



October 13, 2023

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending May 31, 2024
(Three Months Ended August 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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 Scheduled date of filing of Quarterly Report: October 13, 2023
 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, 2024
(June 1, 2023 – August 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	%
Three months ended Aug. 31, 2023	2,916	19.5	114	814.4	97	461.6	62	442.9
Three months ended Aug. 31, 2022	2,440	5.2	12	(83.3)	17	(76.7)	11	(75.1)

Note: Comprehensive income Three months ended Aug. 31, 2023: 62 million yen (up 442.9%)
 Three months ended Aug. 31, 2022: 11 million yen (down 75.1%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Aug. 31, 2023	9.89		-	
Three months ended Aug. 31, 2022	1.82		-	

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 Aug. 31, 2023	5,091		2,172		42.7	
As of May 31, 2023	5,002		2,154		43.1	

Reference: Shareholders' equity As of Aug. 31, 2023: 2,172 million yen As of May 31, 2023: 2,154 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended May 31, 2023	Yen -	Yen 0.00	Yen -	Yen 7.00	Yen 7.00
Fiscal year ending May 31, 2024	-	-	-	-	-
Fiscal year ending May 31, 2024 (forecast)	-	0.00	-	8.50	8.50

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

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

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

*** 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, 2023	6,329,400 shares	As of May 31, 2023	6,329,400 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2023:	10,939 shares	As of May 31, 2023:	10,939 shares
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3) Average number of shares during the period

Three months ended Aug. 31, 2023:	6,318,461 shares	Three months ended Aug. 31, 2022:	6,320,773 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 (October 13, 2023), 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 the SERIO Holdings Group (SERIO Holdings and its consolidated subsidiaries) as of August 31, 2023.

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year (June 1 to August 31, 2023), there was a Cabinet resolution in June 2023 concerning heightened measures regarding the declining number of children in Japan. The Japanese government added several specific actions about raising children as part of the nation's Children's Future Strategy Policy. This step was taken as the number of children continues to decrease, partly due to the low number of marriages during the pandemic. In 2022, births in Japan fell below 800,000 for the first time.

We are dedicated to providing opportunities to work while caring for children to as many people as possible in order to accomplish our missions of enabling people to continue working while caring for a family and of providing support for caring for children who will carry the future. We have many activities aimed at creating jobs in order to accomplish these missions. In the after-school day-care and nursery school businesses, we are building stronger frameworks for operations by increasing the number of facilities in regions of Japan where demand for child-raising support services is strong.

Sales increased in all business segments. In the employment assistance business, existing customer sales increased and there was steady progress with adding new customers and hiring people for temporary staffing placements. In the after-school day-care and nursery school businesses, sales were higher because of the increasing number of children at locations opened in April 2023 and the increasing number of children at existing facilities. There was a big increase in operating profit. One reason is an improvement of 1.8 percentage point in the cost of sales ratio from one year earlier due to sales growth. Earnings also benefited from a decline in administrative expenses in all businesses resulting from higher efficiency due to the use of ICT and the establishment of dominant positions in targeted markets.

As a result, net sales increased 19.5% year on year to 2,916 million yen. Operating profit was 114 million yen, up 814.4% and ordinary profit was 97 million yen, an increase of 461.6%. Profit attributable to owners of parent increased 442.9% to 62 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.

The demand for temporary staffing is increasing because of Japan's severe labor shortage. During the first quarter, there was growth in services provided to current customers as well as the addition of new customers, chiefly in the service sector. We also hired a large number of people for temporary staffing placements. Earnings increased along with the growth of sales.

As a result, net sales of this business were 750 million yen, up 13.4% year on year, and segment profit was 29 million yen, an increase of 39.4%.

2) After-school day care

The after-school day-care program resumed regular operations, 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. 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. The SERIO Holdings Group opened one location in June 2023. The number of after-school day-care facilities operated by the SERIO Holdings Group at the end of August 2023 was 156 for public facilities (operated for local governments) and nine for private elementary schools, a total of 165.

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 as because of sales growth, profitability improved mostly at newly opened locations, and more efficient operations due to measures for establishing a dominant position in targeted markets.

As a result, net sales of this business were 947 million yen, up 23.8% year on year, and segment profit was 26 million yen, an increase of 92.9%.

3) Nursery schools

As of April 1, 2023, there were 2,680 children in Japan on nursery school waiting lists. Although this is down by 264 from one year earlier, demand for nursery schools remains strong. As an increasing percentage of women have jobs, the percentage of parents using nursery schools and similar facilities rose 1.5 percentage point from one year earlier to 52.4%.

The number of children at SERIO Holdings Group nursery schools has been increasing steadily. At the end of August 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. Although the number of locations is the same as at the end of May 2023, preparations are under way for opening nursery schools in April 2024 and afterward.

Serio Garden Co., Ltd., which operates a greenery business, is working on increasing the number of new greenery installation projects and the number of maintenance contracts for more growth.

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. Although labor costs rose due to an increase in the number of staff and improved compensation resulting from the opening of new facilities, there was a sharp increase in earnings, mainly due to a lower cost of sales ratio resulting from sales growth and activities during the previous fiscal year for utilizing people in the most productive ways possible.

As a result, net sales of this business were 1,218 million yen, up 20.2% year on year, and segment profit was 106 million yen, an increase of 379.2%.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter increased 88 million yen from the end of the previous fiscal year to 5,091 million yen. This was mainly due to decreases of 291 million yen in cash and deposits and 21 million yen in buildings and structures. There were increases of 268 million yen in accounts receivable-trade and contract assets and 107 million yen in construction in progress.

