



October 15, 2020

Summary of Consolidated Financial Results **for the First Quarter of the Fiscal Year Ending May 31, 2021** **(Three Months Ended August 31, 2020)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: October 15, 2020
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 31, 2021 **(June 1, 2020 – August 31, 2020)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Aug. 31, 2020	2,070	15.9	139	759.3	143	809.4	91	-
Three months ended Aug. 31, 2019	1,785	11.8	16	56.3	15	20.0	7	34.3

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

Three months ended Aug. 31, 2019: 7 million yen (up 34.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended Aug. 31, 2020	14.49	-
Three months ended Aug. 31, 2019	1.20	-

Notes: 1. No year-on-year percentage changes are shown for profit attributable to owners of parent and comprehensive income for the three months ended Aug. 31, 2020 because the changes are more than 1,000%.

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

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2020	3,939	1,799	45.7
As of May 31, 2020	3,906	1,727	44.2

Reference: Shareholders' equity As of Aug. 31, 2020: 1,799 million yen As of May 31, 2020: 1,727 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2020	-	0.00	-	6.00	6.00
Fiscal year ending May 31, 2021	-				
Fiscal year ending May 31, 2021 (forecast)		0.00	-	4.00	4.00

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

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

Consequently, the dividend forecast of 4.00 yen per share is equivalent to 8.00 yen per share prior to the stock split, which is an increase of 2.00 yen over the dividend paid for the fiscal year ended May 31, 2020.

3. Consolidated Forecast for the Fiscal Year Ending May 31, 2021 (June 1, 2020 – May 31, 2021)

(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	8,000	15.1	280	105.0	279	66.3	181	79.4	28.65

Note: Revision to the most recently announced consolidated forecast: Yes

*** Notes**

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

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

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

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|---|------|
| 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 |

(4) Number of issued shares (common stock)

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

As of Aug. 31, 2020	6,329,400 shares	As of May 31, 2020:	6,329,400 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2020:	- shares	As of May 31, 2020:	- shares
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3) Average number of shares during the period

Three months ended Aug. 31, 2020:	6,329,400 shares	Three months ended Aug. 31, 2019:	6,329,400 shares
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Note: SERIO Holdings conducted a two-for-one common stock split on October 1, 2020. The number of issued shares (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

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

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the SERIO Holdings management at the time the materials were prepared, but are not promises by SERIO Holdings regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” for forecast assumptions and notes of caution for usage.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today (October 15, 2020), using the Timely Disclosure network (TDnet).

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of SERIO Holdings Group (SERIO Holdings and its consolidated subsidiaries) as of August 31, 2020.

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year (June 1 to August 31, 2020), the COVID-19 pandemic had an effect on parts of the employment assistance business. However, some sectors of this business have started recovering due to the implementation of measures to prevent the spread of COVID-19. Normal operations continued in the after-school day-care business and nursery school business, along with measures to protect participants from COVID-19, in order to fulfill the role of these businesses of caring for children while a parent or other guardian is at work.

In July 2020, the Japanese government announced the 2020 Key Policies for Accelerating the Empowerment of Women. There have been numerous activities in accordance with these policies for the establishment of a framework that allows women to play an active role in workplaces. In October 2019, Japan began providing free public preschool education. The demand for these services has increased and is expected to continue to grow. In addition, the enactment in stages of working style reform laws beginning in April 2020 has directly altered the business climate for the employment assistance business. Most significant is the requirement for equal pay for equal work.

During the first quarter, we continued to take actions aimed at creating jobs in order to provide opportunities for working while caring for children to an even larger number of people. We also continued to strengthen the administrative infrastructures of the after-school day-care and nursery school businesses to accommodate the growth of these two operations. First quarter sales increased because of the sales at nursery schools and after-school day-care facilities that opened in April and May 2020 and a faster than expected recovery in sales in the employment assistance business following the downturn caused by the COVID-19 outbreak. Operating profit increased because of sales growth and lower recruiting expenses as the employee retention rate improved. In addition, earnings in the previous fiscal year's first quarter were held down by one-time expenses for the replacement of personal computers. In the first quarter, some instructors were furloughed because of school closings in June due to COVID-19. As the retention of our employees is our highest priority, we provided furlough compensation payments to these instructors. Government employment adjustment subsidies and other payments received in association with employee furloughs were recorded as non-operating income.

As a result, net sales for the first quarter of the fiscal year ending May 31, 2021 increased 15.9% year on year to 2,070 million yen. Operating profit was 139 million yen, up 759.3% and ordinary profit was 143 million yen, an increase of 809.4%. Profit attributable to owners of parent was 91 million yen compared with profit of 7 million yen one year earlier.

The following is a summary of business segment performance.

1) Employment assistance

We provide part-time and temporary jobs at a broad range of companies in order to enable women to work in a manner that matches each stage of their lives. This is at the heart of our mission as a company that enables people to continue working while caring for a family.

