



July 13, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended May 31, 2023

[Japanese GAAP]

Company name: SERIO HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange
 Securities code: 6567 URL: <https://www.serio-holdings.co.jp/>
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 Contact: Koji Gotani, Director, General Manager, Management Division Tel: +81-6-6442-0500
 Scheduled date of Annual General Meeting of Shareholders: August 28, 2023
 Scheduled date of payment of dividend: August 29, 2023
 Scheduled date of filing of Annual Securities Report: August 28, 2023
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended May 31, 2023 (June 1, 2022 – May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended May 31, 2023	9,792	7.2	204	(12.5)	210	(22.8)	136	(21.3)
Fiscal year ended May 31, 2022	9,130	11.1	233	(30.7)	272	(21.1)	173	(22.4)

Note: Comprehensive income Fiscal year ended May 31, 2023: 136 million yen (down 21.3%)

Fiscal year ended May 31, 2022: 173 million yen (down 22.4%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended May 31, 2023	21.62	-	6.5	4.4	2.1
Fiscal year ended May 31, 2022	27.47	-	8.7	6.0	2.6

Reference: Equity in earnings of affiliates Fiscal year ended May 31, 2023: - Fiscal year ended May 31, 2022: -

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2023	5,002	2,154	43.1	341.00
As of May 31, 2022	4,627	2,062	44.6	326.26

Reference: Shareholders' equity As of May 31, 2023: 2,154 million yen As of May 31, 2022: 2,062 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended May 31, 2023	255	(366)	142	1,900
Fiscal year ended May 31, 2022	169	(184)	(13)	1,869

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended May 31, 2022	-	0.00	-	7.00	7.00	44	25.5	2.2
Fiscal year ended May 31, 2023	-	0.00	-	7.00	7.00	44	32.4	2.1
Fiscal year ending May 31, 2024 (forecast)	-	0.00	-	8.50	8.50		20.3	

3. Consolidated Forecast for the Fiscal Year Ending May 31, 2024 (June 1, 2023 – May 31, 2024)

(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	11,110	13.5	439	114.5	407	93.6	264	93.6	41.86

*** Notes**

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

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

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

(3) Number of issued shares (common stock)

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

As of May 31, 2023 6,329,400 shares As of May 31, 2022: 6,329,400 shares

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

As of May 31, 2023: 10,939 shares As of May 31, 2022: 8,627 shares

3) Average number of shares during the period

Fiscal year ended May 31, 2023: 6,319,552 shares Fiscal year ended May 31, 2022: 6,316,662 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended May 31, 2023 (June 1, 2022 – May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended May 31, 2023	516	5.7	198	12.1	181	(1.4)	121	(1.7)
Fiscal year ended May 31, 2022	488	12.1	177	29.0	184	28.8	123	28.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended May 31, 2023	19.19	-
Fiscal year ended May 31, 2022	19.54	-

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

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2023	1,983	1,859	93.8	294.36
As of May 31, 2022	1,887	1,782	94.5	282.06

Reference: Shareholders' equity As of May 31, 2023: 1,859 million yen As of May 31, 2022: 1,782 million yen

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

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

Cautionary statement with respect to forward-looking statements

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

How to view supplementary materials for financial results

Supplementary materials for financial results

Supplementary materials for the financial results will be disclosed today (July 13, 2023), using the Timely Disclosure network (TDnet). SERIO Holdings plans to hold a web conference information meeting for institutional investors and analysts on July 19, 2023. Materials to be distributed at this event will be posted on the SERIO Holdings website on July 19, 2023.

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1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year that ended on May 31, 2023, the impact of the COVID-19 pandemic continued in the first half and there was gradual normalization of socio-economic activities as restrictions on movement of people were eased but raw material and energy prices continued to soar thorough the fiscal year. As a result, the outlook for the business climate of the SERIO Holdings Group remained unclear. Dramatic changes involving children and households in Japan are occurring, notably the decline in the number of marriages because of the pandemic and increasing number of couples with few or no children. Following the April 2023 establishment of the Children and Families Agency, in June 2023, the government released a draft of the "Children's Future Strategy Policy" aimed at addressing declining birth rates. The policy is anticipated to strengthen measures that prioritize the well-being of children and caregivers.

