in FY5/2021
- ✓ Nursery schools: Forecast sales contribution from 6 schools opened in FY5/2021 and from more children at existing schools

(Millions of yen)

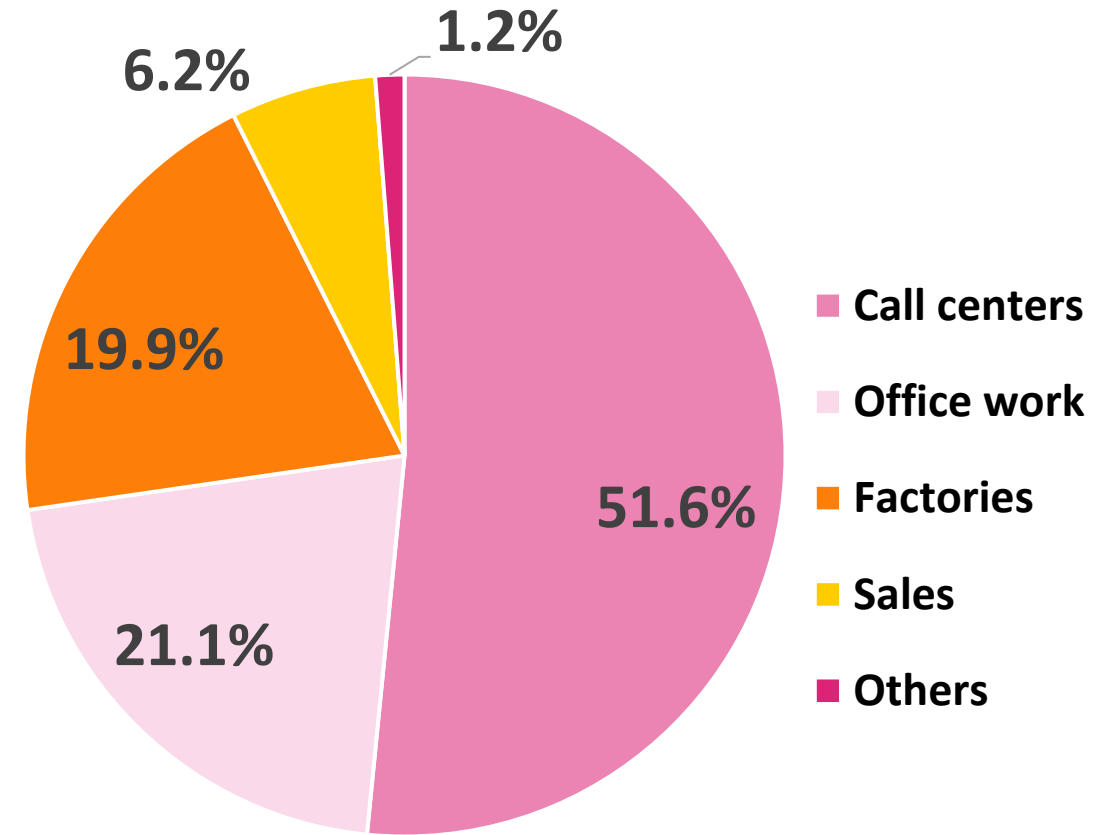
	FY5/2022 plan	FY5/2021 results	YoY change
Employment assistance	2,729	2,585	+5.5%
After-school day care	2,848	2,547	+11.8%
Nursery schools	3,423	3,085	+10.9%
Total	9,000	8,218	+9.5%

- ✓ Second half: Expect sales from new orders for large projects (public-sector call centers)
- ✓ The majority of sales are for call centers, which are ideal for the use of part-time workers
- ✓ Call center operations include repair orders for major home appliance and electronics manufacturers and other categories

Employment Assistance Sales (Millions of yen)



Sales Composition in the First Half of FY5/2022



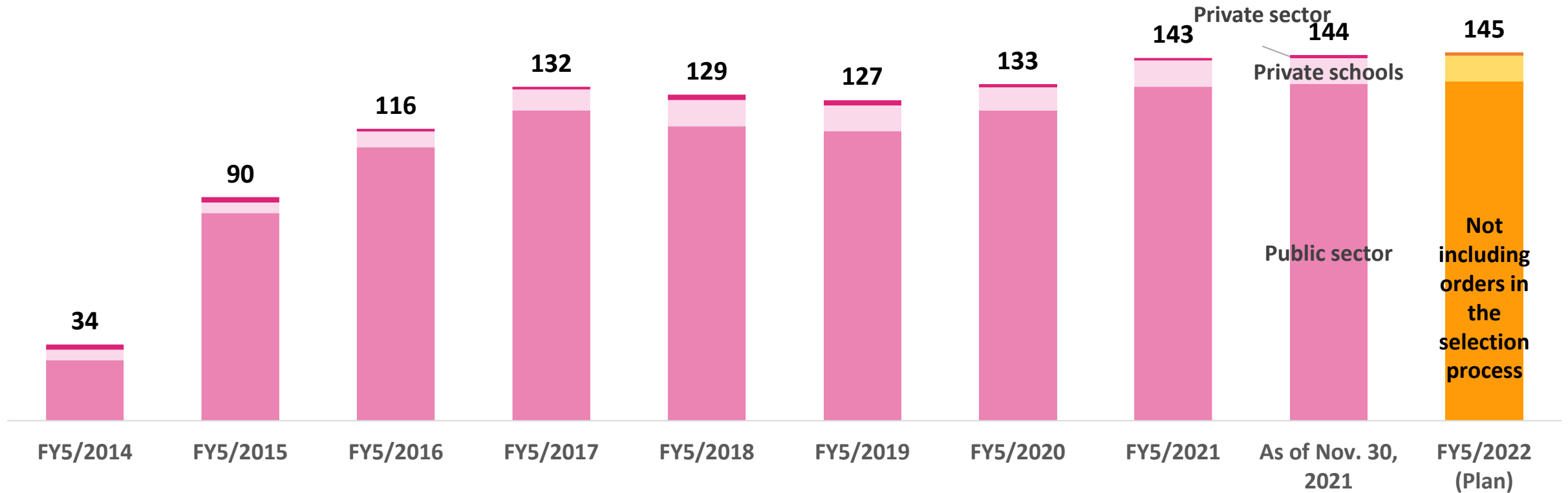
✓ There were 144 locations at the end of November 2021 (an all-time high)

✓ Second half: Initial FY plan for 155 locations in April 2022 has been decreased to 145, with a negligible effect on FY5/2022 sales and earnings

Increase: 9 new locations (9 for the public sector)

Decrease: 8 public-sector locations (7 due to contract completion, 1 day care facility closed)

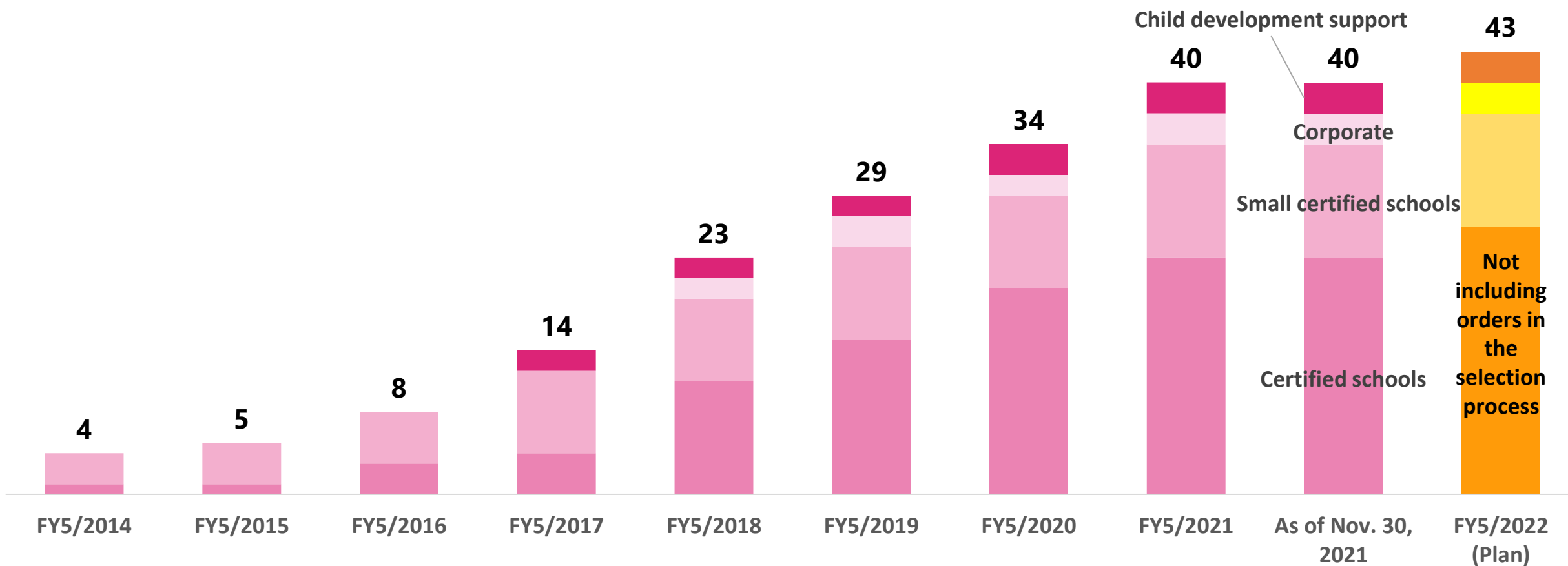
*Fewer projects submitted for bids by governments due to emphasis on profitability when selecting new orders and priority on responding to the pandemic.



