Ver.1

Presentation Materials for the Earnings Briefing for the Fiscal Year Ended September 30, 2018

November 13, 2018 (TSE 1st Section 6189)

Global Group Corp.



Note Concerning Forward-looking Statements

The plans, forecasts, strategies and other information contained in these materials forecast future performance based on information available at the time the materials were prepared. These include inherent risk and uncertainty.

Actual performance may differ from forecasts and predictions due to such risk and uncertainty.

Information considered useful for explaining our business environment has been provided in these materials. The results in the data may vary depending on the method or timing of the survey.

Information within these materials on topics not concerning the Company in quoted from published information and other sources. As such, the accuracy and appropriacy of the information have not been verified, nor are any guarantees provided thereof.



Contents

Overview of Results for the Fiscal Year Ended September 30, 2018 (FY9/18) **p.3**

Forecast for the Fiscal Year Ending September 30, 2019 (FY9/19) **p.18**

Our Business Strategy **p.21**

ESG Initiatives **p.26**

Overview of Results for the Fiscal Year Ended September 30, 2018 (FY9/18)

Highlights for FY9/18

1. Achieved a substantial increase of 30% in sales

- Net sales: ¥17,032 million (up ¥3,876 million, or 29.5%, year on year)
- The increase is attributable primarily to a rise in the number of children enrolled in nursery school (with the average number per month rising from 5,619 to 6,714), mainly because of the opening of new facilities in April 2018, and a substantial increase in subsidies from municipalities, as a result of rent subsidies and subsidies to improve compensation for child-care workers.

2. Substantial increase of 30% in ordinary profit

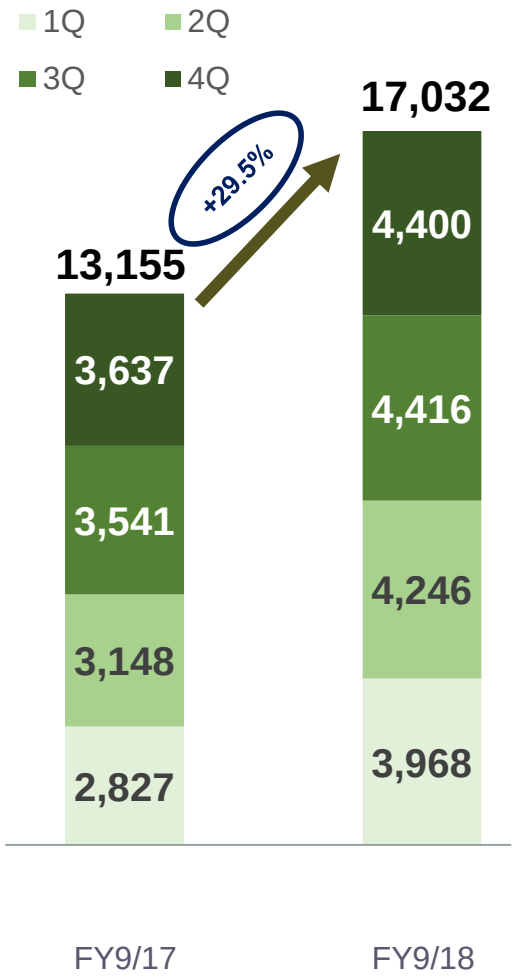
- Operating profit: ¥337 million (down ¥69 million, or 17.0%, year on year)
  - Operating profit decreased due to higher personnel expenses as a result of nationwide measures to improve compensation, an increase in business consignment expenses mainly due to business acquisition costs, and growing SG&A expenses owing to higher taxes and dues.
- Ordinary profit: ¥1,917 million (up ¥439 million, or 29.7%, year on year)
  - Growth in non-operating income resulting from an increase in subsidies for opening facilities contributed.

3. Impairment loss recorded

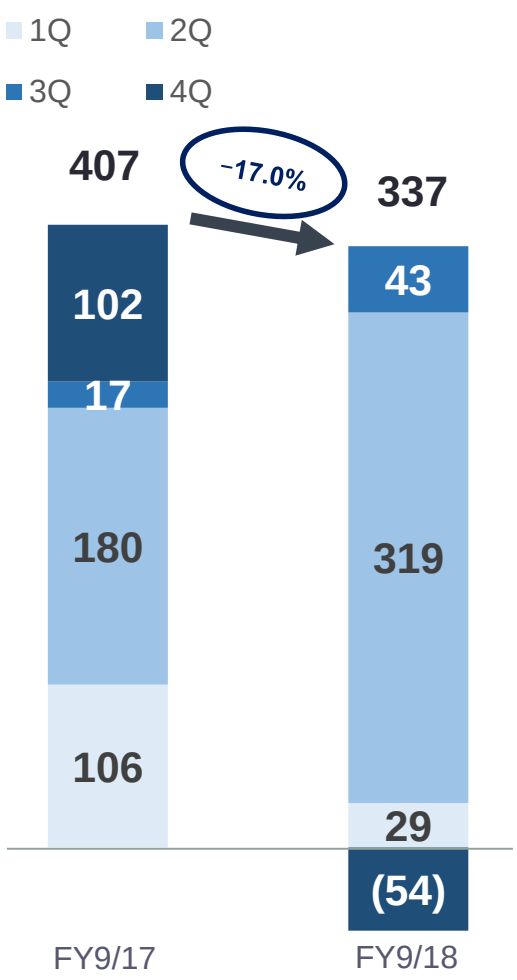
- Profit: ¥559 million (down ¥232 million, or 29.4%, year on year)
- Recorded an impairment loss of ¥1,268 million due to longer payback periods for investments in some facilities as a result of conservative estimates of occupancy rates, etc. and a cautious study of income forecasts, assuming that wait-listed children would be eliminated in the future.

Results summary for FY9/18

Net sales

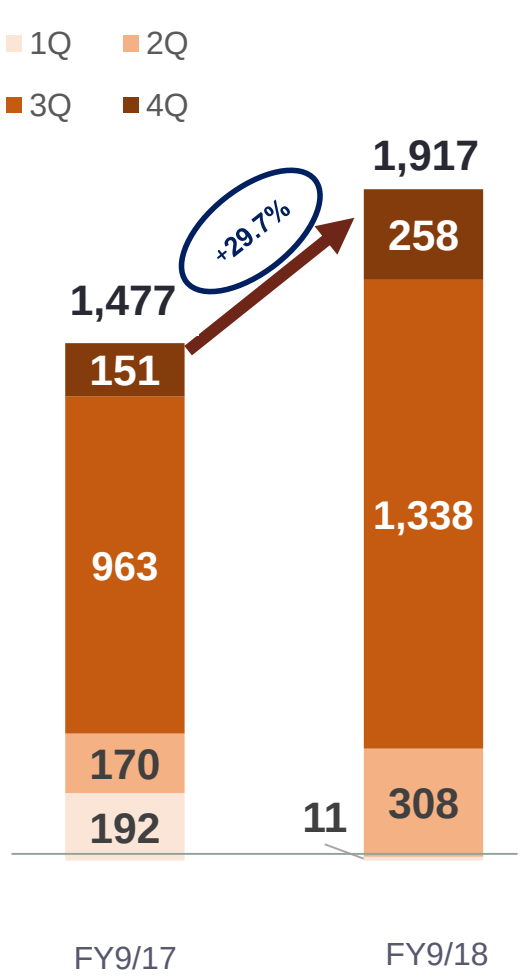


Operating profit



Ordinary profit

(Millions of yen)