Due to COVID-19, some current customers adjusted working hours for temporary staffing personnel. However, the recovery in sales that followed these adjustments and working hour reductions was faster than expected. In addition, sales increased in the subcontracting business because operations were expanded to cover more business sectors, air conditioner repair call centers were very busy due to hot summer weather and several large new orders were received. Earnings were negatively affected by the payments of furlough benefits to temporary placement personnel who were affected by working time adjustments. However, earnings benefited from sales growth, higher productivity in the subcontracting business, and a revision of temporary staffing contract rates because of the April 2020 enactment of the equal pay for equal work requirement.

As a result, net sales of this business were 710 million yen, up 15.3% year on year, and segment profit was 57 million yen, an increase of 140.6%.

2) After-school day care

The after-school day-care business continued to take many actions for protection against COVID-19 infections in order to maintain the safety of every facilities.

In March 2020, all elementary schools in Japan closed in response to a request by the Japanese government due to the COVID-19 pandemic. In June, after the state of emergency ended, schools have slowly started to resume operations. Schools shortened summer vacation and took other steps to offset the school days that were lost earlier in the year. The number of extra days and length of classes vary depending on the decisions of local governments. As a result, there were revisions to the plans for days of operation and operating times of the facilities operated for local governments. In addition, the number of children using after-school day-care facilities was smaller than the number initially registered as some parents kept children home because of the COVID-19 pandemic.

The number of after-school day-care facilities operated by the SERIO Group at the end of August 2020 was 123 for public facilities (operated for local governments), nine for private elementary schools and one in the private sector, a total of 133. This is the same as at the end of the previous fiscal year. Preparations are under way to open more locations beginning in April 2021.

Sales in this business were less than expected because of the reduced operating hours of after-school day-care facilities during the summer vacation period. Nevertheless, total sales increased because of the contribution to sales from six locations that started operations in the previous fiscal year. Earnings were higher due to sales growth, a decrease in expenses for instructors because the majority of locations had no children for morning classes due to shorter summer vacation period, and the absence of one-time expenses for the replacement of personal computers recorded in the previous fiscal year.

As a result, net sales of this business were 626 million yen, up 4.2% year on year, and segment profit was 50 million yen, an increase of 175.4%.

3) Nursery schools

Even after the end of the state of emergency in association with COVID-19 on May 25, 2020, there was a decrease in June in the percentage of registered children who attended the nursery schools of this business at some locations because of government requests for parents to provide care for their children at home. In July, the ratio of children attending nursery schools returned to almost the normal level. As in the previous period, there were numerous measures in accordance with COVID-19 prevention guidelines in order to ensure the safety of children and instructors.

As of April 1, 2020, there were 12,439 preschool children in Japan who were waiting for a nursery school opening, down by 4,333 from one year earlier. Despite this decline, nursery school demand remains high. The number of nursery school applications increased to a record-high 2.84 million in April because of the rising percentage of women who have jobs.

The number of children using SERIO Group nursery schools has been increasing steadily. At the end of August 2020, there were 20 certified nursery schools, nine small certified nursery schools, three nursery schools for companies, and two community child development support facilities, a total of 34 locations. There was no increase in the number of locations during the first quarter, but preparations are under way to open more locations beginning in April 2021.

Sales benefited from the increasing number of children in the nursery schools of this business, the result of students at nursery schools newly opened in places where there is not enough nursery school capacity to meet demand. A big increase in the number of children at existing locations also contributed to sales growth. Earnings increased significantly because of sales growth and lower recruiting expenses as the instructor retention rate improved.

As a result, net sales of this business were 733 million yen, up 29.0% year on year, and segment profit was 65 million yen compared with profit of 1 million yen one year earlier.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter increased 32 million yen from the end of the previous fiscal year to 3,939 million yen. This was mainly due to increases of 99 million yen in accounts receivable-trade and 28 million yen in prepaid expenses. There were decreases of 75 million yen in cash and deposits and 10 million yen in accounts receivable-other.

Liabilities

Total liabilities at the end of the first quarter decreased 40 million yen from the end of the previous fiscal year to 2,139 million yen. This was mainly due to decreases of 91 million yen in accrued expenses, 71 million yen in deposits received and 67 million yen in short-term borrowings, while there were increases of 100 million yen in provision for bonuses, 46 million yen in long-term borrowings and 34 million yen in accrued consumption taxes.

Net assets

Total net assets at the end of the first quarter increased 72 million yen from the end of the previous fiscal year to 1,799 million yen. This was mainly due to an increase of 91 million yen in retained earnings resulting from profit attributable to owners of parent and a decrease of 18 million yen in retained earnings due to payment of dividends.

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

Based on operating results in the first quarter and forecasts available at this time, we have revised the full year consolidated forecast announced on July 14, 2020 in “Consolidated Financial Results for the Fiscal Year Ended May 31, 2020” (Japanese only). For more information, please refer to “Notice of Revisions to the Consolidated Forecast for the Fiscal Year Ending May 31, 2021” announced today.

The consolidated forecast was prepared based on assumption judged to be valid and information available at the release of these materials. Actual results may differ from the forecasts for a number of reasons.