✓ There were 40 nursery schools at the end of November 2021

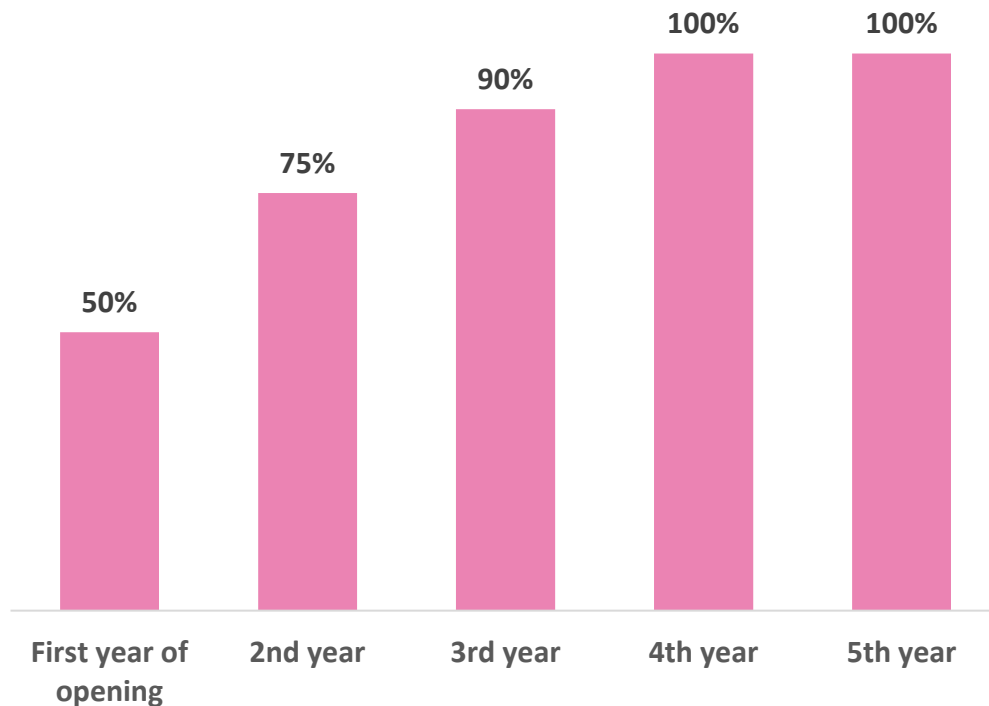
✓ Second half: Initial FY plan for 45 schools in April 2022 has been decreased to 43, with a negligible effect on FY5/2022 sales and earnings

Increase: 3 new schools (3 certified)

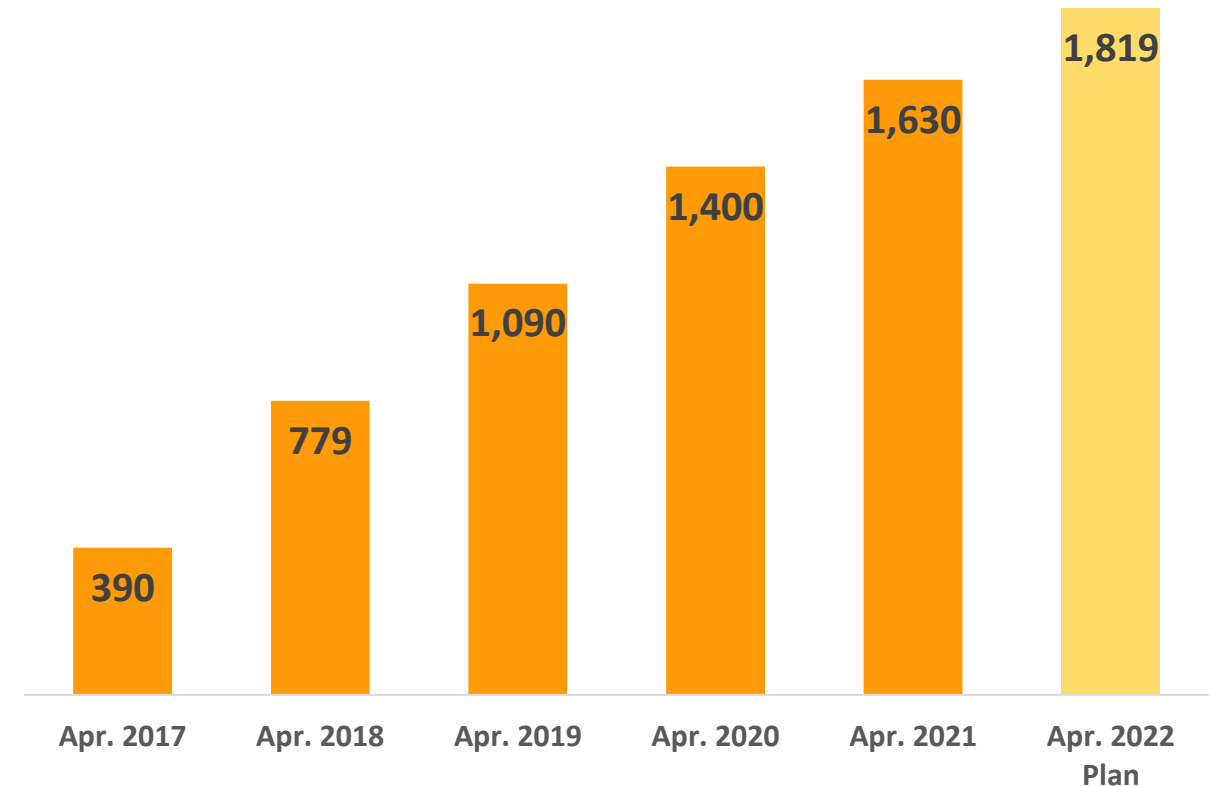


- ✓ April 2021: New age 0-1 children as of April at schools down from prior years but new children were registered at schools afterward
- ✓ More instructors to prepare for an increase in the number of children during the fiscal year; continuing to monitor the monthly number of children as the KPI
- ✓ Normally, mainly ages 0 to 2 at new nursery schools = Capacity use rises steadily every year
- ✓ Sales are proportional to the number of children