Consolidated statement of income—Factors in year-on-year changes

(Millions of yen)

	FY9/17		FY9/18		
	Amount	%	Amount	%	YoY change
Net sales	13,155	100.0%	17,032	100.0%	29.5%
Cost of sales	11,053	84.0%	14,703	86.3%	33.0%
Gross profit	2,102	16.0%	2,328	13.7%	10.8%
SG&A expenses	1,695	12.9%	1,990	11.7%	17.4%
Operating profit	407	3.1%	337	2.0%	(17.0)%
Non-operating income	1,594	-	2,014	-	26.4%
Non-operating expenses	523	-	435	-	(16.8)%
Ordinary profit	1,477	11.2%	1,917	11.3%	29.7%
Extraordinary income (losses)	(228)	-	(1,273)	-	-
Profit before income taxes	1,248	9.5%	643	3.8%	(48.5)%
Income taxes	457	-	84	-	(81.6)%
Profit	791	6.0%	559	3.3%	(29.4)%

[Net sales]

- ◆ Increases in the number of nursery school children and official price revisions resulted in a ¥2,280 million increase.
- ◆ The amount of subsidies to improve compensation was up by ¥780 million (of which ¥200 million was attributable to temporary factors).
- ◆ Rent subsidies increased by ¥490 million due primarily to the start of new subsidies granted by some municipalities in Tokyo.

[Cost of sales]

- ◆ Personnel expenses grew by ¥820 million due to the subsidies for improved compensation (of which ¥340 million was attributable to temporary factors).

[SG&A expenses]

- ◆ Increased by ¥290 million due to growth of business consignment expenses, and taxes and dues.
- ◆ SG&A expense ratio declined due to an increase in net sales.

[Non-operating income]

- ◆ Subsidy income for opening of new facilities increased by ¥420 million because some facilities received a large amount of subsidies.

[Extraordinary income (losses)]

- ◆ Recorded an impairment loss of ¥1,270 million due to longer payback periods for investments in some facilities as a result of conservative estimates of occupancy rates, etc. and a study of income forecasts, assuming that wait-listed children would be eliminated in the future.

Consolidated statement of income—Factors in changes from disclosed forecasts

(Millions of yen)

	Initial forecast values (announced in November)	Revised forecast values (announced in May)	FY9/18 results	
			Amount	% achieved
Net sales	16,245	17,000	17,032	100.2%
Cost of sales	13,720	14,350	14,703	102.5%
Gross profit	2,525	2,650	2,328	87.9%
SG&A expenses	2,247	2,280	1,990	87.3%
Operating profit	278	370	337	91.4%
Non-operating income	1,594	1,900	2,014	106.0%
Non-operating expenses	533	570	435	76.4%
Ordinary profit	1,339	1,700	1,917	112.8%
Extraordinary income (losses)	0	(20)	(1,273)	-
Profit before income taxes	1,339	1,680	643	38.3%
Income taxes	484	530	84	-
Profit	855	1,150	559	48.6%

Comparison to revised budget—Main contributing factors

[Net sales]

- ◆ Progressed as expected.

[Cost of sales]

- ◆ Cost of sales exceeded that in the revised budget due to the following factors:
  - ✓ Personnel expenses were up on an increase in employees, and school meal expenses were up due to more costly ingredients.
  - ✓ Rent rose due to an increase in users of company housing.
  - ✓ Other expenses, recruiting expenses, utilities, etc., increased.

[SG&A expenses]

- ◆ SG&A expenses were lower than forecast due to delays of forward-looking investments (business consignment expenses, PR expenses, etc.) to the following term.

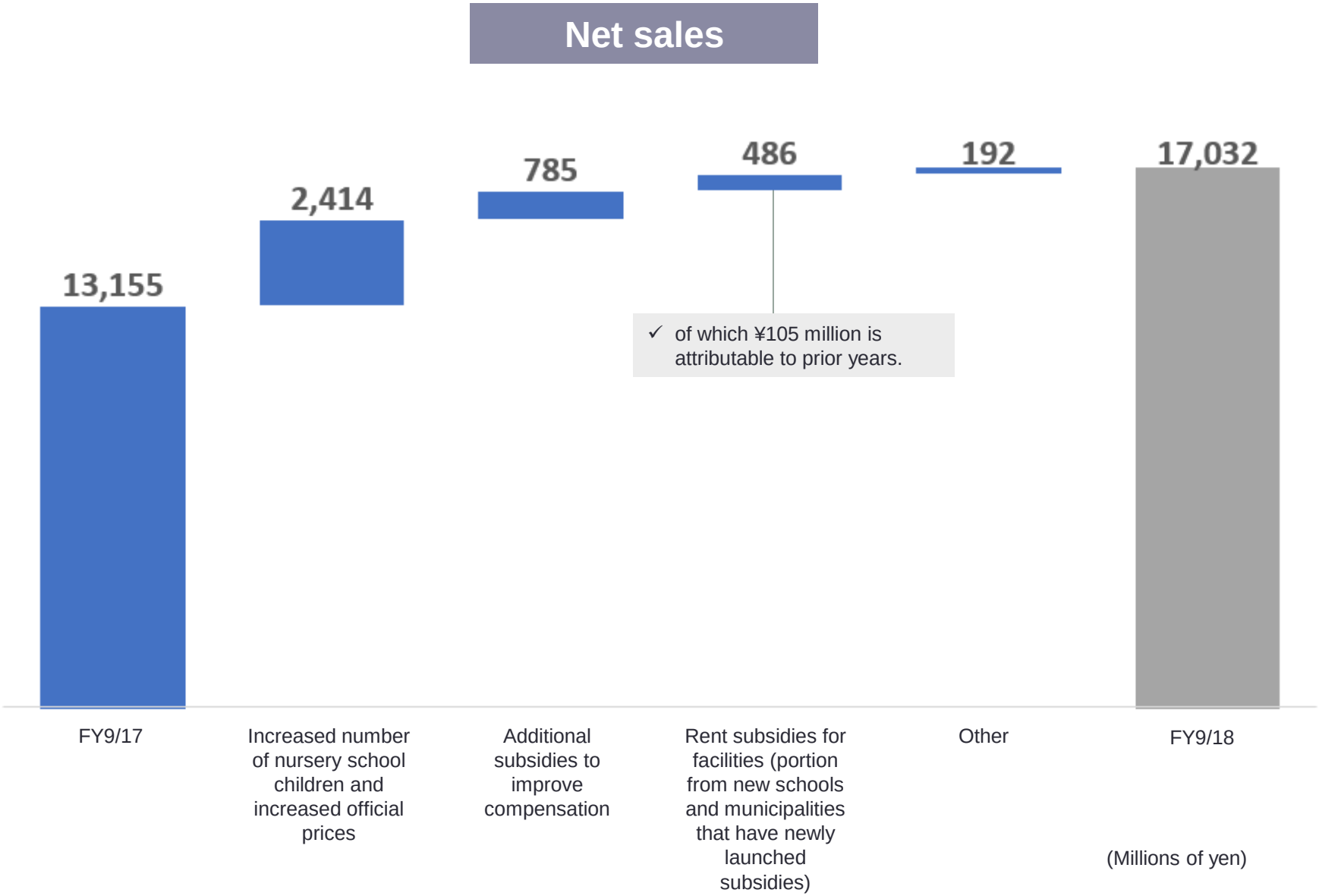
[Non-operating income]

