

# Results of Operations for the Fiscal Year Ended May 31, 2021



SERIO HOLDINGS CO., LTD.

Hisashi Wakahama, President and CEO

家族を笑顔に!

**serio**

- 1. Corporate Profile**
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## Vision

**A company that creates happiness for families**

## Mission



**Support for work-family balance**



**Support for the sound growth and development of children**

## Support for women for jobs and raising children

### Creating job opportunities

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

Employment assistance  
(temporary staffing,  
subcontracting, job placements)

### Creating an environment for work

Provision of reliable child care facilities creates time for work

Nursery schools  
(Operation of nursery schools)

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

## • Sales and earnings increased to a record high for 5th consecutive year

Both sales and earnings achieved a record high in all segments. New locations opened contributed to growth of the after-school day care and nursery schools businesses. Expansion of subcontracting operations and new high-volume contracts contributed to growth of the employment assistance business. A big increase in earnings is mainly because of higher sales and lower personnel expenses in the after-school day care business due to the pandemic.

Net sales	¥8,218 million	<u>(+18.3% YoY)</u>
Gross profit	¥1,631 million	<u>(+27.4% YoY)</u>
Operating profit	¥337 million	<u>(+147.1% YoY)</u>
Ordinary profit	¥344 million	<u>(+105.5% YoY)</u>

# Income Statement for FY5/2021



(Millions of yen)

	FY5/2021 Plan *Announced on Apr. 13, 2021	FY5/2021 Results	% to sales	YoY change	Progress rate vs. FY5/2021 plan announced on Apr. 13, 2021	FY5/2020	
						Results	% to sales
<b>Net sales</b>	8,200	<b>8,218</b>	100.0%	+18.3%	100.2%	6,948	100.0%
Employment assistance	2,588	<b>2,585</b>	31.5%	+16.4%	99.9%	2,220	32.0%
After-school day care	2,548	<b>2,547</b>	31.0%	+15.2%	99.9%	2,211	31.8%
Nursery schools	3,063	<b>3,085</b>	37.5%	+22.6%	100.7%	2,516	36.2%
<b>Cost of sales</b>	6,593	<b>6,587</b>	80.2%	+16.2%	99.9%	5,668	81.6%
<b>Gross profit</b>	1,606	<b>1,631</b>	19.8%	+27.4%	101.5%	1,279	18.4%
<b>Selling, general and administrative expenses</b>	1,287	<b>1,293</b>	15.7%	+13.2%	100.5%	1,143	16.5%
<b>Operating profit</b>	319	<b>337</b>	4.1%	+147.1%	105.6%	136	2.0%
<b>Ordinary profit</b>	320	<b>344</b>	4.2%	+105.5%	107.6%	167	2.4%
<b>Profit attributable to owners of parent</b>	208	<b>223</b>	2.7%	+121.3%	107.4%	101	1.5%

In FY5/2020, there was non-operating income of ¥33 million for employment adjustment subsidies and other subsidies associated with furloughs as elementary schools closed because of the pandemic.

\*Furloughed personnel received their full salaries.

	As of May 31, 2020		As of May 31, 2021		Change
	Amount	Comp.	Amount	Comp.	
<b>Current assets</b>	2,212	56.6%	<b>2,579</b>	57.4%	+367
Cash and deposits	1,531	39.2%	<b>1,897</b>	42.2%	+365
<b>Non-current assets</b>	1,692	43.3%	<b>1,916</b>	42.6%	+223
Property, plant and equipment	1,230	31.5%	<b>1,325</b>	29.5%	+95
<b>Total assets</b>	<b>3,906</b>	100.0%	<b>4,495</b>	100.0%	+588
<b>Current liabilities</b>	1,264	32.4%	<b>1,347</b>	30.0%	+83
Short-term borrowings	134	3.4%	-	-	-134
<b>Non-current liabilities</b>	915	23.4%	<b>1,216</b>	27.1%	+300
Long-term borrowings	692	17.7%	<b>880</b>	19.6%	+187
<b>Total liabilities</b>	<b>2,179</b>	55.8%	<b>2,563</b>	57.0%	+384
<b>Net assets</b>	1,727	44.2%	<b>1,931</b>	43.0%	+204
<b>Total liabilities and net assets</b>	<b>3,906</b>	100.0%	<b>4,495</b>	100.0%	+588

(Millions of yen)

✓ **Property, plant and equipment**  
Increase in non-current assets due to new nursery schools

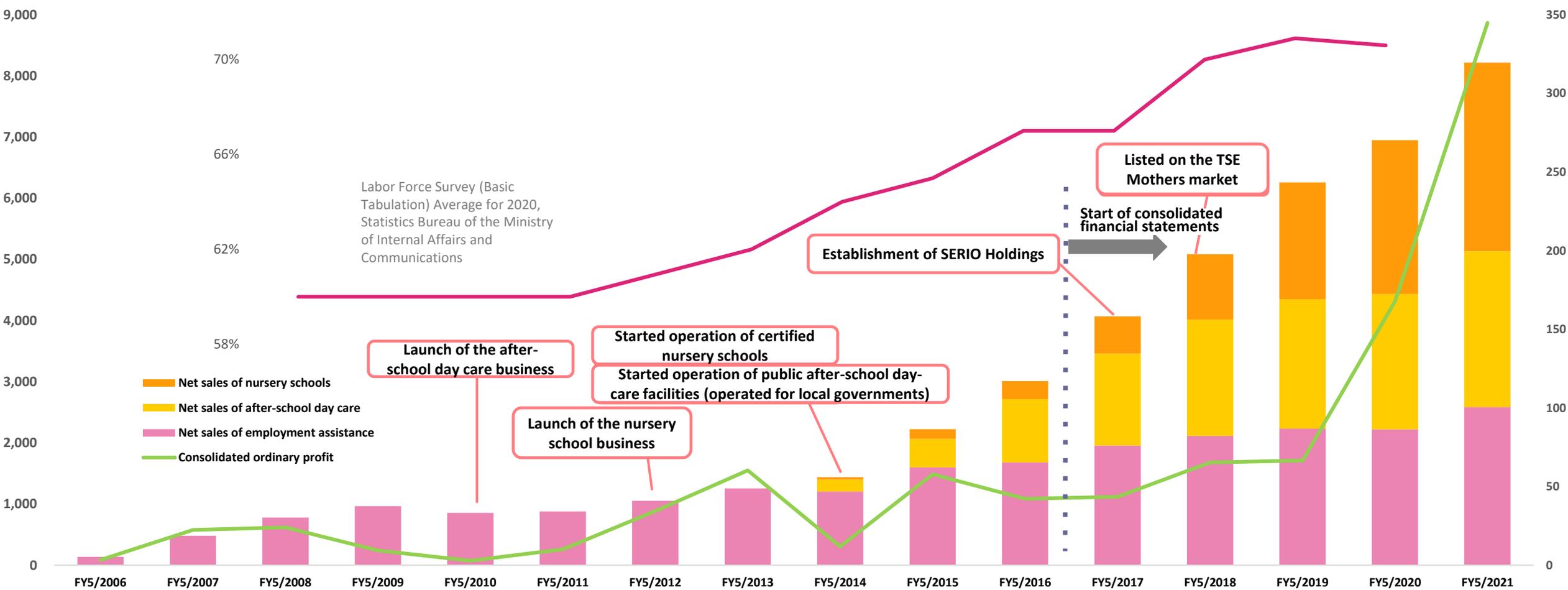
✓ **Borrowings**  
Increase in loans involving existing nursery schools

(Millions of yen)

	FY5/2020	FY5/2021	Change	Reason for change
<b>Cash flows from operating activities</b>	258	<b>585</b>	+327	Higher profits
<b>Cash flows from investing activities</b>	(295)	<b>(265)</b>	+30	Purchase of property, plant and equipment (for opening nursery schools)
<b>Cash flows from financing activities</b>	307	<b>44</b>	-262	Repayments of borrowings
<b>Cash and cash equivalents at end of period</b>	1,531	<b>1,897</b>	+365	-
<b>Free cash flows</b>	(36)	<b>320</b>	+357	-

(Net sales: millions of yen)

(Ordinary profit: millions of yen)

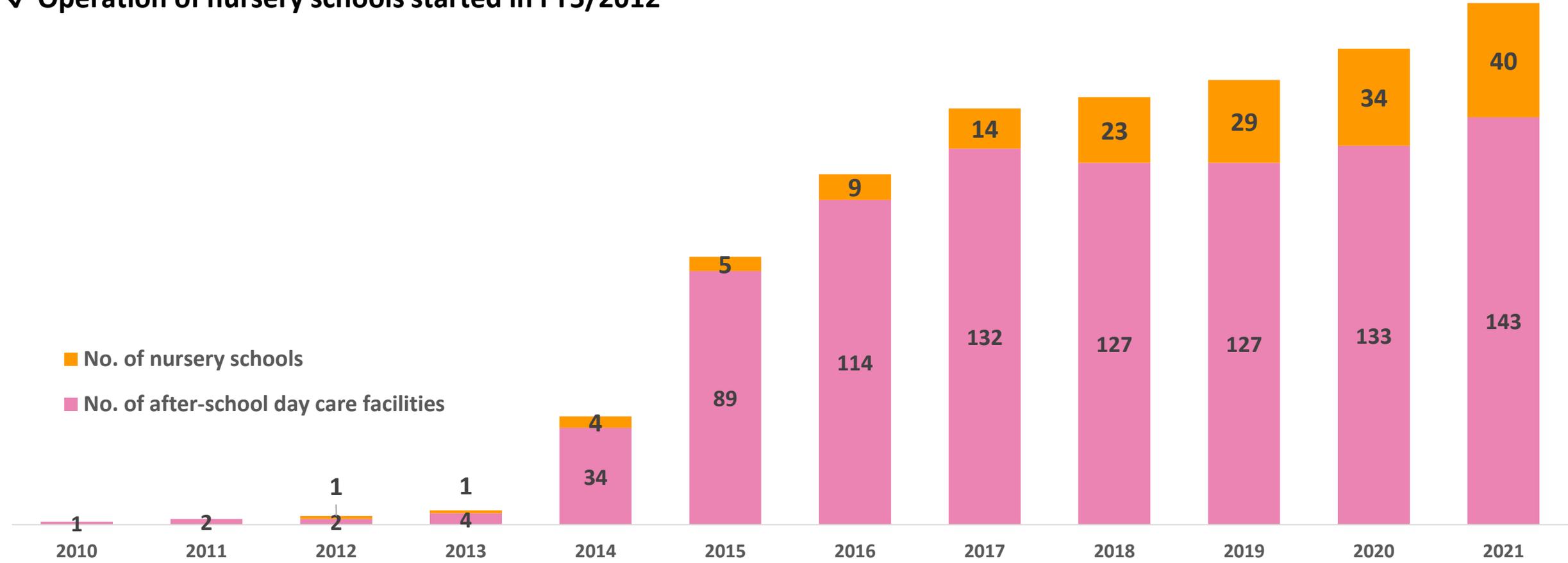


<b>No. of our nursery schools</b>						1	1	4	5	9	14	23	29	34	40		
<b>No. of our after-school day-care facilities</b>						1	2	2	4	34	89	114	132	127	127	133	143

