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Presentation Materials for the Earnings Briefing for the First Half of the Fiscal Year Ending September 30, 2019

May 15, 2019 (TSE 1st Section 6189)

Global Kids Company 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.



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Overview of Results for the First Half of the Fiscal Year Ending September 30, 2019 (FY9/19)

Highlights for the first half of FY9/19

1. Secured net sales, operating profit and ordinary profit exceeding the initially forecast level

2. Net sales increased 13% year on year

Quarterly net sales achieved record high for two consecutive quarters

- Net sales: ¥9,284 million (up ¥1,070 million, or 13.0%, year on year)
  - The increase is attributable primarily to an expansion in the number of enrolled children mainly caused by a steady increase in the number of facilities under operation (18 newly opened facilities/6 acquired facilities in FY9/18) in line with the expansion strategy.

3. Made steady progress in line with forecast for FY9/19, while operating profit decreased 29% year on year

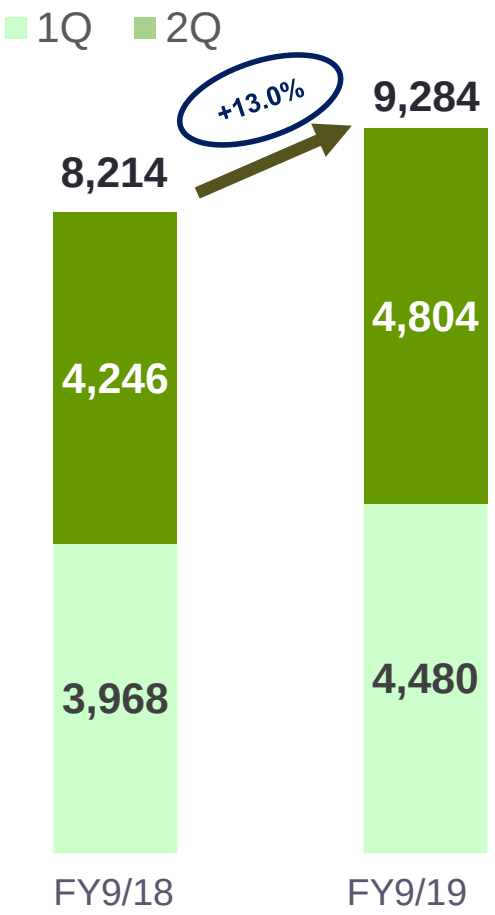
- Operating profit: ¥247 million (down ¥101 million, or 29.0%, year on year)
  - While gross profit increased due to an increase in net sales, operating profit fell as SG&A expenses grew due to an increase in recruiting expenses and company housing expenses as a result of the active recruitment of on-site childcare workers for nursery schools opening in the next fiscal year.
- Ordinary profit: ¥234 million (down ¥85 million, or 26.7%, year on year)

4. Opened 23 new facilities in April

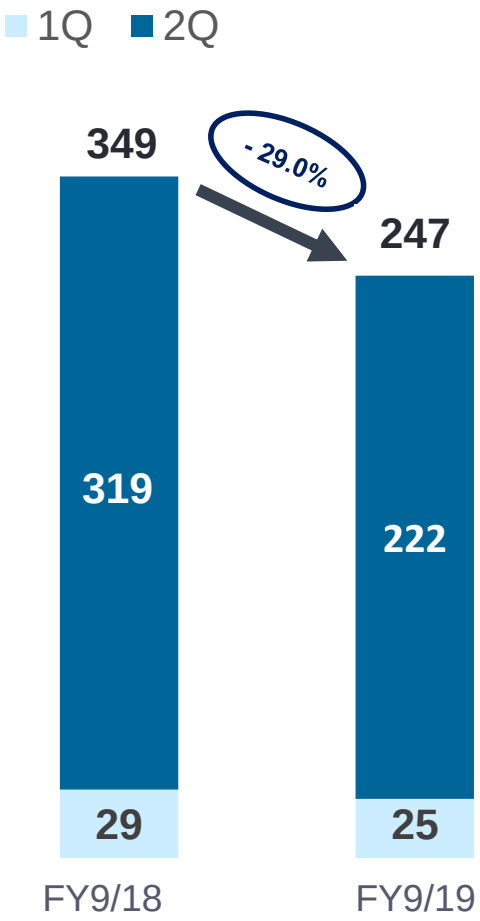
5. Adopted an expansion strategy in order to contribute to the elimination of wait-listed children on an ongoing basis, while working to enhance the quality of childcare services, in anticipation of the start of free preschool programs.

