

# Results of Operations for the Fiscal Year Ended May 31, 2022



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



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## • Sales were record high in all the three segments

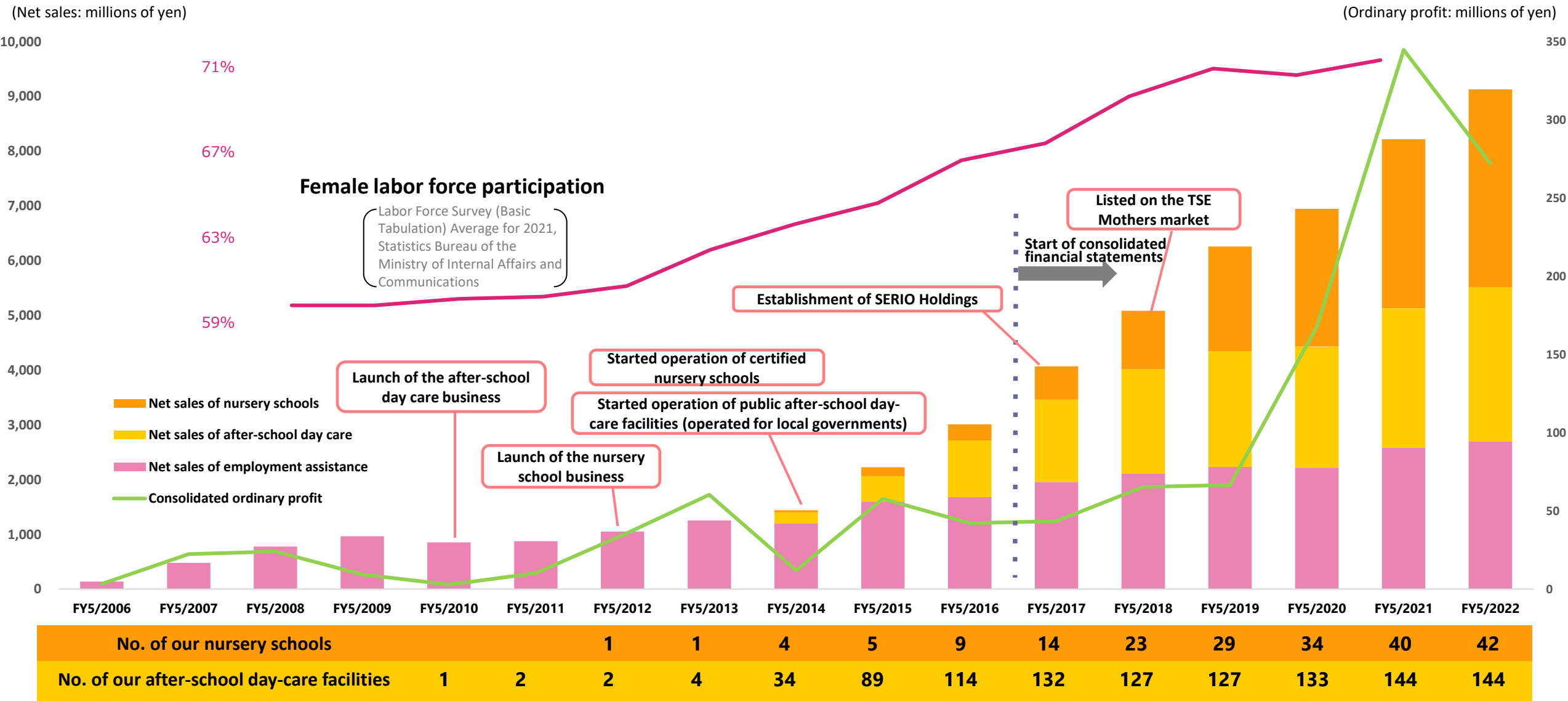
New locations contributed to sales growth of the after-school day care and nursery schools businesses. In the nursery school business, sales were higher than the forecast as the number of nursery school children, including existing nursery schools, exceeded our plan. However, profit was down as the cost of sales ratio rose because operations returned to normal following the impact of the pandemic in the previous fiscal year.

**Net sales**                      **¥9,130 million**                      **(+11.1% YoY)**

**Gross profit**                      **¥1,631 million**                      **(+0.0% YoY)**

**Operating profit**                      **¥233 million**                      **(-30.7% YoY)**

**Ordinary profit**                      **¥272 million**                      **(-21.1% YoY)**



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

→ Jan. 2016: Started contract with audit firm

# Income Statement for FY5/2022



(Millions of yen)

	FY5/2022 plan	FY5/2022 results	% to sales	YoY change	Progress rate vs. FY5/2022 plan	FY5/2021		FY5/2020	
						Results	% to sales	Results	% to sales
Net sales	9,000	<b>9,130</b>	100.0%	+11.1%	101.5%	8,218	100.0%	6,948	100.0%
Employment assistance	2,729	<b>2,694</b>	29.5%	+4.2%	98.8%	2,585	31.5%	2,220	32.0%
After-school day care	2,848	<b>2,824</b>	30.9%	+10.9%	99.2%	2,547	31.0%	2,211	31.8%
Nursery schools	3,423	<b>3,610</b>	39.5%	+17.0%	105.5%	3,085	37.5%	2,516	36.2%
Cost of sales	7,258	<b>7,499</b>	82.1%	+13.8%	103.3%	6,587	80.2%	5,668	81.6%
Gross profit	1,742	<b>1,631</b>	17.9%	+0.0%	93.6%	1,631	19.8%	1,279	18.4%
Selling, general and administrative expenses	1,467	<b>1,397</b>	15.3%	+8.0%	95.3%	1,293	15.7%	1,143	16.5%
Operating profit	275	<b>233</b>	2.6%	-30.7%	85.0%	337	4.1%	136	2.0%
Ordinary profit	270	<b>272</b>	3.0%	-21.1%	100.8%	344	4.2%	167	2.4%
Profit attributable to owners of parent	175	<b>173</b>	1.9%	-22.4%	98.9%	223	2.7%	101	1.5%

(Millions of yen)

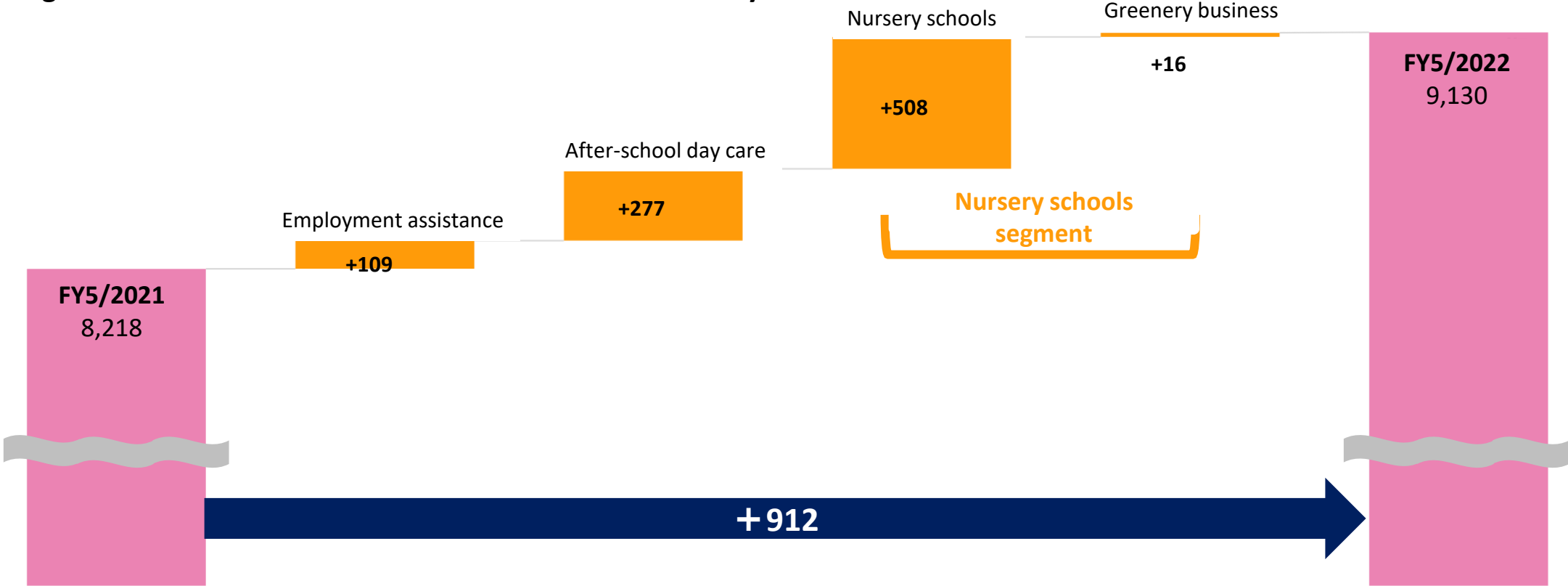
	As of May 31, 2021		As of May 31, 2022		Change
	Amount	Comp.	Amount	Comp.	
<b>Current assets</b>	2,579	57.4%	<b>2,675</b>	57.8%	+96
Cash and deposits	1,897	42.2%	<b>1,869</b>	40.4%	-27
<b>Non-current assets</b>	1,916	42.6%	<b>1,951</b>	42.2%	+35
Property, plant and equipment	1,325	29.5%	<b>1,421</b>	30.7%	+95
<b>Total assets</b>	<b>4,495</b>	100.0%	<b>4,627</b>	100.0%	+131
<b>Current liabilities</b>	1,347	30.0%	<b>1,388</b>	30.0%	+41
<b>Non-current liabilities</b>	1,216	27.1%	<b>1,176</b>	25.4%	-39
Long-term borrowings	880	19.6%	<b>912</b>	19.7%	+31
<b>Total liabilities</b>	2,563	57.0%	<b>2,565</b>	55.4%	+1
<b>Net assets</b>	1,931	43.0%	<b>2,062</b>	44.6%	+130
<b>Total liabilities and net assets</b>	<b>4,495</b>	100.0%	<b>4,627</b>	100.0%	+131

(Millions of yen)

	FY5/2021	FY5/2022	Change	Reason for change
<b>Cash flows from operating activities</b>	483	<b>169</b>	(314)	Lower profits
<b>Cash flows from investing activities</b>	(163)	<b>(184)</b>	(21)	Purchase of property, plant and equipment (for opening nursery schools)
<b>Cash flows from financing activities</b>	44	<b>(13)</b>	(58)	Repayments of borrowings Purchase of treasury shares
<b>Cash and cash equivalents at end of period</b>	1,897	<b>1,869</b>	(27)	-
<b>Free cash flows</b>	320	<b>(14)</b>	(335)	-

✓ Sales increased in all the three business segments. The primary reason was higher sales in the after-school day-care segment because of the increase in the number of nursery school children.

