Consolidated Financial Results for the Fiscal Year Ended September 30, 2018

[Japanese GAAP]

November 13, 2018

Company name: Global Group Corp. Stock Exchange Listing: TSE (1st section)
Securities code: 6189 URL: http://www.globalg.co.jp
Representative: Yoshitada Ishibashi, Representative Director & CEO
Contact: Masaya Ikukawa, General Manager, Finance & Investor Relations Department
Telephone: +81-(0)3-3221-3770

Scheduled date of annual shareholders' meeting: December 19, 2018
Scheduled submission date of annual securities report: December 20, 2018
Scheduled date of payment of dividend: -
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2018 (October 1, 2017 to September 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Sep. 30, 2018	17,032	29.5	337	(17.0)	1,917	29.7	559	(29.4)
Fiscal year ended Sep. 30, 2017	13,155	30.1	407	19.5	1,477	(26.1)	791	(41.7)

Note: Comprehensive income (million yen) Fiscal year ended Sep. 30, 2018: 611 (down 8.6%)
Fiscal year ended Sep. 30, 2017: 668 (down 50.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Sep. 30, 2018	62.63	60.71	9.0	13.0	2.0
Fiscal year ended Sep. 30, 2017	95.22	87.71	14.2	11.4	3.1

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Sep. 30, 2018: - Fiscal year ended Sep. 30, 2017: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2018	15,691	6,577	41.8	720.33
As of Sep. 30, 2017	13,750	5,924	43.1	681.37

Reference: Shareholders' equity (million yen) As of September 30, 2018: 6,558 As of September 30, 2017: 5,924

The Company has made early adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the fiscal year ended September 30, 2018. Accordingly, the financial position as of September 30, 2017, represents figures after retrospective application.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Sep. 30, 2018	2,028	(2,963)	989	1,301
Fiscal year ended Sep. 30, 2017	1,963	(2,659)	467	1,246

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Sep. 30, 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Sep. 30, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Sep. 30, 2019 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2019 (October 1, 2018 to September 30, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,000	17.4	340	0.6	1,930	0.7	1,250	123.5	137.27

***Notes**

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

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

(3) Number of shares issued (common stock)
1) Number of shares issued as of the end of the period (including treasury shares)

As of Sep. 30, 2018: 9,105,071 shares As of Sep. 30, 2017: 8,695,360 shares

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

As of Sep. 30, 2018: 171 shares As of Sep. 30, 2017: 128 shares

3) Average number of shares issued during the period

Fiscal year ended Sep. 30, 2018: 8,927,555 shares Fiscal year ended Sep. 30, 2017: 8,312,177 shares

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

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

Forecasts and other forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

Please refer to the section "1. Overview of Results of Operations, (1) Results of Operations" on page 2 of the attachments for details on the above forecasts.

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1. Overview of Results of Operations

(1) Results of Operations

1) Results of operations for the fiscal year ended September 30, 2018

During the fiscal year ended September 30, 2018 (hereinafter, “the current fiscal year”), the Japanese economy continued a moderate recovery trend led by continued recoveries in corporate earnings and capital investments against a backdrop of economic and monetary policies by the government, along with some signs of a turnaround in consumer spending that reflected improvements in employment and income environments.

As for the child-rearing support business in this economic environment above, both the central and local governments are implementing measures to secure childcare workers and develop nursery schools to expand service capacity. The goal is to address greater demand for childcare services in the face of the increasing employment rate of female workers. Further, the government released the Relief Plan for Child Rearing in June 2017. The aim is to eliminate wait-listed children by creating capacity for a total of 320,000 children, with 220,000 by the end of fiscal 2020 and another 100,000 by the end of fiscal 2022. Thus, we expect that the number of nursery facilities will continue to expand.

Given the concern over Japan’s declining workforce due to its aging population and a decrease in its total population, the development of a sound child-rearing environment is urgent in the course of promoting the social advancement of women to boost the country’s economic vitality. In this context, the child-rearing support service providers are playing an increasingly important social role.