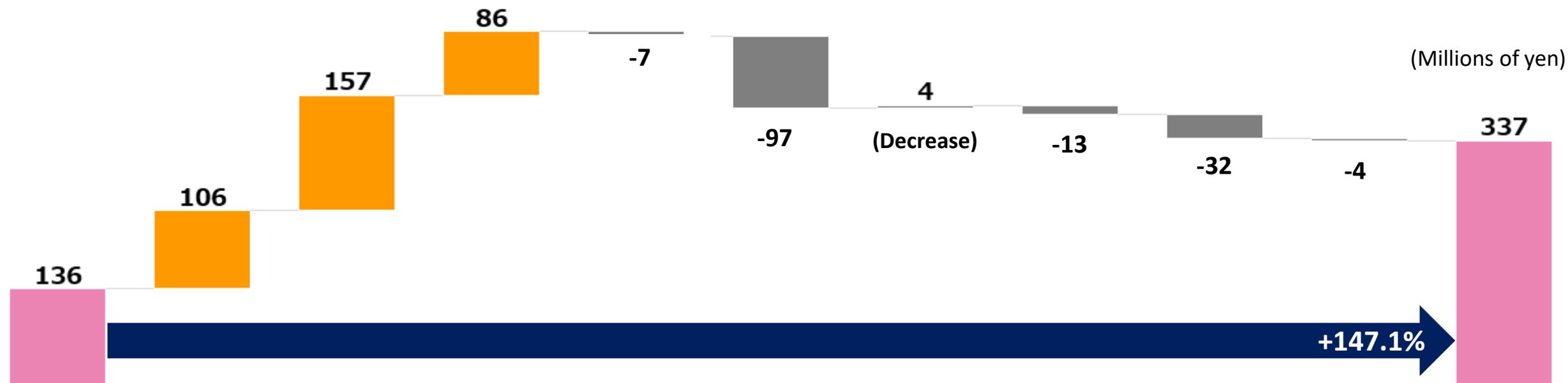
→ FY5/2010 to FY5/2013: Total sales After FY5/2014: Sales by segment

→ Jan. 2016: Started contract with audit firm

- ✓ As of the end of May 2021, 143 after-school day-care facilities and 40 nursery schools, a total of 183 locations, 16 more than one year earlier
- ✓ Operation of after-school day-care facilities started in FY5/2010
- ✓ Operation of nursery schools started in FY5/2012



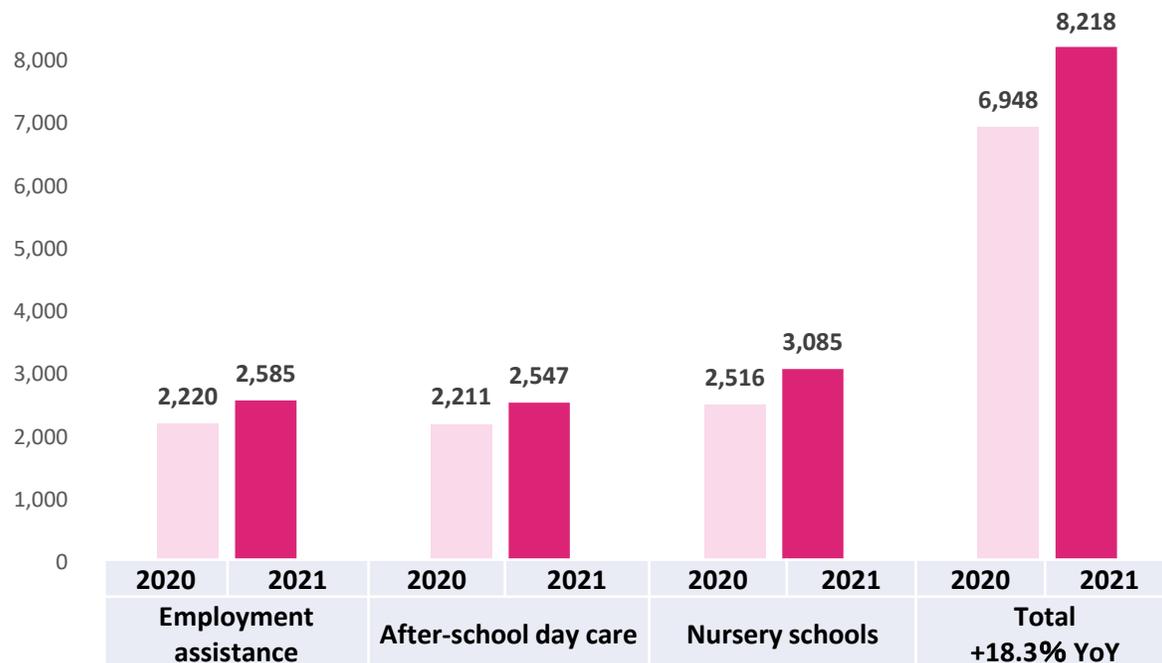
# Analysis of Year-on-Year Change in Operating Profit



FY5/2020			FY5/2021		
Segment	YoY change	Gross profit	Segment	YoY change	SG&A expenses
Employment assistance	+106	Sales growth, service rate revisions, higher subcontracting business productivity	Recruiting expenses	-7	Start of a certified child care worker placement service in the employment assistance business raised expenses. Number of locations in existing operations increased but expenses were unchanged from one year earlier.
After-school day care	+157	Higher earnings due to sales growth as more facilities were added and lower personnel expenses because of a shorter summer vacation and decline in the average number of children using facilities caused by the pandemic	Personnel expenses	-97	Reflects 13% increase in the workforce and bonuses linked to earnings
Nursery schools	+86	Higher earnings due to sales growth resulting from more nursery schools and more children at existing schools. Slower growth rate due to new business expenses (SERIO Garden) and COVID-19 support payments to full-time employees.	Rent expenses	+4 (Decrease)	Used the free address workspace format to consolidate the Tokyo office at a single location
			Commission expenses	-32	Child care worker employment websites, human resource management systems, others

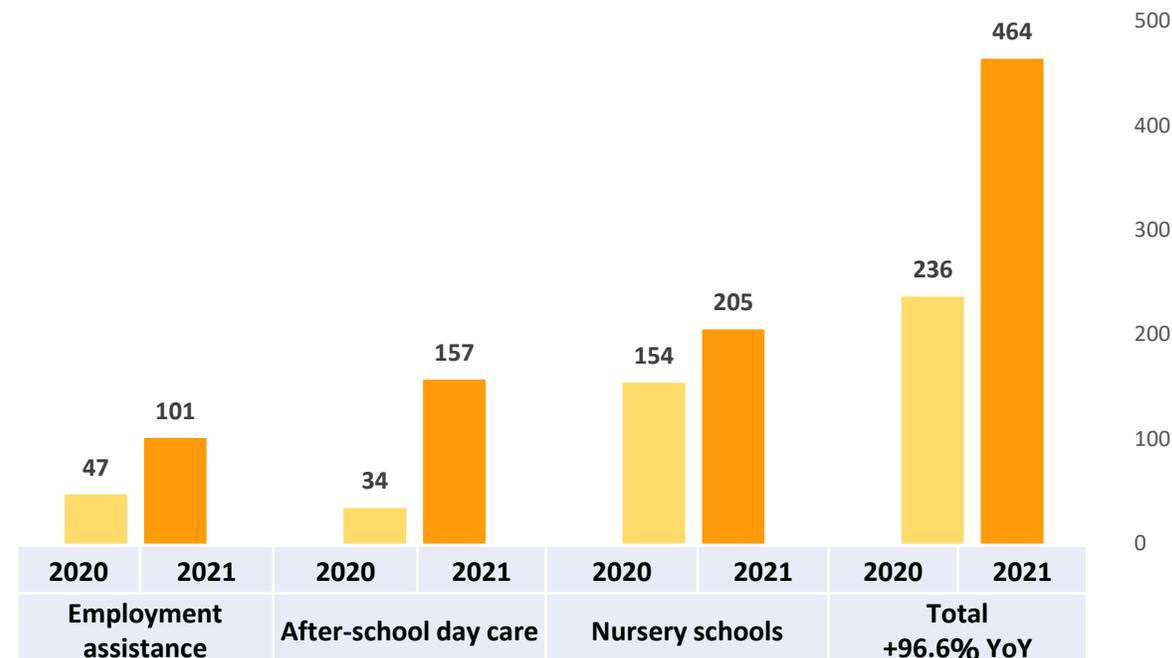
## Net Sales

(Millions of yen)



## Operating Profit

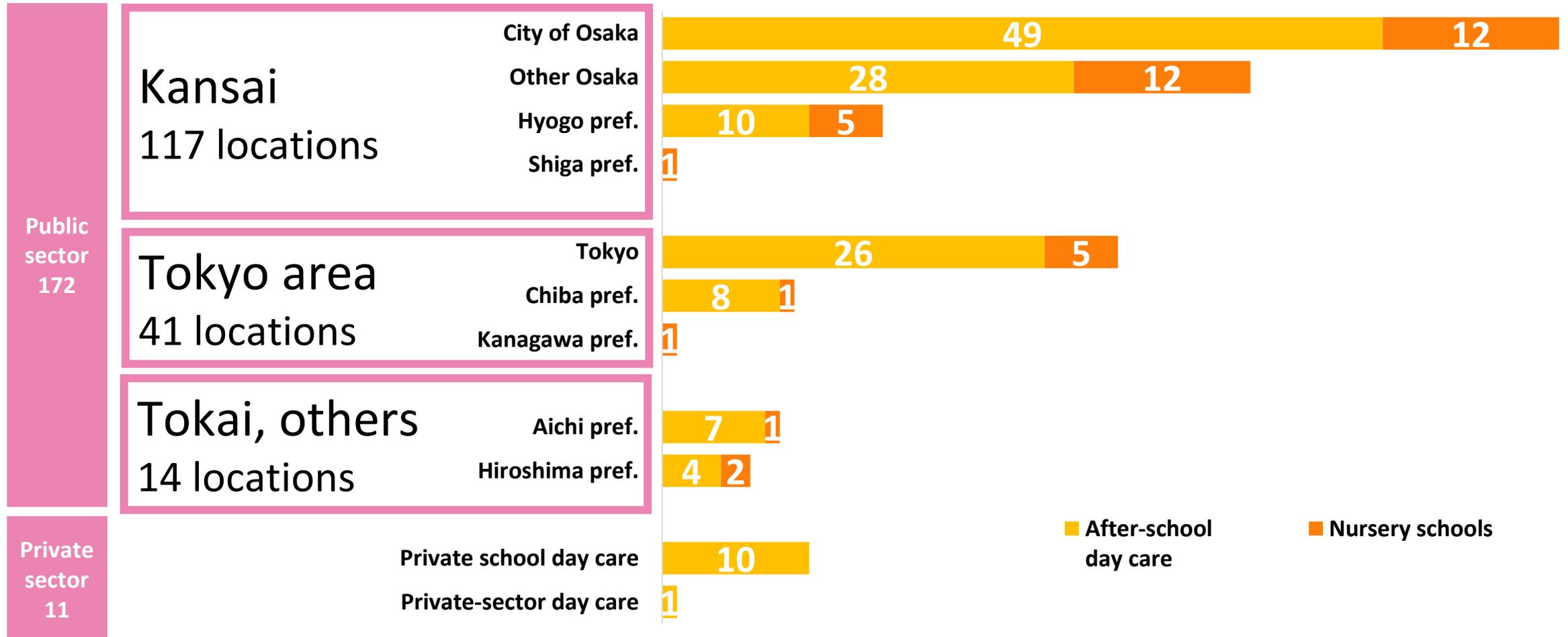
(Millions of yen)



Segment	Net sales		Operating profit	
Employment assistance	↑	More breadth of subcontracting operations, new high-volume contracts, service rate revisions	↑	Earnings benefited from sales growth, higher subcontracting business productivity and higher efficiency of administrative operations
After-school day care	↑	Net increase of 10 locations: 13 new locations and 3 contracts completed at end of March 2021 (New locations opened in April 2021, contributing only 2 months of sales)	↑	Earnings benefited from sales growth, lower personnel expenses due to a shorter summer vacation and operating hours caused by the pandemic, a decline in hiring short-term personnel, and a decline in personnel expenses due to a decline in the average number of children
Nursery schools	↑	More children at new locations, extensive actions throughout the year to increase children at existing locations	↑	Earnings benefited from sales growth but the growth rate was slower because of expenses for the new SERIO Garden business

There were 183 locations at the end of May 2021, including 172 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.