- ◆ Non-operating income was higher than expected because some facilities were granted more subsidy income for newly opened facilities than anticipated.
- ◆ Meanwhile, non-operating expenses were lower than planned as a result of curbing costs for school openings.

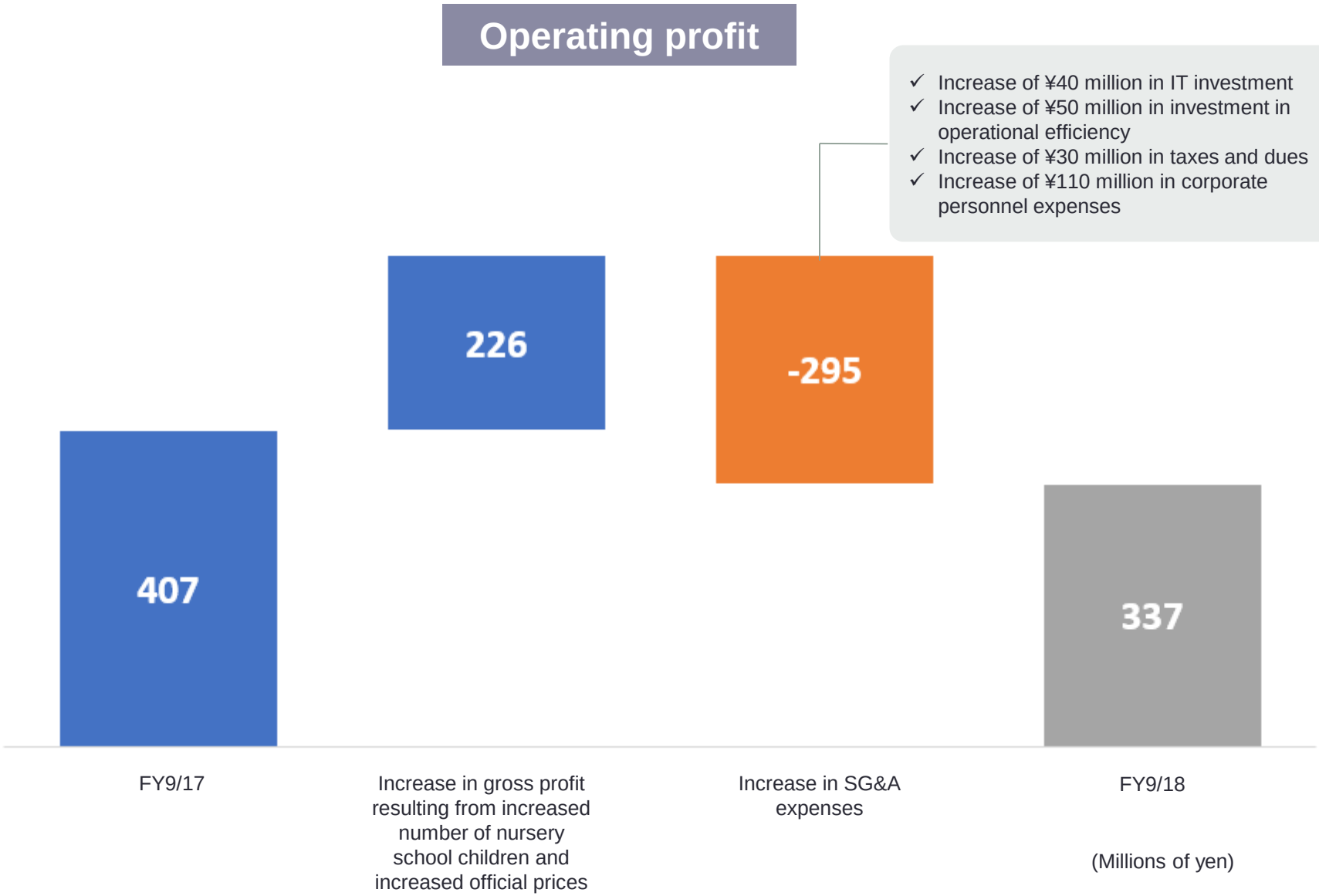
[Ordinary profit]

- ◆ As a result of the above, ordinary profit was ¥220 million higher than forecast.