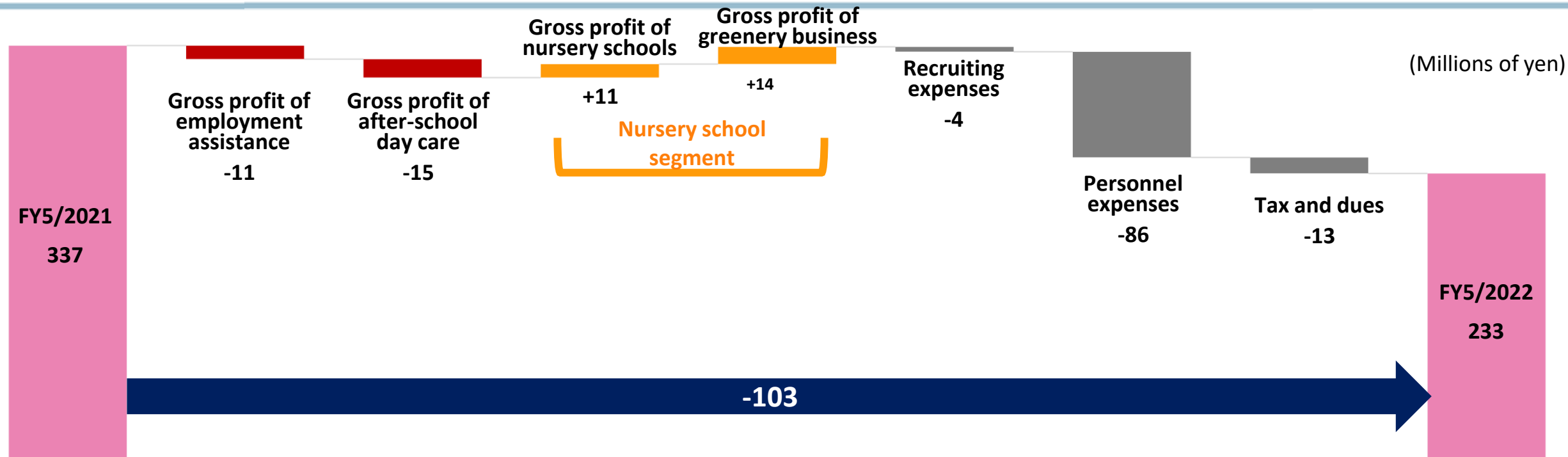
(Millions of yen)



Employment assistance	A large order in 3Q restored growth
After-school day care	Higher sales from 11 facilities opened in FY5/2021
Nursery schools	More children at new locations, extensive actions throughout the year to increase children at existing locations



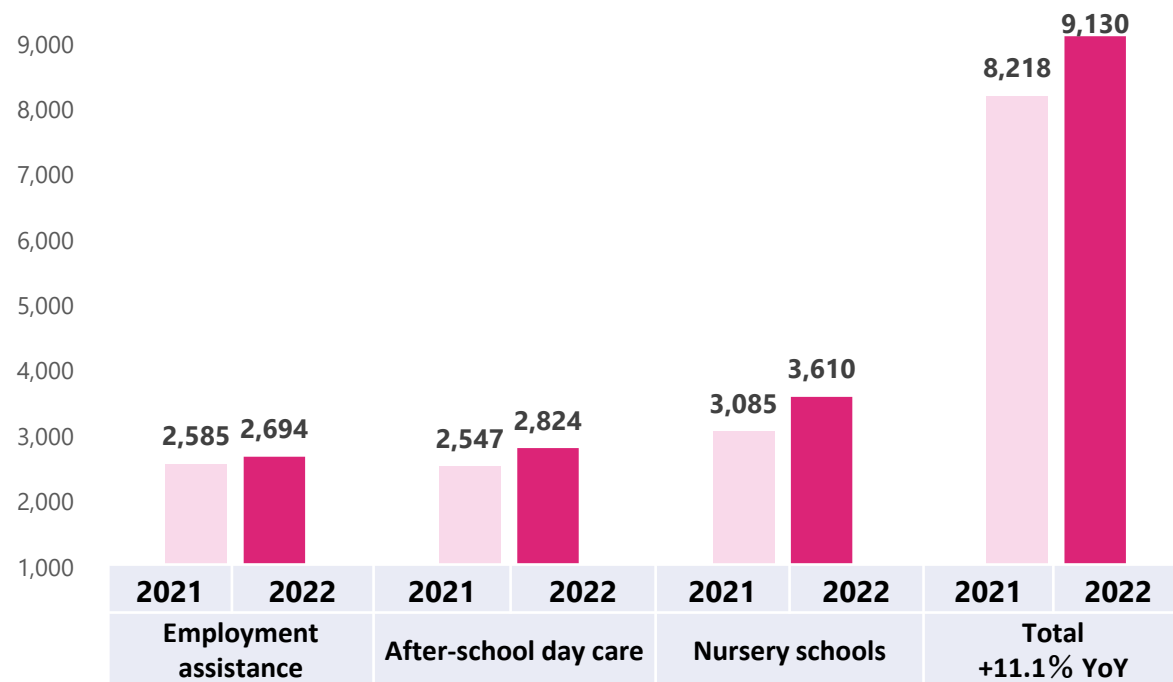
# Analysis of Year-on-Year Change in Operating Profit



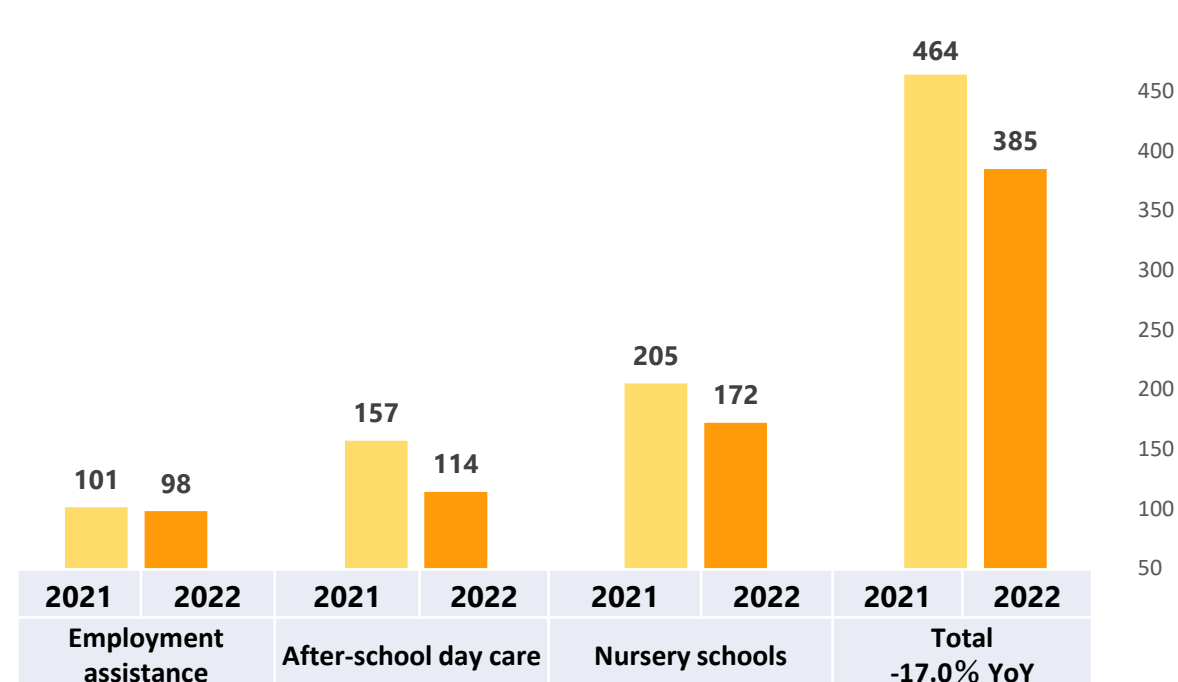
Segment	YoY change	Gross profit
Employment assistance	-11	A major new order pushed up sales but there was a one-time ¥38 million cost of upgrading the IT system environment
After-school day care	-15	Sales increased as more care facilities were opened but personnel expenses increased as operations began returning to normal from the pandemic downturn in the prior year
Nursery schools	+25	The increase in personnel expenses was offset as sales benefited from the increasing number of children at nursery schools newly opened and at existing schools, in addition to higher sales in the greenery business

Segment	YoY change	SG&A expenses
Recruiting expenses	-4	Recruiting expenses for the child care worker placement service in the employment assistance business and ¥8 million for adding people who will be needed due to large new orders
Personnel expenses	-86	Full-time employees As of May 31, 2021: 238; As of May 31, 2022: 252 Personnel expenses increased (+10.3%) along with the increase in the number of full-time employees (+14)

### Net Sales (Millions of yen)



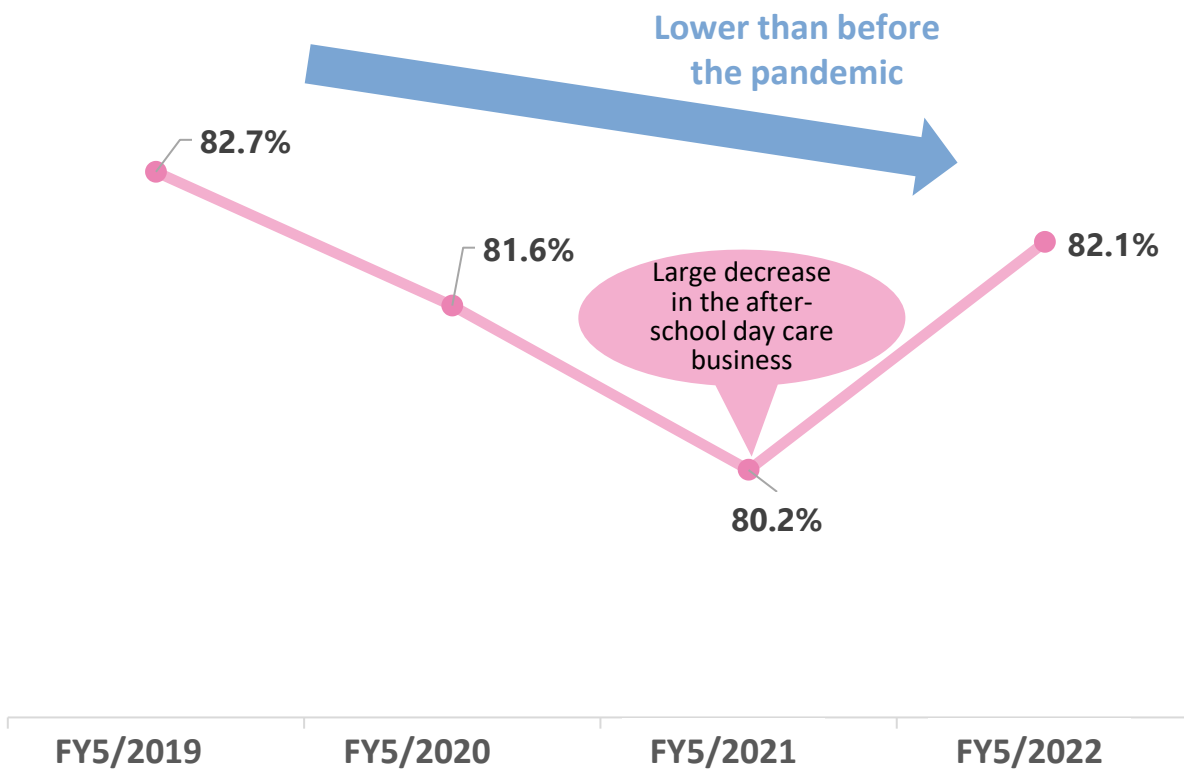
### Operating Profit (Millions of yen)