## ESG

**COVID-19 pandemic support payments for all people employed between January and March 2021**

**Extra paid time off when receiving a COVID-19 vaccine**

**Support payments to employees during the second state of emergency**

**Eligibility: All full-time, part-time and temporary staffing personnel**

**Support for vaccine side effects on the vaccine day or following day**

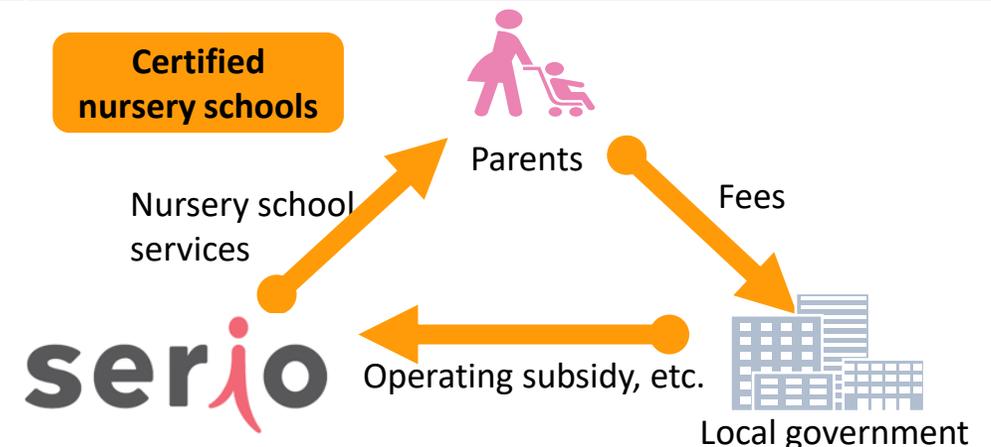
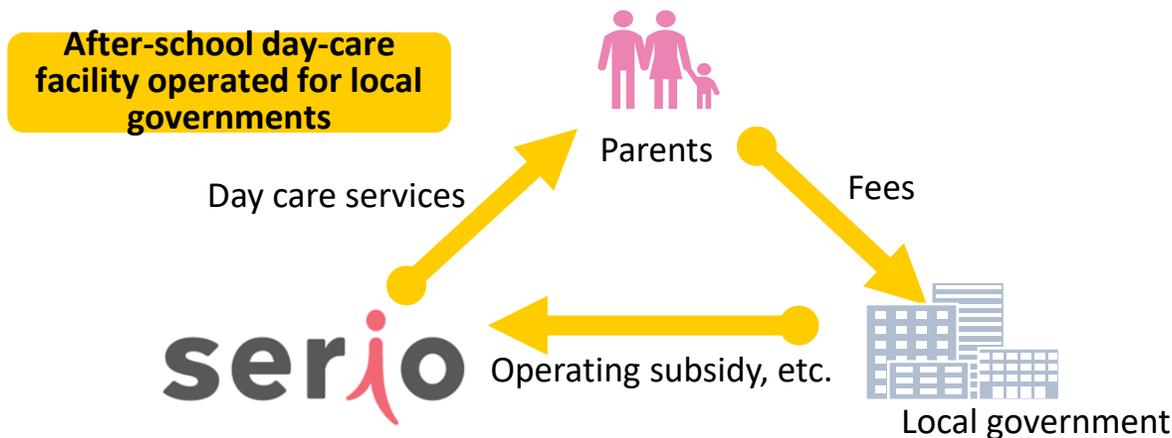
**Eligibility: Full-time, part-time and temporary staffing personnel who work at least five days every week**

- ✓ **Employment assistance:** New orders are steady; performance for existing customers is stable.
- ✓ **After-school day care:** Reduced operating hours due to shorter summer vacation; decreases in sales, personnel expenses and recruiting expenses; some parents kept children out of day care.
- ✓ **Nursery schools:** Parents are delaying returning to work due to COVID-19 and extending child care leave; weakness in new April 2021 enrollments of age 0 to 1 year.

	FY5/2021			Expected FY5/2022 risk factors State of emergency restrictions
	Market conditions	Results of operations	Impact	
<b>Overall</b>	<ul style="list-style-type: none"> <li>• Online sales and business meetings and recruiting, training and other activities</li> </ul>	<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>Not expected because of progress with vaccinations</b>
<b>Employment assistance</b>	<ul style="list-style-type: none"> <li>• <b>Fewer companies are still reducing working hours</b> for temporary staffing personnel</li> <li>• More companies are reexamining their personnel expenses</li> </ul>	<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>	<ul style="list-style-type: none"> <li>• Shorter summer vacation to secure sufficient time for classes → <b>Decline in all-day operations</b></li> <li>• <b>Fewer children, probably due to concerns about COVID-19</b></li> </ul>	<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>	<ul style="list-style-type: none"> <li>• Various events were reduced or canceled to place priority on preventing COVID-19 infections</li> <li>• <b>Parents are postponing the return to work and extending child care leave, resulting in smaller than usual number of enrollments in April</b></li> </ul>	Asked parents for sibling home care cooperation due to elementary school closings in June.	Only a minor impact for FY5/2021	

- ✓ After-school day care: Sales and personnel expenses down in FY5/2021 as the number of children decreased. Shorter operation during summer vacation (July-Aug. 2020) also reduced personnel expenses
- ✓ Nursery schools: Negligible effect because of the structure of this business
- ✓ Retained jobs and paid salaries of employees furloughed because after-school day-care facilities were closed because of elementary school closings
- ✓ Continued operations with strict COVID-19 preventive measures, placing highest priority on the safety of children, employees, client companies and others

	After-school day care	Nursery schools
<b>Business structure</b>	<ul style="list-style-type: none"> <li>▪ <b>Annual</b> contracts from local governments to operate these facilities</li> <li>▪ Shorter operating hours due to extended shutdowns due to elementary school closings → Decreases in operating subsidies and personnel expenses (lower sales and cost of sales)</li> </ul>	Operating subsidies received from local governments are based on the <b>number of registered children</b> in every month



- ✓ Forecast higher sales and lower earnings
- ✓ The impact of the pandemic is expected to be minor in all businesses
- ✓ Major factors: Big earnings increase from prior year in after-school day care in FY5/2021 as the pandemic reduced personnel expenses, but expect the operating environment to return to normal in FY5/2022
- ✓ Will continue investments for new businesses, people, ICT and other activities for consistent growth

(Millions of yen)

	FY5/2022 Plan	% to sales	YoY change	FY5/2021 Results
Net sales	<b>9,000</b>	100.0%	+9.5%	<b>8,218</b>
Cost of sales	<b>7,258</b>	80.6%	+10.2%	<b>6,587</b>
Gross profit	<b>1,742</b>	19.4%	+6.8%	<b>1,631</b>
Selling, general and administrative expenses	<b>1,467</b>	16.3%	+13.4%	<b>1,293</b>
Operating profit	<b>275</b>	3.1%	-18.5%	<b>337</b>
Ordinary profit	<b>270</b>	3.0%	-21.7%	<b>344</b>
Profit attributable to owners of parent	<b>175</b>	2.0%	-21.5%	<b>223</b>

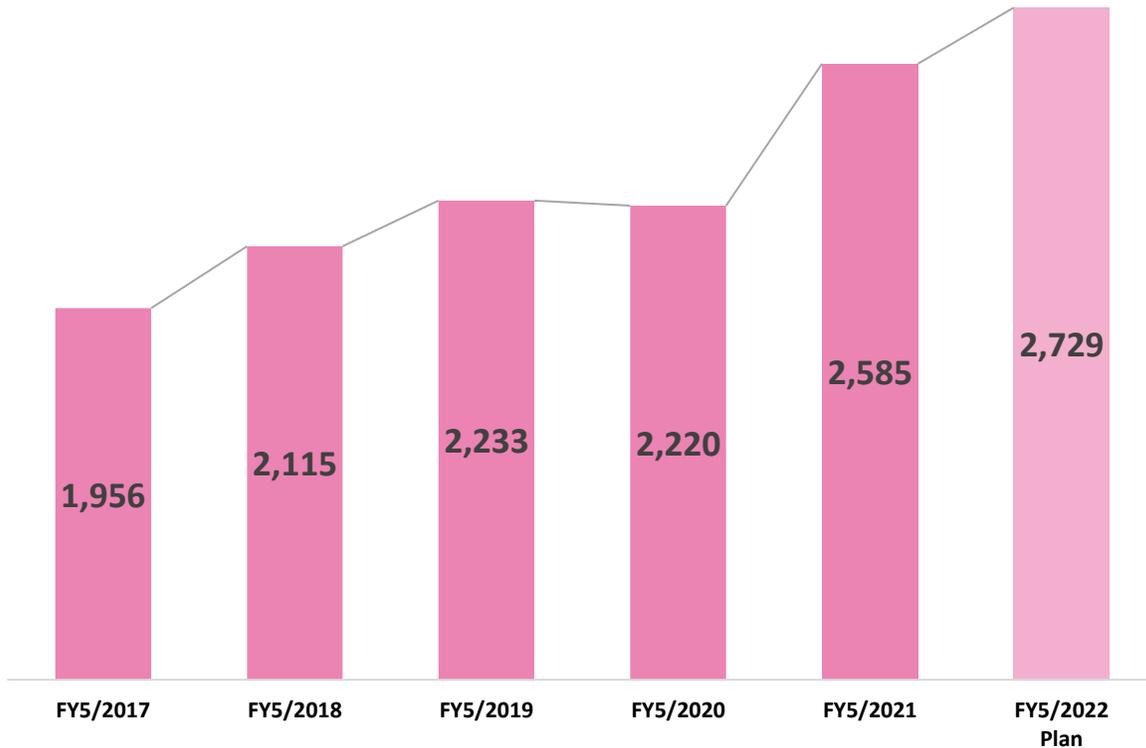
- ✓ Anticipate higher sales in all segments
- ✓ After-school day care: Expect sales contribution from 10 schools opened in FY5/2021
- ✓ Nursery schools: Forecast sales contribution from 6 schools opened in FY5/2021 and from more children at existing schools

(Millions of yen)