Under such circumstances, Global Group Corp. (hereinafter, “the Company”) and its consolidated subsidiaries (hereinafter collectively, “the Group”) opened 18 new nursery schools, as listed below, during the current fiscal year as a result of our continued efforts to develop nursery facilities in Tokyo, Kanagawa, Saitama, and Osaka. The Group also acquired six Mebae Hoiku Room facilities through a transfer agreement of the employer-sponsored nurseries business with Partner Agent, Inc.

Consequently, at the end of the current fiscal year, the Group was operating a total of 142 facilities: 70 central government licensed nursery schools in Tokyo, 20 in Kanagawa, three in Chiba, one in Saitama and four in Osaka; 25 local government licensed nursery schools or centers for early childhood education and care; seven employer-sponsored nurseries; and 12 after-school day care centers or children’s houses.

Newly opened nursery schools:

Tokyo

- Global Kids Aizumicho
- Global Kids Nishi-Shinjuku
- Global Kids Unoki
- Global Kids Zoshiki
- Global Kids Hatagaya
- Global Kids Yoyogi-Uehara
- Global Kids Yoyogi-Hachiman
- Global Kids Shoan
- Global Kids Shiinamachi
- Global Kids Ikebukuro Ekimae
- Global Kids Chihaya
- Global Kids Funabori
- Global Kids Minami-Hanahata
- Global Kids Minamisuna

Kanagawa

- Global Kids Koyasu Ekimae
- Global Kids Tsunashima SST

Saitama

- Global Kids Toda Ekimae

Osaka

- Global Kids Suminoe

Acquired nursery schools:

Tokyo

- Mebae Hoiku Room Mitakadai
- Mebae Hoiku Room Kameido

Mebae Hoiku Room Roka-Koen
Mebae Hoiku Room Chitose-Funabashi
Mebae Hoiku Room Yoga
Mebae Hoiku Room Kasuga

Consequently, the Group reported net sales for the current fiscal year of 17,032 million yen (up 29.5% year on year) with operating profit of 337 million yen (down 17.0% year on year), ordinary profit of 1,917 million yen (up 29.7% year on year), and profit attributable to owners of parent of 559 million yen (down 29.4% year on year).

2) Outlook for the next fiscal year

A change in awareness of the social advancement of women and government efforts to encourage them to take active roles have helped maintain the upward trend in the number of double-income households and the employment rate of women. In this environment, the demand for nursery services and the usage rate of nursery schools remain at a high level.

Meanwhile, local governments have been building more nursery schools, and the number of wait-listed children has decreased for the first time in four years, as shown in the table below. However, a large number of children, 19,895, still remained on the waiting list as of April 2018. Furthermore, in conjunction with preschool programs, which will be free of charge from October 2019, the number of parents seeking admission to nursery schools for their children may increase, and the demand for establishing new nursery schools is expected to continue for the time being.

In this business environment, which is favorable for child-rearing support service providers, we make it a policy to continue focusing on developing new facilities to fulfill the social demand for eliminating wait-listed children.

Number of wait-listed children

April 1, 2014	April 1, 2015	April 1, 2016	April 1, 2017	April 1, 2018
21,371	23,167	23,553	26,081	19,895

Source: *Summary of Nursery School Situation* issued by the Ministry of Health, Labour, and Welfare

Based on the above, we anticipate net sales for the next fiscal year of 20,000 million yen (up 17.4% year on year) with operating profit of 340 million yen (up 0.6% year on year), ordinary profit of 1,930 million yen (up 0.7% year on year), and profit attributable to owners of parent of 1,250 million yen (up 123.5% year on year).

The year-on-year increase in net sales for the next fiscal year is attributable to an expected rise in the number of nursery school children mainly due to the opening of new nursery schools. Operating profit and ordinary profit, on the other hand, are expected to be on levels similar to the previous fiscal year, due to one-time expenses for upgrading information systems and improving the working environments to enhance the Group's future profitability.

(2) Financial Position

1) Assets, liabilities, and net assets

* The Company early on applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the current fiscal year. Accordingly, comparisons with the financial position as of the end of the previous fiscal year have been made with figures after retrospective application.

Assets

Total assets amounted to 15,691 million yen at the end of the current fiscal year, an increase of 1,940 million yen from the end of the previous fiscal year.

Current assets increased 827 million yen to 3,264 million yen. This was attributable to increases of 55 million yen in cash and deposits and 742 million yen in accounts receivable-other.

