

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending May 31, 2023 (Six Months Ended November 30, 2022)

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: January 13, 2023
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly 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 Second Quarter of the Fiscal Year Ending May 31, 2023 (June 1, 2022 – November 30, 2022)

(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	%
Six months ended Nov. 30, 2022	4,755	6.1	64	(50.9)	73	(44.1)	48	(43.9)
Six months ended Nov. 30, 2021	4,479	10.4	131	(42.4)	131	(43.2)	85	(42.4)

Note: Comprehensive income Six months ended Nov. 30, 2022: 48 million yen (down 43.9%)
 Six months ended Nov. 30, 2021: 85 million yen (down 42.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Nov. 30, 2022	7.63	-
Six months ended Nov. 30, 2021	13.61	-

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
	Million yen	Million yen	%
As of Nov. 30, 2022	4,674	2,066	44.2
As of May 31, 2022	4,627	2,062	44.6

Reference: Shareholders' equity As of Nov. 30, 2022: 2,066 million yen As of May 31, 2022: 2,062 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, 2022	-	0.00	-	7.00	7.00
Fiscal year ending May 31, 2023	-	0.00	-	-	-
Fiscal year ending May 31, 2023 (forecast)	-	-	-	7.00	7.00

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

3. Consolidated Forecast for the Fiscal Year Ending May 31, 2023 (June 1, 2022 – May 31, 2023)

(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	9,640	5.6	160	(31.6)	165	(39.4)	108	(37.7)	17.10

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 Nov. 30, 2022	6,329,400 shares	As of May 31, 2022	6,329,400 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2022:	10,314 shares	As of May 31, 2022:	8,627 shares
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3) Average number of shares during the period

Six months ended Nov. 30, 2022:	6,320,521 shares	Six months ended Nov. 30, 2021:	6,312,572 shares
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* 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 page 4 “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 (January 13, 2023), using the Timely Disclosure network (TDnet). SERIO Holdings plans to hold a web conference information meeting for institutional investors and analysts on January 18, 2023. Materials to be distributed at this event will be posted on the SERIO Holdings website on January 18, 2023.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of the SERIO Holdings Group (SERIO Holdings and its consolidated subsidiaries) as of November 30, 2022.

(1) Explanation of Results of Operations

In the first half of the current fiscal year (June 1 to November 30, 2022), the outlook for the business climate of the SERIO Holdings Group remained unclear because of a rapid increase in COVID-19 cases, rising prices of raw materials and energy, and other reasons.

Dramatic changes involving children and households in Japan are occurring, notably the decline in the number of marriages, increasing number of couples with few or no children, and reluctance of people to send children to a nursery school because of the pandemic. The Japanese government announced a New Child-raising Confidence Plan that has the goal of establishing an infrastructure of nursery schools for approximately 140,000 children by the end of Fiscal 2024. The government's commitment to creating an environment conducive to child-rearing has strengthened following the cabinet's decision to create the Children and Families Agency in April 2023.

During the first half, 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 because of the sales at nursery schools opened in April 2022 and an increase in the number of children at existing nursery schools. Operating profit decreased. One reason is an increase in the cost of sales ratio because of higher labor costs as instructors were hired to accommodate more children during the current fiscal year. Lower sales in the employment assistance business because of the pandemic and other reasons and more head office workforce to establish a framework for adding more after-school day-care facilities and nursery schools during the next several years also held down earnings.

As a result, net sales increased 6.1% year on year to 4,755 million yen. Operating profit was 64 million yen, down 50.9% and ordinary profit was 73 million yen, a decrease of 44.1%. Profit attributable to owners of parent decreased 43.9% to 48 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 a large number of people who were unable to do their jobs at call centers between July and September because of the decline in working hours due to a large number of absences caused by illnesses. In addition, we were unable to hire people required to fill new orders for temporary staffing as quickly as planned. Earnings were lower because of the downturn in sales. Requests for staffing from current clients are increasing to perform new types of tasks. Due to the large volume of new sources of demand for temporary staffing, we will work even harder in the second half of the current fiscal year on recruiting people for temporary assignments.

As a result, net sales of this business were 1,259 million yen, down 5.6% year on year, and segment profit was 36 million yen, a decrease of 34.0%.