Results summary for the first half of FY9/19

Net sales

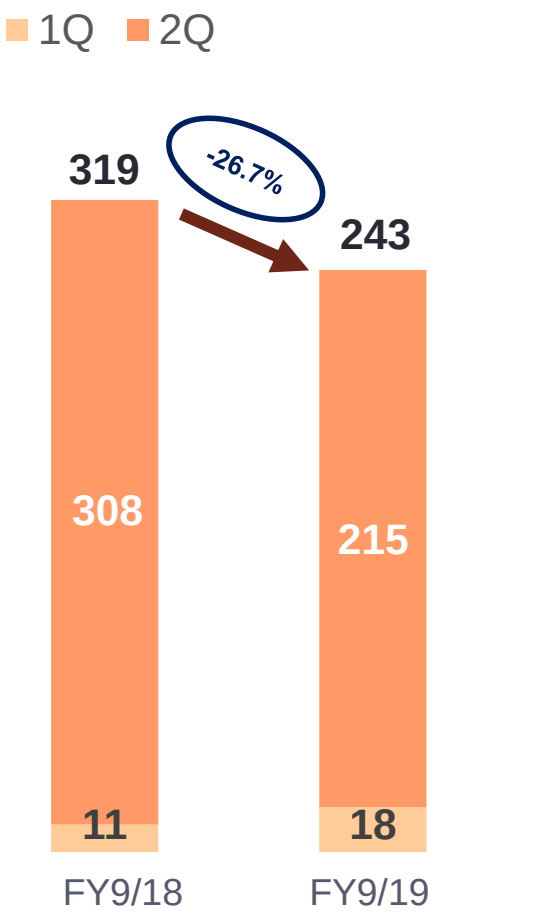


Operating profit



Ordinary profit

(Millions of yen)



Operating results for the first half of FY9/19

(Millions of yen)

	1H FY9/18		1H FY9/19		
	Amount	%	Amount	%	YoY change
Net sales	8,214	100.0%	9,284	100.0%	13.0%
Cost of sales	6,926	84.3%	7,860	84.7%	13.5%
Gross profit	1,288	15.7%	1,424	15.3%	10.6%
SG&A expenses	939	11.4%	1,176	12.7%	25.3%
Operating profit	349	4.3%	247	2.7%	(29.0)%
Non-operating income	4	-	5	-	8.0%
Non-operating expenses	34	-	19	-	(44.9)%
Ordinary profit	319	3.9%	234	2.5%	(26.7)%
Profit before income taxes	319	3.9%	234	2.5%	(26.7)%
Income taxes	152	-	92	-	(39.3)%
Profit	167	2.0%	141	1.5%	(15.3)%

[Net sales]

- ◆ Increases in the number of nursery school children and official price revisions resulted in a ¥1,100 million increase.
- ◆ Despite negative factors due to the rebound from the temporary recording of sales in FY9/18, subsidies to improve compensation increased by ¥50 million and facility rent subsidies and company housing subsidies increased by ¥90 million.

[Cost of sales]

- ◆ Cost of sales ratio declined 0.4 percentage points partly due to an increase in recruiting expenses (referral fees, etc.).

[SG&A expenses]

- ◆ Increased by ¥240 million partly due to increases in recruiting expenses (advertising expenses, etc.) and taxes and dues.

[Operating profit]

- ◆ Operating profit decreased due to an increase in SG&A expenses.