Non-current assets increased 1,113 million yen to 12,427 million yen. This was mainly attributable to an increase of 554 million yen in buildings and structures as a result of opening new nursery schools and also increases of 302 million yen in construction in progress and 186 million yen in lease and guarantee deposits.

Liabilities

Total liabilities amounted to 9,113 million yen at the end of the current fiscal year, an increase of 1,287 million yen from the end of the previous fiscal year.

Current liabilities increased 623 million yen to 3,095 million yen. This was mainly attributable to increases of 452 million yen in accounts payable-other, 122 million yen in current portion of long-term loans payable, and 69 million yen in provision for bonuses.
Non-current liabilities increased 663 million yen to 6,017 million yen. This was mainly attributable to an increase of 879 million yen in long-term loans payable as a result of opening new nursery schools, which was partially offset by a decline of 296 million yen in deferred tax liabilities.

Net assets

Net assets increased 652 million yen to 6,577 million yen at the end of the current fiscal year. This was due to an increase of 559 million yen in retained earnings as a result of the booking of profit attributable to owners of parent.

2) Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased 55 million yen from the end of the previous fiscal year to 1,301 million yen with net cash provided by operating activities of 2,028 million yen, net cash used in investing activities of 2,963 million yen, and net cash provided by financing activities of 989 million yen.
The cash flow components for the current fiscal year and the main factors for changes are described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 2,028 million yen, mainly due to profit before income taxes of 643 million yen, depreciation of 632 million yen, and impairment loss of 1,268 million yen. These were partially offset by an increase in accounts receivable-other of 603 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 2,963 million yen, mainly due to purchase of property, plant and equipment of 2,774 million yen and payments for lease and guarantee deposits of 206 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 989 million yen, mainly due to proceeds from long-term loans payable of 1,869 million yen, which was partially offset by repayments of long-term loans payable of 866 million yen and redemption of bonds of 35 million yen.

Reference: Cash flow indicators

	FY9/18
Equity ratio (%)	41.8
Market value-based equity ratio (%)	104.7
Interest-bearing debt to cash flow ratio (%)	2.5
Interest coverage ratio (Times)	62.7

-Equity ratio: Shareholders' equity / Total assets
-Market value-based equity ratio: Market capitalization / Total assets
-Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
-Interest coverage ratio: Operating cash flows / Interest expenses
Notes: 1. Market capitalization is calculated by multiplying the closing share price at the period end (or the contract price for the most recent day prior to the period end if there is no applicable contract execution at the period end) by the number of shares issued and outstanding (excluding treasury shares) at the period end.
2. Cash flows are calculated using the figures for operating cash flows in the statement of cash flows.
3. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

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

Previously, we paid no dividends on our shares of common stock, instead prioritizing proactive capital investments and strengthening financial soundness to expand our business. However, we will make a decision on whether to pay dividends in the near future by primarily considering the balance between the adequacy of internal reserves and the benefits of distributing profits to our shareholders.

Our basic dividend policy is to distribute profits stably and consistently based on the considerations of expected capital expenditures, financial soundness, earnings prospects, and other factors.