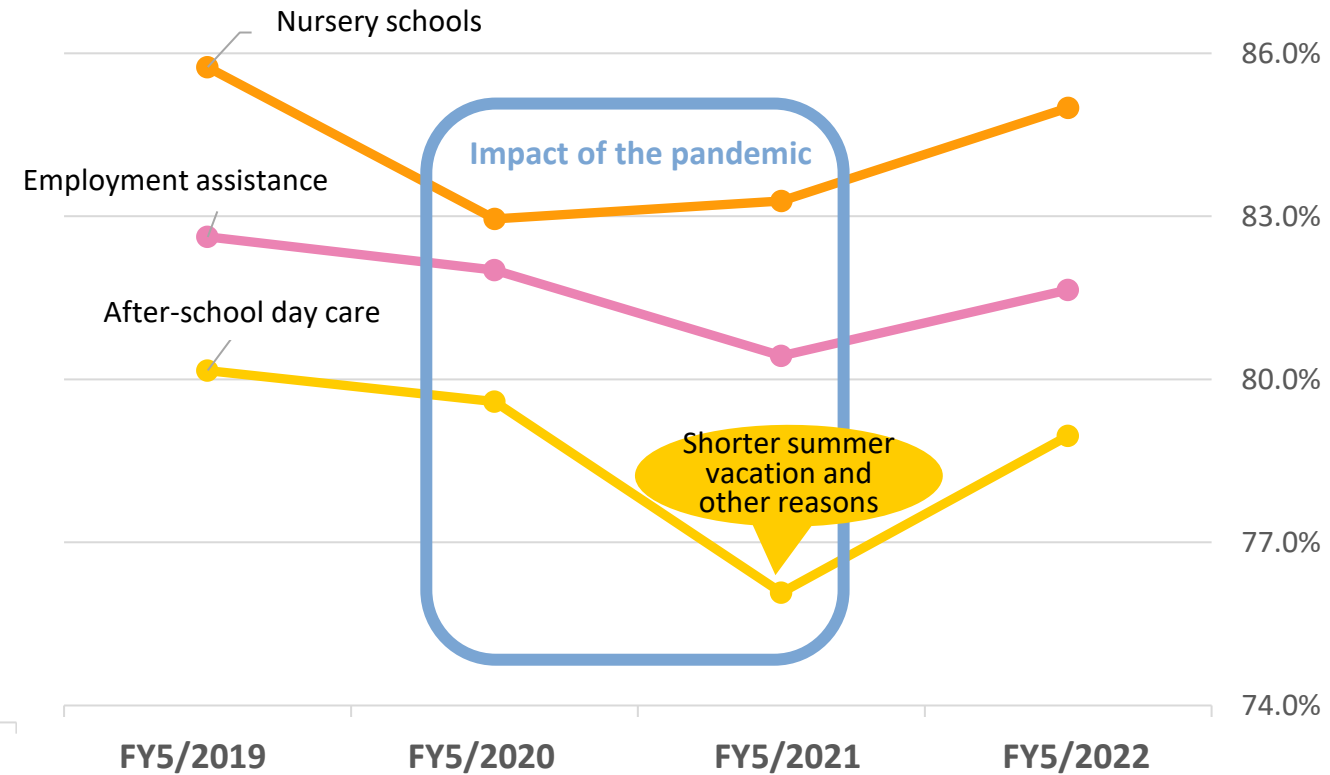
Segment	Net sales		Operating profit	
Employment assistance	↑	Receipt of a major order in 3Q restored sales growth	↓	Operating profit was down slightly due to higher cost of sales
After-school day care	↑	Higher sales from 11 facilities opened in FY5/2021	↓	Sales increased as more facilities were added 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 we added staff at the head office. SG&A expenses were also up in the greenery business

- ✓ 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 two fiscal years before the pandemic

### Cost of Sales Ratio

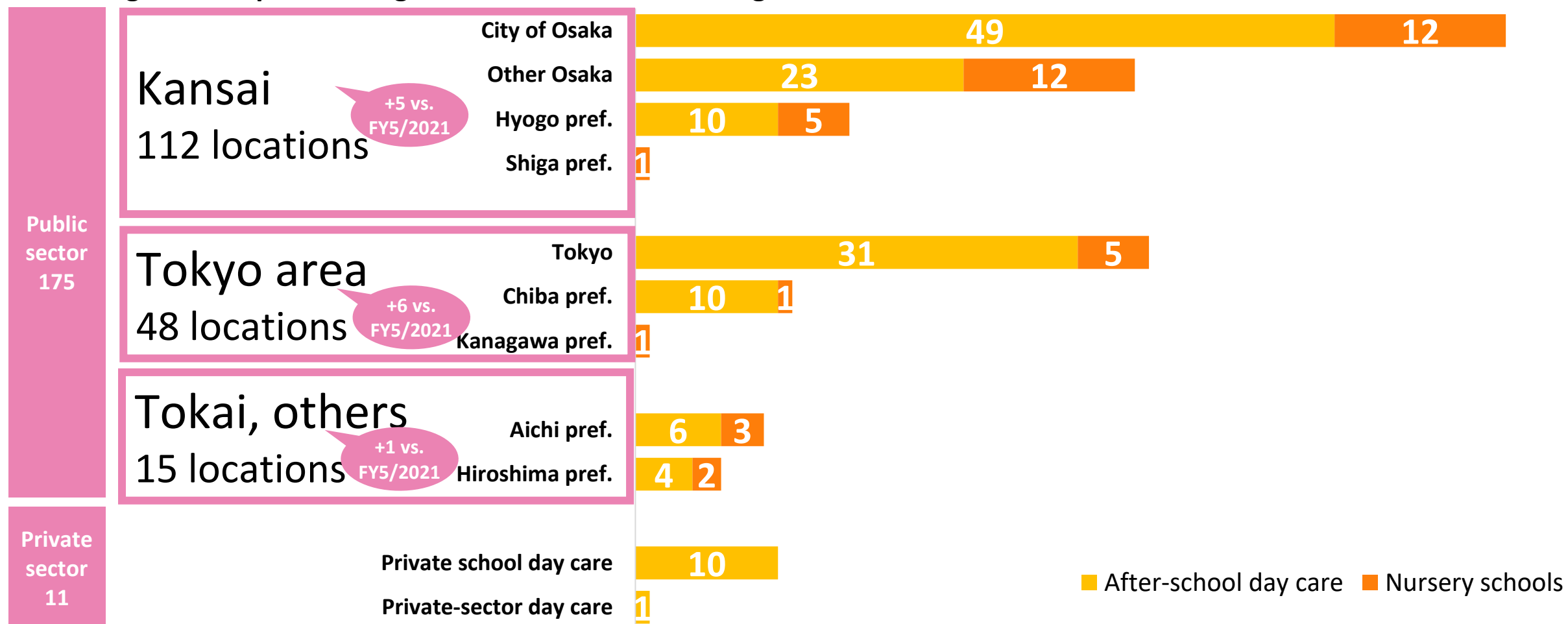


### Business Segment Cost of Sales Ratio



There were 186 locations at the end of May 2022, including 175 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.



- ✓ **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**
- ✓ **Nursery schools: The intention to return to work after maternity leave seems to be stronger than expected. Customers did not refrain from using our services due to the impact of the pandemic as was seen in FY5/2021.**

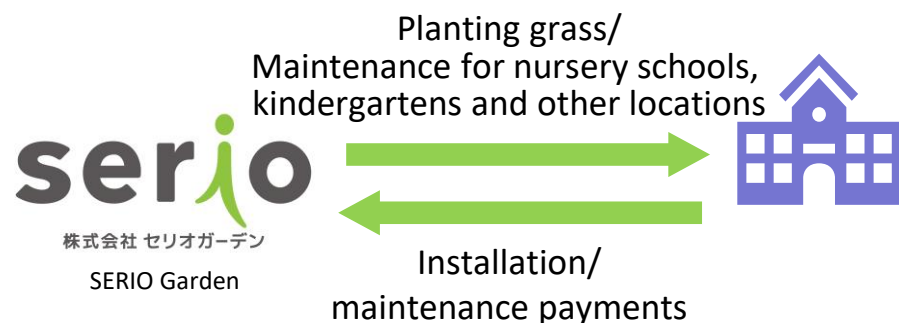
	FY5/2022		FY5/2021	
	Impact	FY5/2022 vs. FY5/2021	Results of operations	Impact
<b>Overall</b>	<b>No major impact</b>	-	<ul style="list-style-type: none"> <li>• Decrease in transportation, business travel and other expenses</li> <li>• Integration of Tokyo office, use of free address work space</li> </ul>	<b>¥8 million reduction in FY Tokyo office rent</b>
<b>Employment assistance</b>		-	<ul style="list-style-type: none"> <li>• Negative impact on sales from client companies ranging from only 1Q to the entire FY</li> <li>• Cut recruiting expenses by increasing the internet registration ratio <b>(94%)</b></li> <li>• Increases in new customers and existing business sectors at businesses and companies where employment assistance needs are high during the pandemic</li> </ul>	<b>Growth of business with current customers and business from new customers were much higher than initially expected</b>
<b>After-school day care</b>		<b>Personnel expenses increased 2.7%</b> <b>Recruiting expenses increased 1.4%</b> <b>(includes effect of the addition of 11 day care facilities in FY5/2021)</b>	<b>Lower sales due to shorter operating hours.</b> No additions of short-term workers for summer vacation, using only current personnel → <b>reduced personnel and recruiting expenses</b>	<b>Fiscal year sales reduction of ¥40 million</b> <b>Fiscal year personnel expense reduction of ¥82 million</b>
<b>Nursery schools</b> *Excluding SERIO Garden	<b>Fewer projects submitted for bids by governments</b>	<b>Personnel expenses increased 1.7%</b> <b>Recruiting expenses decreased 18.3%</b> <b>(includes effect of the addition of 6 nursery schools in FY5/2021)</b>	Asked parents for sibling home care cooperation due to elementary school closings in June.	Only a minor impact for FY5/2021



- ✓ Given the nature of the business model, sales are largely concentrated in the first quarter (June-July). We are taking actions to capture more greenery projects in spring
- ✓ Goals of the FY5/2022 sales plan have been accomplished
- ✓ Expect consistent sales due to recurring revenue from maintenance services for current customers
- ✓ AI robot lawnmower and automatic sprinkler system dramatically reduce lawn care expenses



## Business Structure



More than 40,000 nursery schools and kindergartens

35,000 elementary/ junior high/ senior high schools and universities

Number of locations at end of May 2022

18 locations

Forecast of new locations as of May 2023

20 locations

- Aim at capturing more orders for projects in spring
- Already won a major order for high school ground maintenance
- Started expanding in the Tokyo metropolitan area following entry into the Tokyo market



- ✓ Forecast higher sales and earnings. Aim at renewing sales record.
- ✓ Reflects the current high raw material prices and utility costs
- ✓ Will continue investments for new businesses, people, ICT and other activities for consistent growth

(Millions of yen)

	FY5/2023 plan	% to sales	YoY change	FY5/2022	
				Results	% to sales
Net sales	<b>9,640</b>	100.0%	+5.6%	<b>9,130</b>	100.0%
Cost of sales	<b>7,849</b>	81.4%	+4.7%	<b>7,499</b>	82.1%
Gross profit	<b>1,790</b>	18.6%	+9.8%	<b>1,631</b>	17.9%
Selling, general and administrative expenses	<b>1,490</b>	15.5%	+6.6%	<b>1,397</b>	15.3%
Operating profit	<b>300</b>	3.1%	+28.5%	<b>233</b>	2.6%
Ordinary profit	<b>300</b>	3.1%	+10.2%	<b>272</b>	3.0%
Profit attributable to owners of parent	<b>195</b>	2.0%	+12.4%	<b>173</b>	1.9%

✓ Anticipate record sales in all segments

✓ Nursery schools: Forecast sales contribution from 3 schools opened in FY5/2022 and from more children at existing schools

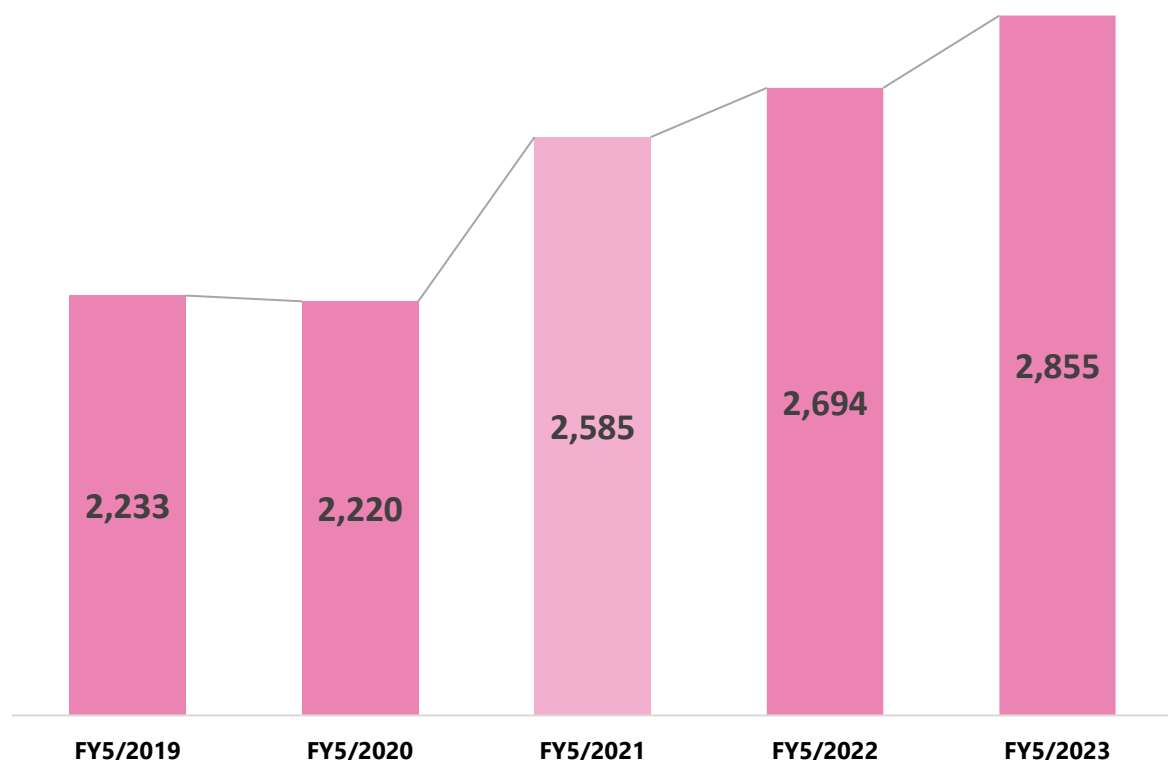
(Millions of yen)