During the fiscal year, we continued to take actions aimed at creating jobs in order to provide an even larger number of people with opportunities to work while caring for children. We are continuing to strengthen the infrastructures for the after-school day-care and nursery school businesses in order to increase the number of facilities in regions of Japan where demand for child-raising support services is strong.

Sales increased due to an increase in the number of children per after-school day-care facility at both newly established facilities opened in April 2023 and existing facilities. In addition, the nursery school business experienced a substantial boost in revenue due to the proactive enrollment of children at both newly established facilities in April 2023 and existing facilities. Despite the after-school day-care and nursery school businesses showing growth in both revenue and earnings, the decline in sales in the employment assistance business, caused by the absence of large projects from the previous year and the impact of the Corona pandemic in the first half of the fiscal year, led to a reduction in consolidated earnings.

As a result, net sales increased 7.2% year on year to 9,792 million yen. Operating profit was 204 million yen, down 12.5% and ordinary profit was 210 million yen, a decrease of 22.8%. Profit attributable to owners of parent decreased 21.3% to 136 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 making it possible for more women to work in a way 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.

Sales decreased because of the contribution of large projects to sales one year earlier, the impact of the COVID-19 pandemic in the first half and a large number of people who were unable to do their jobs at call centers because of the decline in working hours due to a large number of absences caused by illnesses. Earnings were lower because of the downturn in sales. As part of our efforts to enhance our profit structure and accomplish the objectives outlined in our medium-term management plan, we decided to discontinue our involvement in the placement business for childcare workers and other welfare personnel, which had been an unprofitable business.

As a result, net sales of this business were 2,480 million yen, down 8.0% year on year, and segment profit was 58 million yen, a decrease of 40.6%.

2) After-school day care

The after-school day-care program will resume regular operations from May 2023, given the transition of the Corona pandemic to Category 5. Encouragingly, there is a noticeable improvement in refraining from using the program, reflecting the positive trend in managing the pandemic. Our commitment remains focused on ensuring a safe and secure environment, where children feel at ease and want to continue to attend. Nationwide, the demand for our program is growing, as evident from the increasing number of children on waiting lists. This highlights the pressing need to enhance the child-rearing environment.

As shown in the table below, the SERIO Group opened 26 locations in April 2023. These include outsourcing

contracts from two local governments and marks significant progress in our efforts to expand the areas where we operate. Six locations were closed because of contract completions and other reasons. The result was a net increase of 20 locations. The number of after-school day-care facilities operated by the SERIO Group at the end of May 2023 was 155 for public facilities (operated for local governments) and nine for private elementary schools, a total of 164.

The rise in net sales can be attributed to two primary factors: the successful addition of facilities and a notable increase in the number of children enrolled at our existing facilities. Segment profit increased due to higher sales.

As a result, net sales of this business were 3,036 million yen, up 7.5% year on year, and segment profit was 132 million yen, an increase of 16.2%.

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

Name of facility	Location	Opened	Format
Asakusa Children's Club	Taito-ku, Tokyo	April 2023	Public-sector after-school child care
Asakusa Elementary School After-School Child Care Club	Taito-ku, Tokyo	April 2023	Public-sector after-school child care
Koishikawa Childcare Center	Bunkyo-ku, Tokyo	April 2023	Public-sector after-school child care
Myogadani Childcare Center	Bunkyo-ku, Tokyo	April 2023	Public-sector after-school child care
Shikahama Mirai After-school Facility	Adachi-ku, Tokyo	April 2023	Public-sector after-school child care
Sekimachi Kita Elementary School Nerikko Club	Nerima-ku, Tokyo	April 2023	Public-sector after-school child care
Odaka-kita Elementary School Twilight Room	Midori-ku, Nagoya	April 2023	Public-sector after-school child care
Kamono Children's Center	Minokamo City, Gifu	April 2023	Public-sector after-school child care
Hirakata Daini Elementary School Comprehensive After-school program	Hirakata City, Osaka	April 2023	Public-sector after-school child care
Sada Nishi Elementary School Comprehensive After-School Program	Hirakata City, Osaka	April 2023	Public-sector after-school child care
Higashi Kori Elementary School Comprehensive After-School Program	Hirakata City, Osaka	April 2023	Public-sector after-school child care
Kaisei Elementary School Comprehensive After-School Program	Hirakata City, Osaka	April 2023	Public-sector after-school child care
Koyo Elementary School Comprehensive After-School Program	Hirakata City, Osaka	April 2023	Public-sector after-school child care
Mikunigaoka Elementary School Nobi Nobi Room/After-school Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Enoki Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Daisen Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Kamiishi Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Nishiki Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Kumano Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Yashimo Nishi Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Shirasagi Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Hikisho Nishi Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care