Factors behind year-on-year change in net sales for FY9/18

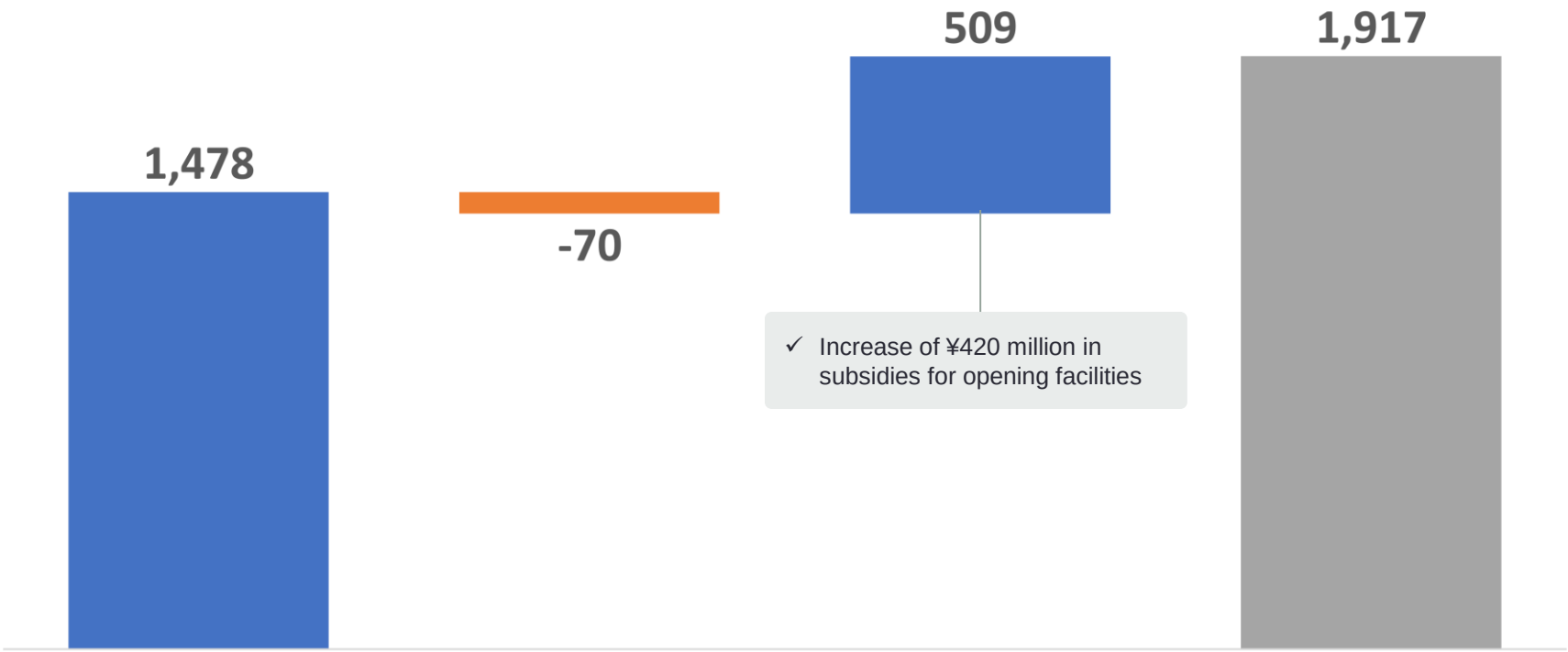


Factors behind year-on-year change in operating profit for FY9/18



Factors behind year-on-year change in ordinary profit for FY9/18

Ordinary profit



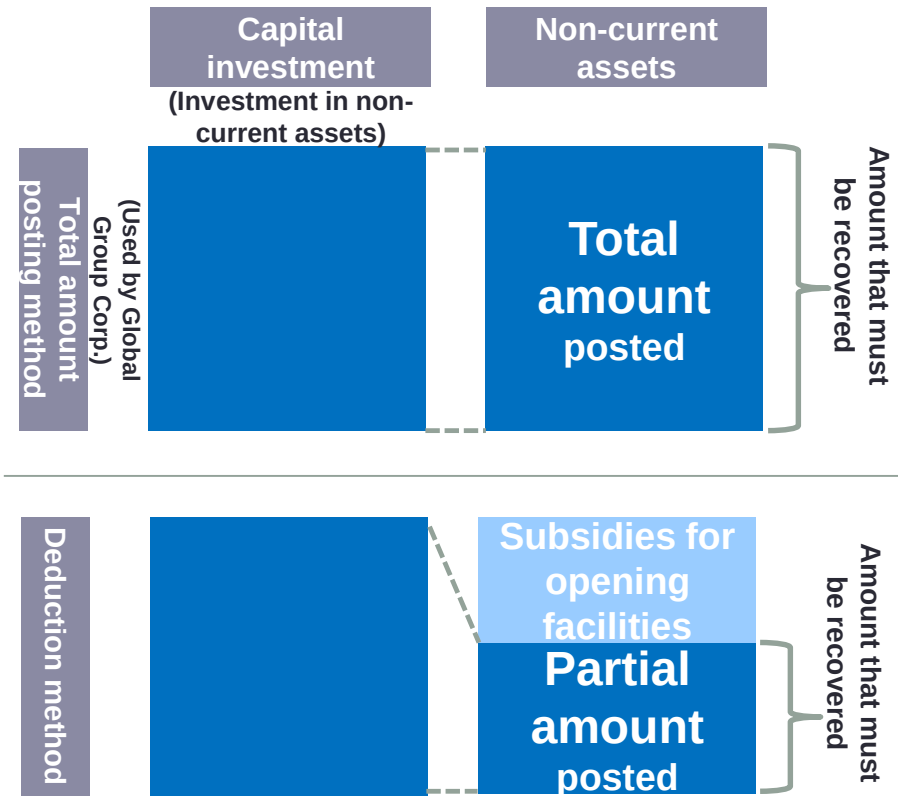
(Millions of yen)

Impairment loss

◆ Impairment loss in FY9/18

- Occupancy rates, etc., were conservatively estimated on the assumption that wait-listed children would be eliminated in the future, and an impairment loss was recognized for non-current assets related to nursery school facilities where the payback periods for investments are expected to be extended.
- For some facilities, most of the investment has been recovered through subsidies received for capital investment for opening facilities, and investment cash flows are expected to be recovered.

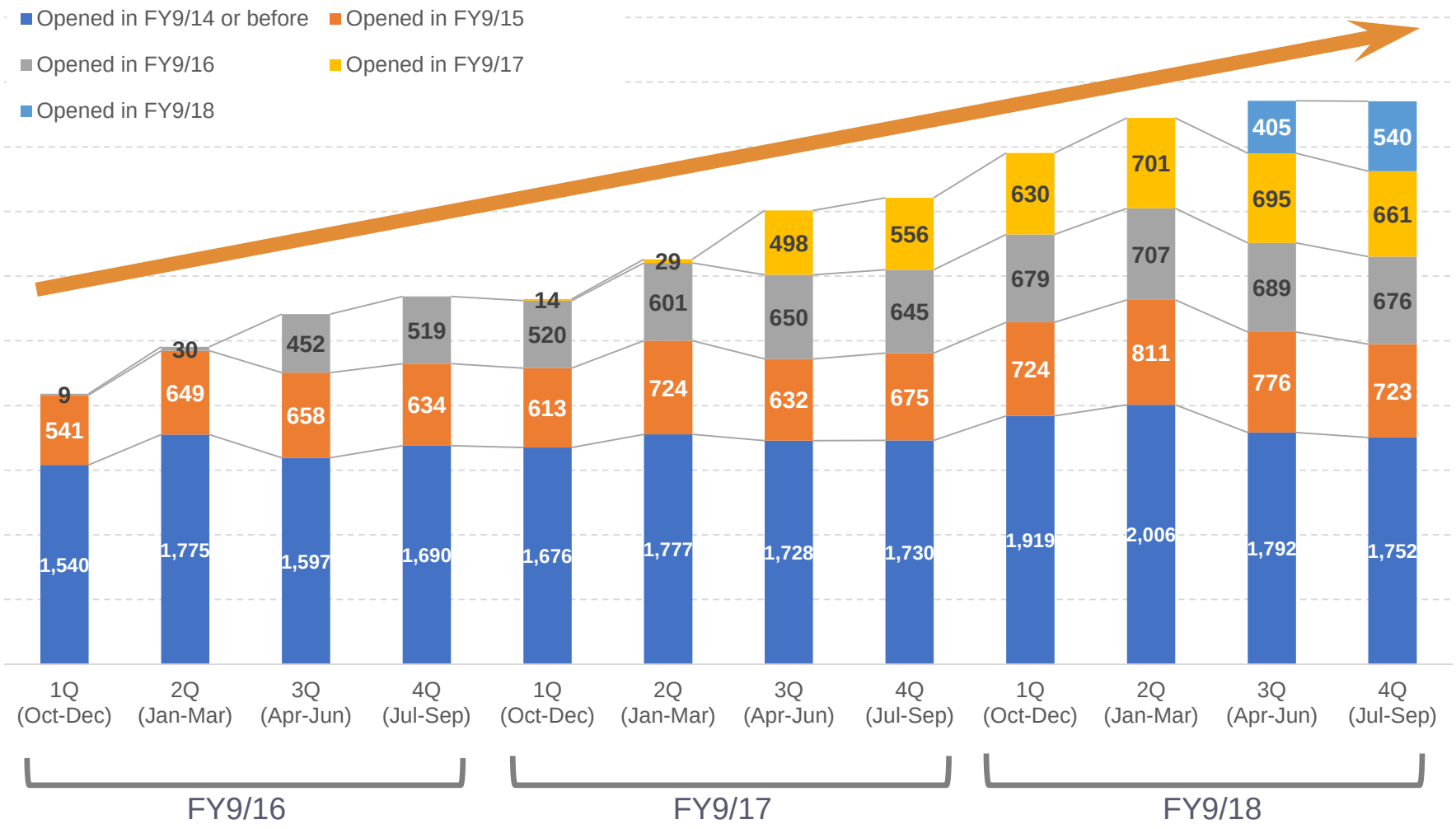
◆ Method for posting non-current assets for which subsidies are used