	FY5/2023 plan	FY5/2022 results	YoY change
Employment assistance	<b>2,855</b>	2,694	+5.9%
After-school day care	<b>2,895</b>	2,824	+2.5%
Nursery schools	<b>3,890</b>	3,610	+7.7%
<b>Total</b>	<b>9,640</b>	9,130	+5.6%

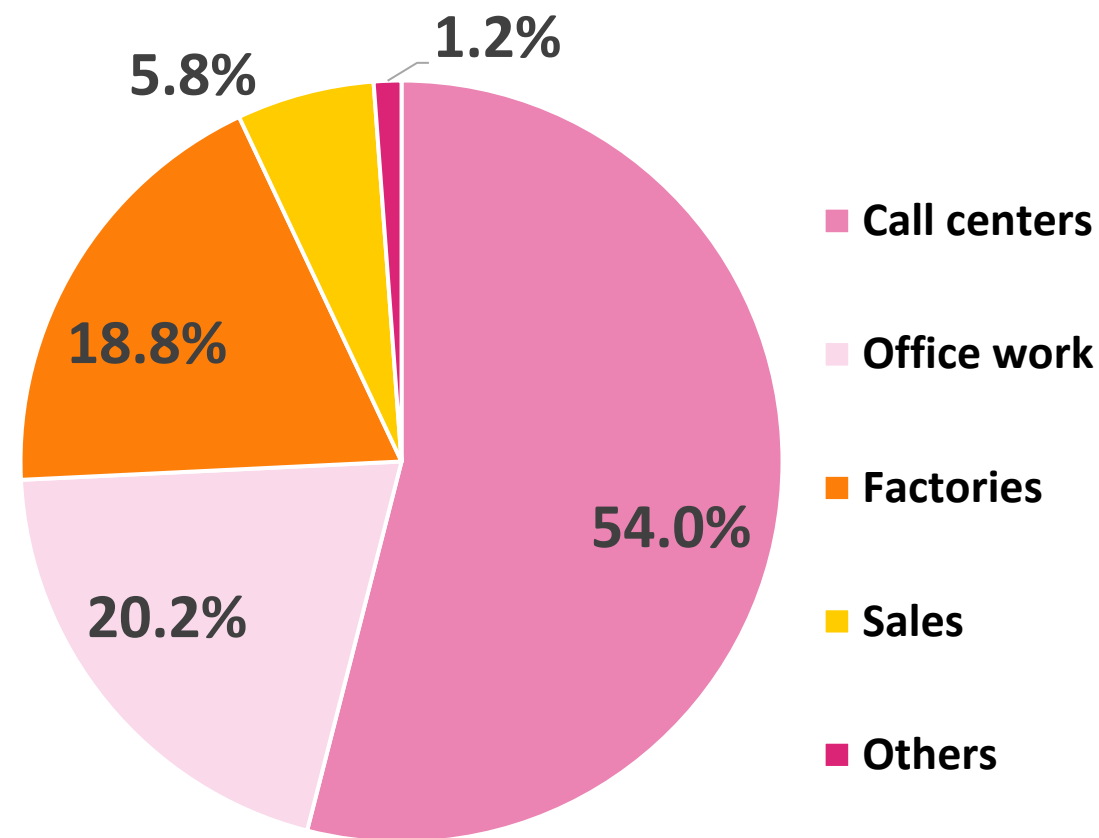


- ✓ Planning on record-high sales in FY5/2023
- ✓ The majority of sales are for call centers, which are ideal for the use of part-time workers
- ✓ Call center operations include repair orders for major home appliance and electronics manufacturers and other categories

Employment Assistance Sales (Millions of yen)



Sales Composition in FY5/2022



✓ Plan to add about 10 after-school day-care locations during FY5/2023

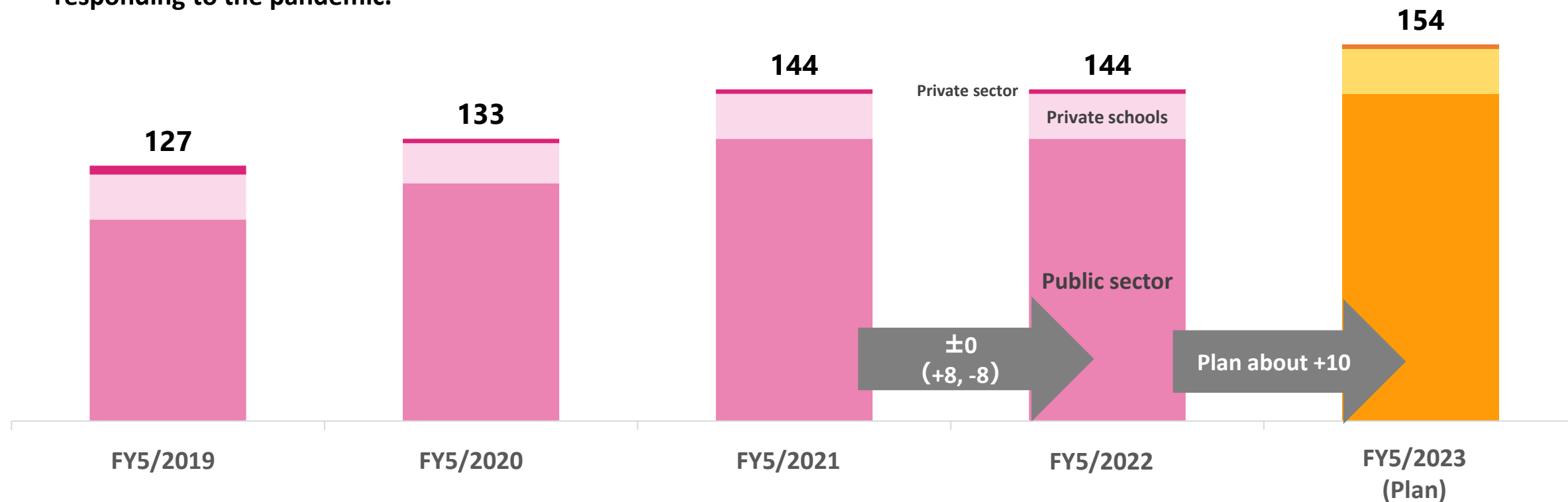
✓ There were 144 locations at the end of May 2022

Increase: 8 new locations (8 for the public sector)

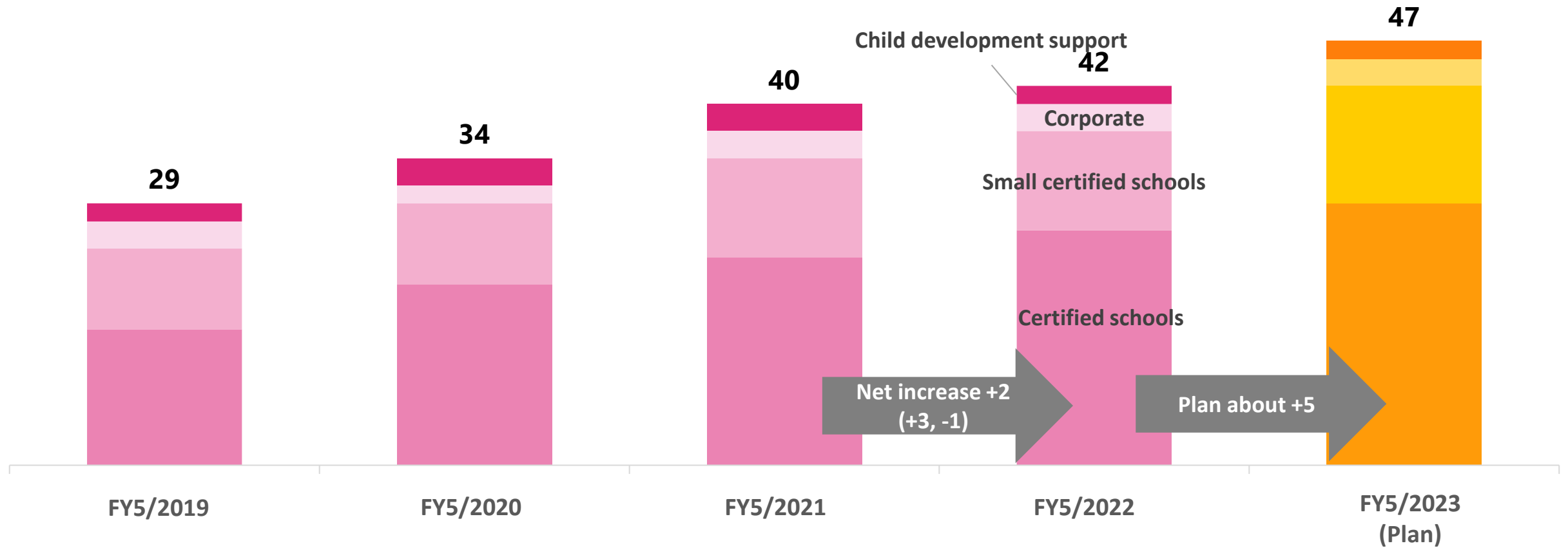
Decrease: 8 public-sector locations (7 due to contract completion, 1 day care facility closed)

✓ Opened two facilities for Nagoya city – Serio’s first public facilities in Nagoya

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

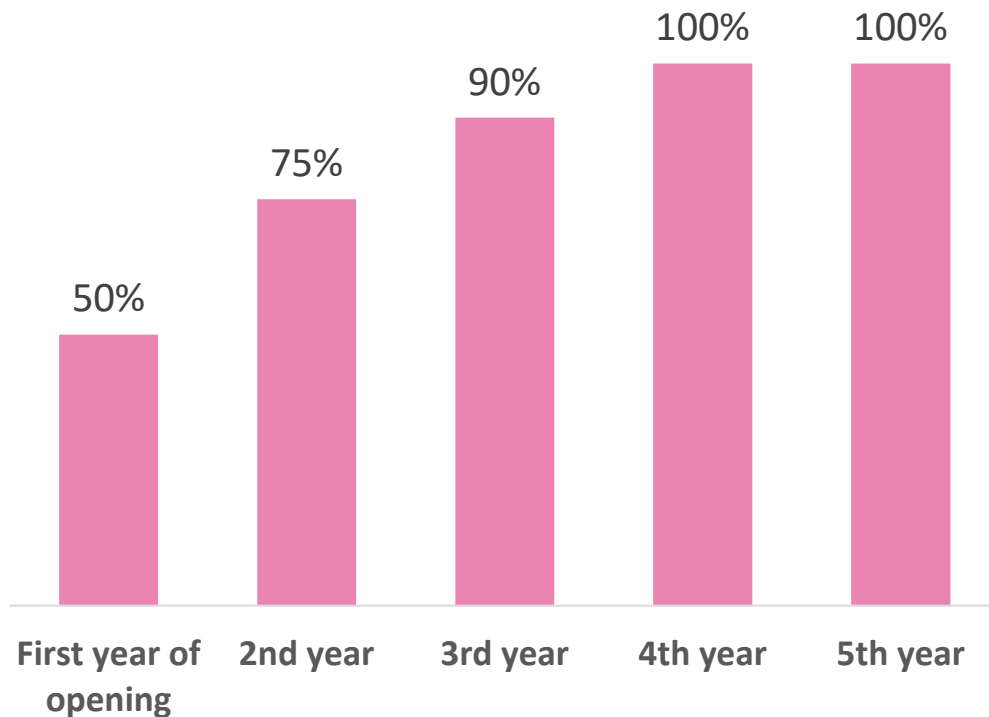


- ✓ Plan to add about 5 nursery schools during FY5/2023
- ✓ There were 42 nursery schools at the end of May 2022
  - Increase: 3 new schools (3 certified)
  - Decrease: 1 child development support facility due to a contract completion
- ✓ Opened two certified nursery schools in Nagoya city. The first such facilities in Nagoya.