Name of facility	Location	Opened	Format
Tomioka Higashi Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Noda Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Tomioka Minami Elementary School Nobi Nobi Room	Sakai City, Osaka	April 2023	Public-sector after-school child care
Nishinada Children's Nobi Nobi Hiroba	Nada-ku, Kobe City	April 2023	Public-sector after-school child care

3) Nursery schools

Although some nursery schools closed temporarily or cancelled some classes because of the pandemic in the first half, operations are returning to normal. While there is a nationwide decline in the number of children who are waiting for a nursery school opening due to a declining birthrate, the demand for nursery schools is anticipated to remain robust, particularly in urban areas. This is primarily driven by the rising workforce participation rate of women.

The SERIO Group opened seven locations in April 2023, as shown in the table below: three certified nursery schools, one small certified nursery school, two workplace nursery schools, and one facility where we are the designated manager. In October 2022, we plan to add one community child-development support facility. At the end of May 2023, there were 30 certified nursery schools, 12 small certified nursery schools, three nursery schools for companies, two workplace nursery schools, and three community child development support facilities, a total of 50 locations. Serio Garden Co., Ltd., which operates a greenery business, achieved a significant milestone by reporting its first-ever profit in the third fiscal year since the launch of its services. This success can be attributed to the successful planting of greenery at 20 new facilities as planned at the beginning of the current fiscal year.

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. Sales increased because of the larger number of children resulting from measures to build a stronger framework for the operation of existing locations. Earnings increased mainly because of higher sales.

As a result, net sales of this business were 4,275 million yen, up 18.4% year on year, and segment profit was 195 million yen, an increase of 12.9%.

Newly opened nursery schools during the fiscal year

Name of facility	Location	Opened	Format
Kirakko Room Yatsu	Narashino-shi, Chiba	October 2022	Community child development support facility
Treasure Kids Otakanomori Nursery School	Nagareyama City, Chiba	April 2023	Certified nursery school
Treasure Kids Somenoi Nursery School	Suita City, Osaka	April 2023	Certified nursery school
Treasure Kids Itami Nursery School	Itami City, Hyogo	April 2023	Certified nursery school
Kamono Nursery School	Minokamo City, Gifu	April 2023	Facility where we are the designated manager
Angel Kids Kamonomiya-en	Odawara City, Kanagawa	April 2023	Small certified nursery school
Angel Kids Toyokawa-en	Toyokawa City, Aichi	April 2023	Workplace nursery schools
Gifukko Nursery School	Gifu City, Gifu	April 2023	Workplace nursery schools

(2) Financial Position

Assets

Total current assets at the end of the fiscal year increased 76 million yen from the end of the previous fiscal year to 2,752 million yen. This was mainly due to a 35 million yen increase in accounts receivable-trade and contract assets, a 30 million yen increase in cash and deposits and a 10 million yen increase in prepaid expenses. Non-current assets increased 298 million yen to 2,250 million yen. This was mainly due to a 214 million yen increase in property, plant and equipment, and a 3 million yen decrease in intangible assets and an 87 million yen increase in investments and other assets.

As a result, total assets increased 375 million yen from the end of the previous fiscal year to 5,002 million yen.

Liabilities

Current liabilities at the end of the fiscal year increased 64 million yen from the end of the previous fiscal year to 1,453 million yen. This was mainly due to a 93 million yen increase in accrued expenses, a 60 million yen decrease in accrued consumption taxes, a 58 million yen increase in accounts payable-other, and a 48 million yen decrease in contract liabilities. Non-current liabilities increased 218 million yen to 1,394 million yen. This was mainly due to a 174 million yen increase in long-term borrowings and a 44 million yen increase in asset retirement obligations.

As a result, total liabilities increased 282 million yen from the end of the previous fiscal year to 2,848 million yen.

Net assets

Total net assets at the end of the fiscal year increased 92 million yen from the end of the previous fiscal year to 2,154 million yen. This was mainly due to an increase resulting from profit attributable to owners of parent and a decrease of 43 million yen due to payment of dividends.