Non-operating income	Recovery amount according to impairment rules
Subsidies for opening facilities	✓ In the total amount posting method, impairment rules require recovery of the total amount of investment in non-current assets, because the subsidies for opening facilities are recorded under P&L.
None	✓ In the deduction method, an amount equivalent to the subsidies for opening facilities is subtracted from the capital investment amount and posted under non-current assets. No posting is made under P&L.

Quarterly net sales by period of school opening

- Net sales for the fourth quarter of FY9/18 increased 21% year on year.



(Millions of yen)

Consolidated balance sheet

(Millions of yen)

	As of September 30, 2017	As of September 30, 2018	YoY change
Current assets	**2,436**	**3,264**	**827**
Cash and deposits	1,246	1,301	55
Non-current assets	**11,314**	**12,427**	1,113
Property, plant and equipment	8,789	9,711	922
Total assets	**13,750**	**15,691**	**1,940**
Current liabilities	2,472	3,095	623
Non-current liabilities	5,353	6,017	663
Total liabilities	**7,826**	**9,113**	**1,287**
Net assets	**5,924**	**6,577**	**652**
Total liabilities & net assets	**13,750**	**15,691**	**1,940**
Interest-bearing debt	4,167	5,133	966
Equity ratio	43.1%	41.8%	-

[Assets]

◆ Non-current assets increased by ¥1,110 million due to investment in new schools.

[Liabilities]

◆ Increase in long- and short-term loans payable caused current liabilities and non-current liabilities to increase.

[Interest-bearing debt]

◆ Increased due to borrowings for opening of new facilities.

[Equity ratio]

◆ Equity ratio declined slightly as a result of drawdown of borrowings.

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" were applied early, starting in FY9/18, and the consolidated financial statements for the previous fiscal year have been reclassified.

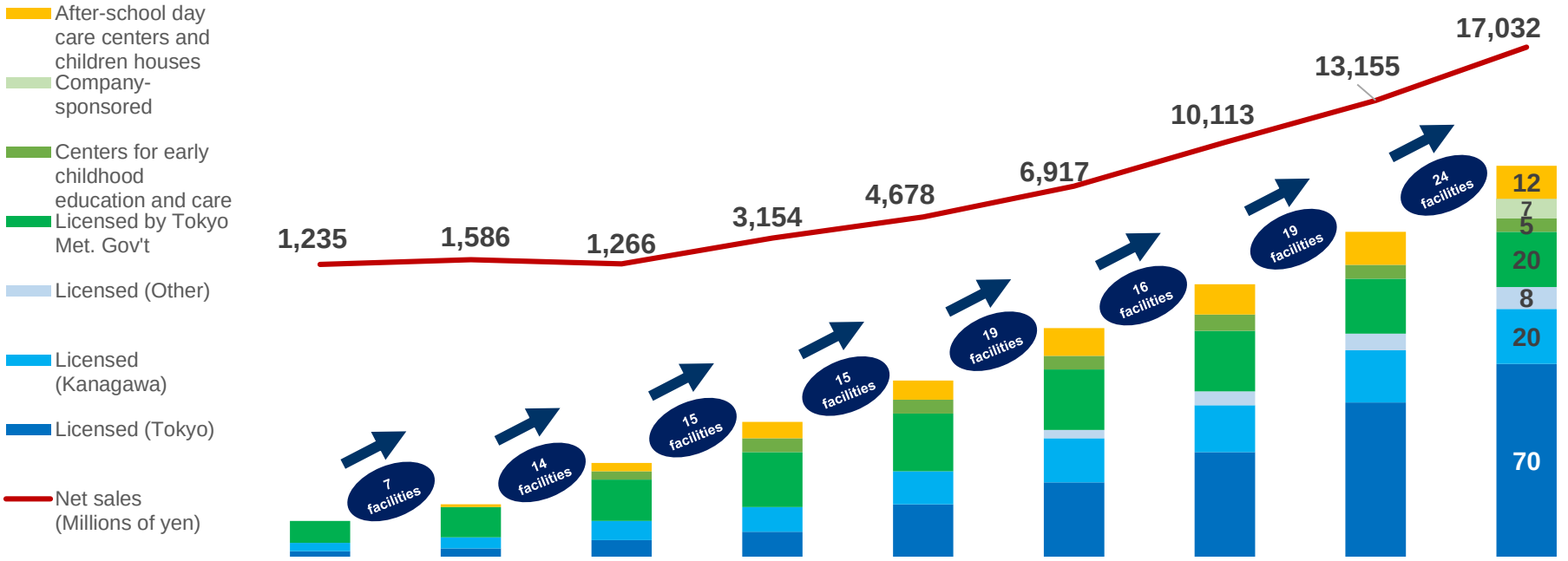
Consolidated statement of cash flows

(Millions of yen)

	FY9/17	FY9/18
Cash flows from operating activities	**1,963**	**2,028**
Profit before income taxes	1,248	643
Depreciation	530	632
Impairment loss	228	1,268
Decrease (increase) in accounts receivable-other	(184)	(603)
Decrease (increase) in prepaid expenses	(64)	(20)
Increase (decrease) in advances received	31	(67)
Cash flows from investing activities	**(2,659)**	**(2,963)**
Purchase of property, plant and equipment	(2,376)	(2,774)
Payments for lease and guarantee deposits	(187)	(206)
Cash flows from financing activities	**467**	**989**
Net increase (decrease) in loans payable and bonds	463	968
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**

Number of facilities under operation

- We are operating 142 facilities (as of September 30, 2018).