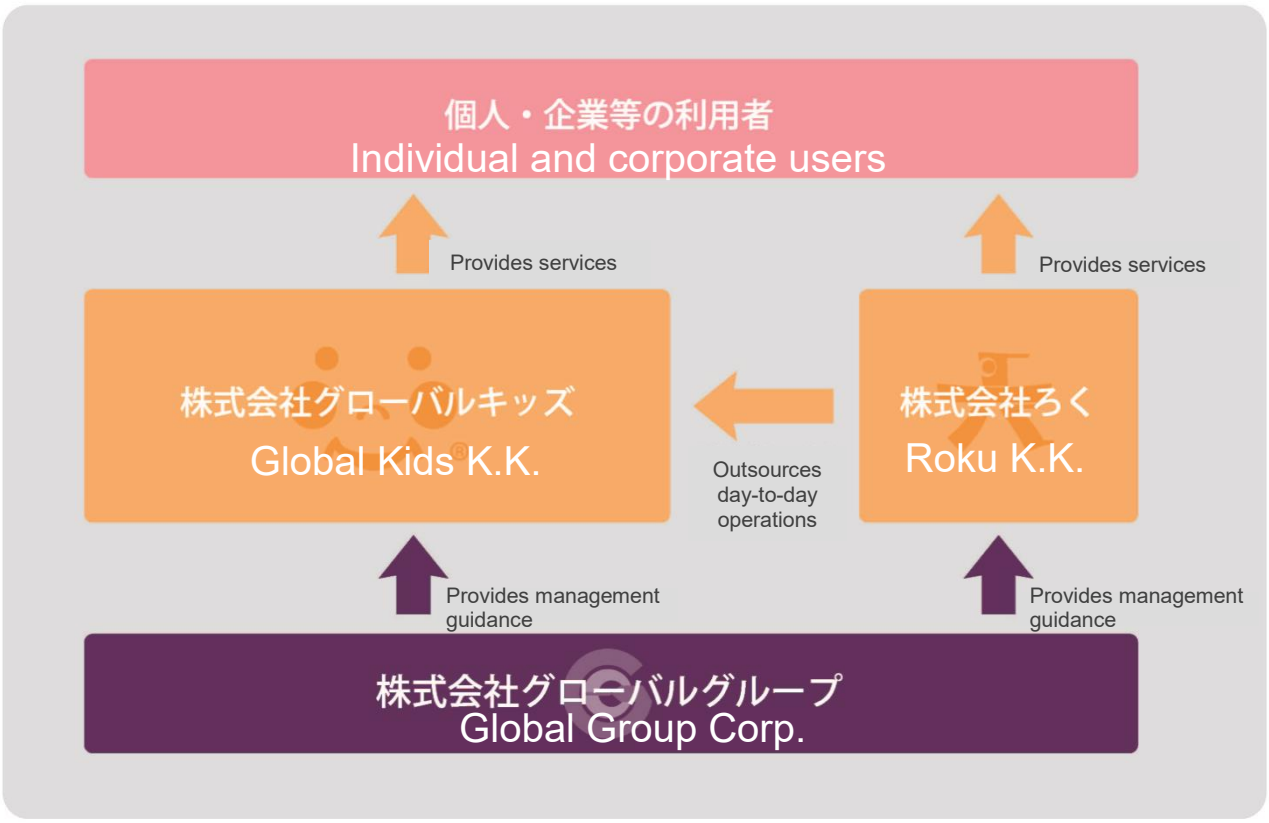
We plan to exploit our internal reserves effectively as a source of funds to open new facilities and make other capital investments with an aim to further expand our business.

If we decide to pay dividends of surplus, we will in principle make an annual payment as a year-end dividend subject to resolution at a general meeting of shareholders. As the Company is permitted to pay interim dividends as stipulated in the Articles of Incorporation in accordance with Article 454, Paragraph 5 of the Companies Act, we will also consider such payments based on a review of the earnings prospects.

2. Corporate Group

The Group consists of the Company and its two consolidated subsidiaries that engage primarily in the child-rearing support business by operating nursery schools, after-school day care centers, and children houses.
The following diagram shows the Group's business activities and the positioning of the Company and its affiliated companies in the business.

Business structure diagram



3. Basic Approach to the Selection of Accounting Standards

We adopt Japanese GAAP because most of our stakeholders are shareholders, creditors, users, and business partners located in Japan, and we do not necessarily have to raise funds from overseas capital markets.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY9/17 (As of Sep. 30, 2017)	FY9/18 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	1,246	1,301
Accounts receivable-other	854	1,597
Prepaid expenses	318	349
Other	17	15
Total current assets	2,436	3,264
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,113	8,668
Construction in progress	263	566
Other, net	411	476
Total property, plant and equipment	8,789	9,711
Intangible assets		
Software	22	108
Total intangible assets	22	108
Investments and other assets		
Investment securities	20	37
Long-term prepaid expenses	649	721
Lease and guarantee deposits	1,306	1,492
Construction assistance fund receivables	366	346
Deferred tax assets	19	9
Other	139	0
Total investments and other assets	2,502	2,607
Total non-current assets	11,314	12,427
Total assets	13,750	15,691

(Millions of yen)