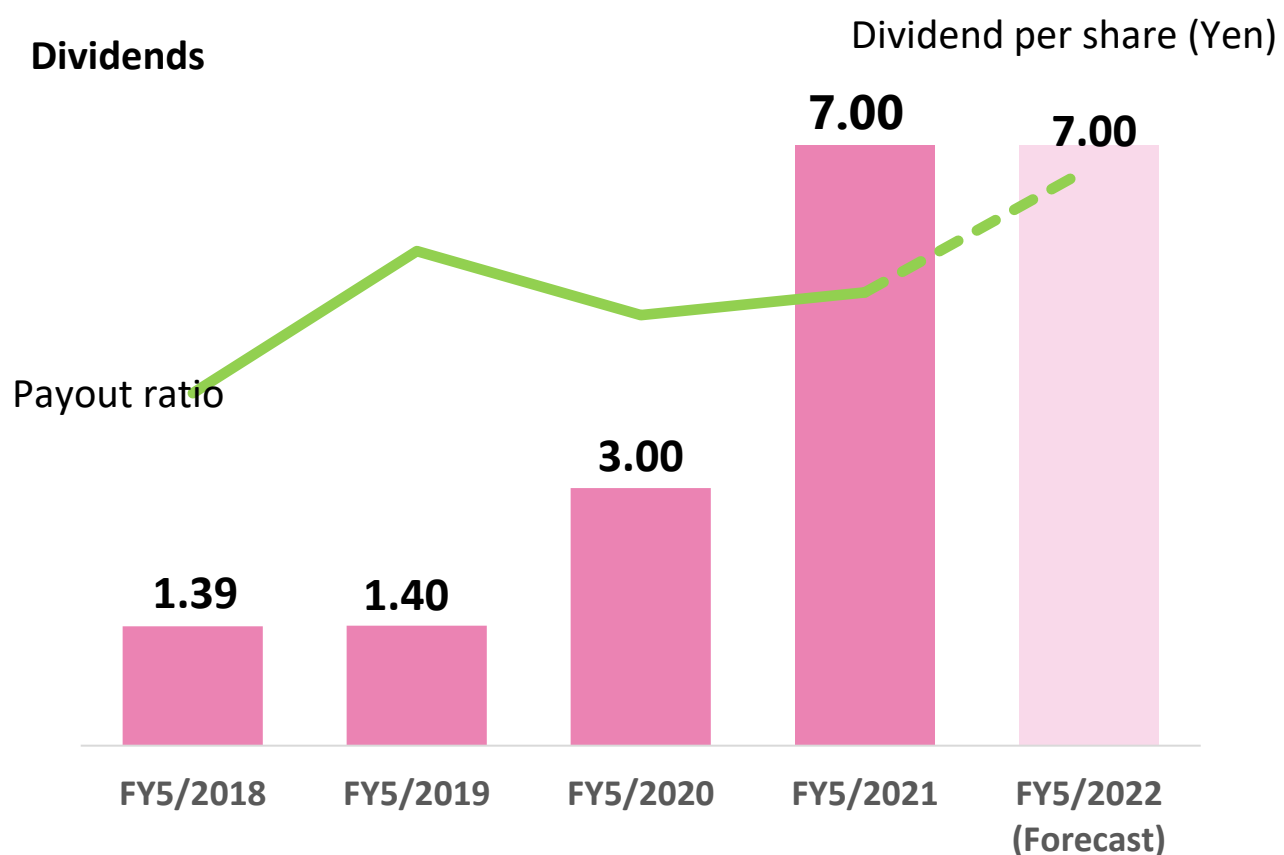
Model for Increasing Capacity Utilization



Children at SERIO Nursery Schools



- ✓ Forecast higher sales but lower earnings in FY5/2022, but plan to pay the same dividend as FY5/2021 of ¥7 per share in accordance with the basic policy of consistent and stable dividends
- ✓ The basic policy is to pay consistent and stable dividends while increasing retained earnings and making investments for more growth
- ✓ The current target is a dividend payout ratio of 20%



	Dividend per share (Yen)	Payout ratio
FY5/2018	1.39	15.4%
FY5/2019	1.40	21.6%
FY5/2020	3.00	18.8%
FY5/2021	7.00	19.8%
FY5/2022 (Forecast)	7.00	25.2%

* A two-for-one common stock split was conducted on October 1, 2020. Dividends in fiscal years prior to the stock split have been adjusted to reflect this split.

Japan is aiming for female labor force participation of 82% by 2025 (was 70.6% in 2020*), based on sufficient nursery school and after-school day-care capacity

SERIO's activities are closely linked with this goal

Japanese government policies	Category	Female labor force participation	Establish system for work-family balance	
			Nursery schools	Day care
	Current policy	80%	No children waiting for openings by end of FY2020 ✓ Goal not expected to be achieved	Add capacity for 300,000 more children by end of FY2023 Increase day care club capacity
	<div style="text-align: center;"> <p>New goal</p> </div> Child-raising with confidence (Announced in Dec. 2020)	82% in 2025	Add capacity for 140,000 more children by end of FY2024	-
Our businesses		Employment assistance	Nursery schools	After-school day care

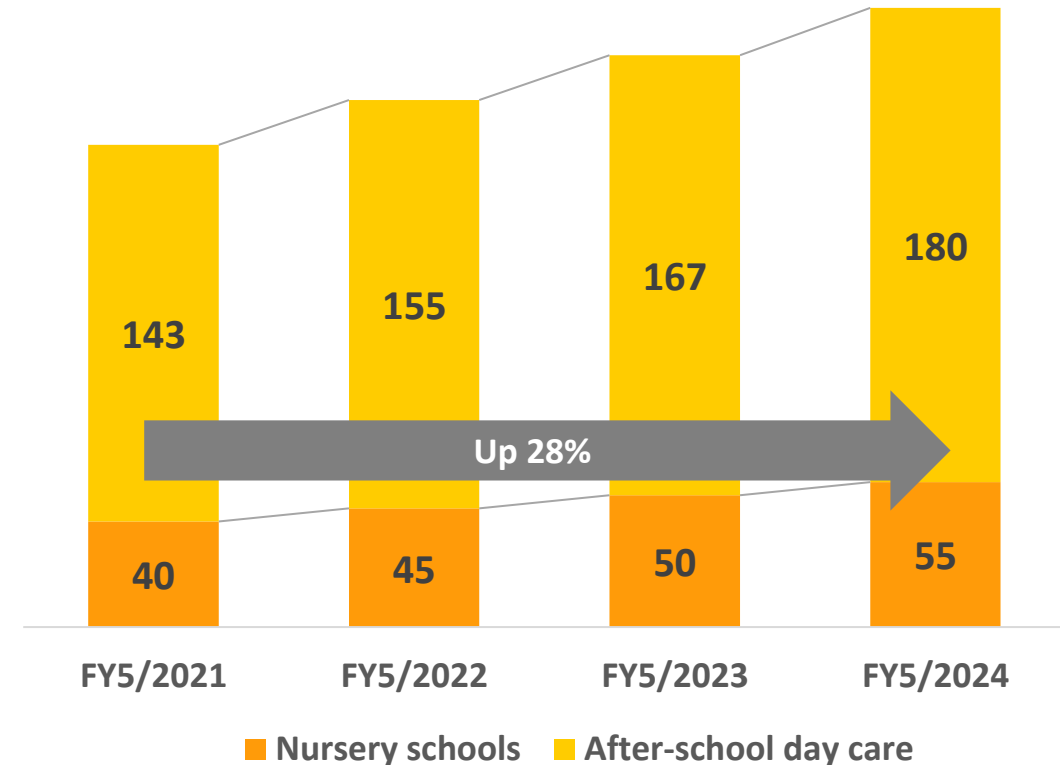
*Labor Force Survey (Basic Tabulation) Average for 2020, Statistics Bureau of the Ministry of Internal Affairs and Communications

- ✓ A source of happiness for the 150,000 families associated with the SERIO Group in FY5/2024:
Goals are sales of ¥11 billion (up 34% from FY5/2021) and operating profit of ¥530 million (up 58%)
- ✓ A period of steady growth backed by strengthening the three existing businesses and adding new businesses for diversity and strengthening the head office workforce

(Millions of yen)

	Results	Medium-term Business Plan		
	FY5/2021	FY5/2022	FY5/2023	FY5/2024
Net sales	8,218	9,000	10,000	11,000
Operating profit	337	275	370	534
Operating margin	4.1%	3.1%	3.7%	4.9%

After-school Day Care/Nursery Schools
Projected Growth in the Number of Locations



	End of May 2021	End of May 2024
SERIO family	100,000 people	Happiness for the 150,000 families associated with the SERIO Group
Consolidated performance	Net sales: ¥8,200 million Operating profit: ¥330 million	Net sales: ¥11,000 million (+34% vs. FY5/2021) Operating profit: ¥530 million (+58% vs. FY5/2021)
Employment assistance placements	947 (70% are housewives)	1,300 (80% are housewives)
Number of afterschool day care locations	143	180
Registered children	19,290	24,000
Number of nursery schools	40	55
Number of children	1,670	2,200
SERIO Garden	New business development	Installation of greenery at 100 locations