2) After-school day care

We are continuing to operate after-school day-care facilities while strictly following the pandemic safety guidelines in order to allow people to use these facilities with confidence. An upturn in COVID-19 cases had a negligible effect on the performance and earnings of this segment.

The number of events and activities we hold are gradually returning to the pre-pandemic level as we operate our after-school day-care facilities in a manner that makes children feel at ease and want to continue to attend.

The number of after-school day-care facilities operated by the SERIO Group at the end of November 2022 was 133 for public sector (operated for local governments), 10 for private elementary schools and one in the private sector, a total of 144. In April 2023, we plan to add 25 public-sector day care facilities and preparations are under way for the opening of these locations.

Sales increased even though there was no change in the number of day care facilities since the end of the previous fiscal year. Sales growth was the result of more classrooms due to the larger number of children at existing locations and the ability to base fees at public-sector facilities on the cost of operations. Earnings were down because of higher recruiting expenses for personnel required during the elementary school summer vacation period and increases in the head office workforce for strengthening operations from a medium-term perspective.

As a result, net sales of this business were 1,467 million yen, up 4.0% year on year, and segment profit was 56 million yen, a decrease of 10.7%.

3) Nursery schools

Although some nursery schools closed temporarily or cancelled some classes because of the pandemic, operations are returning to normal. We continued operating nursery schools while taking numerous actions to protect children and instructors from infections in accordance with government guidelines.

As of April 1, 2022, there were 2,944 preschool children in Japan who were waiting for a nursery school opening. This is a decrease of 2,690 from one year earlier. Demand for nursery schools is expected to remain strong because of the increasing workforce participation rate of women. Currently, 50.9% of preschool children in Japan are using a nursery school or other care facility, 1.5 percentage point higher than one year earlier.

The number of children using a SERIO Holdings Group facility is continuing to increase. At the end of the first half, there were 43 locations in this business: 26 certified nursery schools, 11 small certified nursery schools, three nursery schools for companies, and three community child-development support facilities, including one location that opened in October 2022. In April 2023 or afterward, we plan to add seven locations: three certified nursery schools, one small certified nursery school, two nursery schools for companies and one facility where we are the designated manager. Preparations are under way for the opening of these locations.

SERIO Garden Co., Ltd., which operates a greenery business for nursery schools and other schools, plans to place greenery at 20 locations during the fiscal year ending in May 2023. With orders that include a large project for a high school athletic field, this company is growing steadily.

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. An increase in the number of children at existing locations also contributed to strong sales growth. Earnings decreased mainly because of higher labor costs in order to significantly increase the number of children in nursery schools during the current fiscal year and higher personnel expenses for raising the head office workforce for the medium-term strengthening of the infrastructure for business operations.

As a result, net sales of this business were 2,028 million yen, up 17.0% year on year, and segment profit was 60 million yen, a decrease of 35.1%.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Assets

Total assets at the end of the second quarter increased 46 million yen from the end of the previous fiscal year to 4,674 million yen. This was mainly due to increases of 154 million yen in construction in progress and 19 million yen in guarantee deposits. There were decreases of 83 million yen in cash and deposits and 34 million yen in buildings and structures.

Liabilities

Total liabilities at the end of the second quarter increased 42 million yen from the end of the previous fiscal year to 2,608 million yen. This was mainly due to increases of 75 million yen in short-term borrowings and 50 million

yen in accounts payable for equipment investment, while there were decreases of 49 million yen in long-term borrowings and 44 million yen in contract liabilities.

Net assets

Total net assets at the end of the second quarter increased 4 million yen from the end of the previous fiscal year to 2,066 million yen. This was mainly due to an increase of 48 million yen in retained earnings resulting from profit attributable to owners of parent and a decrease of 44 million yen in retained earnings due to payment of dividends.

2) Cash flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the second quarter decreased 83 million yen from the end of the previous fiscal year to 1,785 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 89 million yen, compared with net cash provided of 127 million yen in the same period of the previous fiscal year. Positive factors include profit before income taxes of 72 million yen, depreciation of 61 million yen, and increases of 21 million yen in deposits received and 7 million yen in accrued expenses. Negative factors include a decrease of 44 million yen in contract liabilities and income taxes paid of 25 million yen.