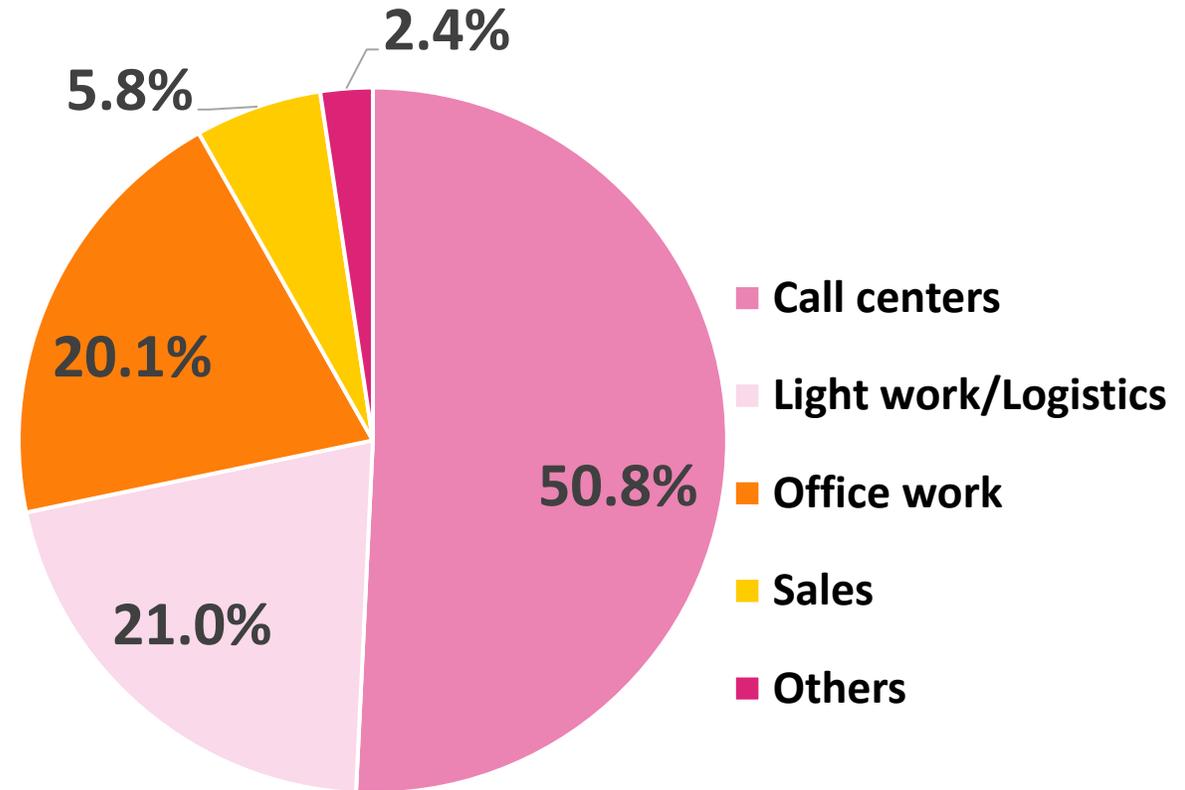
	FY5/2022 Plan	FY5/2021 Results	YoY change
Employment assistance	<b>2,729</b>	2,585	+5.5%
After-school day care	<b>2,848</b>	2,547	+11.8%
Nursery schools	<b>3,423</b>	3,085	+10.9%
<b>Total</b>	<b>9,000</b>	8,218	+9.5%

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

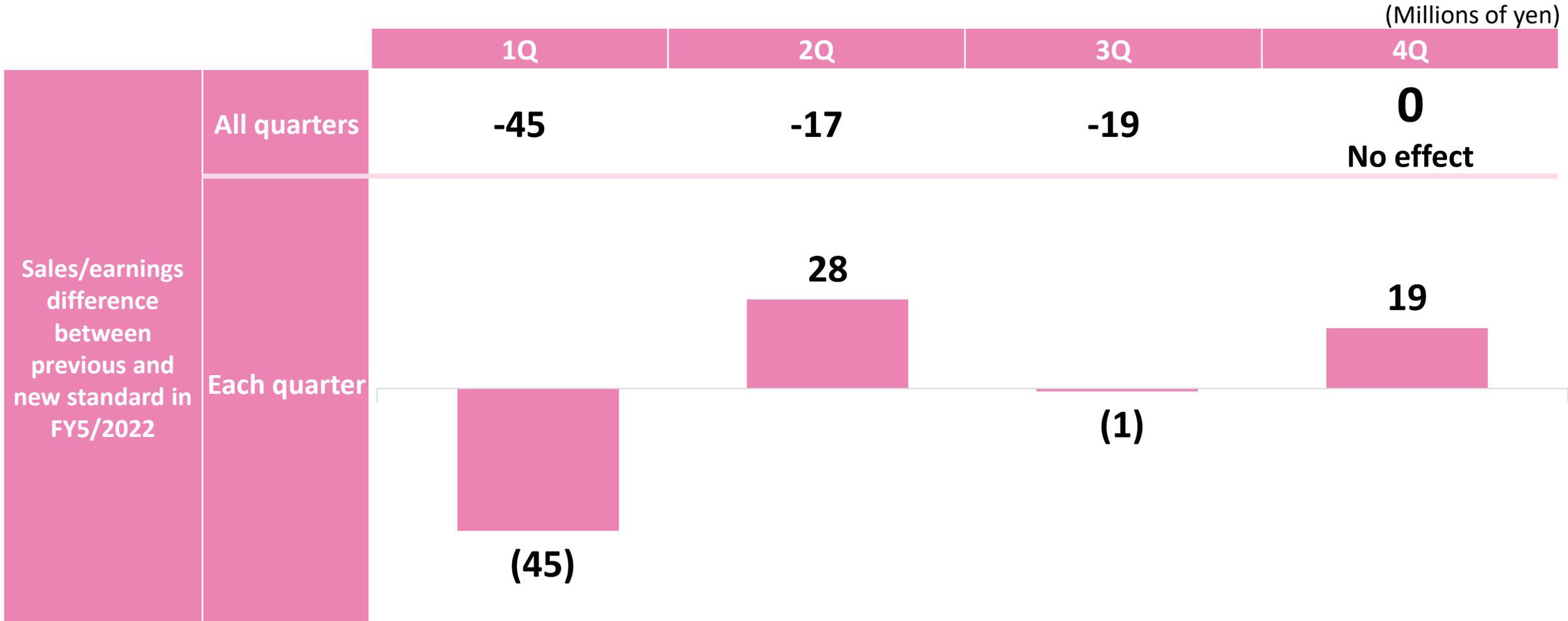
Employment Assistance Sales (Millions of yen)



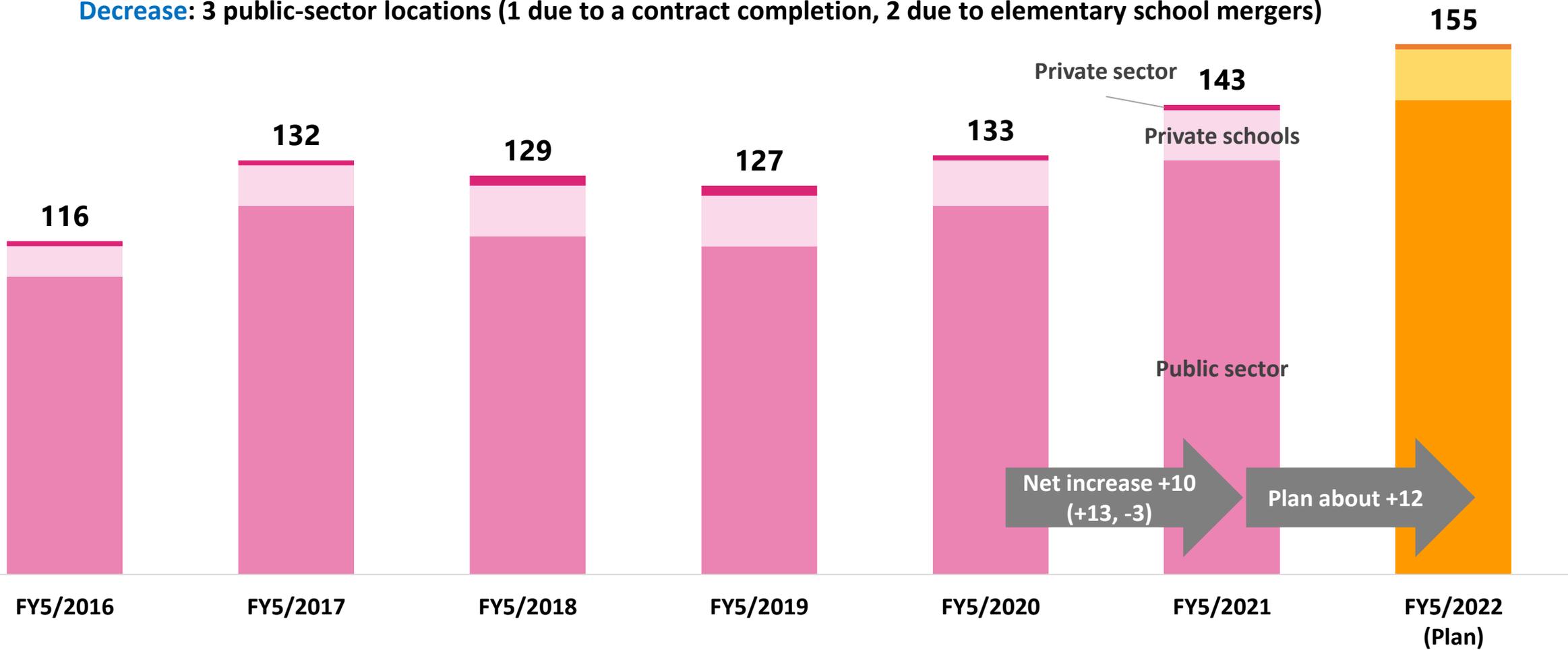
Sales Composition in FY5/2021



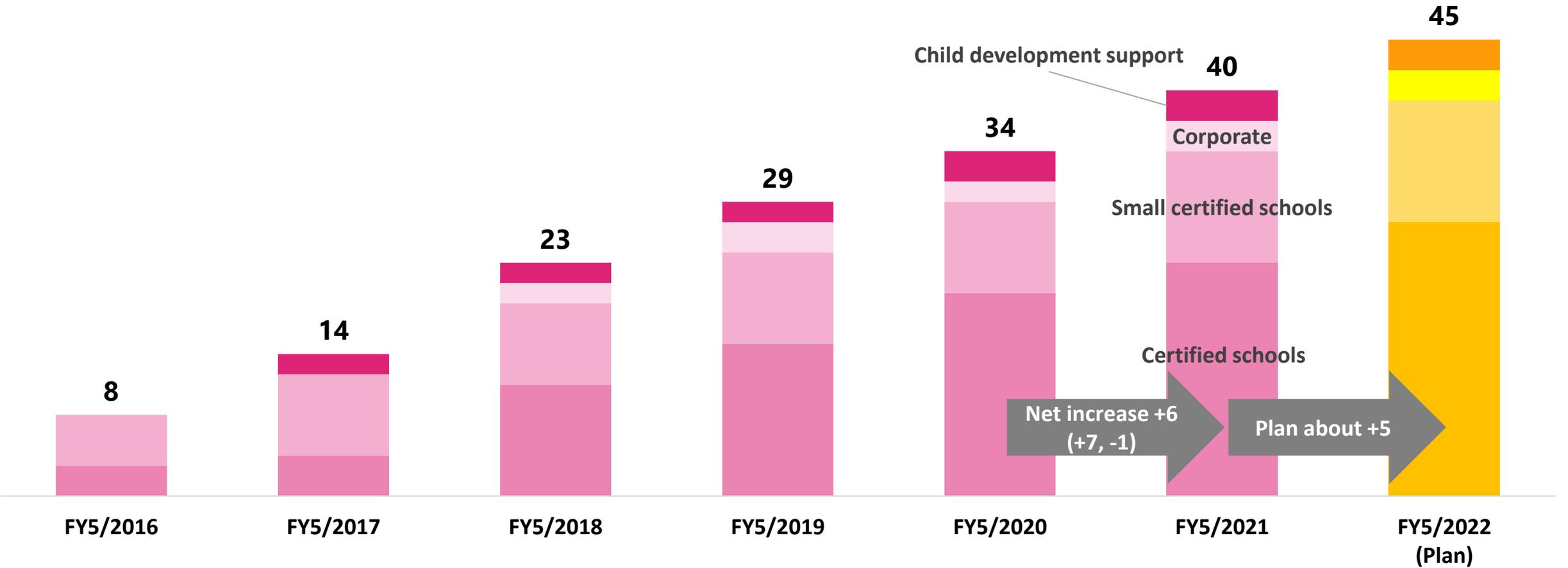
- ✓ Beginning in FY5/2022, after-school day care sales is recognized when invoices are sent to local governments. Previously, sales recognition was based on recognition of the corresponding cost of sales. This change affects the quarterly progress of sales and earnings during the fiscal year.
- ✓ Although this new standard will not change fiscal year sales and earnings, the effect on quarterly figures is expected to be as shown below.
- ✓ The new standard will have only a negligible effect on sales and earnings in the employment assistance and nursery school businesses.