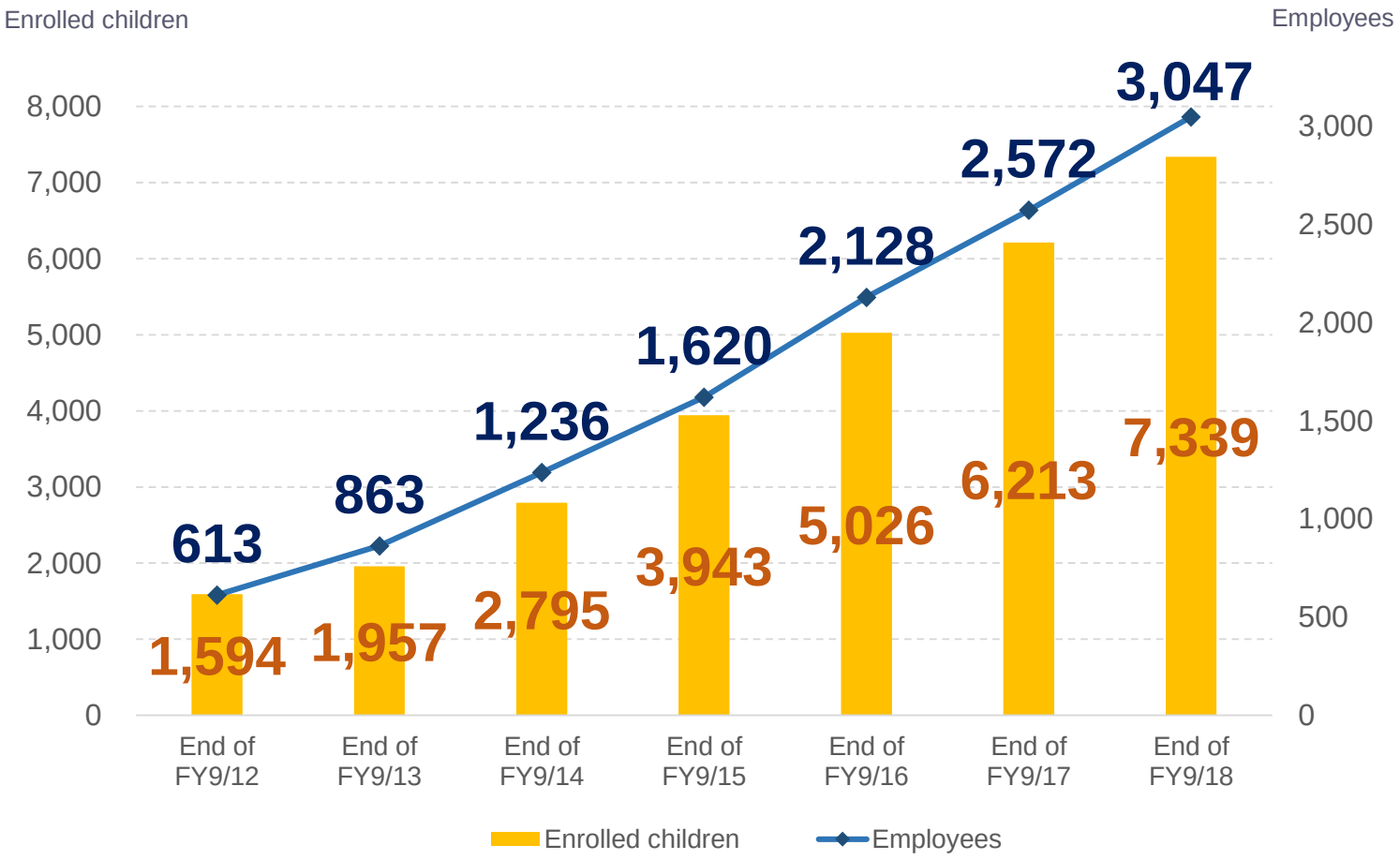


At end of	FY3/11	FY3/12	FY9/12	FY9/13	FY9/14	FY9/15	FY9/16	FY9/17	FY9/18
Licensed (Tokyo)	2	3	6	9	20	28	38	56	70
Licensed (Kanagawa)	3	4	7	9	12	16	17	19	20
Licensed (Chiba)	0	0	0	0	0	2	3	3	3
Licensed (Saitama)	0	0	0	0	0	0	0	0	1
Licensed (Osaka)	0	0	0	0	0	1	2	3	4
Licensed by Tokyo Met. Gov't	8	11	15	20	20	21	22	20	20
Centers for early childhood education and care	0	0	1	1	1	1	2	2	1
Small-scale nursery schools	0	1	2	4	4	4	4	3	4
Company-sponsored	0	0	0	0	0	0	0	0	7
After-school day care centers and children houses	0	1	3	6	7	10	11	12	12
Total	13	20	34	49	64	83	99	118	142

Notes: 1. Net sales for FY9/15 and before are those of Global Kids Co., Ltd. on a consolidated basis.
2. The numbers for the centers for early childhood education and care include facilities providing small-scale nursery service.
3. "Company-sponsored" includes the six Mebae Hoiku Room facilities that are acquired.