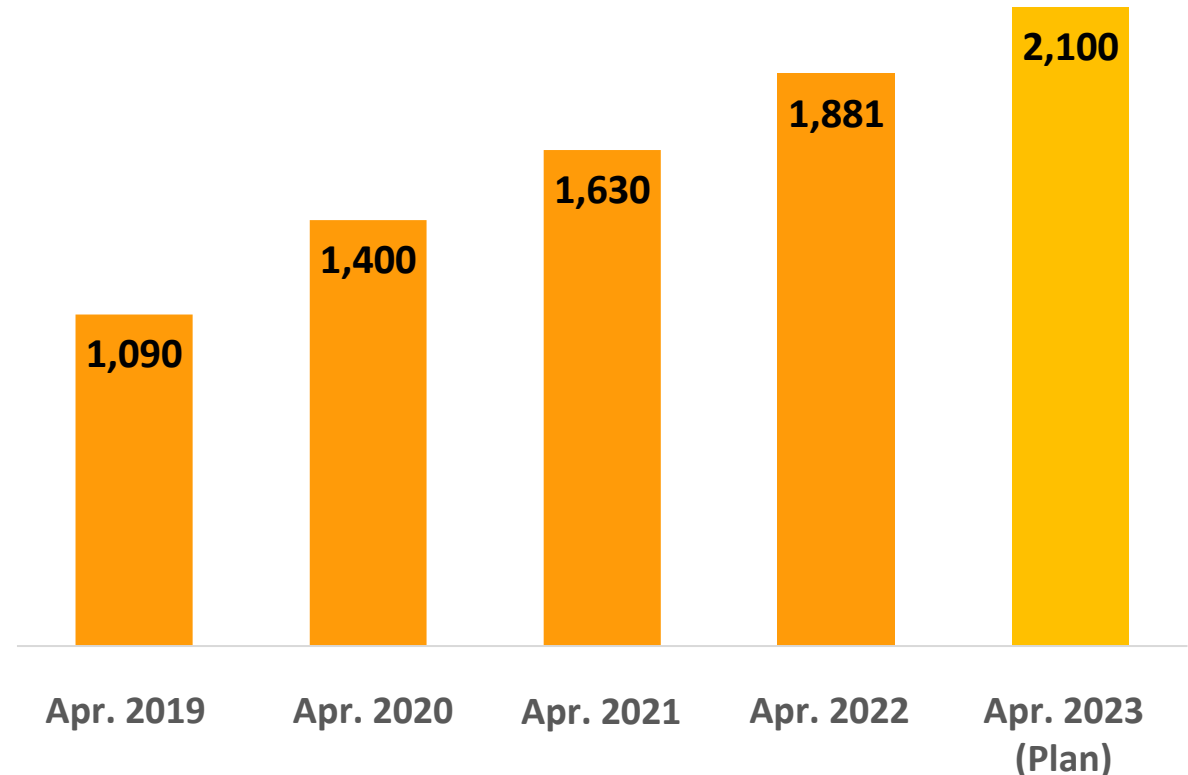


- ✓ We do not expect any decline in facility usage in FY5/2023 due to the pandemic
- ✓ Prepare for an increase in the number of children during the fiscal year; continuing to monitor the monthly number of children as the KPI
- ✓ Normally, mainly ages 0 to 2 at new nursery schools = Capacity use rises steadily every year
- ✓ Sales are proportional to the number of children

### Model for Increasing Capacity Utilization



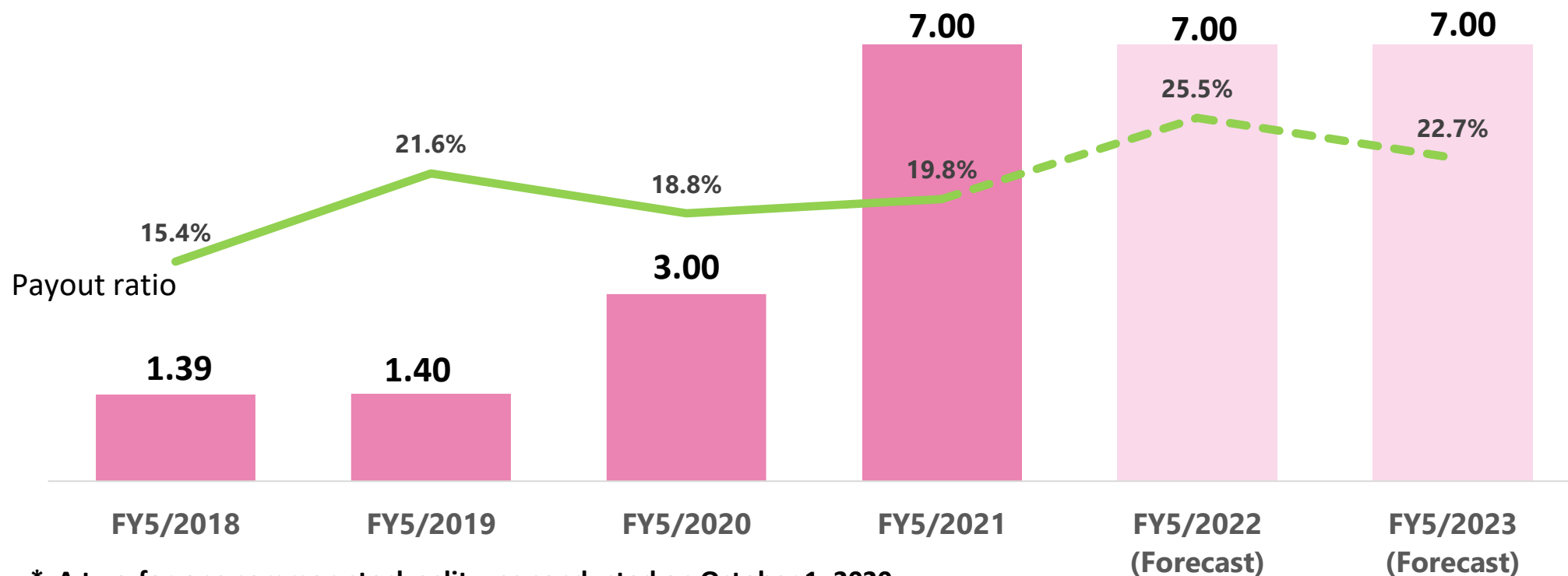
### Children at SERIO Nursery Schools



- ✓ 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%
- ✓ Plan to pay the same dividend in FY5/2023 as FY5/2022 of ¥7 per share in accordance with the basic policy of consistent and stable dividends

Dividend per share (Yen)




## Dividends



\* 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 71.3% in 2021\*), 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
	 Child-raising with confidence (Announced in Dec. 2020)  New cabinet decision	82% in 2025	Add capacity for 140,000 more children by end of FY2024	-
	 April 2023 Establishment of Child and Family Agency	Planning and overall coordination of policies from the perspective of children and those involved in child-rearing		
Our businesses	Employment assistance	Nursery schools	After-school day care	

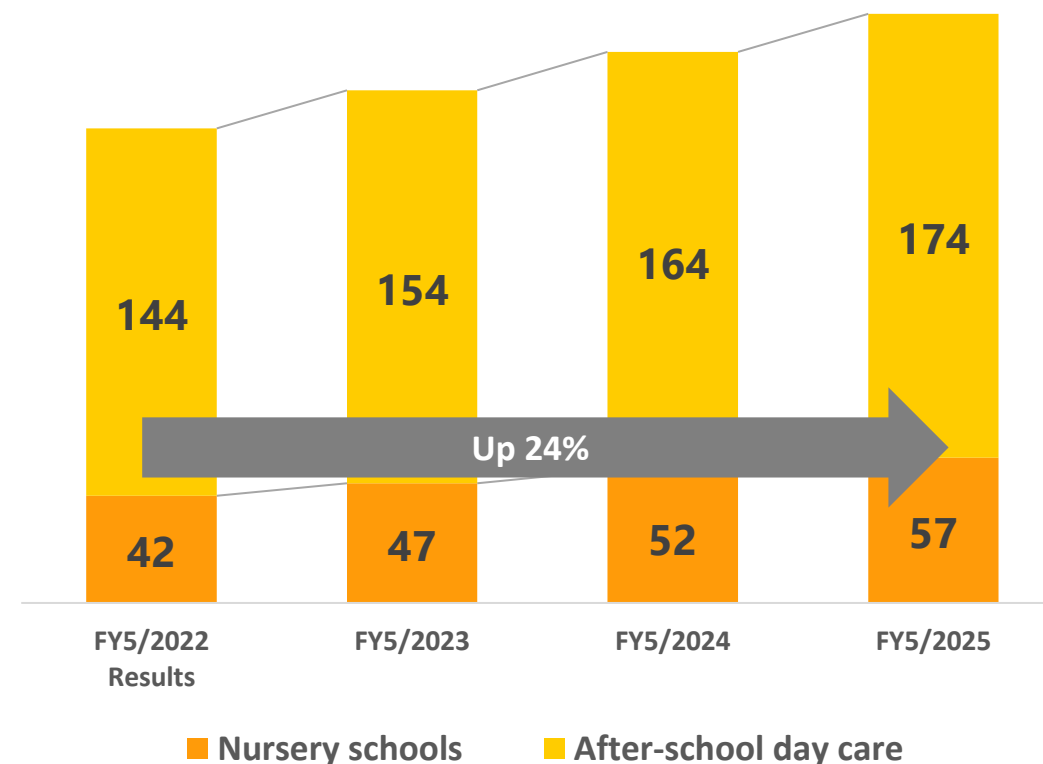
\*Labor Force Survey (Basic Tabulation) Average for 2021, Statistics Bureau of the Ministry of Internal Affairs and Communications

- ✓ A source of happiness for the 170,000 families associated with the SERIO Group in FY5/2025:  
Goals are sales of ¥12 billion (up 31% from FY5/2022) and operating profit of ¥660 million (up 189%)
- ✓ 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		
	FY5/2022	FY5/2023	FY5/2024	FY5/2025
Net sales	9,130	9,640	10,800	<b>12,000</b>
Operating profit	233	300	444	<b>660</b>
Operating margin	2.6%	3.1%	4.1%	<b>5.5%</b>

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



	End of May 2022	End of May 2025
SERIO family	<b>110,000 people</b>	<b>Happiness for the 170,000 families associated with the SERIO Group</b>
Consolidated performance	Net sales: ¥9,100 million Operating profit: ¥230 million	Net sales: ¥12,000 million (+31% vs. FY5/2022) Operating profit: ¥660 million (+189% vs. FY5/2022)
Employment assistance placements	<b>915 (80% are housewives)</b>	<b>1,210 (80% are housewives)</b>
Number of afterschool day care locations	<b>144</b>	<b>174</b>
Registered children	<b>20,825</b>	<b>24,300</b>
Number of nursery schools	<b>42</b>	<b>57</b>
Number of children	<b>1,894</b>	<b>2,450</b>
SERIO Garden	<b>Installation of greenery at 18 locations</b>	<b>Total installation of greenery at 200 locations</b>