	FY9/17 (As of Sep. 30, 2017)	FY9/18 (As of Sep. 30, 2018)
Liabilities		
Current liabilities		
Current portion of long-term loans payable	746	869
Current portion of bonds	35	35
Accounts payable-other	788	1,240
Income taxes payable	150	224
Advances received	157	90
Provision for bonuses	375	445
Other	218	189
Total current liabilities	2,472	3,095
Non-current liabilities		
Bonds payable	59	23
Long-term loans payable	3,325	4,205
Net defined benefit liability	153	188
Deferred tax liabilities	1,703	1,407
Other	111	193
Total non-current liabilities	5,353	6,017
Total liabilities	7,826	9,113
Net assets		
Shareholders' equity		
Capital stock	1,256	1,267
Capital surplus	1,944	1,955
Retained earnings	2,846	3,405
Treasury shares	(0)	(0)
Total shareholders' equity	6,047	6,629
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Remeasurements of defined benefit plans	(122)	(69)
Total accumulated other comprehensive income	(122)	(70)
Subscription rights to shares	-	19
Total net assets	5,924	6,577
Total liabilities and net assets	13,750	15,691

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	FY9/17 (Oct. 1, 2016 –Sep. 30, 2017)	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)
Net sales	13,155	17,032
Cost of sales	11,053	14,703
Gross profit	2,102	2,328
Selling, general and administrative expenses	1,695	1,990
Operating profit	407	337
Non-operating income		
Interest income	3	3
Subsidy income	1,586	2,006
Other	4	4
Total non-operating income	1,594	2,014
Non-operating expenses		
Interest expenses	30	32
Capital expenses	451	385
Other	41	17
Total non-operating expenses	523	435
Ordinary profit	1,477	1,917
Extraordinary losses		
Impairment loss	228	*1 1,268
Loss on closing of nursery schools	-	*2 5
Total extraordinary losses	228	1,273
Profit before income taxes	1,248	643
Income taxes-current	153	333
Income taxes-deferred	303	(248)
Total income taxes	457	84
Profit	791	559
Profit attributable to		
Profit attributable to owners of parent	791	559
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Remeasurements of defined benefit plans, net of tax	(122)	53
Total other comprehensive income	(122)	52
Comprehensive income	668	611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	668	611
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY9/17 (Oct. 1, 2016–Sep. 30, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,250	1,938	2,054	(0)	5,242
Changes of items during period					
Issuance of new shares	6	6			13
Profit attributable to owners of parent			791		791
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	6	6	791	(0)	804
Balance at end of current period	1,256	1,944	2,846	(0)	6,047

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	(0)	-	(0)	5,242
Changes of items during period				
Issuance of new shares				13
Profit attributable to owners of parent				791
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	0	(122)	(122)	(122)
Total changes of items during period	0	(122)	(122)	681
Balance at end of current period	0	(122)	(122)	5,924

FY9/18 (Oct. 1, 2017–Sep. 30, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,256	1,944	2,846	(0)	6,047
Changes of items during period					
Issuance of new shares	11	11			22
Profit attributable to owners of parent			559		559
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	11	11	559	(0)	581
Balance at end of current period	1,267	1,955	3,405	(0)	6,629

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	0	(122)	(122)	-	5,924
Changes of items during period					
Issuance of new shares					22
Profit attributable to owners of parent					559
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(0)	53	52	19	71
Total changes of items during period	(0)	53	52	19	652
Balance at end of current period	(0)	(69)	(70)	19	6,577