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

(Thousands of yen)

	FY5/20 (As of May 31, 2020)	First quarter of FY5/21 (As of Aug. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,531,821	1,456,143
Accounts receivable-trade	553,722	653,150
Prepaid expenses	61,541	89,928
Accounts receivable-other	52,804	41,923
Other	12,418	11,622
Allowance for doubtful accounts	(256)	(455)
Total current assets	2,212,051	2,252,312
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,034,938	1,019,948
Tools, furniture and fixtures, net	32,412	31,437
Land	161,735	161,735
Construction in progress	1,210	12,246
Total property, plant and equipment	1,230,295	1,225,368
Intangible assets		
Right to use facilities	12,225	11,990
Software	18,568	16,360
Leased assets	11,761	10,750
Other	1,257	1,226
Total intangible assets	43,812	40,327
Investments and other assets		
Investments in capital	10	10
Guarantee deposits	148,139	158,186
Long-term prepaid expenses	19,132	17,801
Deferred tax assets	29,903	27,212
Insurance funds	32,954	32,954
Construction assistance fund receivables	134,548	132,911
Other	54,048	50,628
Total investments and other assets	418,737	419,706
Total non-current assets	1,692,846	1,685,402
Deferred assets		
Share issuance costs	1,994	1,335
Total deferred assets	1,994	1,335
Total assets	3,906,892	3,939,051

	(Thousands of yen)	
	FY5/20 (As of May 31, 2020)	First quarter of FY5/21 (As of Aug. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	3,344	7,176
Short-term borrowings	134,100	67,100
Current portion of long-term borrowings	58,854	62,880
Lease obligations	12,122	12,065
Accounts payable-other	61,468	78,814
Accounts payable for equipment investment	5,243	2,491
Dividends payable	-	1,160
Accrued expenses	568,698	477,293
Income taxes payable	71,458	46,810
Accrued consumption taxes	64,724	99,085
Advances received	122,150	134,879
Deposits received	161,884	90,623
Provision for bonuses	-	100,962
Total current liabilities	1,264,048	1,181,344
Non-current liabilities		
Long-term borrowings	692,338	739,106
Lease obligations	15,132	12,158
Asset retirement obligations	208,286	206,633
Total non-current liabilities	915,756	957,897
Total liabilities	2,179,804	2,139,242
Net assets		
Shareholders' equity		
Share capital	693,263	693,263
Capital surplus	671,433	671,433
Retained earnings	362,391	435,113
Total shareholders' equity	1,727,087	1,799,809
Total net assets	1,727,087	1,799,809
Total liabilities and net assets	3,906,892	3,939,051

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

	(Thousands of yen)	
	First three months of FY5/20 (Jun. 1, 2019 – Aug. 31, 2019)	First three months of FY5/21 (Jun. 1, 2020 – Aug. 31, 2020)
Net sales	1,785,889	2,070,063
Cost of sales	1,489,757	1,641,973
Gross profit	296,132	428,090
Selling, general and administrative expenses	279,854	288,217
Operating profit	16,278	139,872
Non-operating income		
Interest income	6	6
Subsidy income	1,000	5,314
Miscellaneous income	1,052	723
Total non-operating income	2,058	6,045
Non-operating expenses		
Interest expenses	1,333	2,079
Amortization of share issuance costs	658	658
Miscellaneous loss	600	-
Total non-operating expenses	2,591	2,738
Ordinary profit	15,744	143,179
Extraordinary income		
Subsidy income	-	454
Total extraordinary income	-	454
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	-	454
Loss on retirement of non-current assets	-	2,116
Total extraordinary losses	-	2,570
Profit before income taxes	15,744	141,063
Income taxes-current	6,291	46,662
Income taxes-deferred	1,858	2,690
Total income taxes	8,150	49,353
Profit	7,594	91,709
Profit attributable to owners of parent	7,594	91,709

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

(Thousands of yen)

	First three months of FY5/20 (Jun. 1, 2019 – Aug. 31, 2019)	First three months of FY5/21 (Jun. 1, 2020 – Aug. 31, 2020)
Profit	7,594	91,709
Comprehensive income	7,594	91,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,594	91,709

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First three months of FY5/20 (Jun. 1, 2019 – Aug. 31, 2019)****1. Information related to net sales and profit or loss for each reportable segment** (Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Employment assistance	After-school day care	Nursery schools	Total		
Net sales						
External sales	616,572	600,808	568,509	1,785,889	-	1,785,889
Inter-segment sales and transfers	-	-	-	-	-	-
Total	616,572	600,808	568,509	1,785,889	-	1,785,889
Segment profit	24,071	18,399	1,112	43,583	(27,305)	16,278

Notes: 1. The negative adjustment of 27,305 thousand yen to segment profit is mainly selling, general and administrative expenses that cannot be attributed to any reportable segments.

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

II. First three months of FY5/21 (Jun. 1, 2020 – Aug. 31, 2020)**1. Information related to net sales and profit or loss for each reportable segment** (Thousands of yen)

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

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

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

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.