- ✓ 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	<b>Happiness for the 170,000 families associated with the SERIO Group</b>	<ul style="list-style-type: none"> <li>• Use IT system investments to increase operational efficiency</li> <li>• A broad range of training programs and jobs</li> <li>• Create pleasant and productive workplaces</li> <li>• Programs for employees' work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Paperless application forms for all internal decisions</li> <li>• Paperless invoices in the employment assistance business</li> <li>• Conducted an engagement survey</li> <li>• Started an e-learning program (to upgrade employee training)</li> <li>• Made staggered working hours/telework programs permanent</li> <li>• Started time-off program for fertility treatment</li> <li>• Upgraded attendance management system</li> <li>• <b>Introduced the GLTD insurance system ★NEW</b></li> </ul>
Employment assistance	<ul style="list-style-type: none"> <li>• “sacaso*” service for housewives looking for jobs</li> <li>• Aiming to be the leader for enabling housewives to work with ease</li> </ul>	<ul style="list-style-type: none"> <li>• Specialize in part-time temporary staffing for housewives</li> <li>• Create cost-cutting proposals for companies</li> </ul>	<ul style="list-style-type: none"> <li>• Received large orders for operating public-sector call centers</li> <li>• Received a robotic process automation (RPA) order from a large home appliance and electronics manufacturer</li> <li>• <b>Introduced refreshment leave for temporary staff ★NEW</b></li> </ul>
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"> <li>• Quickly hire people needed for medium-term growth in the number of day care locations and strengthen training programs</li> <li>• Use ICT for managing new/departing children and communications with parents [Day care locations opened in April 2022]</li> <li>• SERIO's first simultaneous after-school day care/nursery school contracts for a local government of the City of Nagoya</li> </ul>
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"> <li>• Open schools where children are waiting for openings</li> <li>• Operate nursery schools that parents choose over others</li> </ul>	<ul style="list-style-type: none"> <li>• Installed surveillance cameras at nursery schools for crime prevention</li> <li>• 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</li> </ul>
SERIO Garden	<ul style="list-style-type: none"> <li>• “Green Carpet”</li> <li>– Look no further than Serio Garden</li> <li>– Established No. 1 position in the industry</li> </ul>	<ul style="list-style-type: none"> <li>• Capture new customers: 100 locations</li> <li>• Establish a periodic maintenance system</li> </ul>	<ul style="list-style-type: none"> <li>• A major order for a high school ground maintenance (Project to start and sales to be booked in the fiscal year ending May 2023)</li> <li>• Expanding in the Tokyo metropolitan area, following entry into the Tokyo market</li> </ul>

\*sacaso: Brand name of the employment assistance business

# 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"> <li>● Use of ICT for paperless operations</li> <li>● Reuse of discarded materials for various projects by children at after-school day-care facilities</li> <li>● Installation of water conservation devices at nursery schools</li> <li>● Greenery service for nursery schools, kindergartens and other locations</li> </ul>	<p><b>Work-family balance</b></p>	<p>Permanent telework program                      Permanent staggered working hours                      Time off for fertility treatment                      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"> <li>● Three outside directors (37.5%)</li> <li>● One female director (12.5%)</li> <li>● Risk Management Committee</li> <li>● Compliance Committee</li> <li>● Internal reporting system (hotline)</li> <li>● Compliance training activities</li> <li>● Restricted stock compensation program</li> </ul>
	<p><b>Empowerment of women</b></p>	<p>Women are 69.2% of managers*1                      More welfare programs for child care</p>	
	<p><b>People with disabilities</b></p>	<p>Started operation of “tiku tiku” *2</p>	
	<p><b>Health and wellness</b></p>	<p>Female medical check-ups at no cost                      No smoking program                      Time off for COVID-19 vaccinations</p>	

\*1 FY5/2022

\*2 Fabricates hand-made toys for use at nursery schools

# Our vision for SERIO in 2030!

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

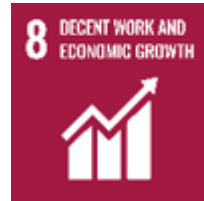
Activities linked to SDGs with the goals of sustainable business progress and business activities that take the company in new directions



- 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.



- 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.



- Established a childcare worker qualification support system to support career advancement.
- Working with Kao Customer Marketing Co., Ltd. to supply disposable diapers at a fixed and low price.
- This operation focuses on making toys for nursery schools to provide jobs for people with developmental disabilities and reduce the work load of child care workers at nursery schools.

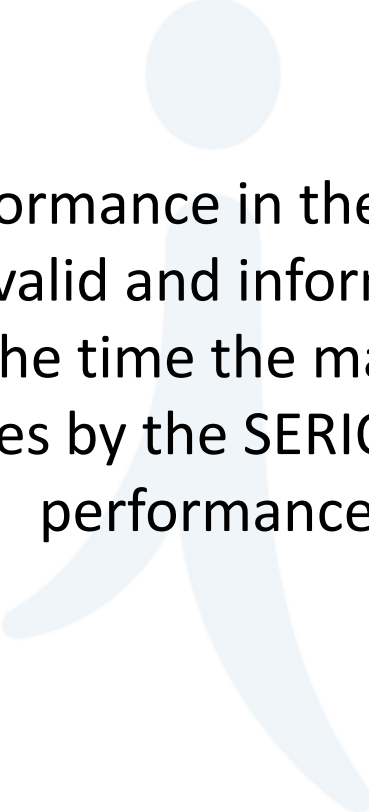


- We measure food loss at our nursery school meals and take measures to cut such losses. The goal is to reduce waste of food per person, as well as the need to supply nutritionally balanced meals.
- We have partnered with a printing company to provide us with surplus paper for use at our after-school day care facilities to enhance our resource reuse programs.



- 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.





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



## 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

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

Nursery schools  
(Operation of nursery schools)

Greenery business  
(Greening gardens)

Nursery school segment

<b>Company name:</b>	<b>SERIO HOLDINGS CO., LTD.</b>
<b>Established:</b>	<b>June 1, 2016</b>
<b>Representative:</b>	<b>Hisashi Wakahama, President and CEO</b>
<b>Capital:</b>	<b>¥693 million</b>
<b>Employees:</b>	<b>837 full-time employees; 2,119 part-time workers (consolidated basis as of May 31, 2022)</b>
<b>Head office location:</b>	<b>Kita-ku, Osaka</b>

**Major group company**

<b>Company name:</b>	<b>SERIO Co., Ltd.</b>
<b>Established:</b>	<b>June 24, 2005</b>

Listing: Tokyo Stock Exchange, Growth market (securities code: 6567)



- Head Office
- Sakai Administrative Office
- Izumisano Administrative Office
- Nishinomiya Administrative Office
- Tokyo Office

SERIO means “serious” in Portuguese

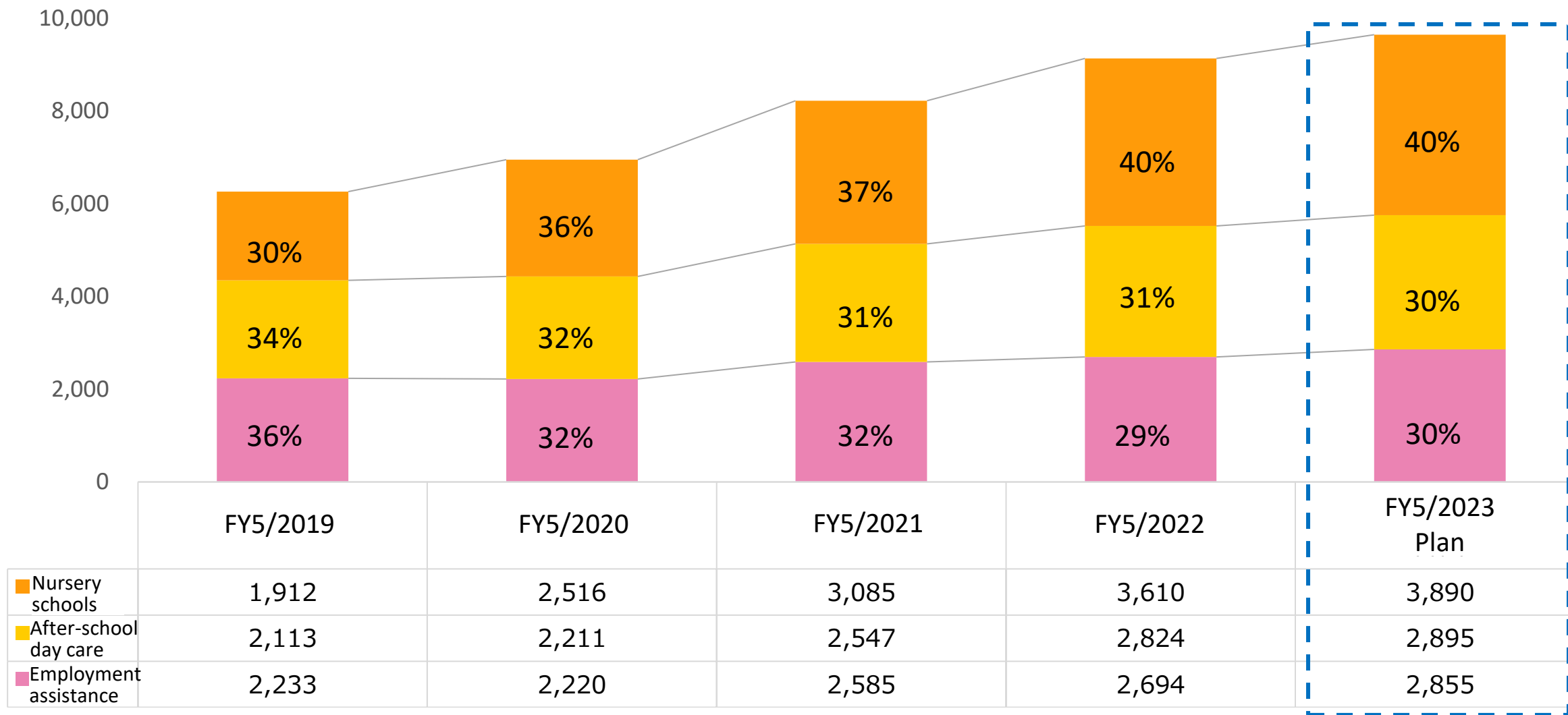


2005	June	SERIO Co., Ltd. was established in Osaka with capital of ¥10 million <b>Started employment assistance business mainly for temporary staffing positions for married women raising children</b>
2010	March	<b>Started an after-school day-care business mainly for elementary school students</b>
2012	April	<b>Started a nursery school business for pre-school children</b>
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 (currently Growth market)
2020	December	Subsidiary Cuore Co., Ltd. was renamed SERIO Garden and started a greenery business in January 2021
2022	April	Total of 186 facilities (144 after-school day-care facilities, 42 nursery schools)