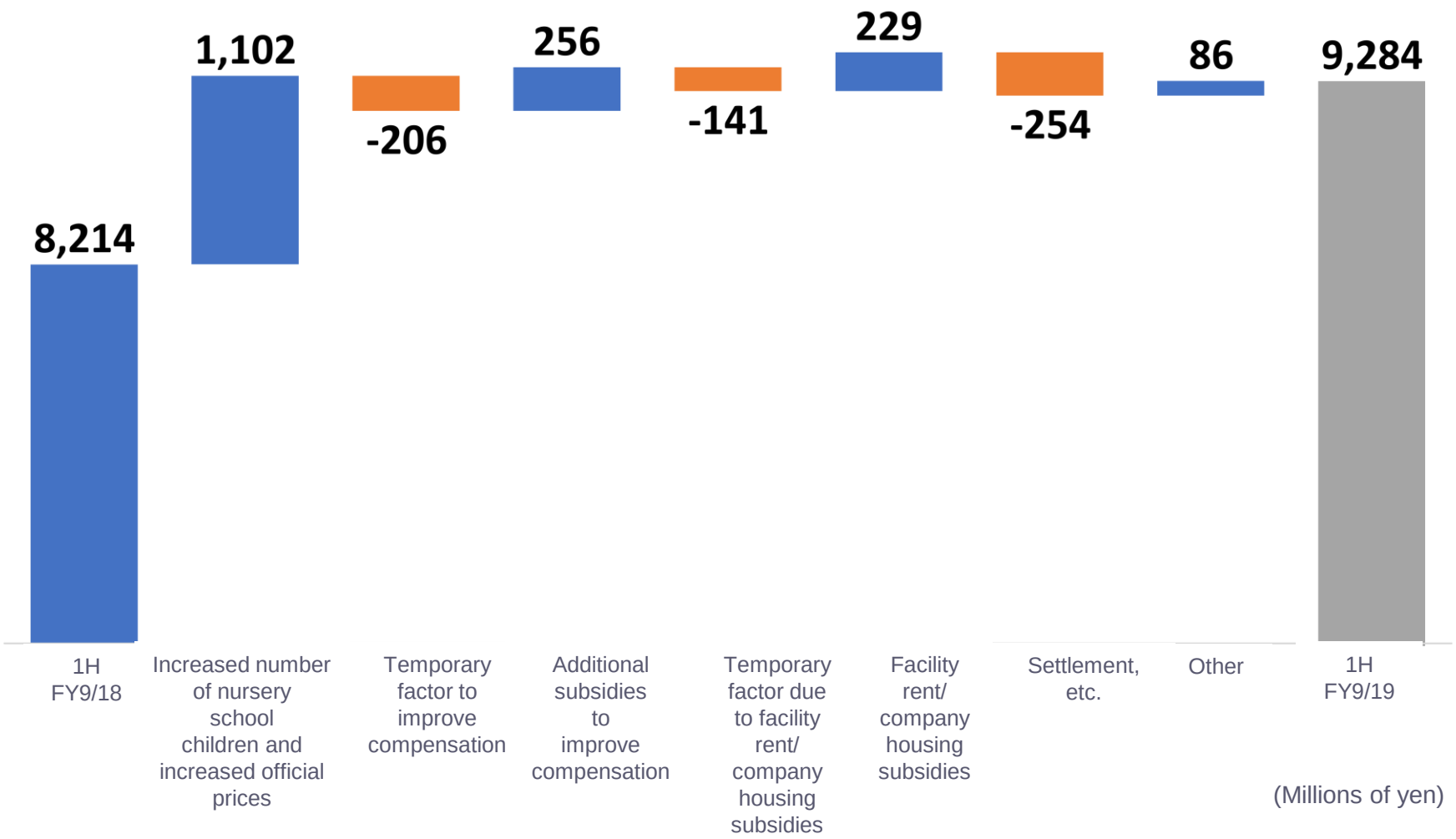
[Ordinary profit]

- ◆ Ordinary profit decreased due to a decrease in operating profit.