Numbers of enrolled children, employees

Enrolled children, employees

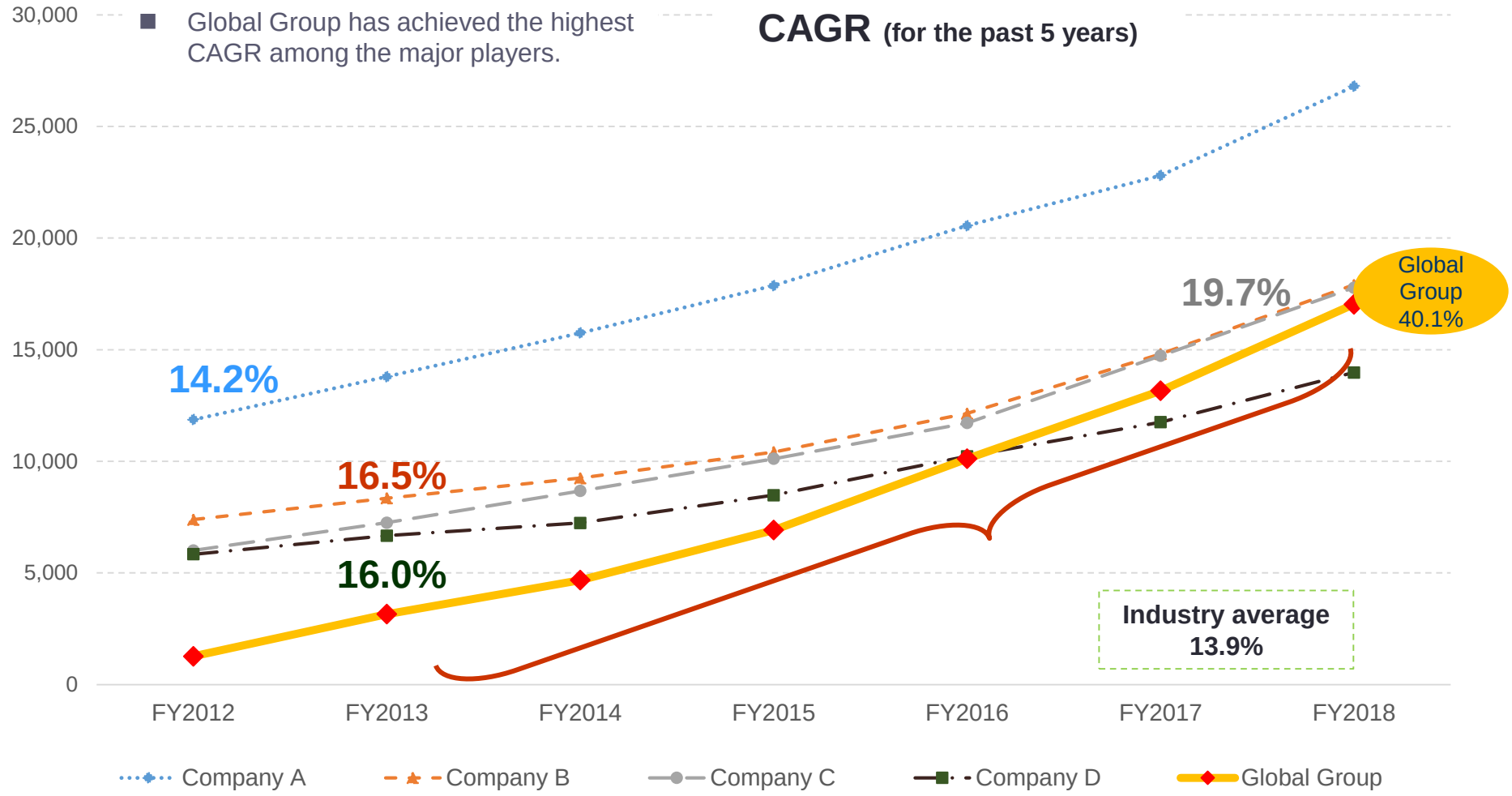


"Enrolled children" above excludes those enrolled in after-school day care centers and children houses.
"Employees" above includes corporate staff and par-time workers.

Global Group's growth over the past 5 years

Sales of major nursery service providers

(Millions of yen)



Source: Prepared by Global Group based on data obtained from Nikkei MJ. The industry average is calculated based on materials obtained from Yano Research Institute Ltd. and Nikkei MJ.

Note: The figures of Global Group for FY2014 onward are calculated on a consolidated basis, and those for FY2012 and FY2013 on a non-consolidated basis.

Forecast for the Fiscal Year Ending September 30, 2019 (FY9/19)

Consolidated earnings forecast for FY9/19

	FY9/18		FY9/19 forecast		
	Amount	%	Amount	%	YoY change (%)
Net sales	17,032	100.0%	20,000	100.0%	17.4%
Cost of sales	14,703	86.3%	17,230	86.2%	17.2%
Gross profit	2,328	13.7%	2,770	13.9%	19.0%
SG&A expenses	1,990	11.7%	2,430	12.2%	22.1%
Operating profit	337	2.0%	340	1.7%	0.6%
Non-operating income	2,014	-	2,140	-	6.2%
Non-operating expenses	435	-	550	-	26.3%
Ordinary profit	1,917	11.3%	1,930	9.7%	0.7%
Extraordinary income (losses)	(1,273)	-	0	-	-
Profit before income taxes	643	3.8%	1,930	9.7%	199.9%
Income taxes	84	-	680	-	-
Profit	559	3.3%	1,250	6.3%	123.5%

Contributing factors for FY9/19

[Net sales]

- Increase in net sales of ¥1,110 million from newly opening schools and ¥1,720 million from existing schools
- Increase in net sales of ¥120 million from other operations (incl. school meal catering and consulting services)

[Cost of sales]

- Cost of sales is expected to increase due to higher personnel expenses resulting from growth in the number of facilities, despite a fall in depreciation caused by posting impairment loss in FY9/18.

[SG&A expenses]

- Operating margin is expected to drop because of an anticipated increase in SG&A expenses reflecting forward-looking investments, such as in IT, measures to retain staff.

[Non-operating income]

- An increase in new school openings is expected to lead to slight rises in subsidy income for developing new schools and development expenses.

New facilities scheduled to open or transition to central-government license in FY9/19

- 22 facilities are scheduled to open in April 2019, bringing the number of facilities under operation to 164.
- Three facilities licensed by Tokyo Metropolitan Government are scheduled to transition to central-government license.

◆ New facilities scheduled to open

By location

Location		No. of facilities scheduled to open	Planned capacity
Tokyo	23 wards	18	940
Kanagawa	Yokohama City	3	205
Osaka	Osaka City	1	80
		22 nursery schools	**1,225 children**

By format

Format	No. of facilities scheduled to open	No. of facilities after openings
Licensed	17	115
Company-sponsored	4	11
Within business premises	1	1

◆ Facilities scheduled to transition to central-government license

Current format	No. of facilities scheduled to transition to central-government license
Licensed by Tokyo Met. Gov't	3

* Schedule is subject to change.

Our Business Strategy

Change of corporate name (trade name)

“Global Kids Company Corp.”
(New corporate name)

***Current name: Global Group Corp.**

Purpose: To strengthen branding by unifying our brand group-wide
* “Company” means “companions” or “an assembly of people.”

Date of change: April 1, 2019
(To be implemented through a resolution of the Annual General Meeting of Shareholders on December 19, 2018)

Other: “Roku Co., Ltd.,” a wholly owned subsidiary of Global Group Corp., will be merged through an absorption-type merger with Global Kids Co., Ltd., also a wholly owned subsidiary of Global Group Corp., as of April 1, 2019.
* Announced on September 20, 2018

Strategies and measures for FY9/18

We continue to position this fiscal year as part of a period of upfront investments aimed at becoming a strong company.