Cash flows from investing activities

Net cash used in investing activities was 154 million yen, compared with net cash used of 74 million yen in the same period of the previous fiscal year. Negative factors include purchase of property, plant and equipment of 134 million yen and payments of guarantee deposits of 19 million yen. Positive factors include collection of construction assistance fund receivables of 3 million yen.

Cash flows from financing activities

Net cash used in financing activities was 18 million yen, compared with net cash used of 97 million yen in the same period of the previous fiscal year. Positive factors include net increase in short-term borrowings of 75 million yen. Negative factors include dividends paid of 42 million yen and repayments of long-term borrowings of 49 million yen.

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

Based on operating results in the first half and forecasts available at this time, we have revised the full year consolidated forecast announced on July 14, 2022 in “Consolidated Financial Results for the Fiscal Year Ended May 31, 2022” (Japanese only). For more information, please refer to “Notice of Revisions to the Consolidated Forecast for the Fiscal Year Ending May 31, 2023” announced today.

The consolidated forecast is based on assumption judged to be valid and information available when the forecast was announced. 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)	
	FY5/22 (As of May 31, 2022)	Second quarter of FY5/23 (As of Nov. 30, 2022)
Assets		
Current assets		
Cash and deposits	1,869,535	1,785,833
Accounts receivable-trade and contract assets	667,720	663,785
Prepaid expenses	102,867	106,224
Accounts receivable-other	11,990	13,160
Other	24,101	14,683
Allowance for doubtful accounts	(562)	(809)
Total current assets	2,675,652	2,582,878
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,178,613	1,143,728
Tools, furniture and fixtures, net	63,975	76,566
Land	161,735	161,735
Leased assets, net	2,680	2,278
Construction in progress	14,374	169,016
Total property, plant and equipment	1,421,378	1,553,325
Intangible assets		
Right to use facilities	10,583	11,859
Software	6,697	4,954
Leased assets	4,202	2,497
Other	1,007	944
Total intangible assets	22,490	20,255
Investments and other assets		
Investments in capital	10	10
Guarantee deposits	187,027	206,306
Long-term prepaid expenses	64,930	58,507
Deferred tax assets	53,689	61,770
Insurance funds	35,674	37,035
Construction assistance fund receivables	120,903	117,454
Other	45,783	36,935
Total investments and other assets	508,017	518,020
Total non-current assets	1,951,886	2,091,601
Total assets	4,627,539	4,674,480

	(Thousands of yen)	
	FY5/22	Second quarter of FY5/23
	(As of May 31, 2022)	(As of Nov. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	11,455	11,588
Short-term borrowings	-	75,400
Current portion of long-term borrowings	98,064	98,064
Lease liabilities	5,264	3,239
Accounts payable-other	81,009	83,156
Accounts payable for equipment investment	12,053	62,983
Dividends payable	-	2,245
Accrued expenses	689,170	696,847
Income taxes payable	46,383	38,854
Accrued consumption taxes	85,475	72,003
Contract liabilities	202,755	158,516
Deposits received	157,203	178,421
Total current liabilities	1,388,834	1,481,321
Non-current liabilities		
Long-term borrowings	912,272	863,240
Lease liabilities	2,918	1,963
Asset retirement obligations	261,322	261,763
Total non-current liabilities	1,176,513	1,126,967
Total liabilities	2,565,348	2,608,288
Net assets		
Shareholders' equity		
Share capital	693,263	693,263
Capital surplus	671,753	671,753
Retained earnings	703,946	707,947
Treasury shares	(6,772)	(6,772)
Total shareholders' equity	2,062,190	2,066,191
Total net assets	2,062,190	2,066,191
Total liabilities and net assets	4,627,539	4,674,480