- ✓ Progress at business units regarding medium-term business plan strategies
- ✓ First simultaneous after-school day care/nursery school contracts with a local government (City of Nagoya) (April 2022)

	Vision	Strategy outline	Activities and progress
Corporate	Happiness for the 150,000 families associated with the SERIO Group	<ul style="list-style-type: none"> • Use IT system investments to increase operational efficiency • A broad range of training programs and jobs • Create pleasant and productive workplaces • Programs for employees' work-life balance 	<ul style="list-style-type: none"> • Paperless application forms for all internal decisions • Paperless invoices in the employment assistance business • Conducted an engagement survey • Started an e-learning program (to upgrade employee training) • Made staggered working hours/telework programs permanent • Started time-off program for fertility treatment
Employment assistance	<ul style="list-style-type: none"> • “sacaso” service for housewives looking for jobs • Aiming to be the leader for enabling housewives to work with ease 	<ul style="list-style-type: none"> • Specialize in part-time temporary staffing for housewives • Create cost-cutting proposals for companies 	<ul style="list-style-type: none"> • Received large orders for operating public-sector call centers • Received a robotic process automation (RPA) order from a large home appliance and electronics manufacturer
After-school day care	Facilities parents can use with confidence and where children want to go back every day	Dominant strategy for local governments outsourcing operations to the private sector	<ul style="list-style-type: none"> • Quickly hire people needed for medium-term growth in the number of day care locations and strengthen training programs
Nursery schools	Make every location the community's best nursery school that parents choose for their children and where nursery school teachers want to work	<ul style="list-style-type: none"> • Open schools where children are waiting for openings • Operate nursery schools that parents choose over others 	<ul style="list-style-type: none"> • Use ICT for managing new/departing children and communications with parents [Day care locations to open in April 2022] • SERIO's first simultaneous after-school day care/nursery school contracts for a local government of the City of Nagoya • Currently planned new day care locations are all additional locations for existing local government customers • Installed surveillance cameras at nursery schools for crime prevention • Started a committee led by nursery school managers to examine various themes with the goals of improving the quality of services and of communications among schools

Dedicated to being a source of happiness for families

All ESG activities are based on the principle of coexistence with stakeholders in order to achieve a sustainable society.

Environment	Society		Governance
<ul style="list-style-type: none"> ● Use of ICT for paperless operations ● Reuse of discarded materials for various projects by children at after-school day-care facilities ● Installation of water conservation devices at nursery schools ● Greenery service for nursery schools, kindergartens and other locations 	<p>Work-family balance</p>	<p>Permanent telework program ★NEW Permanent staggered working hours ★NEW Time off for fertility treatment ★NEW At least 125 days off every year Hourly paid time off Accumulation of paid leave Job retention after extended leave Designated no-overtime days Child care leave for men</p>	<ul style="list-style-type: none"> ● Restricted stock compensation program ★NEW ● Three outside directors (37.5%) ● One female director (12.5%) ● Risk Management Committee ● Compliance Committee ● Internal reporting system (hotline) ● Compliance training activities ● Women are 68.3% of managers*2
	<p>Empowerment of women</p>	<p>More welfare programs for child care</p>	
	<p>People with disabilities</p>	<p>Started operation of “tiku tiku” *1</p>	
	<p>Health and wellness</p>	<p>Female medical check-ups at no cost No smoking program Time off for COVID-19 vaccinations</p>	

*1 Fabricates hand-made toys for use at nursery schools

*2 FY5/2021

Our vision for SERIO in 2030!

A company that creates happiness for families accompanied by the consistent growth of corporate value

Activities linked to SDGs with the goals of sustainable business progress and business activities that take the company in new directions

<p>4 QUALITY EDUCATION</p>	<p>After-school day-care facilities teach children about the SDGs by using original textbooks that include the 17 goals. This program makes children think about these goals and what they can do to help achieve them.</p>	<p>5 GENDER EQUALITY</p>	<p>Support for women for jobs and child care, allowing women to continue working while starting a family and caring for children or an aging parent. There are programs that enable all employees of the SERIO Group to achieve their career goals while working in a pleasant environment.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Support for creating rewarding employment opportunities for people of all ages and the provision of workplaces. Program that assists people earn child care worker certification helps reduce the shortage of these workers in Japan.</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>SERIO started operating “tiku tiku” for the fabrication of hand-made toys used at SERIO nursery schools. This operation provides jobs for people with developmental disabilities and helps reduce the amount of work required by child care workers at nursery schools.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Working with Kao Customer Marketing Co., Ltd. to supply disposable diapers at a fixed price. This reduces the need for parents to provide diapers when children go to a nursery school and the level of oversight activities required by nursery school personnel.</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Reduction of waste of food provided for nursery school meals. By selecting menu items and ingredients by taking food waste into consideration, as well as the need to supply nutritionally balanced meals, the goal is to reduce waste of food per person.</p>
<p>15 LIFE ON LAND</p>	<p>13 CLIMATE ACTION</p>	<p>SERIO Garden started providing grass-covered areas at nursery schools, kindergartens and other schools. More grass is good for the environment by retaining moisture to reduce the urban heat island effect.</p>	



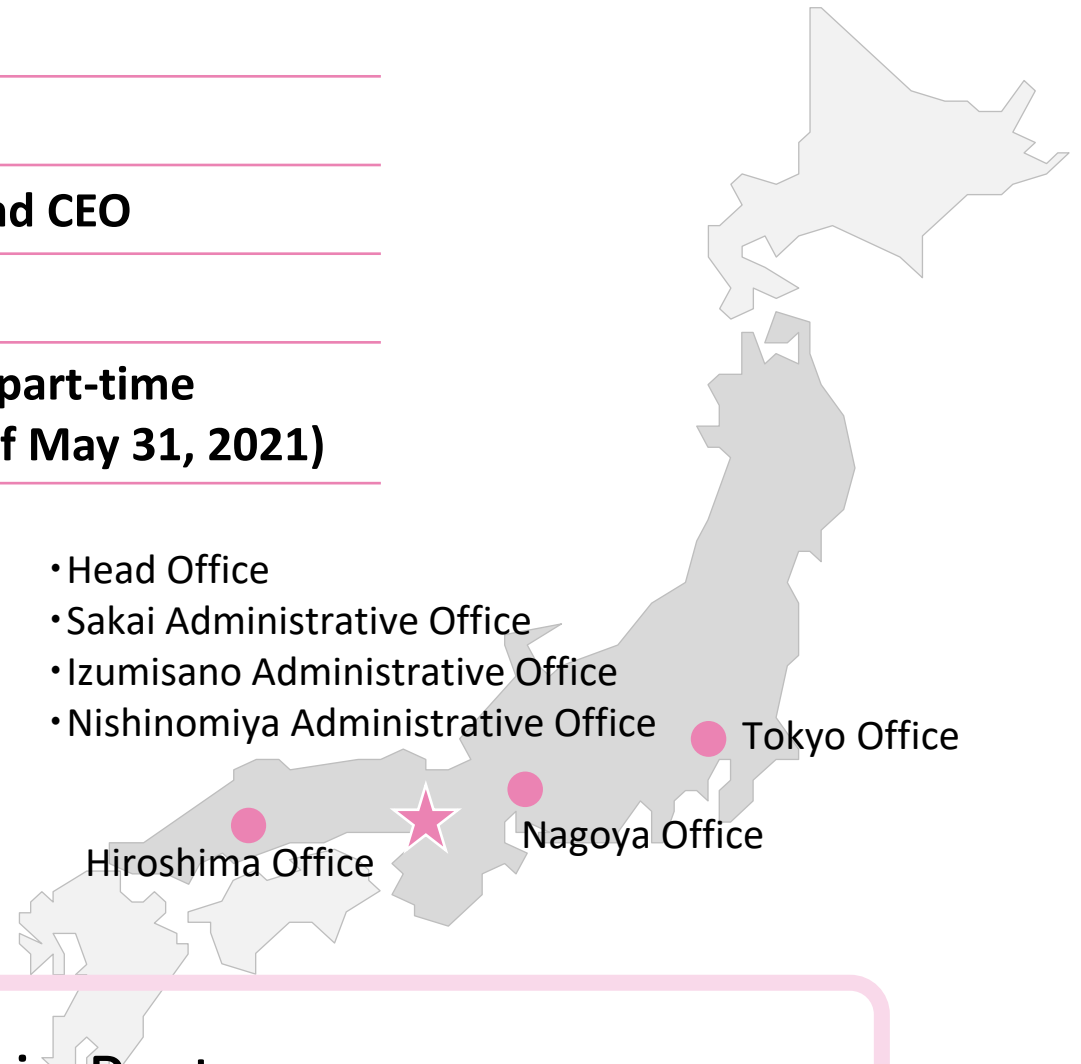
Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the SERIO Holding's management at the time the materials were prepared. These materials are not promises by the SERIO Holdings regarding future performance.