✓ Planning on record-high sales in all segments in FY5/2023

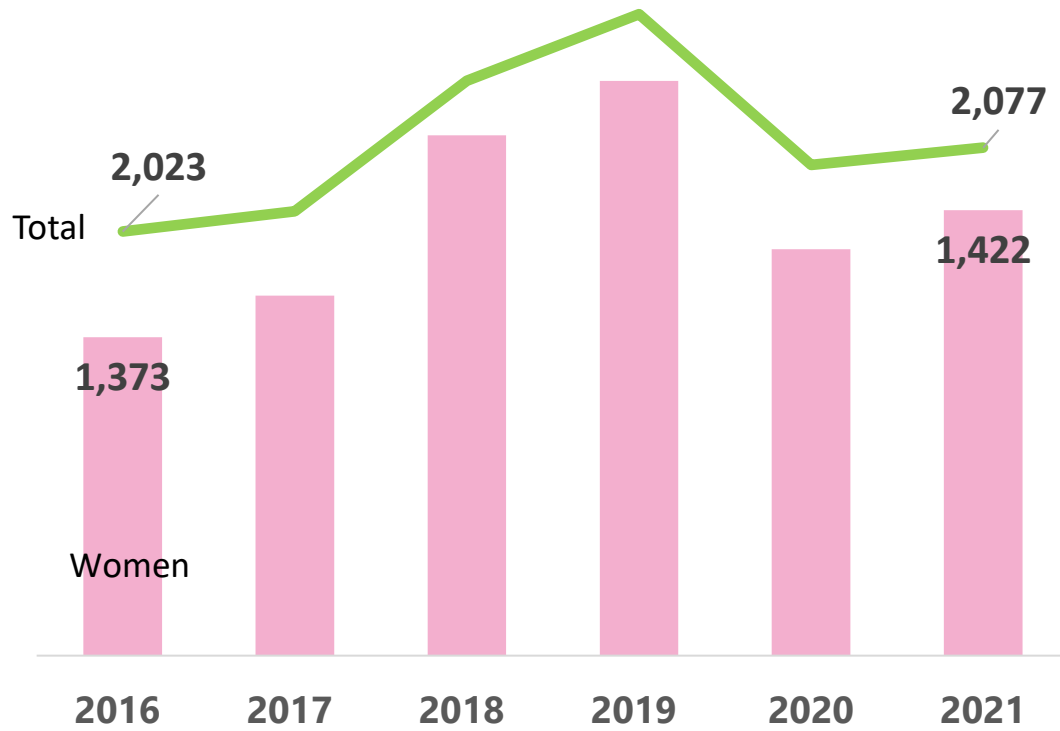
✓ Nursery school share of sales is increasing because of sales growth as more schools are opened

(Millions of yen)



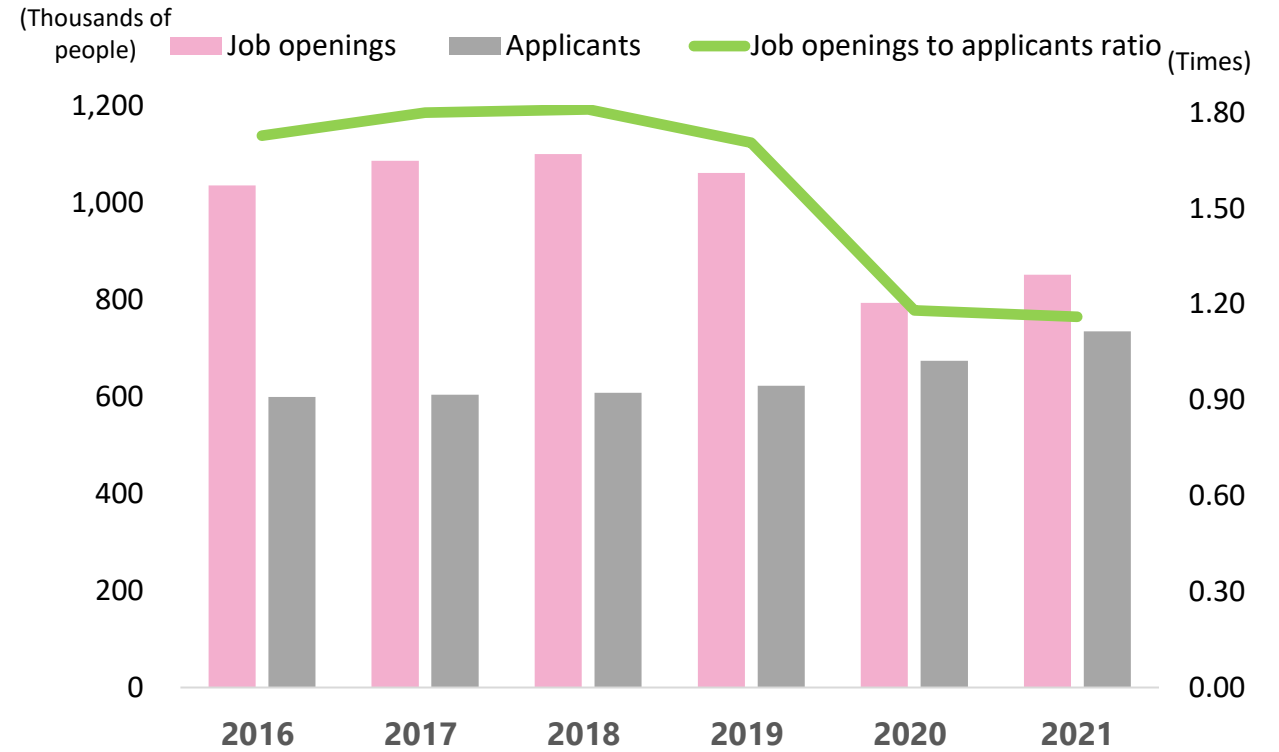
The number of people in Japan working in other than full-time jobs declined in 2020 because of COVID-19 but increased in 2021. The number of job seekers increases. This is creating a favorable environment for recruiting people for temporary staffing assignments.

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



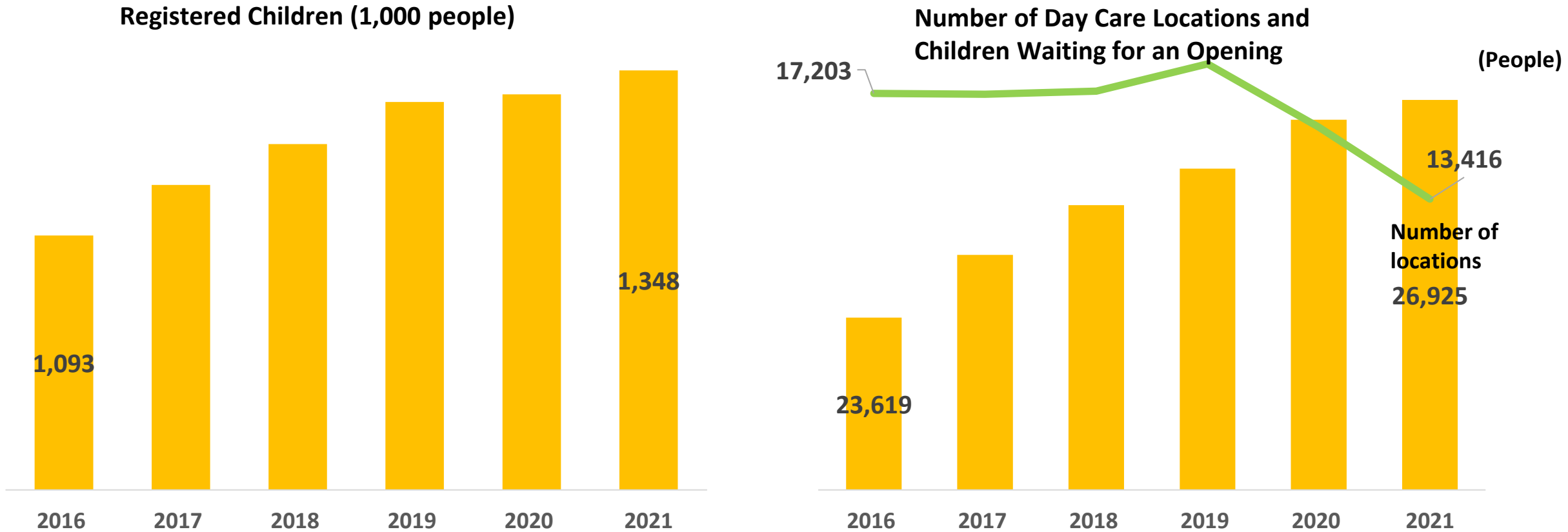
2021 Labor Force Survey, Ministry of Health, Labour and Welfare

### Part-time Job Openings and Applicants



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

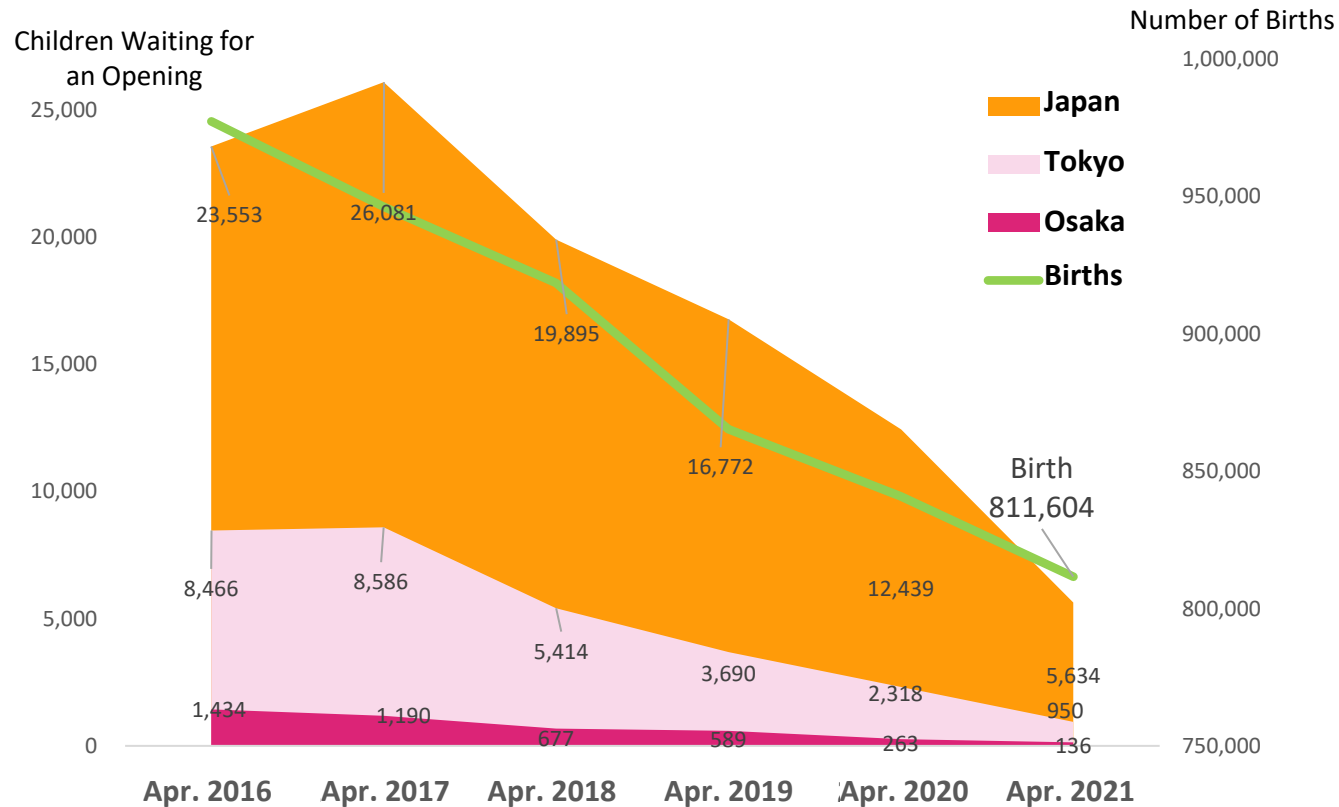
The number of after-school day care facilities is increasing to accommodate the rising number of registered children. Although the number of children waiting for a day care center opening has declined since 2020, the number of first and second grade children, the category where support is most needed, 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