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY9/17 (Oct. 1, 2016 –Sep. 30, 2017)	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	1,248	643
Depreciation	530	632
Impairment loss	228	1,268
Loss on closing of nursery schools	-	5
Amortization of goodwill	1	-
Subsidy income	(1,586)	(2,006)
Increase (decrease) in provision for bonuses	50	69
Increase (decrease) in net defined benefit liability	31	53
Interest and dividend income	(3)	(6)
Interest expenses	30	32
Decrease (increase) in accounts receivable-other	(184)	(603)
Decrease (increase) in prepaid expenses	(64)	(20)
Increase (decrease) in accounts payable-other	123	381
Increase (decrease) in advances received	31	(67)
Other, net	125	66
Subtotal	564	448
Interest and dividend income received	0	2
Interest expenses paid	(31)	(30)
Income taxes paid	(156)	(258)
Proceeds from subsidy income	1,586	1,867
Net cash provided by (used in) operating activities	1,963	2,028
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,376)	(2,774)
Purchase of intangible assets	(8)	(22)
Payments for lease and guarantee deposits	(187)	(206)
Proceeds from lease and guarantee deposits received	2	1
Payments of construction assistance fund receivables	(66)	-
Collection of construction assistance fund receivables	21	24
Purchase of shares of affiliated companies	-	(8)
Payments for transfer of business	-	(40)
Other, net	(45)	62
Net cash provided by (used in) investing activities	(2,659)	(2,963)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,300	1,869
Repayments of long-term loans payable	(756)	(866)
Redemption of bonds	(79)	(35)
Repayments of lease obligations	(8)	(5)
Proceeds from exercise of share options	13	10
Proceeds from issuance of subscription rights to shares	-	19
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	467	989
Net increase (decrease) in cash and cash equivalents	(227)	55
Cash and cash equivalents at beginning of period	1,474	1,246
Cash and cash equivalents at end of period	1,246	1,301

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Consolidated Statements of Income and Comprehensive Income

*1 Impairment loss

FY9/17 (Oct. 1, 2016 –Sep. 30, 2017)

The Group reported impairment loss for the following asset group.

Purpose	Type	Location	Impairment loss (Millions of yen)
Facility (3 facilities)	Buildings and structures "Other" under property, plant and equipment	Kamagaya City, Chiba Prefecture, etc.	228

The Group's assets are grouped by facility as a basic unit, which is the smallest group of assets that generates cash inflows. The Group recognized an impairment loss (219 million yen for buildings and structures and 9 million yen for "Other" under property, plant and equipment) as an extraordinary loss resulting from writing down the carrying amount of facilities with deteriorating operating performance to the recoverable amount.

Their recoverable amount is measured based on value in use, which is determined to be zero as the future cash flows cannot be expected.

FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)

The Group reported impairment loss for the following group of assets.

Purpose	Type	Location	Impairment loss (Millions of yen)
Facility (15 facilities)	Buildings and structures "Other" under property, plant and equipment	Yokohama City, Kanagawa Prefecture, etc.	1,268

The Group's assets are grouped by facility as a basic unit, which is the smallest group of assets that generates cash inflows. The Group recognized an impairment loss (1,245 million yen for buildings and structures and 22 million yen for "Other" under property, plant and equipment) as an extraordinary loss resulting from closing the existing licensed facilities due to a license transition for licensed facilities involving relocation as well as writing down the carrying amount of facilities with deteriorating operating performance to their recoverable amount.

*2 Loss associated with the closing of facilities

As a result of closing the existing licensed facilities due to a license transition for licensed facilities involving relocation, the construction cost for restoration of 3 million yen and the rent after the closing of facilities of 1 million yen were posted as loss on closing of nursery schools.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

1) Number of consolidated subsidiaries: 2

Name of consolidated subsidiaries:

Global Kids K.K.

Roku K.K.

2) Name of non-consolidated subsidiary

Non-consolidated subsidiary

GLOBAL KIDS VIETNAM CO., LTD.

(Reason for exclusion from the scope of consolidation)

The non-consolidated subsidiary is excluded from the scope of consolidation as it would be of minor importance in the consolidated financial statements considering its net assets, net sales, profit/loss (amounts proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) even if it is excluded from the scope of consolidation, as its business is small in scale.

2. Application of the equity method

1) Non-consolidated subsidiaries and affiliates accounted for under the equity method

Not applicable.

2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method

Name of major company

GLOBAL KIDS VIETNAM CO., LTD.

(Reason for exclusion from the scope of equity-method application)

The above non-consolidated subsidiary is excluded from the scope of application of the equity method as it would be of minor importance in the consolidated financial statements considering profit/loss (amount proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) even if the method is not applied.

3. Period end of consolidated subsidiaries

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

4. Accounting policies

(1) Valuation criteria and methods for significant assets

1) Available-for-sale securities

Securities with market quotations

Stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. Cost of securities sold is determined by the moving average method.