Appendix

Company name:	SERIO HOLDINGS CO., LTD.
Established:	June 1, 2016
Representative:	Hisashi Wakahama, President and CEO
Capital:	¥693 million
Employees:	732 full-time employees; 2,132 part-time workers (consolidated basis as of May 31, 2021)
Head office location:	Kita-ku, Osaka
Major group company	
Company name:	SERIO Co., Ltd.
Established:	June 24, 2005

Listing: Tokyo Stock Exchange, Mothers (securities code: 6567)

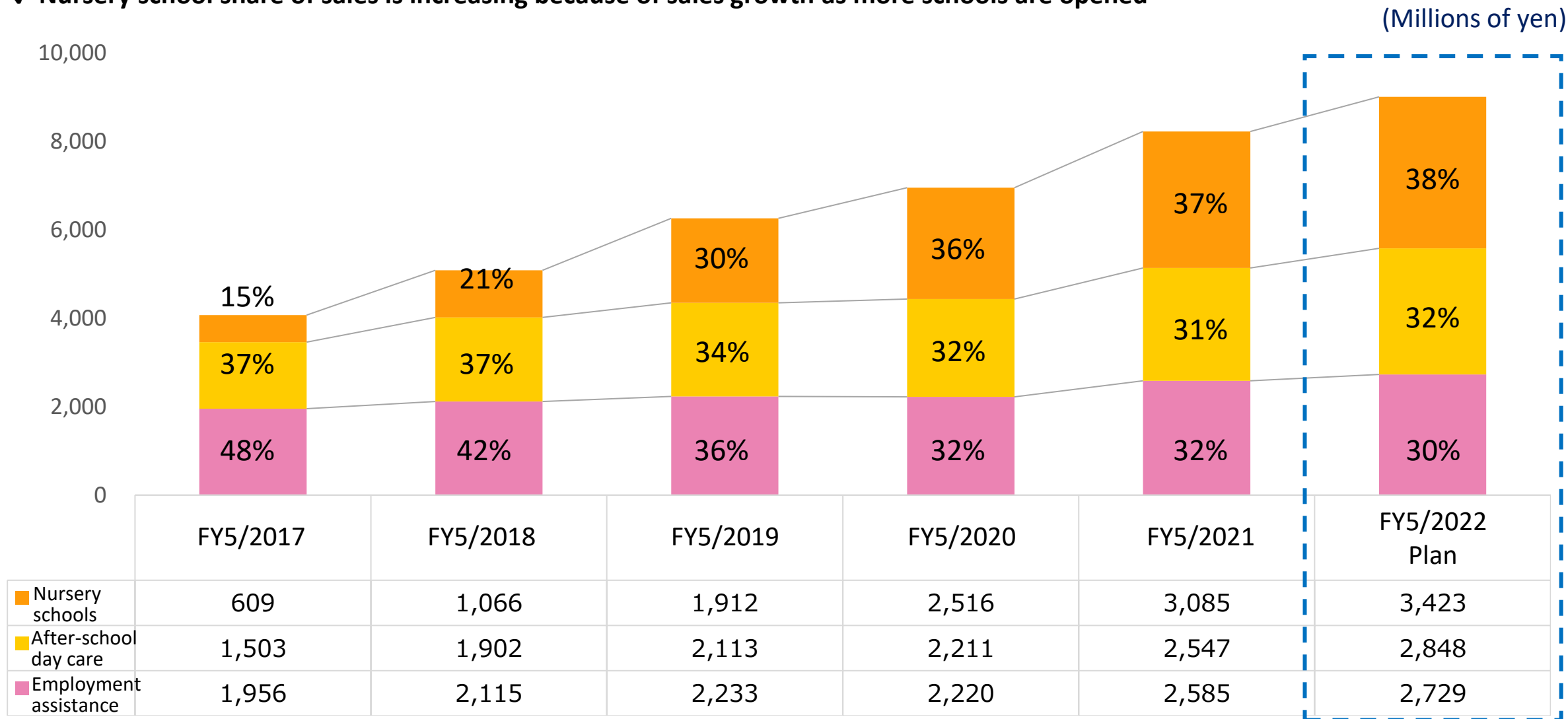


SERIO means “serious” in Portuguese

2005	June	SERIO Co., Ltd. was established in Osaka with capital of ¥10 million Started employment assistance business mainly for temporary staffing positions for married women raising children
2010	March	Started an after-school day-care business mainly for elementary school students
2012	April	Started a nursery school business for pre-school children
2013	December	Started operating an after-school activity program for children for the Kita-ku and Yodogawa-ku in Osaka
2014	April	The company's first certified nursery school opened in Miyakojima-ku in Osaka
2016	June	Established SERIO HOLDINGS CO., LTD. with capital of ¥10 million and made SERIO Co., Ltd. a wholly owned subsidiary
2017	October	Launched the "sacaso" brand for the employment assistance business
2018	March	Listed on the Tokyo Stock Exchange, Mothers market
2020	December	Subsidiary Cuore Co., Ltd. was renamed SERIO Garden and started a greenery business in January 2021
2021	Novemeber	Total of 184 facilities (144 after-school day-care facilities, 40 nursery schools)

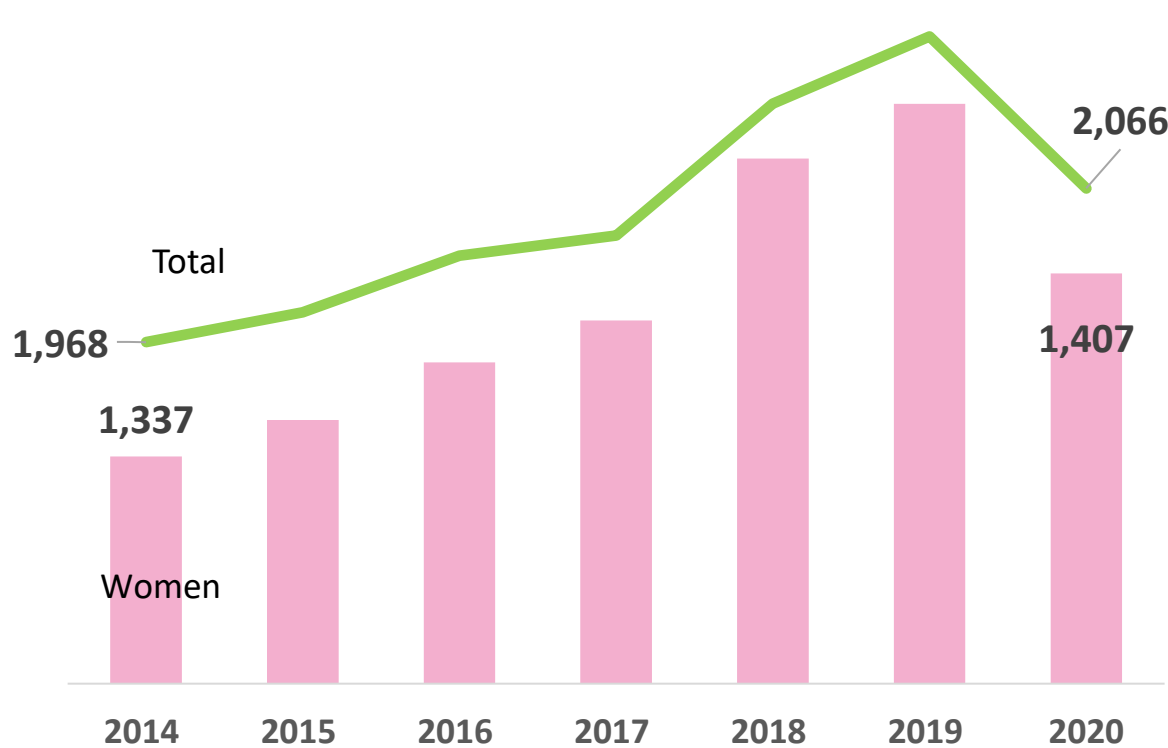
✓ Planning on record-high sales in all segments in FY5/2022