- ✓ Plan to add about 12 after-school day-care locations during FY5/2022
- ✓ There were 143 locations at the end of May 2021 (an all-time high)
- ✓ FY **Increase**: 13 new locations (12 for the public sector, 1 private school facility)  
**Decrease**: 3 public-sector locations (1 due to a contract completion, 2 due to elementary school mergers)

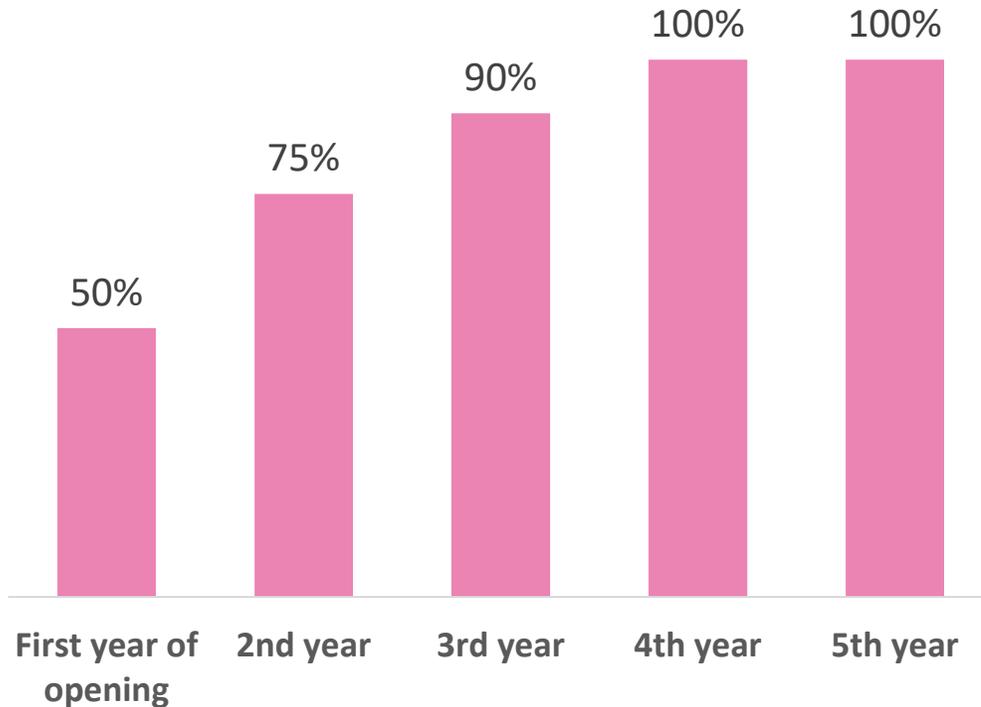


- ✓ Plan to add about 5 nursery schools during FY5/2022
- ✓ There were 40 nursery schools at the end of May 2021
- ✓ FY **Increase**: 7 new schools (3 certified, 2 small certified, 1 corporate, 1 community child development support facility)  
**Decrease**: 1 corporate school due to a contract completion

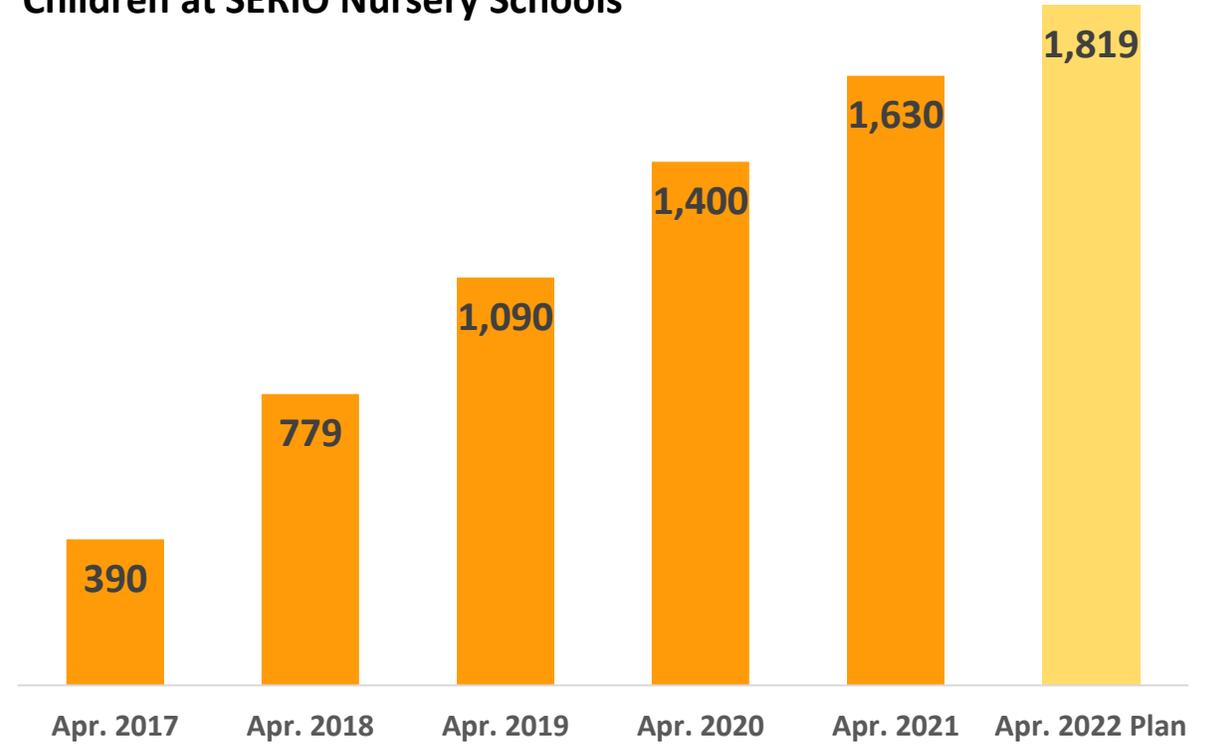


- ✓ The number of new age 0 to 1 children in April 2021 was below the usual level, probably because more parents delayed returning to work and extended child care leave.
- ✓ More instructors to prepare for an increase in the number of children during the fiscal year; continuing to monitor the monthly number of children as the KPI
- ✓ Normally, mainly ages 0 to 2 at new nursery schools = Capacity use rises steadily every year
- ✓ Sales are proportional to the number of children