Expanding scale

- ✓ Continuing active opening of schools
  - 22 new facilities to be opened in April 2019
- ✓ Dominating recruiting of talent
  - Strategic recruiting measures using various media
  - Concept for recruiting talent in collaboration with major industry players
- ✓ Improving employee retention
  - Introducing a new personnel system that cherishes employees
  - Promoting work style reform and invigorated communication

×

Improving profitability

- ✓ Reconstructing and promoting an efficient operational structure
  - Promoting upgrading and optimization of operating standards and standards for opening new facilities
  - Promoting BPR activities to realize efficiencies in administrative work, etc.
  - Carrying out major review of head office system for facilities support

+

Reinforcing business foundation

- ✓ Accelerating efforts to enhance quality of childcare service
  - Unifying childcare knowhow and pursuing quality; creating organization for human-resources development, etc.
- ✓ Continuing proactive growth investments
  - IT investment (accelerating use of IT at facilities, developing system to manage municipality invoices, etc.)
  - New businesses (Vietnam, En-matching, developmental support business, etc.)

Establishing sharing economy model for childcare business

◆ Sharing open spots at different nurseries

➢ **Launch of nationwide rollout of "En-matching" service aimed at sharing the use of company-sponsored nurseries in each region**

Global Kids affiliated companies
Approx. 480,000 people
at around 100 companies

Develop operations so that the N-to-N model can be used by as many people as possible

Joint use agreements with
46 nurseries



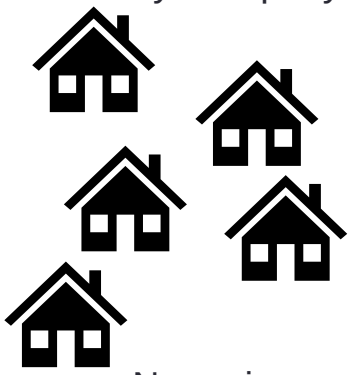
Employees can use facilities preferen-tially.

Matching model
・Matching site
・Operation support
・Employee training, etc.

Provide open spots initially allotted for corporate use

GlobalKids

Nurseries operated by Company X



Nurseries operated by Company Y

✓ Expand to Tohoku (Sendai), Chugoku (Hiroshima), Kyushu (Fukuoka), etc., after rollout in the Kanto area

Progress of initiatives in Vietnam

◆ Locally based private kindergarten (in Hanoi) scheduled to start offering childcare services for infants and small children in spring of 2019

- Market environment in Vietnam

  Rapid shift to nuclear family structure mainly in urban areas, and marked social advances by women

- Service scheduled to begin in spring of 2019 through tie-up with private kindergarten (@ Hanoi)









➢ Company profile of Vietnamese subsidiary

Corporate name: GLOBAL KIDS VIETNAM CO., LTD.

Established on: July 25, 2018

Shareholders: Global Group, SNB KIDDEN WORLD COMPANY LIMITED

Line of business: Education for preschool children (nursery school business, childcare business)

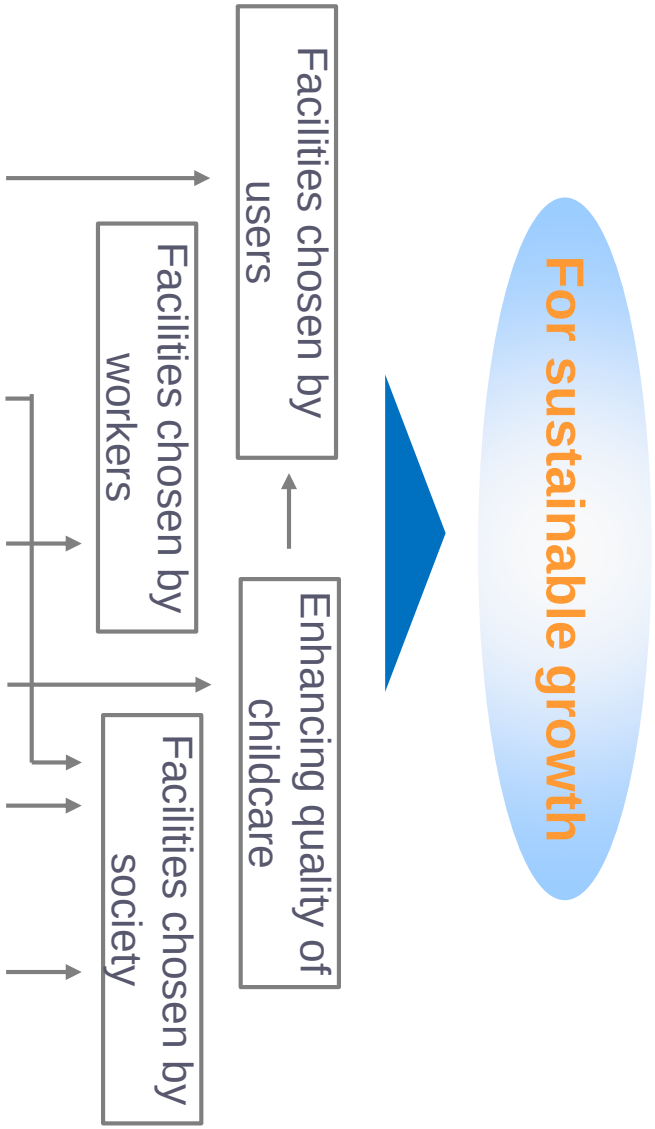


ESG Initiatives

ESG initiatives—the source that makes sustainable growth possible

Promoting ESG activities to enhance corporate value

Item	Key ESG issues	Example of initiatives
Environment (E)	Global warming Natural resources	◆ Contributing to reduction of CO_2 emissions by promoting use of LED lights ◆ Contributing to revitalization of Japan's forestry industry and forest preservation through proactive use of domestic lumber in facilities ◆ Using F four-star grade building materials that have the lowest formaldehyde emissions for interior finishing
Social (S)	Social advancement of women Use of human resources Local contribution	◆ Contributing to the social advancement of women by opening around 20 nursery schools each year ◆ Establishing a comfortable work environment • Spiritedness survey • Programs to encourage utilization of leave • Child-rearing support • Improving compensation for on-site childcare workers, etc. ◆ Establishing "En-matching" sharing economy model for childcare ◆ Participating in local social activities
Governance (G)	Corporate governance Internal control Corporate conduct	◆ Three independent outside directors ◆ Introduction of stock compensation system ◆ Establishment of risk management system ◆ Implementation of compliance training (information security, anti-social forces, harassment, etc.)





Thank you for your attention!

◆ Websites:

www.globalg.co.jp/ Global Group Corp. official site

http://www.gkids.co.jp/ Global Kids Co., Ltd. official site

http://www.gk-recruit.jp/ Global Kids Co., Ltd. recruiting site

https://www.facebook.com/Gkidsbook/ Official facebook page

https://www.instagram.com/globalkids_/ Official Instagram page



https://www.instagram.com/global_kids_/ Well-received comic, “Global Kids!”

https://twitter.com/globalkids_ Well-received comic, “Global Kids!”