✓ Nursery school share of sales is increasing because of sales growth as more schools are opened



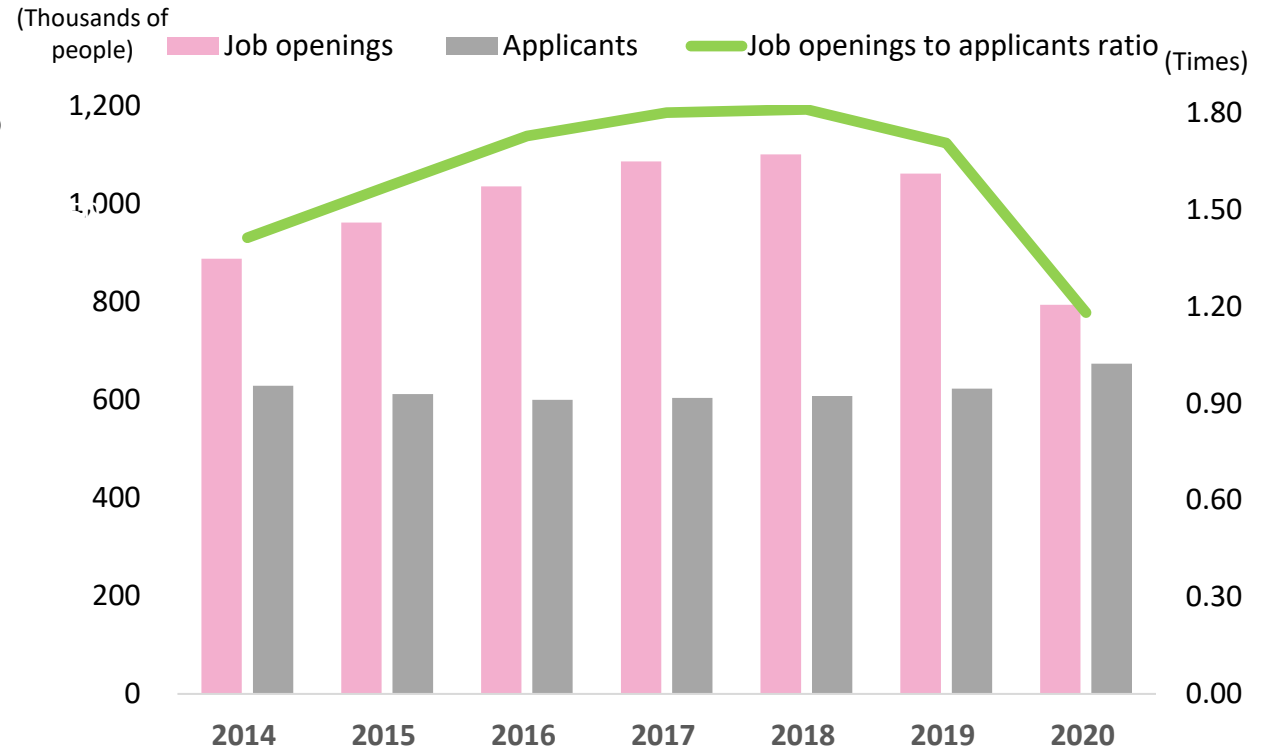
The number of people in Japan working in other than full-time jobs increased until 2019 but declined in 2020 because of COVID-19. The number of job openings is down, mainly in the service sector, as the number of job seekers increases. This is creating a favorable environment for recruiting people for temporary staffing assignments.

Number of People Working in Other than Full-time Jobs (10,000 people)



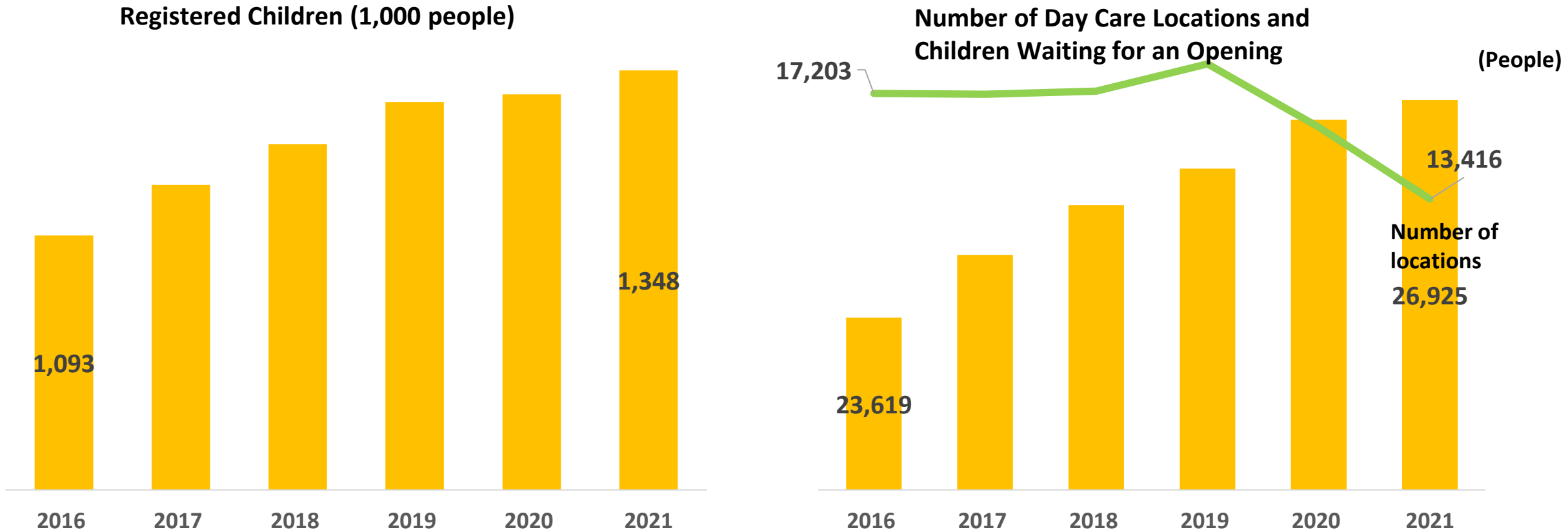
2020 Labor Force Survey, Ministry of Health, Labour and Welfare

Part-time Job Openings and Applicants



Employment Referrals for General Workers, Actual Data (Part-time), Ministry of Health, Labour and Welfare

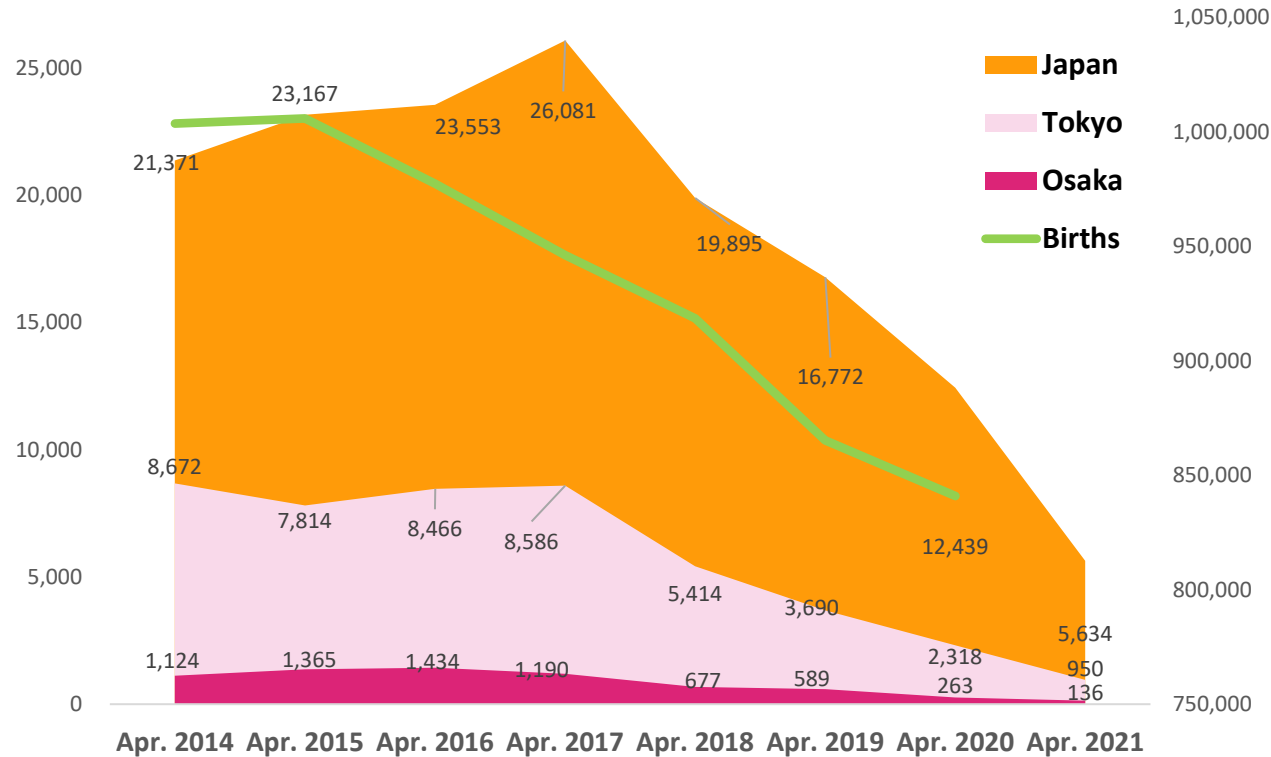
The number of after-school day care facilities is increasing to accommodate the rising number of registered children. Although the number of children waiting for a day care center opening has declined since 2020, the number of first and second grade children, the category where support is most needed, waiting for an opening has increased. Growth potential is significant because capacity is not keeping up with demand.