**Model for Increasing Capacity Utilization**

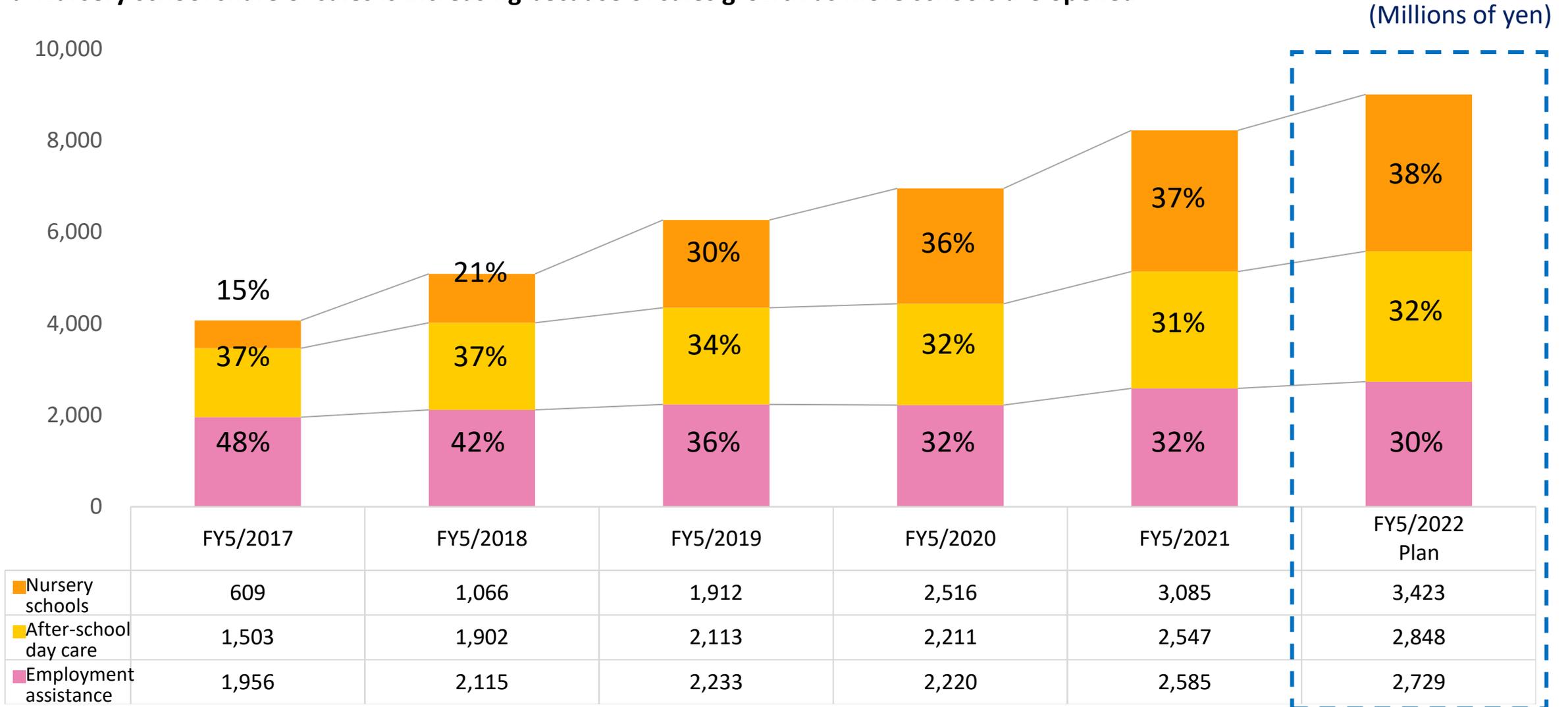


**Children at SERIO Nursery Schools**

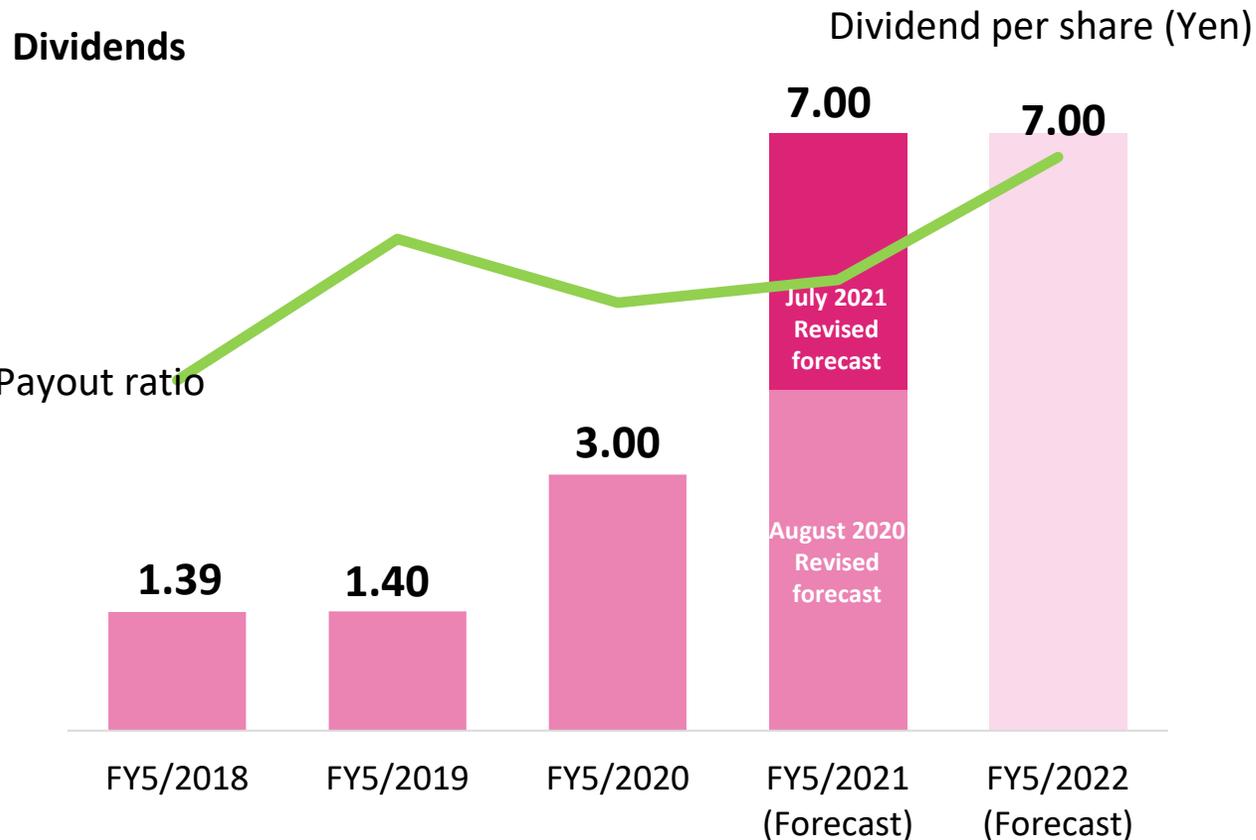


✓ Planning on record-high sales in all segments in FY5/2022

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



- ✓ Raised the FY5/2021 dividend forecast from ¥4 announced in Aug. 2020 by ¥3 to ¥7 per share
- ✓ A two-for-one stock split on October 1, 2020 increased the liquidity of SERIO Holdings stock
- ✓ The basic policy is to pay consistent and stable dividends while increasing retained earnings and making investments for more growth
- ✓ Forecast higher sales but lower earnings in FY5/2022, but plan to pay the same dividend as FY5/2021 of ¥7 per share in accordance with the basic policy of consistent and stable dividends
- ✓ The current target is a dividend payout ratio of 20%



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

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

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

**SERIO's activities are closely linked with this goal**

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

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

# 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>Work-family balance</p>	<p>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>● Women are 68.3% of managers*2</li> </ul>
	<p>Empowerment of women</p>	<p>More welfare programs for child care</p>	
	<p>People with disabilities</p>	<p>Started operation of “tiku tiku” *1 <span style="color: orange;">★ NEW</span></p>	
	<p>Health and wellness</p>	<p>Female medical check-ups at no cost                      No smoking program</p>	

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

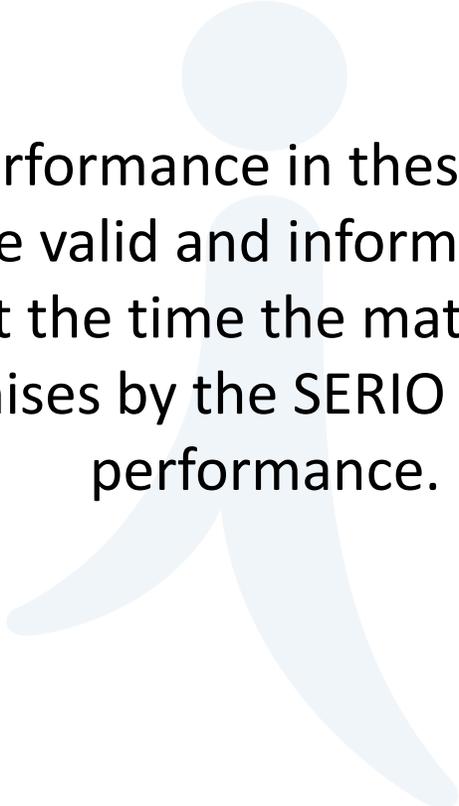
\*2 FY5/2021

# Our vision for SERIO in 2030!

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

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

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

A faint, light blue graphic of a person walking, positioned behind the main text. The figure is composed of simple shapes: a circle for the head, a vertical line for the torso, and two curved lines for the legs in a walking motion.

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

<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>732 full-time employees; 2,132 part-time workers (consolidated basis as of May 31, 2021)</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, Mothers (securities code: 6567)



SERIO means “serious” in Portuguese

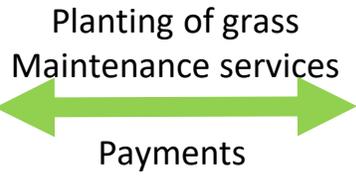
2005	June	SERIO Co., Ltd. was established in Osaka with capital of ¥10 million <b>Started employment assistance business mainly for temporary staffing positions for married women raising children</b>
2010	March	<b>Started an after-school day-care business mainly for elementary school students</b>
2012	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
2020	December	Subsidiary Cuore Co., Ltd. was renamed SERIO Garden and started a greenery business in January 2021
2021	April	Total of 183 facilities (143 after-school day-care facilities, 40 nursery schools)

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

**Name** SERIO Garden Co., Ltd.  
(changed from previous name of Cuore Co., Ltd. in December 2020)

**Business** Sale, installation and care of grass-covered areas for nursery schools and other schools

**Start of operations** January 2021



Client

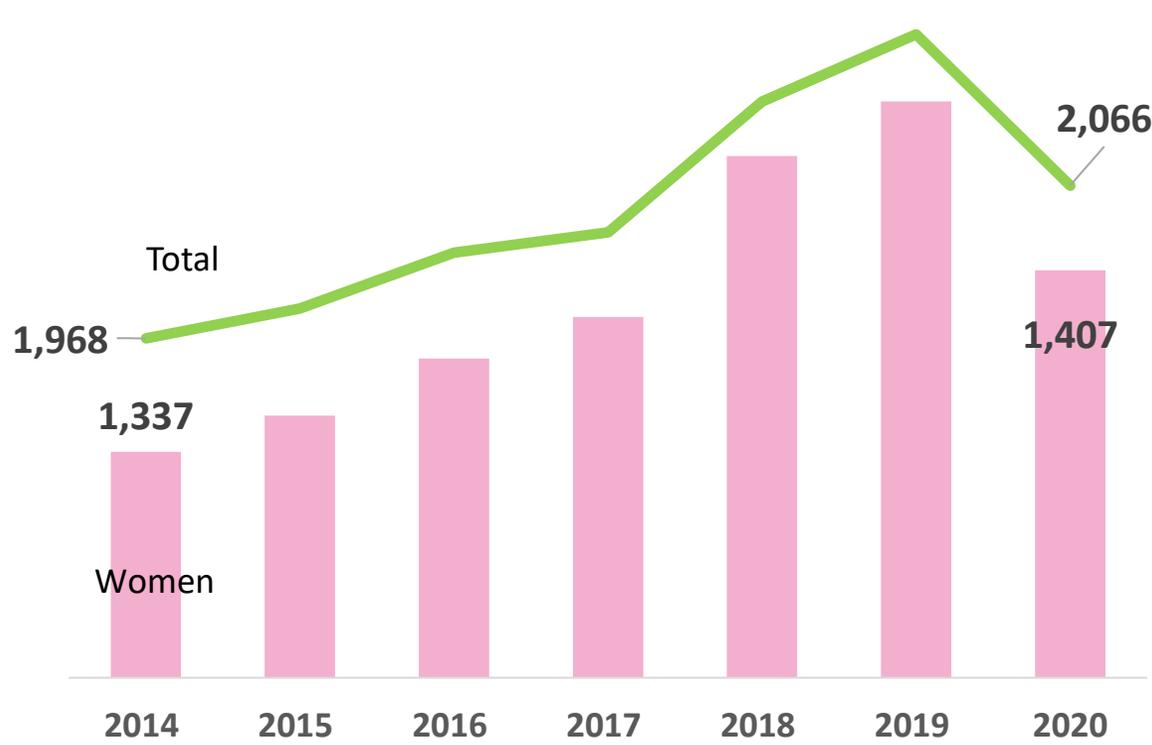
More than 40,000 nursery schools and kindergartens in Japan

Grass-covered areas help protect children from heat stroke and injury



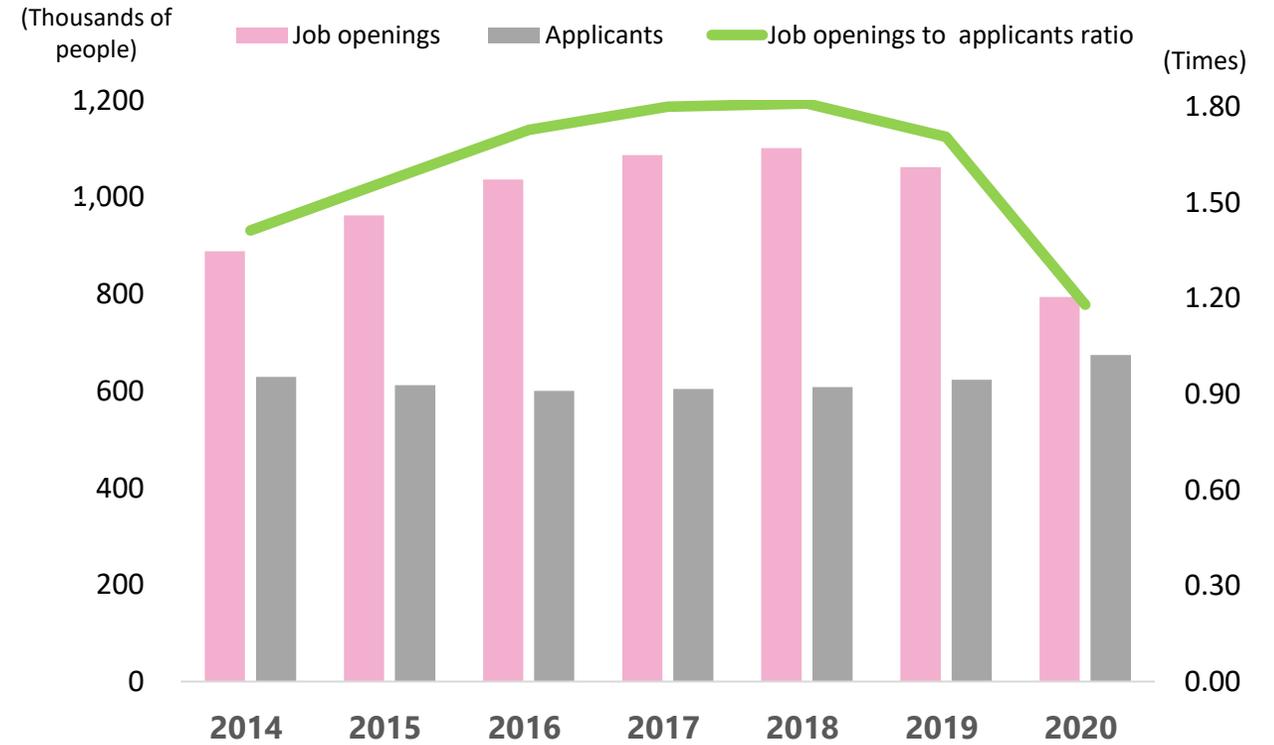
The number of people in Japan working in other than full-time jobs increased until 2019 but declined in 2020 because of COVID-19. The number of job openings is down, mainly in the service sector, as the number of job seekers increases. This is creating a favorable environment for recruiting people for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