Consequently, the capital adequacy ratio was 43.1% (44.6% at the end of the previous fiscal year).

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year increased 30 million yen from the end of the previous fiscal year to 1,900 million yen.

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

Cash flows from operating activities

Net cash provided by operating activities was 255 million yen, compared with net cash provided of 169 million yen in the previous fiscal year. Main factors include profit before income taxes of 209 million yen, depreciation of 129 million yen, a decrease of 60 million yen in accrued consumption taxes, a decrease of 48 million yen in contract liabilities and an increase of 48 million yen in accounts payable-other.

Cash flows from investing activities

Net cash used in investing activities was 366 million yen, compared with net cash used of 184 million yen in the previous fiscal year. Main factors include purchase of property, plant and equipment of 763 million yen, payments of guarantee deposits of 56 million yen and subsidies received of 479 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 142 million yen, compared with net cash used of 13 million yen in the previous fiscal year. Main factors include dividends paid of 43 million yen, proceeds from long-term borrowings of 289 million yen and repayments of long-term borrowings of 98 million yen.

(4) Outlook

In June 2023, the Japanese government took a significant step by issuing a cabinet decision on the "Children's Future Strategy Policy." This comprehensive policy encompasses specific measures aimed at bolstering support for children and child-rearing initiatives while addressing the challenges posed by the declining birthrate.

The SERIO Group will continue to be a source of job opportunities where people with children have many options for working styles based on the medium-term management plan. Our activities are guided by our corporate missions of providing support for work-family balance and support for the sound growth and development of children.

In the employment assistance business, we are focused on presenting companies with diverse work style options while pursuing our mid-term objective of becoming the leading company in providing effortless employment opportunities for housewives. We strive to acquire new customers and continuously offer innovative employment solutions. We are also building a more powerful infrastructure to support the growth of the after-school day-care and nursery school businesses. We operate after-school facilities that children want to continue to attend and that parents choose over others because they know they can rely on the SERIO Group for excellent services. We plan to open about five certified nursery schools and about 12 after-school day-care facilities.

In the fiscal year ending in May 2024, we forecast a 13.5% increase in net sales to 11,110 million yen, a 114.5% increase in operating profit to 439 million yen, a 93.6% increase in ordinary profit to 407 million yen, and a 93.6% increase in profit attributable to owners of parent to 264 million yen. Segment forecasts are as follows.

In the employment assistance business, our new sales endeavors targeted at the service industry, which faces a pronounced labor shortage, have yielded promising results. Moreover, the measures implemented in March 2023 to bolster the number of registered temporary staff have proven to be successful. In the last three months through May 2023, the count of registered temporary staff has grown by an impressive 2.4 times in comparison to the previous year. Drawing from the aforementioned developments, we are optimistic about our potential to attract new customers and further enhance our engagements with major existing clients. Consequently, we foresee an increase in net sales to 2,893 million yen, a rise of 16.6%. In the after-school day-care business, our goal is to operate 176 facilities, a strategic move aimed at addressing the persistent issue of children waiting for admission, which has been consistently high. With this proactive approach, we anticipate net sales to reach 3,410 million yen, reflecting a year-on-year growth of 12.3%. In the nursery business, our focus lies on expanding our reach by establishing new facilities, especially in areas projected to have a high demand for nursery services. Our target is to operate a total of 55 facilities. Additionally, for our existing nursery schools, we remain committed to enhancing our services and actively assigning staff to attract more children. In the greenery business, which is operated by Serio Garden Co. and belongs to the nursery school segment, we are committed to securing new construction and maintenance contracts. As a result, we forecast a 12.4% increase in net sales to 4,806 million yen.

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

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

Distributing profits to shareholders is one of the highest priorities of SERIO Holdings. The basic policy is to pay a consistent and stable dividend by comprehensively taking into account the payout ratio while retaining sufficient earnings for activities for rapid growth and other measures for business operations.

In accordance with the dividend policy, shareholders at the general shareholders meeting to be held on August 28, 2023 will be asked to approve a resolution to pay a fiscal year-end dividend of 7.00 yen per share for the fiscal year ended May 2023. We plan to pay a fiscal year-end dividend of 8.50 yen per share based on the business results for the current fiscal year and the outlook for next fiscal year.