2021 Status of Project for the Sound Growth of the Child Day Care Business (After-school Clubs for Children) (As of May 1, 2021), Ministry of Health, Labour and Welfare

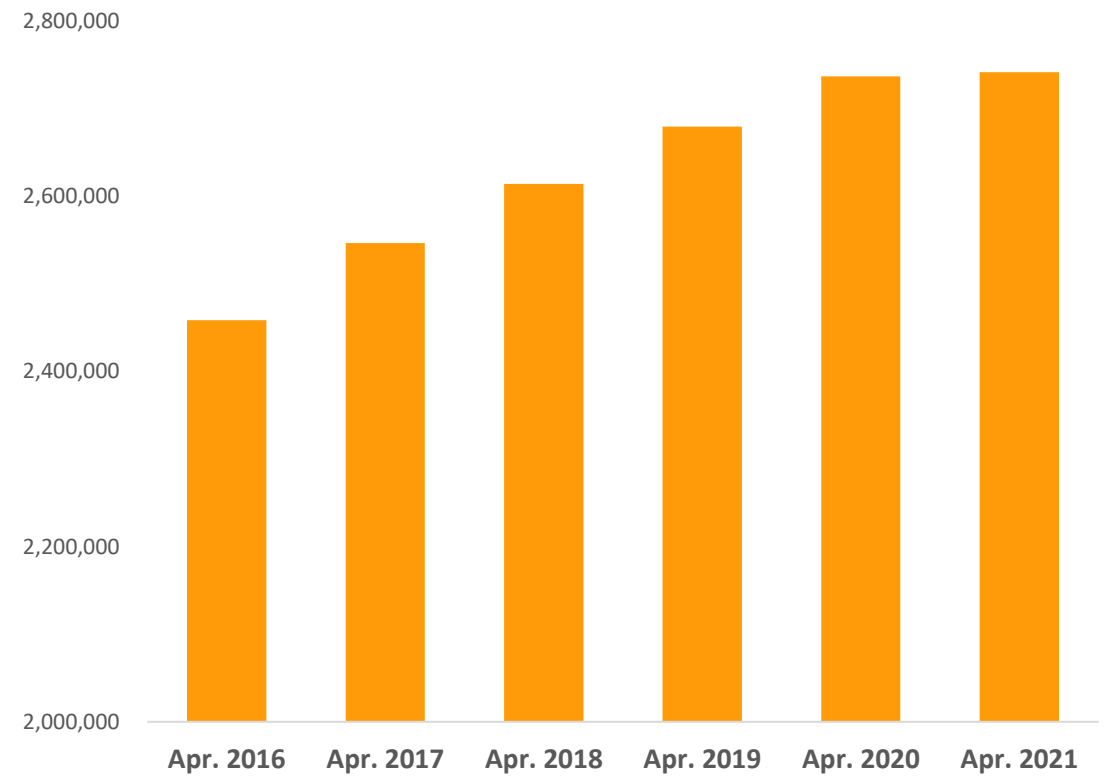
The nursery school market is expected to shrink. Although the number of children waiting for an opening was down YoY by more than half as of April 2021 during the pandemic, the number of children using a nursery school is continuing to climb as a larger percentage of women have jobs. SERIO is opening nursery schools in areas where demand is strong.

Children Waiting for an Opening/Number of Births



Census Statistics 2020 Results (June 2021), Ministry of Health, Labour and Welfare

Children Using a Nursery School or Similar Facility



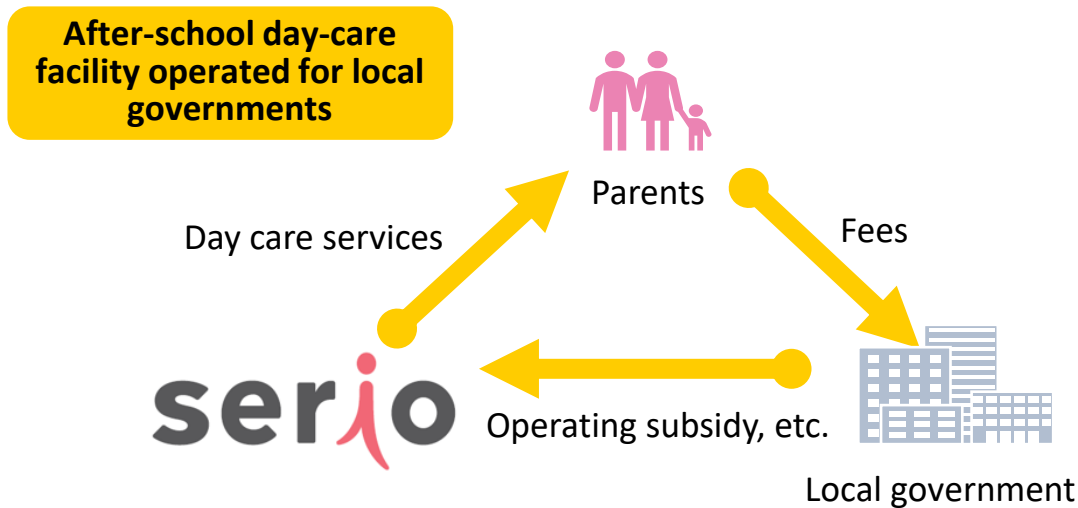
Status of Nursery Schools, Etc. (April 1, 2021), Ministry of Health, Labour and Welfare

- ✓ In 2020, personnel expenses decreased because of reduced operating hours during summer vacation (July-August). Operations returned to normal in July-August 2021 and many local governments operated day care facilities all day due to the extension of summer vacation as delta variant cases increased. The result was higher personnel expenses.
- ✓ Continued operations with strict COVID-19 preventive measures, placing highest priority on the safety of children, employees, client companies and others.