Number of people working in other than full-time jobs (10,000 people)



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

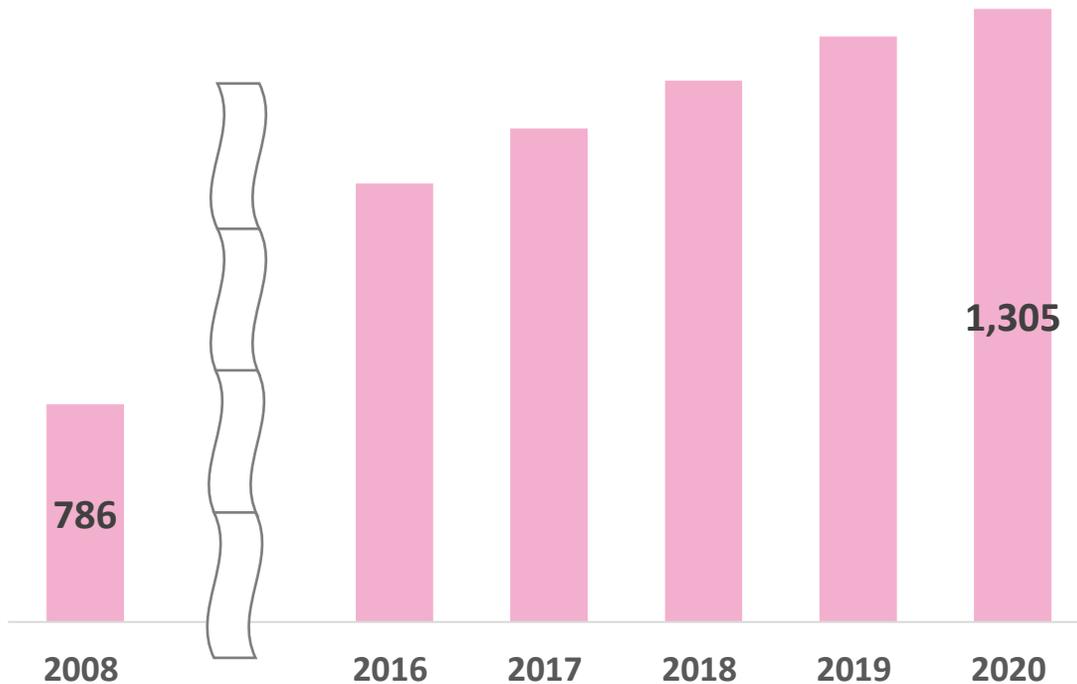
Part-time Job Openings and Applicants



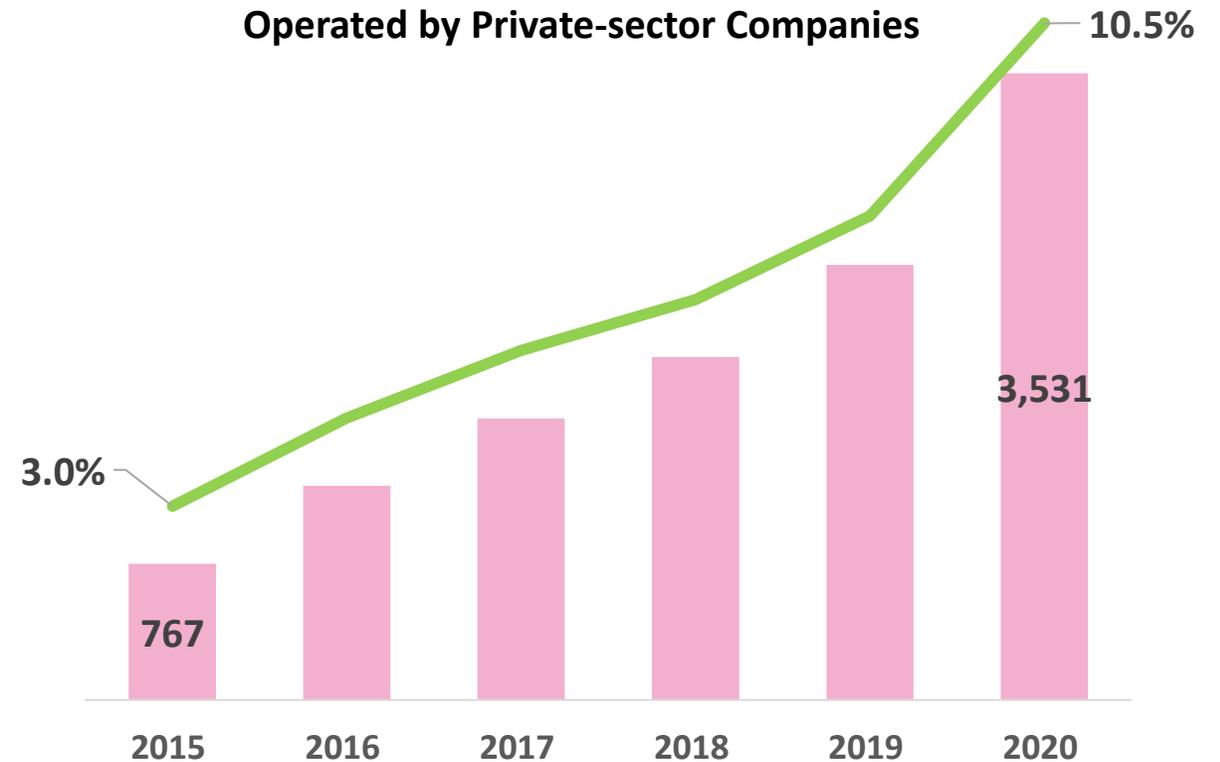
Employment Referrals for General Workers, Actual Data (Part-time), Ministry of Health, Labour and Welfare

**The number of children in day care and the number of private-sector companies operating day care facilities are increasing**  
**Significant growth potential because of the small percentage of day care locations operated by private-sector companies**

Children in After-school Day Care (1,000 people)



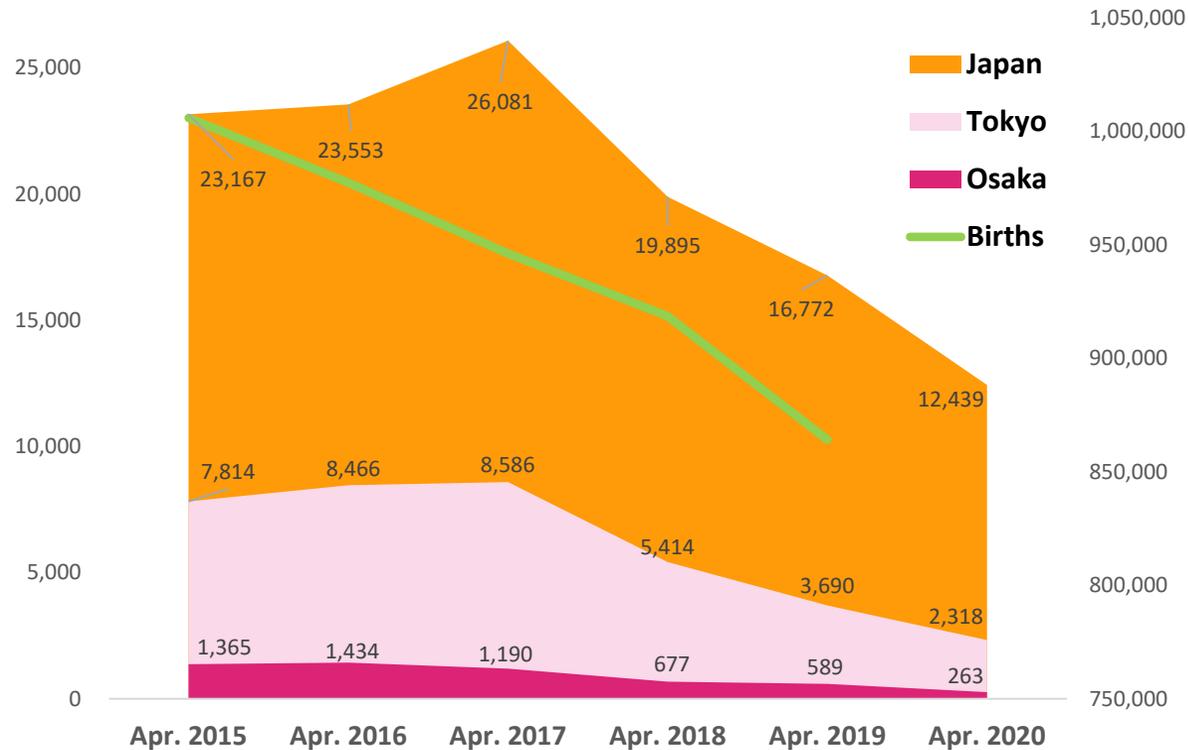
Number and Pct. of Facilities Operated by Private-sector Companies



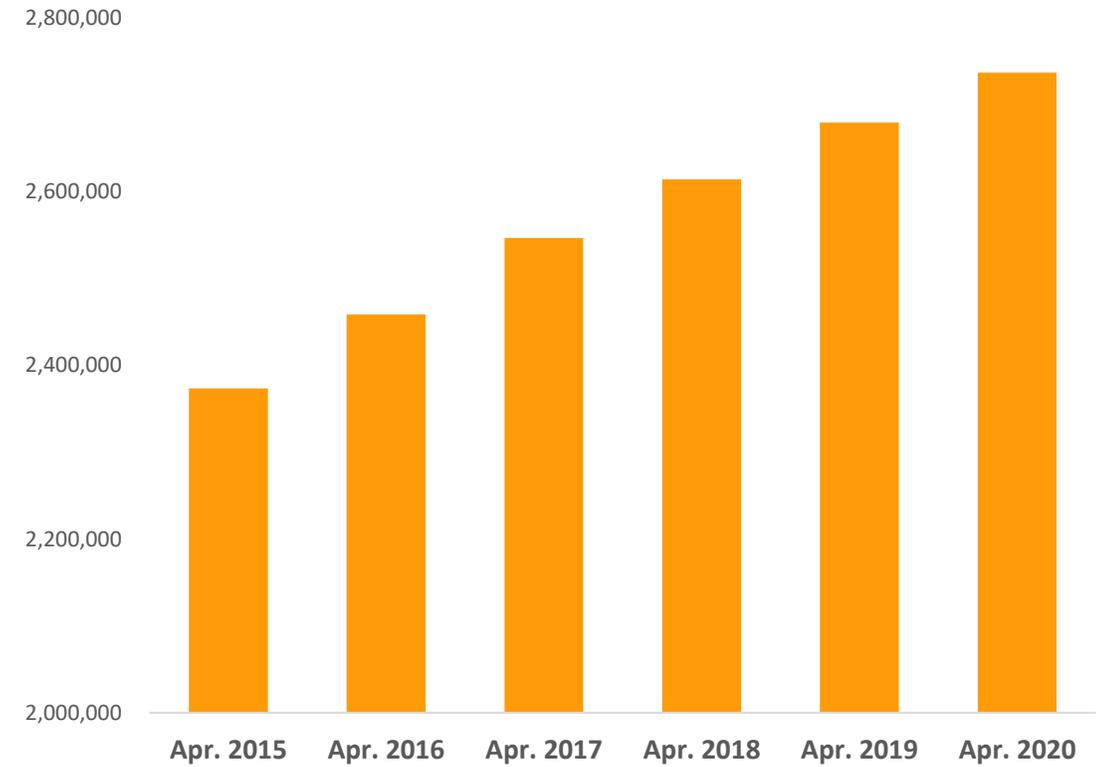
Ministry of Health, Labour and Welfare documents and After-school Day-care Facility Survey (2014 to 2020) of the Japan After-school Day-care Liaison Association