2. Basic Approach to the Selection of Accounting Standards

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

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

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

	(Thousands of yen)	
	FY5/22	FY5/23
	(As of May 31, 2022)	(As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	1,869,535	1,900,466
Trade receivables	513,554	592,509
Contract asset	154,165	110,350
Prepaid expenses	102,867	112,924
Accounts receivable-other	11,990	12,145
Other	24,101	25,304
Allowance for doubtful accounts	(562)	(1,116)
Total current assets	2,675,652	2,752,584
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,178,613	1,363,010
Tools, furniture and fixtures, net	63,975	85,330
Land	161,735	161,735
Leased assets, net	2,680	1,876
Construction in progress	14,374	23,987
Total property, plant and equipment	1,421,378	1,635,938
Intangible assets		
Right to use facilities	10,583	12,837
Software	6,697	4,033
Leased assets	4,202	792
Other	1,007	882
Total intangible assets	22,490	18,545
Investments and other assets		
Investment securities	-	30,000
Investments in capital	10	-
Guarantee deposits	187,027	235,194
Long-term prepaid expenses	64,930	58,126
Deferred tax assets	53,689	64,486
Insurance funds	35,674	37,036
Construction assistance fund receivables	120,903	114,005
Other	45,783	56,920
Total investments and other assets	508,017	595,768
Total non-current assets	1,951,886	2,250,253
Total assets	4,627,539	5,002,837

	(Thousands of yen)	
	FY5/22 (As of May 31, 2022)	FY5/23 (As of May 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	11,455	13,355
Current portion of long-term borrowings	98,064	114,222
Lease liabilities	5,264	1,739
Accounts payable-other	81,009	139,762
Accounts payable for equipment investment	12,053	9,502
Accrued expenses	689,170	783,048
Income taxes payable	46,383	37,891
Accrued consumption taxes	85,475	25,414
Contract liabilities	202,755	153,983
Deposits received	157,203	174,795
Total current liabilities	1,388,834	1,453,715
Non-current liabilities		
Long-term borrowings	912,272	1,087,050
Lease liabilities	2,918	1,179
Asset retirement obligations	261,322	306,295
Total non-current liabilities	1,176,513	1,394,525
Total liabilities	2,565,348	2,848,240
Net assets		
Shareholders' equity		
Share capital	693,263	693,263
Capital surplus	671,753	671,753
Retained earnings	703,946	796,352
Treasury shares	(6,772)	(6,772)
Total shareholders' equity	2,062,190	2,154,597
Total net assets	2,062,190	2,154,597
Total liabilities and net assets	4,627,539	5,002,837

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

	(Thousands of yen)	
	FY5/22	FY5/23
	(Jun. 1, 2021 – May 31, 2022)	(Jun. 1, 2022 – May 31, 2023)
Net sales	9,130,846	9,792,182
Cost of sales	7,499,537	8,090,987
Gross profit	1,631,308	1,701,195
Selling, general and administrative expenses	1,397,512	1,496,580
Operating profit	233,795	204,615
Non-operating income		
Subsidy income	13,217	27,060
Subsidy income	32,864	14,006
Miscellaneous income	1,987	2,635
Other	17	42
Total non-operating income	48,086	43,745
Non-operating expenses		
Commission fee	-	23,175
Interest expenses	8,686	8,791
Settlement payments	500	4,497
Miscellaneous losses	492	1,637
Total non-operating expenses	9,679	38,100
Ordinary profit	272,202	210,260
Extraordinary income		
Subsidy income	143,460	478,281
Total extraordinary income	143,460	478,281
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	143,460	478,281
Loss on retirement of non-current assets	272	1,067
Total extraordinary losses	143,732	479,349
Profit before income taxes	271,930	209,192
Income taxes-current	102,832	83,338
Income taxes-deferred	(4,435)	(10,796)
Total income taxes	98,397	72,541
Profit	173,532	136,651
Profit attributable to owners of parent	173,532	136,651

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY5/22	FY5/23
	(Jun. 1, 2021 – May 31, 2022)	(Jun. 1, 2022 – May 31, 2023)
Profit	173,532	136,651
Comprehensive income	173,532	136,651
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	173,532	136,651