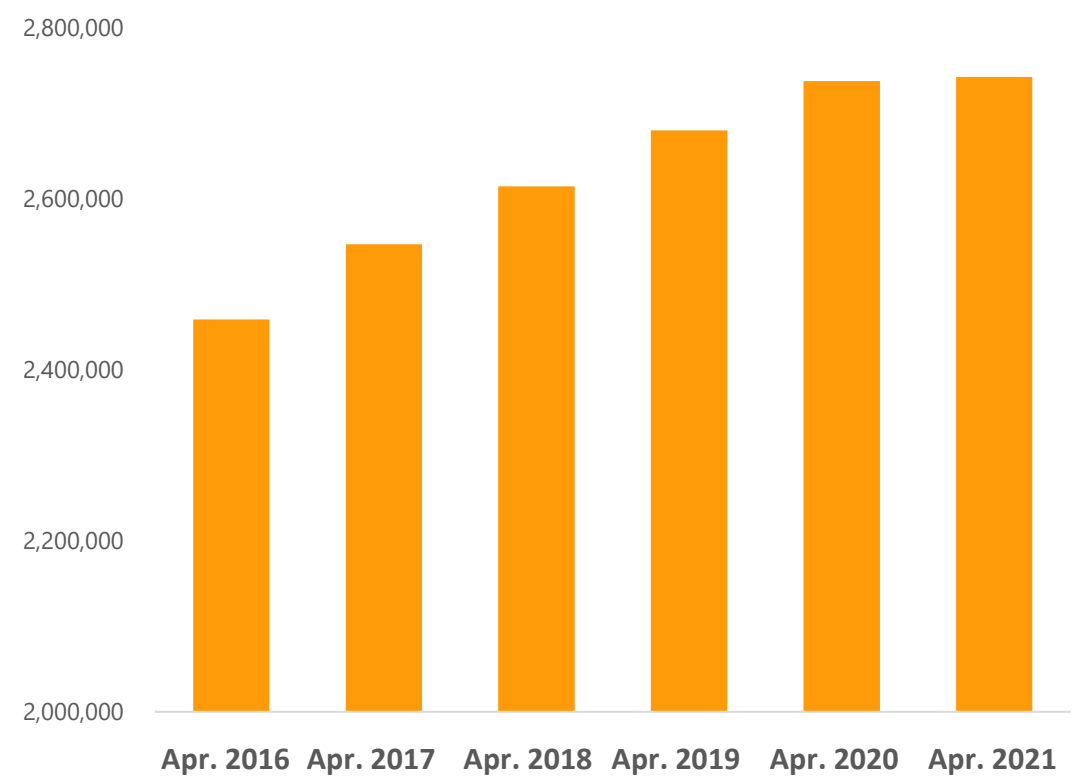
The nursery school market is expected to shrink. Although the number of children waiting for an opening was down YoY by more than half as of April 2021 during the pandemic, the number of children using a nursery school is continuing to climb as a larger percentage of women have jobs. SERIO is opening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

### Children Waiting for an Opening/Number of Births



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

### Children Using a Nursery School or Similar Facility



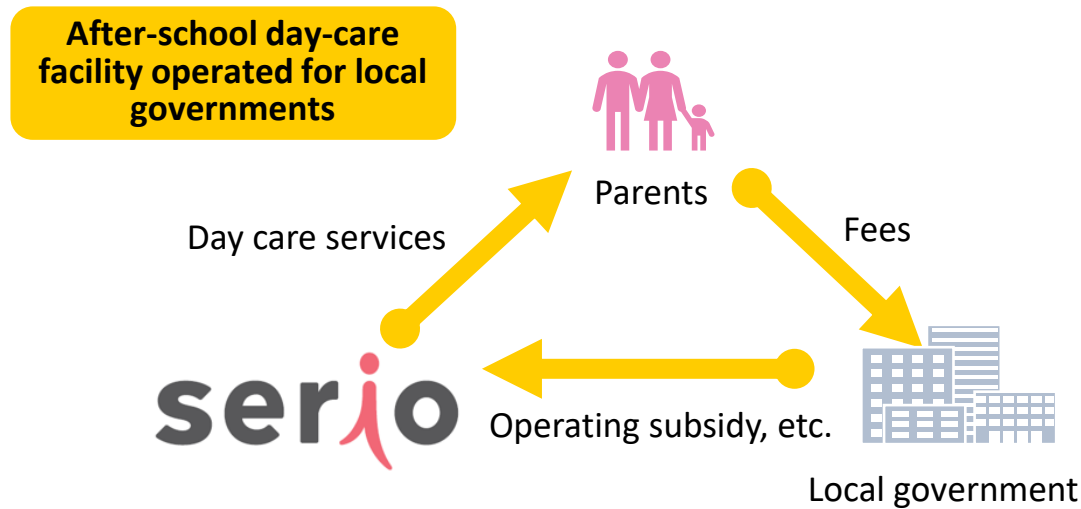
Status of Nursery Schools, Etc. (April 1, 2021), Ministry of Health, Labour and Welfare

- ✓ 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.
- ✓ Even during the six wave of the COVID-19 pandemic, we continued operations in compliance with local government policies and infection prevention manuals, 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 in August

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**

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	

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					

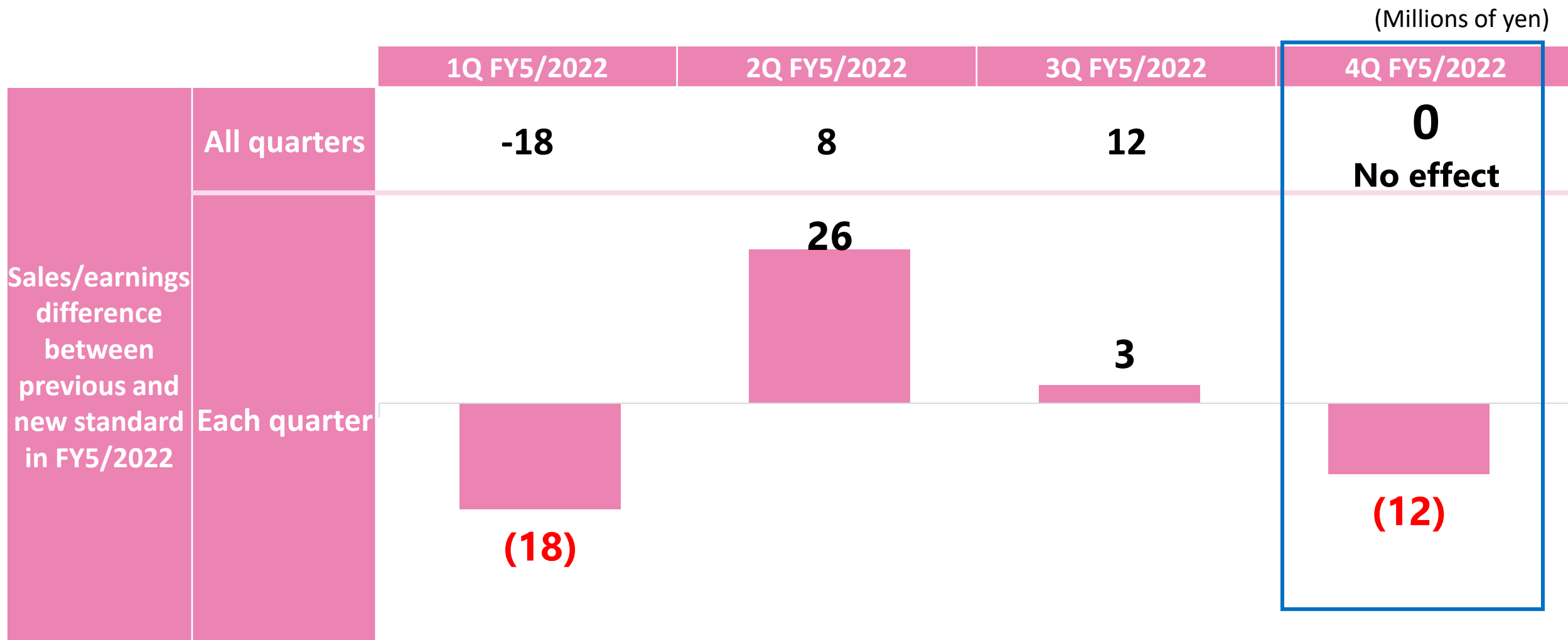
All-day operation in 2021  
**29 days**

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

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				

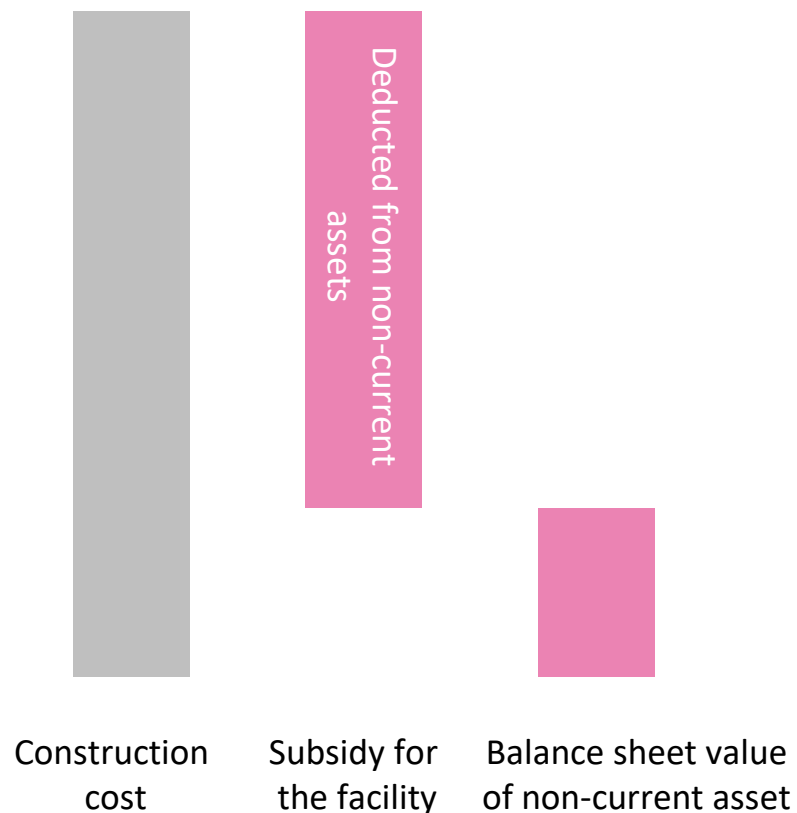
## Effect of New Sales Recognition Standard (After-School Day Care)

- ✓ 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 has no effect on fiscal year sales and earnings but quarterly results were affected.
- ✓ The new standard will have only a negligible effect on sales and earnings in the employment assistance and nursery school businesses.



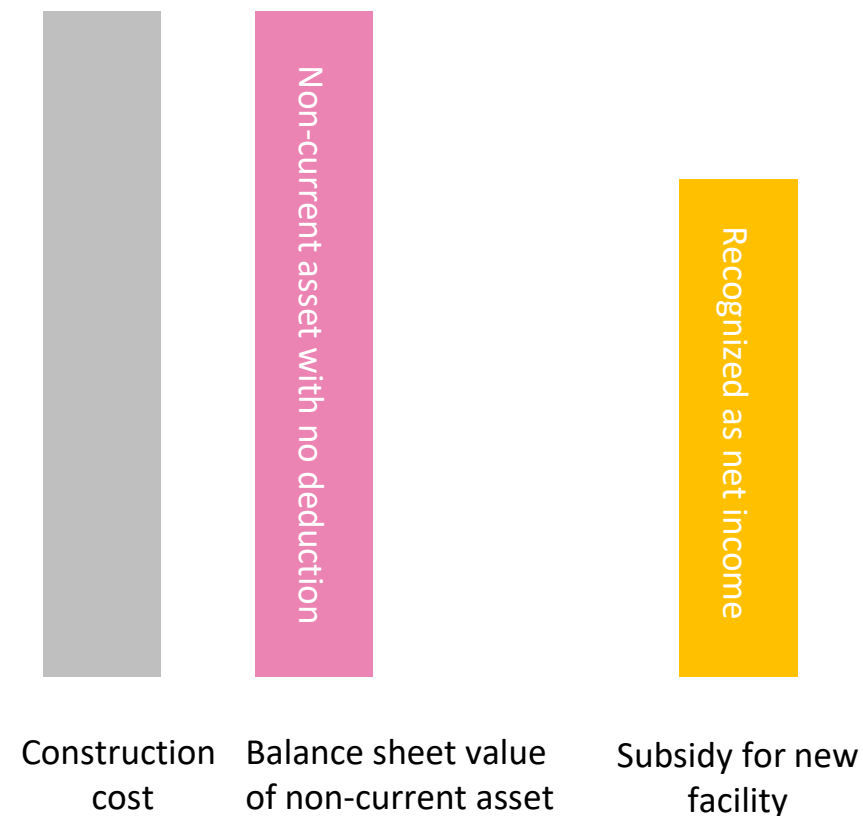
## Direct deduction method (Used by SERIO)

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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