The nursery school market is expected to shrink as the number of births in Japan declines. The number of children waiting for an opening is falling, but 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



### Children Using a Nursery School or Similar Facility

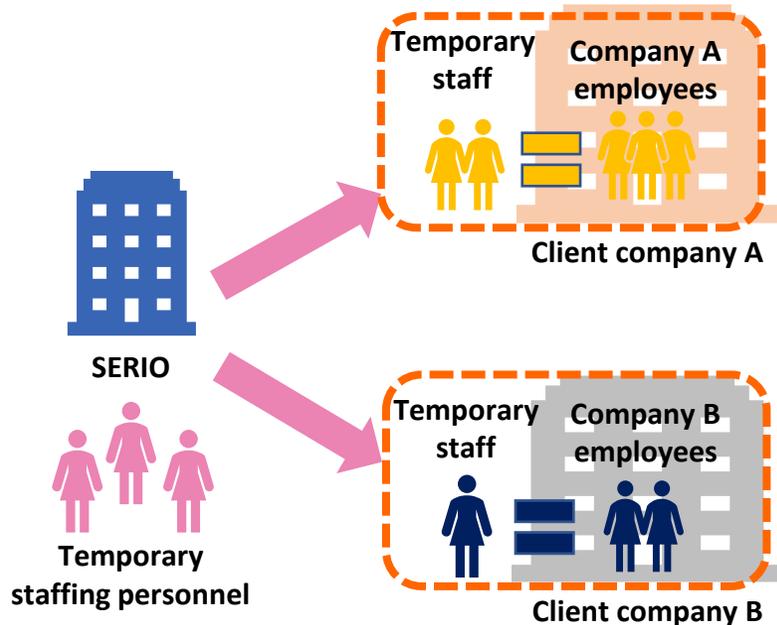


\* 2019 Census Statistics Estimates (Dec. 24, 2019) and Status of Nursery Schools, Etc. (April 1, 2020), Ministry of Health, Labour and Welfare

An amendment to Japan's Labor Dispatching Act that became effective on April 1, 2020 prohibits unreasonable differences in the treatment of full-time employees and temporary staffing personnel. SERIO uses the labor agreement method to simplify the use of its temporary staffing personnel at client companies. Rates have been raised following completion of calculations of associated expenses and other items.

## Temporary Staffing Balance/Equality Method

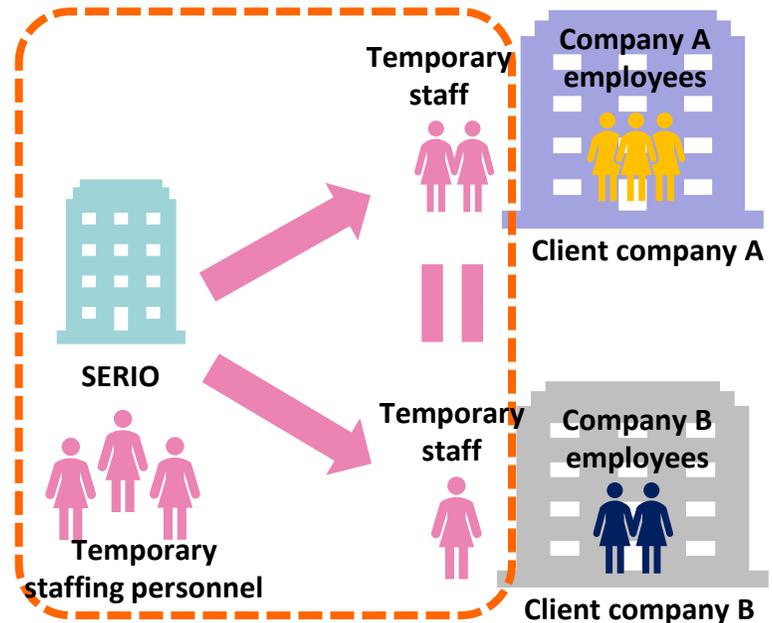
Determination of terms of employment for temporary staff based on balance/equality with normal terms of employment of the client company



## Method used by SERIO

### Labor Agreement Method

Determination of terms of employment for temporary staff based on a labor agreement that fulfills certain requirements of the temporary staffing services company



Japan started providing free preschool child care in October 2019 as outlined below due to the enactment of the amended Act on Child and Childcare Support. SERIO's nursery schools, as certified child care facilities, fall under the categories marked in red. Free preschool child care is expected to increase the number of children in nursery schools over the next several years. (In April 2020, children at SERIO facilities were 77 more than planned.)

	Household	Facility	Explanation	Other	Fees	
Age 3-5	-	Kindergarten	Kindergarten eligible for the child care support program		Free	
			Kindergarten not eligible for this program		Free up to ¥25,700 per month	
				Extended-hours kindergarten	Free up to ¥11,300 per month	
			<b>Nursery school/certified child care facility</b>	Small, home-style care, corporate, others		<b>Free</b>
			Non-certified child care facility	Care of children with diseases, baby sitters, others		Free up to ¥37,000 per month
			Care of disabled children	Child development support, medical development support. others		Free
Age 0-2	Not taxed	<b>Nursery school/certified child care facility</b>	Small, home-style care, corporate, others		<b>Free</b>	
		Non-certified child care facility	Care of children with diseases, baby sitters, others		Free up to ¥42,000 per month	
	Taxed				<b>Not eligible (free starting at age 3)</b>	

- Non-certified child care facilities/extended-hours kindergartens: Free only when both spouses work or in other cases where child care is certified as necessary
- Not eligible: Parents and guardians pay for meals, special events, clothes and certain other items (with some exceptions depending on household circumstances)
- Some local governments have their own measures that make these child care services free.

- ✓ After-school child care personnel and child care workers were designated essential workers and continued to work during the state of emergency. Operations at these facilities continued while strictly following guidelines for preventing infections and while cooperating with local governments and other authorities.

## Examples of safety measures at SERIO nursery schools



- Increased the frequency of washing and disinfecting toys in accordance with the infection prevention manual.

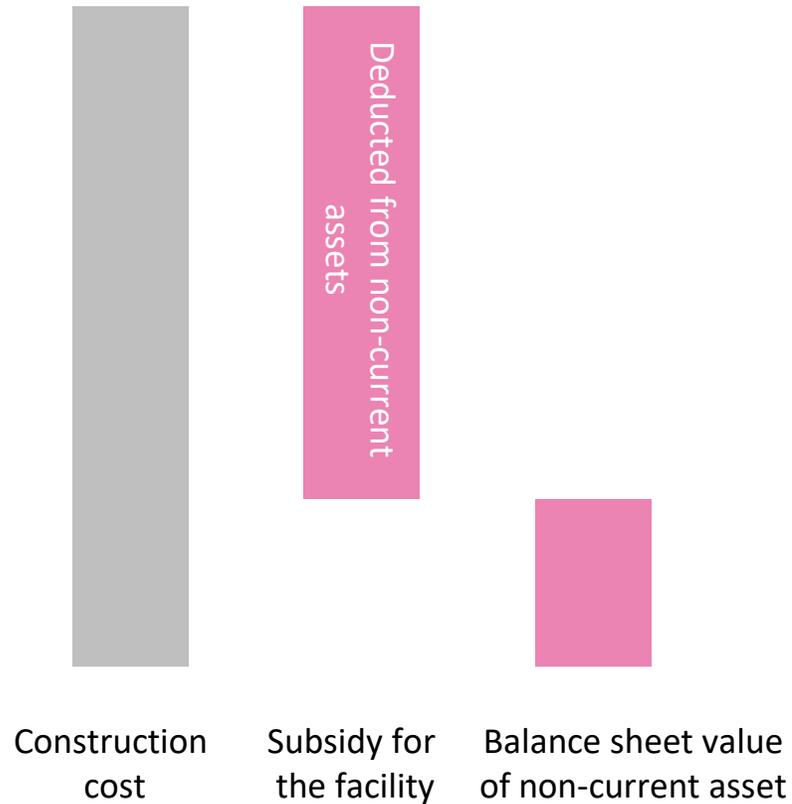


- Same handwashing method/time for everyone
- Disinfect forehead thermometer after each use



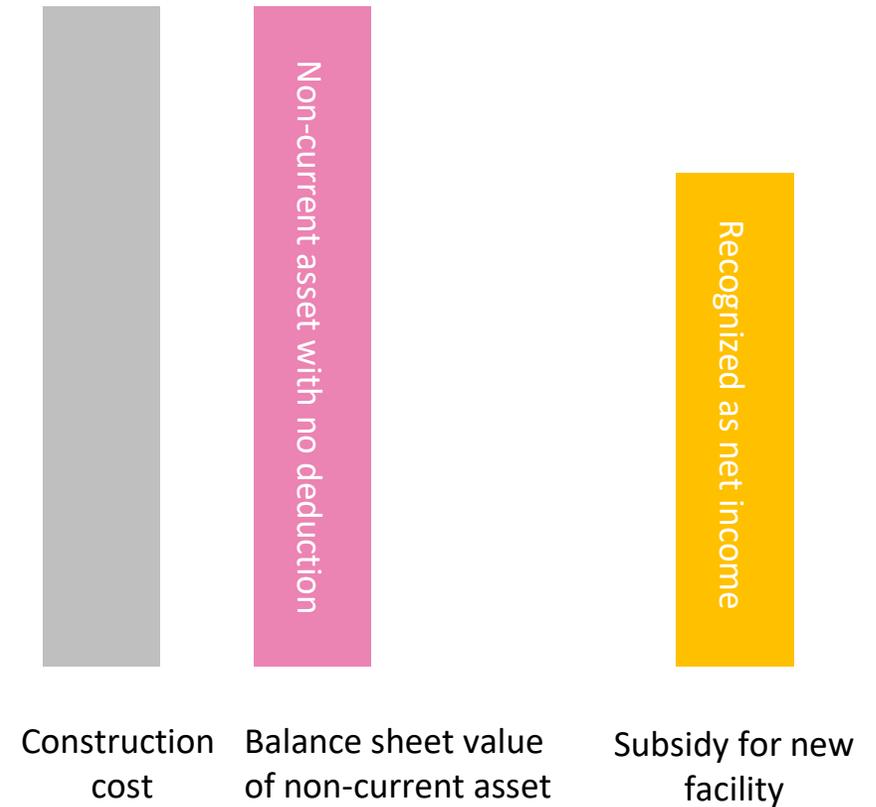
Direct deduction method (Used by SERIO)

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



家族を笑顔に!

**serio**

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