(3) Consolidated Statement of Changes in Equity

FY5/22 (Jun. 1, 2021 – May 31, 2022)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of period	693,263	671,433	567,078	-	1,931,774	1,931,774
Cumulative effects of changes in accounting policies			7,641		7,641	7,641
Restated balance	693,263	671,433	574,719	-	1,939,415	1,939,415
Changes during period						
Dividends of surplus			(44,305)		(44,305)	(44,305)
Profit attributable to owners of parent			173,532		173,532	173,532
Purchase of treasury shares				(23,550)	(23,550)	(23,550)
Disposal of treasury shares		320		16,777	17,098	17,098
Net changes in items other than shareholders' equity						-
Total changes during period	-	320	129,226	(6,772)	122,775	122,775
Balance at end of period	693,263	671,753	703,946	(6,772)	2,062,190	2,062,190

FY5/23 (Jun. 1, 2022 – May 31, 2023)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of period	693,263	671,753	703,946	(6,772)	2,062,190	2,062,190
Cumulative effects of changes in accounting policies					-	-
Restated balance	693,263	671,753	703,946	(6,772)	2,062,190	2,062,190
Changes during period						
Dividends of surplus			(44,245)		(44,245)	(44,245)
Profit attributable to owners of parent			136,651		136,651	136,651
Net changes in items other than shareholders' equity						-
Total changes during period	-	-	92,406	-	92,406	92,406
Balance at end of period	693,263	671,753	796,352	(6,772)	2,154,597	2,154,597

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY5/22 (Jun. 1, 2021 – May 31, 2022)	FY5/23 (Jun. 1, 2022 – May 31, 2023)
Cash flows from operating activities		
Profit before income taxes	271,930	209,192
Depreciation	113,648	129,173
Amortization of long-term prepaid expenses	5,265	10,365
Loss on tax purpose reduction entry of non-current assets	143,460	478,281
Subsidy income	(172,710)	(478,281)
Increase (decrease) in allowance for doubtful accounts	237	554
Interest and dividend income	(17)	(42)
Interest expenses	8,686	8,791
Decrease (increase) in trade receivables and contract assets	(84,603)	(36,410)
Decrease (increase) in prepaid expenses	69,806	(7,085)
Decrease (increase) in other assets	(14,517)	(41,934)
Increase (decrease) in trade payables	3,093	1,899
Increase (decrease) in contract liabilities	(18,393)	(48,771)
Increase (decrease) in accounts payable-other	(4,256)	48,314
Increase (decrease) in accrued expenses	43,406	93,878
Increase (decrease) in deposits received	12,480	17,468
Increase (decrease) in accrued consumption taxes	(41,747)	(60,061)
Other, net	19,072	21,739
Subtotal	354,840	347,071
Interest received	17	15
Interest paid	(8,704)	(8,777)
Income taxes paid	(176,654)	(83,197)
Net cash provided by (used in) operating activities	169,499	255,112
Cash flows from investing activities		
Purchase of property, plant and equipment	(307,624)	(763,126)
Subsidies received	173,501	479,423
Purchase of investment securities	-	(30,000)
Proceeds from collection of construction assistance fund receivables	6,897	6,897
Purchase of intangible assets	(3,877)	(3,327)
Proceeds from refund of guarantee deposits	561	7,929
Payments of guarantee deposits	(16,891)	(56,096)
Other, net	(36,816)	(7,916)
Net cash provided by (used in) investing activities	(184,249)	(366,216)
Cash flows from financing activities		
Proceeds from long-term borrowings	130,000	289,000
Repayments of long-term borrowings	(81,600)	(98,064)
Dividends paid	(44,305)	(43,637)
Purchase of treasury shares	(23,550)	-
Proceeds from disposal of treasury shares	17,098	-
Repayments of lease liabilities	(10,781)	(5,264)
Net cash provided by (used in) financing activities	(13,138)	142,034
Net increase (decrease) in cash and cash equivalents	(27,888)	30,931
Cash and cash equivalents at beginning of period	1,897,424	1,869,535
Cash and cash equivalents at end of period	1,869,535	1,900,466

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

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 2

Names of consolidated subsidiaries:

SERIO Co., Ltd.

SERIO Garden Co., Ltd.

2. Application of the equity method

Not applicable.

3. Fiscal years of consolidated subsidiaries

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

4. Accounting policies

(1) Valuation criteria and methods for marketable securities

Held-to-maturity debt securities are stated at cost determined by the amortized cost method (straight-line method).