Securities without market quotations

Moving average cost method.

2) Inventories

Supplies

Stated at cost determined by the first-in and first-out method (the carrying value on the consolidated balance sheet is written down to reflect the effect of lower profit margins).

(2) Depreciation and amortization method for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures 6 to 39 years

2) Intangible assets (excluding leased assets)

The Company applies the straight-line method.

Software for internal use is amortized over an estimated internal useful life of five years.

3) Leased assets

Leased assets associated with finance lease transactions where there is no transfer of ownership

The straight-line method with no residual value is applied over the lease period used as the useful life of the assets.

(3) Accounting for significant allowance

Provision for bonuses

An allowance is provided, based on an estimated amount of payment for the current fiscal year, to prepare for the payment of bonuses to employees of the Company and its consolidated subsidiaries.

(4) Accounting method for retirement benefits

1) Method of attributing estimated retirement benefits to periods

In its calculation of retirement benefit obligations, the Company uses the benefit formula basis for attributing estimated retirement benefit obligations to the period until the end of the current fiscal year.

2) Amortization of actuarial difference and past service cost

Past service cost is amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees.

(5) Amortization method and period of goodwill

Goodwill is amortized by the straight-line method over a period of five years.

(6) Cash and cash equivalents in the consolidated statement of cash flows

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

(7) Other significant matters for preparation of the consolidated financial statements

Accounting for consumption taxes

Consumption taxes are accounted for by the tax-exclusion method. Non-deductible consumption taxes are recorded as expenses in the corresponding fiscal years. However, non-deductible consumption taxes associated with non-current assets are included in long-term prepaid expenses under investments and other assets and amortized over five years by the straight-line method.

Changes in Presentation

(Changes due to the early application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

As the "Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) may now be applied to the consolidated financial statements as of the end of the current fiscal year or after, the Company has applied partial amendments to the accounting standard for tax effect accounting from the current fiscal year. Accordingly, the Company has changed the method of presentation and recorded deferred tax assets under investments and other assets, and deferred tax liabilities under non-current liabilities.

As a result, 7 million yen of the 208 million yen in deferred tax assets under current assets reported in the consolidated balance sheet for the previous fiscal year has been included in deferred tax assets under investments and other assets, and the 201 million yen was offset against deferred tax liabilities resulting in 1,703 million yen in deferred tax liabilities under non-current liabilities.

Segment and Other Information

Segment information

Omitted since the Group has only a single business segment, which is the “child-rearing support business.”

Related information

FY9/17 (Oct. 1, 2016 –Sep. 30, 2017)

1. Information by product or service

Omitted since sales to external customers, which account for more than 90% of net sales shown on the consolidated statement of income, are derived from a single product or service category.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Millions of yen)

Customer name	Net sales	Relevant segment
Yokohama City	2,307	Child-rearing support business

FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)

1. Information by product or service

Omitted since sales to external customers, which account for more than 90% of net sales shown on the consolidated statement of income, are derived from a single product or service category.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Millions of yen)

Customer name	Net sales	Relevant segment
Yokohama City	2,508	Child-rearing support business

Information related to impairment losses on non-current assets for each reportable segment

Omitted since the Group has only a single business segment.

Information related to goodwill amortization and the unamortized balance for each reportable segment

Omitted since the Group has only a single business segment.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY9/17 (Oct. 1, 2016 –Sep. 30, 2017)	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)
Net assets per share	681.37	720.33
Net income per share	95.22	62.63
Diluted net income per share	87.71	60.71

Note: The basis of calculating the net income per share and diluted net income per share is as follows:

	FY9/17 (Oct. 1, 2016 –Sep. 30, 2017)	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)
Net income per share		
Profit attributable to owners of parent (millions of yen)	791	559
Amount not attributable to ordinary shareholders (millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (millions of yen)	791	559
Average number of shares of common stock outstanding (shares)	8,312,177	8,927,555
Diluted net income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	-	-
Increase in number of shares of common stock (shares)	712,653	282,881
[Of which, stock acquisition rights (shares)]	[712,653]	[282,881]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Material Subsequent Events

Not applicable.

This financial 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.