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

	(Thousands of yen)	
	First six months of FY5/22 (Jun. 1, 2021 – Nov. 30, 2021)	First six months of FY5/23 (Jun. 1, 2022 – Nov. 30, 2022)
Net sales	4,479,797	4,755,113
Cost of sales	3,667,071	3,962,289
Gross profit	812,726	792,824
Selling, general and administrative expenses	681,666	728,514
Operating profit	131,060	64,310
Non-operating income		
Interest income	8	8
Subsidy income	3,450	13,585
Miscellaneous income	2,133	1,973
Total non-operating income	5,592	15,567
Non-operating expenses		
Interest expenses	4,348	4,310
Miscellaneous losses	740	1,998
Total non-operating expenses	5,088	6,309
Ordinary profit	131,563	73,568
Extraordinary income		
Subsidy income	-	752
Total extraordinary income	-	752
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	-	752
Loss on retirement of non-current assets	-	613
Total extraordinary losses	-	1,365
Profit before income taxes	131,563	72,955
Income taxes-current	45,678	32,791
Income taxes-deferred	(56)	(8,081)
Total income taxes	45,622	24,709
Profit	85,941	48,246
Profit attributable to owners of parent	85,941	48,246

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

	(Thousands of yen)	
	First six months of FY5/22 (Jun. 1, 2021 – Nov. 30, 2021)	First six months of FY5/23 (Jun. 1, 2022 – Nov. 30, 2022)
Profit	85,941	48,246
Comprehensive income	85,941	48,246
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	85,941	48,246

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY5/22 (Jun. 1, 2021 – Nov. 30, 2021)	First six months of FY5/23 (Jun. 1, 2022 – Nov. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	131,563	72,955
Depreciation	55,555	61,783
Loss on tax purpose reduction entry of non-current assets	-	752
Increase (decrease) in allowance for doubtful accounts	199	247
Interest and dividend income	(8)	(8)
Interest expenses	4,348	4,310
Decrease (increase) in trade receivables and contract assets	266	2,764
Decrease (increase) in prepaid expenses	74,878	(633)
Increase (decrease) in trade payables	998	132
Increase (decrease) in contract liabilities	(54,382)	(44,238)
Increase (decrease) in accounts payable-other	(19,770)	(8,867)
Increase (decrease) in accrued expenses	26,584	7,677
Increase (decrease) in deposits received	38,276	21,168
Increase (decrease) in accrued consumption taxes	(36,826)	(13,471)
Other, net	9,293	15,241
Subtotal	230,976	119,816
Interest received	8	8
Interest paid	(4,359)	(4,332)
Income taxes paid	(99,592)	(25,873)
Net cash provided by (used in) operating activities	127,034	89,618
Cash flows from investing activities		
Purchase of property, plant and equipment	(59,716)	(134,444)
Proceeds from collection of construction assistance fund receivables	3,448	3,448
Purchase of intangible assets	(232)	(1,766)
Proceeds from refund of guarantee deposits	-	359
Payments of guarantee deposits	(6,882)	(19,638)
Other, net	(10,905)	(2,665)
Net cash provided by (used in) investing activities	(74,288)	(154,707)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	75,400
Repayments of long-term borrowings	(40,800)	(49,032)
Dividends paid	(44,305)	(42,000)
Purchase of treasury shares	(23,550)	-
Proceeds from disposal of treasury shares	17,098	-
Repayments of lease liabilities	(6,275)	(2,980)
Net cash provided by (used in) financing activities	(97,833)	(18,612)
Net increase (decrease) in cash and cash equivalents	(45,087)	(83,701)
Cash and cash equivalents at beginning of period	1,897,424	1,869,535
Cash and cash equivalents at end of period	1,852,336	1,785,833

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information**I. First six months of FY5/22 (Jun. 1, 2021 – Nov. 30, 2021)****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	1,334,357	1,411,147	1,733,639	4,479,144	653	4,479,797
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,334,357	1,411,147	1,733,639	4,479,144	653	4,479,797
Segment profit	55,123	63,281	92,547	210,953	(79,892)	131,060

Notes: 1. The 653 thousand yen adjustment to net sales is sales that cannot be attributed to any reportable segments. The negative adjustment of 79,892 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 six months of FY5/23 (Jun. 1, 2022 – Nov. 30, 2022)**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	1,259,433	1,467,535	2,028,144	4,755,113	-	4,755,113
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,259,433	1,467,535	2,028,144	4,755,113	-	4,755,113
Segment profit	36,386	56,527	60,022	152,937	(88,626)	64,310

Notes: 1. The negative adjustment of 88,626 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.