(2) Depreciation and amortization of principal assets

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

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

Useful lives of principle assets are as follows:

Buildings and structures: 3 - 34 years

Tools, furniture and fixtures: 3 - 15 years

b. Intangible assets (excluding leased assets)

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

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

c. Leased assets

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

(3) Accounting for reduction entry of subsidies, etc.

The Group receives subsidies from local governments.

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

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

(4) Recognition of significant allowances

Allowance for doubtful accounts

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

(5) Recognition of significant income and expenses

The primary obligations for performance within the Group's core businesses pertain to revenue derived from

customer contracts and are as follows. These performance obligations are typically fulfilled at the time of the recognition of revenues. Across all our business sectors, payments are generally settled within one month after the satisfaction of these performance obligations. There is no significant financial component involved in these transactions.

1) Employment assistance

In the employment assistance business, the Company operates various services, including temporary staffing, subcontracting, and placement and recruiting. Each of these services follows distinct practices for recognizing revenues, as outlined below.

i) Temporary staffing business

The Company offers temporary staffing services, deploying personnel to customers for tasks such as clerical work, manufacturing operations, light manufacturing operations, and more. As per the contract terms, the Company commits to supplying labor and, accordingly, recognizes revenue based on the actual utilization of temporary employees throughout the dispatch period. The fulfillment of this performance obligation is determined when the labor is provided by the temporary employees.

ii) Subcontracting business

The Company engages in contracts with customers, offering a range of outsourced services such as call center operations, data entry, light warehouse operations, and other related tasks. To ensure seamless execution, the Company assigns its own employees to perform these services at the designated business site. Revenue recognition takes place based on the unit price, which is determined by the performance of the operation, the volume of consumer calls received, the number of data entry transactions, and the outcomes of processing work.

2) After-school day care business

In the after-school day-care business, we provide diverse after-school childcare services, operating under various systems, including the “After-School Child-care Classroom Promotion Project” overseen by the Ministry of Education, Culture, Sports, Science, and Technology (MEXT). Depending on the nature of the business, we have several types of contracts. The contracted services encompass a variety of arrangements, such as outsourcing from local governments, acting as a designated manager for certain operations, and self-installation and operation by the company. These diverse contract types correspond to the specific nature of each business engagement.

The table below illustrates the timing of revenue recognition for our major businesses.

i) Public-sector after-school child care business

We are entrusted by local governments or designated as a manager to deliver various services, including the “after-school children's classroom promotion project,” “after-school children's sound upbringing project,” “after-school children's comprehensive plan project,” and “Children’s Center.” Our mission is to create suitable play and living environments for school-aged children after school and during extended breaks, offering a nurturing space in lieu of their parent’s presence.

Given that the contract period for entrustment and designation typically spans one year, the Company has established that the performance obligation is to be fulfilled over a specific duration. To track progress, the Company assesses the degree of completion in meeting the performance obligation, and accordingly, recognizes revenue on a monthly basis. The calculation period is set at one month as the primary unit for revenue recognition.

ii) Private elementary school after-school child care

The Company enters into contracts with private elementary schools to offer diverse learning, exercise, art, and play programs tailored to the unique policies and culture of each institution.

The fulfillment of performance obligations is considered accomplished as the children receive care and participate in the respective programs. Revenue recognition occurs based on the successful implementation and execution of each program.

3) Nursery schools

In the nursery school business, our primary focus lies in operating licensed nursery schools and small-scale nursery schools, which receive approval from prefectural governors and comply with the Child Welfare Act. As part of our operations, we receive institutional-type and regional childcare benefits, disbursed by national and local

governments through the “New Child Care Support System,” which we treat as consignment expenses.

The Company recognizes revenues derived from subsidies for operating licensed nursery schools. These revenues are determined by official prices set by the Cabinet Office and subsidy guidelines established by local governments. The calculation considers various factors, including the number of enrolled children, enrolled staff members, and other relevant elements.

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

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

Segment Information

1. Overview of reportable segments

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

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

- (1) Employment assistance: Working style support that match the needs of each individual
 (2) After-school day care: After-school child care for public and private schools
 (3) Nursery schools: Operation of certified child welfare facilities

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

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

Profits for reportable business segments are operating profit figures.