Liabilities

Total liabilities at the end of the first quarter increased 70 million yen from the end of the previous fiscal year to 2,918 million yen. This was mainly due to decreases of 85 million yen in accrued expenses, 28 million yen in long-term borrowings and 7 million yen in income taxes payable, while there were increases of 142 million yen in provision for bonuses and 20 million yen in contract liabilities.

Net assets

Total net assets at the end of the first quarter increased 18 million yen from the end of the previous fiscal year to 2,172 million yen. This was mainly due to an increase of 62 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.

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

There are no revisions to the fiscal year consolidated forecast announced on July 13, 2023 in “Summary of Consolidated Financial Results for the Fiscal Year Ended May 31, 2023.”

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)

	FY5/23 (As of May 31, 2023)	First quarter of FY5/24 (As of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	1,900,466	1,608,692
Trade receivables and contract asset	702,859	971,202
Prepaid expenses	112,924	145,109
Accounts receivable-other	12,145	24,114
Other	25,304	19,378
Allowance for doubtful accounts	(1,116)	(941)
Total current assets	2,752,584	2,767,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,363,010	1,341,878
Tools, furniture and fixtures, net	85,330	84,995
Land	161,735	161,735
Leased assets, net	1,876	1,675
Construction in progress	23,987	131,874
Total property, plant and equipment	1,635,938	1,722,157
Intangible assets		
Right to use facilities	12,837	12,542
Software	4,033	5,416
Leased assets	792	554
Other	882	851
Total intangible assets	18,545	19,363
Investments and other assets		
Investment securities	30,000	30,000
Guarantee deposits	235,194	237,615
Long-term prepaid expenses	58,126	54,077
Deferred tax assets	64,486	59,078
Other	207,962	201,367
Total investments and other assets	595,768	582,137
Total non-current assets	2,250,253	2,323,659
Total assets	5,002,837	5,091,215

	(Thousands of yen)	
	FY5/23 (As of May 31, 2023)	First quarter of FY5/24 (As of Aug. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	13,355	14,394
Current portion of long-term borrowings	114,222	115,200
Lease liabilities	1,739	1,483
Accounts payable-other	139,762	141,989
Accrued expenses	783,048	697,468
Income taxes payable	37,891	30,844
Contract liabilities	153,983	174,766
Provision for bonuses	-	142,766
Other	209,711	231,897
Total current liabilities	1,453,715	1,550,811
Non-current liabilities		
Long-term borrowings	1,087,050	1,058,250
Lease liabilities	1,179	958
Asset retirement obligations	306,295	308,320
Total non-current liabilities	1,394,525	1,367,529
Total liabilities	2,848,240	2,918,340
Net assets		
Shareholders' equity		
Share capital	693,263	693,263
Capital surplus	671,753	671,753
Retained earnings	796,352	814,630
Treasury shares	(6,772)	(6,772)
Total shareholders' equity	2,154,597	2,172,875
Total net assets	2,154,597	2,172,875
Total liabilities and net assets	5,002,837	5,091,215

(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 FY5/23 (Jun. 1, 2022 – Aug. 31, 2022)	First three months of FY5/24 (Jun. 1, 2023 – Aug. 31, 2023)
Net sales	2,440,899	2,916,762
Cost of sales	2,060,401	2,410,042
Gross profit	380,498	506,719
Selling, general and administrative expenses	367,991	392,344
Operating profit	12,507	114,375
Non-operating income		
Interest income	7	7
Interest on securities	-	21
Subsidy income	6,229	460
Subsidy income	383	1,543
Miscellaneous income	368	935
Total non-operating income	6,989	2,968
Non-operating expenses		
Commission fee	-	17,328
Interest expenses	2,178	2,256
Other	0	507
Total non-operating expenses	2,178	20,092
Ordinary profit	17,318	97,252
Extraordinary income		
Subsidy income	-	8,242
Total extraordinary income	-	8,242
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	-	8,242
Loss on retirement of non-current assets	613	-
Total extraordinary losses	613	8,242
Profit before income taxes	16,705	97,252
Income taxes-current	15,527	29,337
Income taxes-deferred	(10,335)	5,407
Total income taxes	5,192	34,745
Profit	11,512	62,507
Profit attributable to owners of parent	11,512	62,507

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

	(Thousands of yen)	
	First three months of FY5/23 (Jun. 1, 2022 – Aug. 31, 2022)	First three months of FY5/24 (Jun. 1, 2023 – Aug. 31, 2023)
Profit	11,512	62,507
Comprehensive income	11,512	62,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,512	62,507

(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 FY5/23 (Jun. 1, 2022 – Aug. 31, 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	661,423	765,429	1,014,047	2,440,899	-	2,440,899
Inter-segment sales and transfers	-	-	-	-	-	-
Total	661,423	765,429	1,014,047	2,440,899	-	2,440,899
Segment profit	21,272	13,990	22,161	57,424	(44,917)	12,507

Notes: 1. The negative adjustment of 44,917 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 FY5/24 (Jun. 1, 2023 – Aug. 31, 2023)

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	750,283	947,714	1,218,764	2,916,762	-	2,916,762
Inter-segment sales and transfers	-	-	-	-	-	-
Total	750,283	947,714	1,218,764	2,916,762	-	2,916,762
Segment profit	29,653	26,981	106,204	162,840	(48,464)	114,375

Notes: 1. The negative adjustment of 48,464 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.