	Business structure	Day care operations during elementary school summer vacation
After-school day care	Annual contracts from local governments to operate these facilities	July-Aug. 2020: Shorter operating hours due to extended shutdowns due to elementary school closings July-Aug. 2021: Normal operating hours and more locations operating all day because of a longer summer vacation due to the spread of the delta variant

Example: After-school day-care facility in the City of Izumisano (Osaka)
(Number of days differs for each city)

 After-school operations
 All-day operations
 Closed



All-day operation in 2020
11 days

July 2020						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August 2020						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

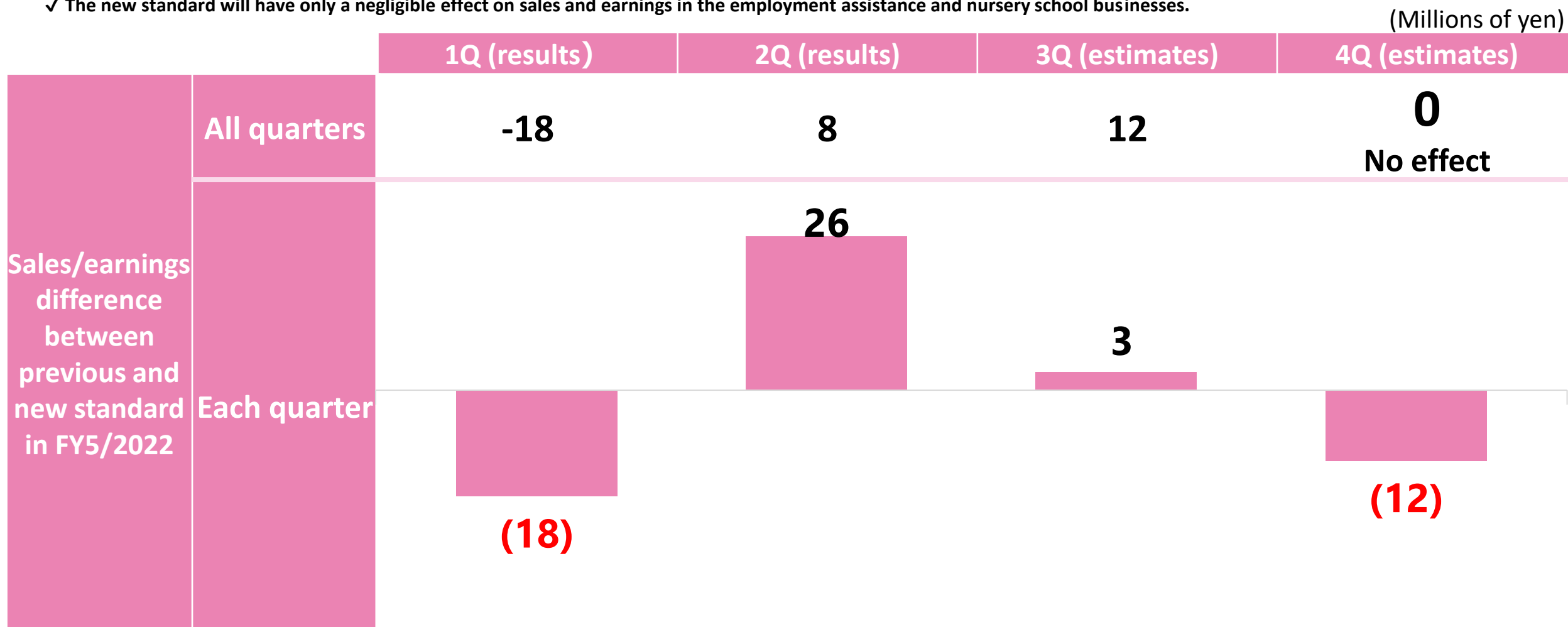
All-day operation in 2021
29 days

July 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

August 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

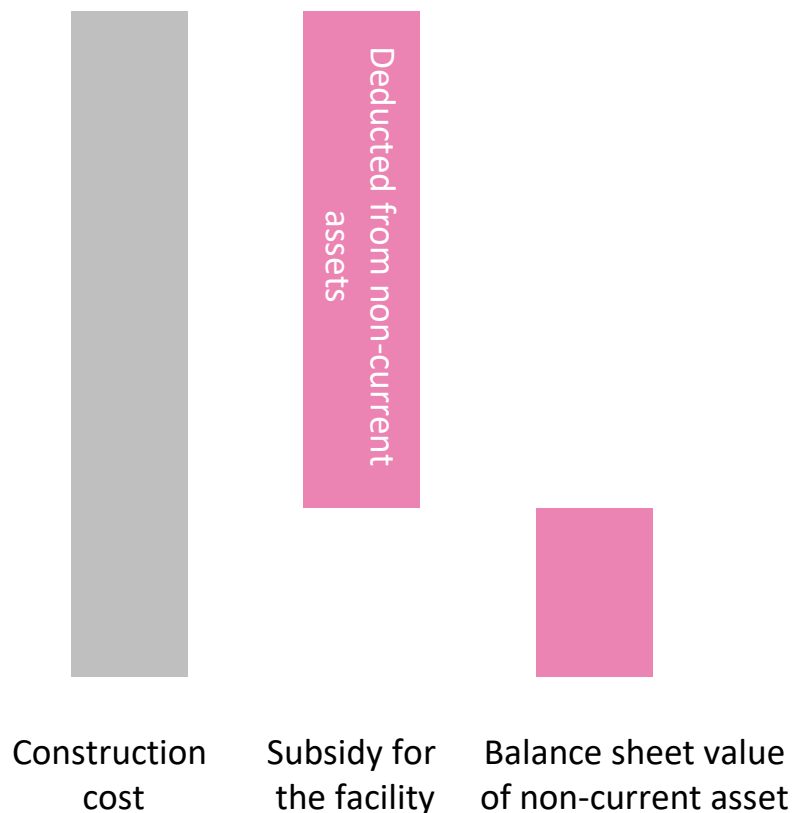
Effect of New Sales Recognition Standard (After-School Day Care)

- ✓ Beginning in FY5/2022, after-school day-care sales are recognized when invoices are sent to local governments. Previously, sales recognition was based on recognition of the corresponding cost of sales. This change affects the quarterly progress of sales and earnings during the fiscal year. First quarter sales were higher than planned because of increases in prior-year adjustments by local governments and the increasing number of children who require assistance.
- ✓ The current outlook for the third and fourth quarters is shown below.* The outlook is the same as when first quarter results of operations were announced.
- ✓ Although this new standard will not change fiscal year sales and earnings, the effect on quarterly figures is expected to be as shown below.
- ✓ The new standard will have only a negligible effect on sales and earnings in the employment assistance and nursery school businesses.



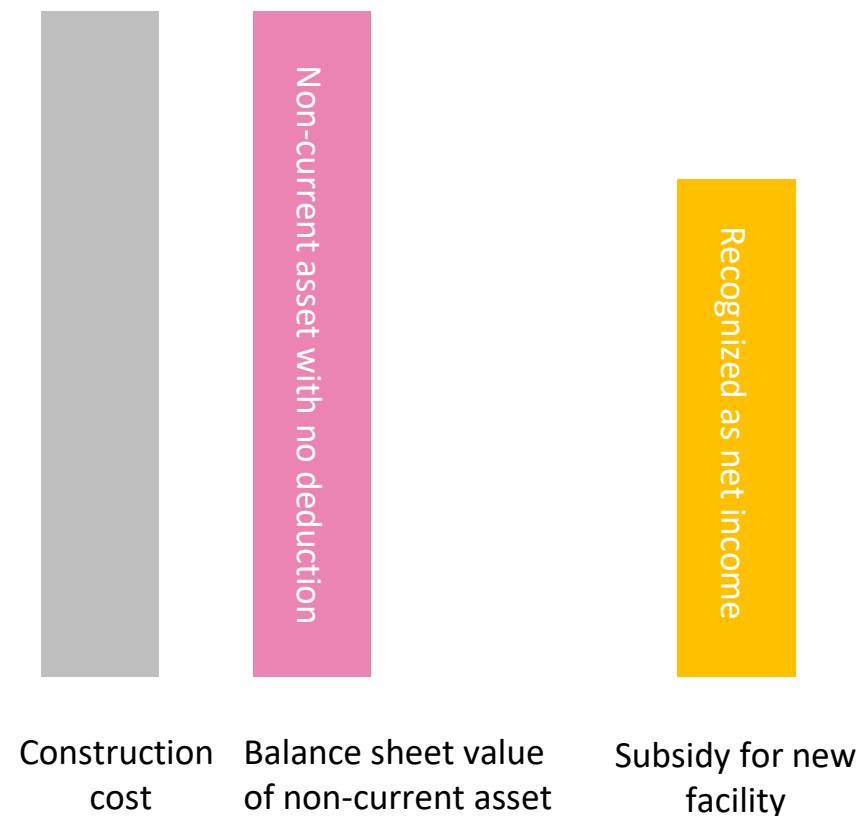
Direct deduction method (Used by SERIO)

Subsidies associated with facilities are incorporated in the balance sheet



When not using the direct deduction method

Subsidies associated with facilities are incorporated in the income statement





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