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

FY5/22 (Jun. 1, 2021 - May 31, 2022)

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on consolidated financial statements
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	2,694,944	2,824,582	3,610,665	9,130,192	653	9,130,846
Inter-segment sales and transfers	-	-	-	-	-	-
Total	2,694,944	2,824,582	3,610,665	9,130,192	653	9,130,846
Segment profit	98,624	114,079	172,798	385,502	(151,706)	233,795
Segment assets	532,599	624,114	2,328,448	3,485,161	1,142,377	4,627,539
Other items						
Depreciation	1,646	3,294	93,358	98,300	15,348	113,648
Extraordinary income	-	-	143,460	143,460	-	143,460
(Subsidy income)	(-)	(-)	(143,460)	(143,460)	(-)	(143,460)
Extraordinary losses	-	115	143,617	143,732	-	143,732
(Loss on tax purpose reduction entry of non- current assets)	(-)	(-)	(143,460)	(143,460)	(-)	(143,460)
(Loss on retirement of non-current assets)	(-)	(115)	(157)	(272)	(-)	(272)
Increase in property, plant and equipment and intangible assets	3,229	6,087	177,270	186,587	232	186,819

FY5/23 (Jun. 1, 2022 - May 31, 2023)

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amounts shown on consolidated financial statements
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	2,480,247	3,036,105	4,275,830	9,792,182	-	9,792,182
Inter-segment sales and transfers	400	-	-	400	(400)	-
Total	2,480,647	3,036,105	4,275,830	9,792,582	(400)	9,792,182
Segment profit	58,584	132,518	195,077	386,180	(181,564)	204,615
Segment assets	613,941	526,336	2,684,245	3,824,523	1,178,313	5,002,837
Other items						
Depreciation	2,141	3,532	114,019	119,693	6,057	125,750
Extraordinary income	-	-	478,281	478,281	-	478,281
(Subsidy income)	(-)	(-)	(478,281)	(478,281)	(-)	(478,281)
Extraordinary losses	-	-	479,349	479,349	-	479,349
(Loss on tax purpose reduction entry of non- current assets)	(-)	(-)	(478,281)	(478,281)	(-)	(478,281)
(Loss on retirement of non-current assets)	(-)	(-)	(1,067)	(1,067)	(-)	(1,067)
Increase in property, plant and equipment and intangible assets	-	2,313	327,615	329,929	-	329,929

Note: Contents of adjustments are as follows.

(Thousands of yen)

Profit	FY5/22	FY5/23
Total for reportable segments	385,502	386,180
Corporate expenses (Note)	(151,706)	(181,564)
Operating profit in consolidated financial statements	233,795	204,615

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

(Thousands of yen)

Profit	FY5/22	FY5/23
Total for reportable segments	3,485,161	3,824,523
Corporate assets (Note)	1,142,377	1,178,313
Total assets in consolidated financial statements	4,627,539	5,002,837

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

(Thousands of yen)

Other items	Total for reportable segments		Adjustment		Amounts shown on consolidated financial statements	
	FY5/22	FY5/23	FY5/22	FY5/23	FY5/22	FY5/23
Depreciation	98,300	119,693	15,348	6,057	113,648	125,750
Extraordinary income (Subsidy income)	143,460 (143,460)	478,281 (478,281)	- (-)	- (-)	143,460 (143,460)	478,281 (478,281)
Extraordinary losses (Loss on tax purpose reduction entry of non-current assets) (Loss on retirement of non-current assets)	143,732 (143,460) (272)	479,349 (478,281) (1,067)	- (-) (-)	- (-) (-)	143,732 (143,460) (272)	479,349 (478,281) (1,067)
Increase in property, plant and equipment and intangible assets	186,587	329,929	232	-	186,819	329,929

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

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

Per Share Information

(Yen)

	FY5/22 (Jun. 1, 2021 – May 31, 2022)	FY5/23 (Jun. 1, 2022 – May 31, 2023)
Net assets per share	326.26	341.00
Earnings per share	27.47	21.62

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

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

	FY5/22 (Jun. 1, 2021 – May 31, 2022)	FY5/23 (Jun. 1, 2022 – May 31, 2023)
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	173,532	136,651
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	173,532	136,651
Average number of shares outstanding of common stock (Shares)	6,316,662	6,319,552

Subsequent Events

Not applicable.

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