Factors behind year-on-year change in net sales for first half of FY9/19

Net sales

✓ 13.0% increase partly due to increased number of nursery school children

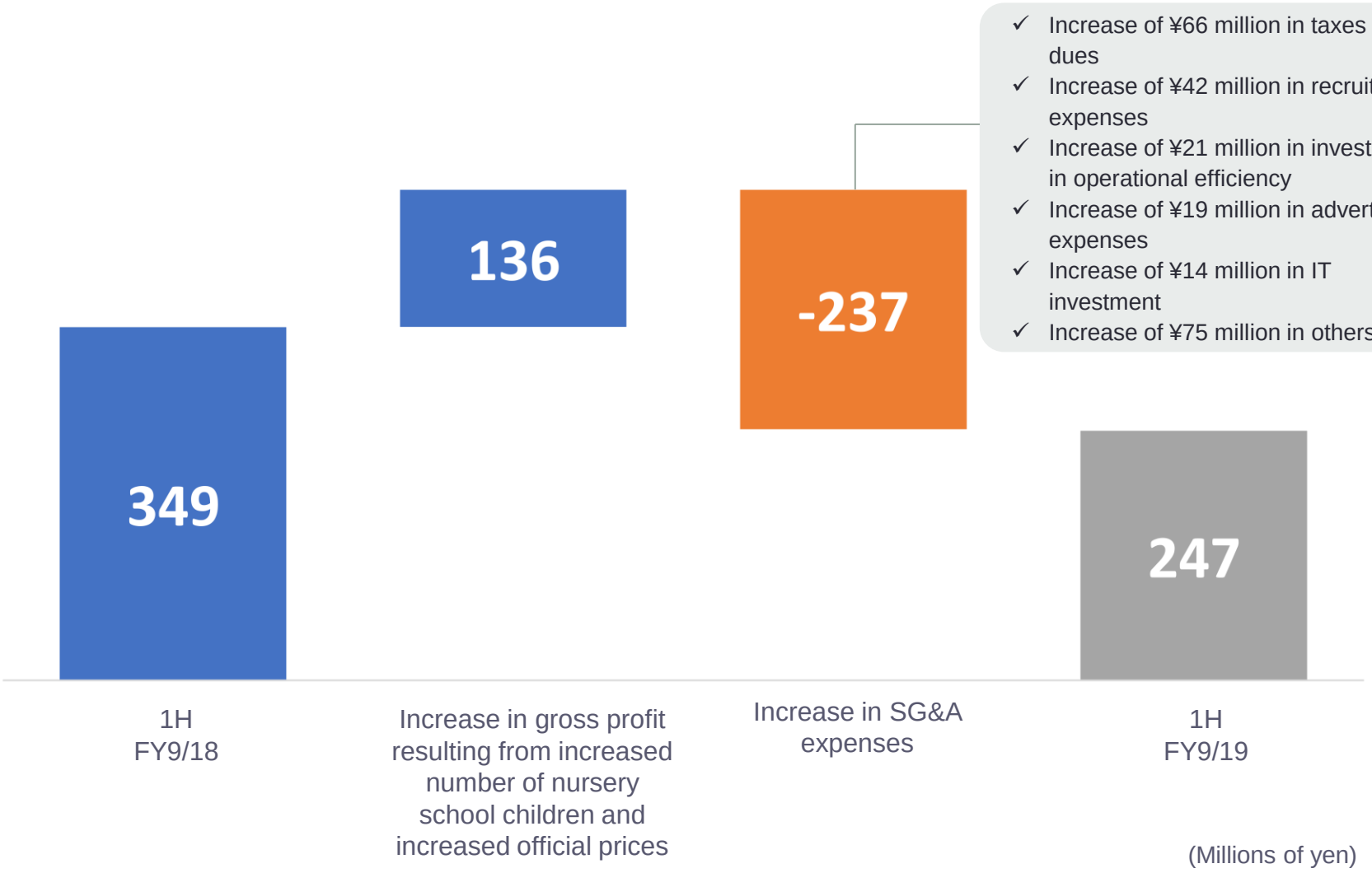


(Millions of yen)

Factors behind year-on-year change in operating profit for first half of FY9/19

Operating profit

✓ 29.0% decrease due to increased recruiting expenses and company housing expenses

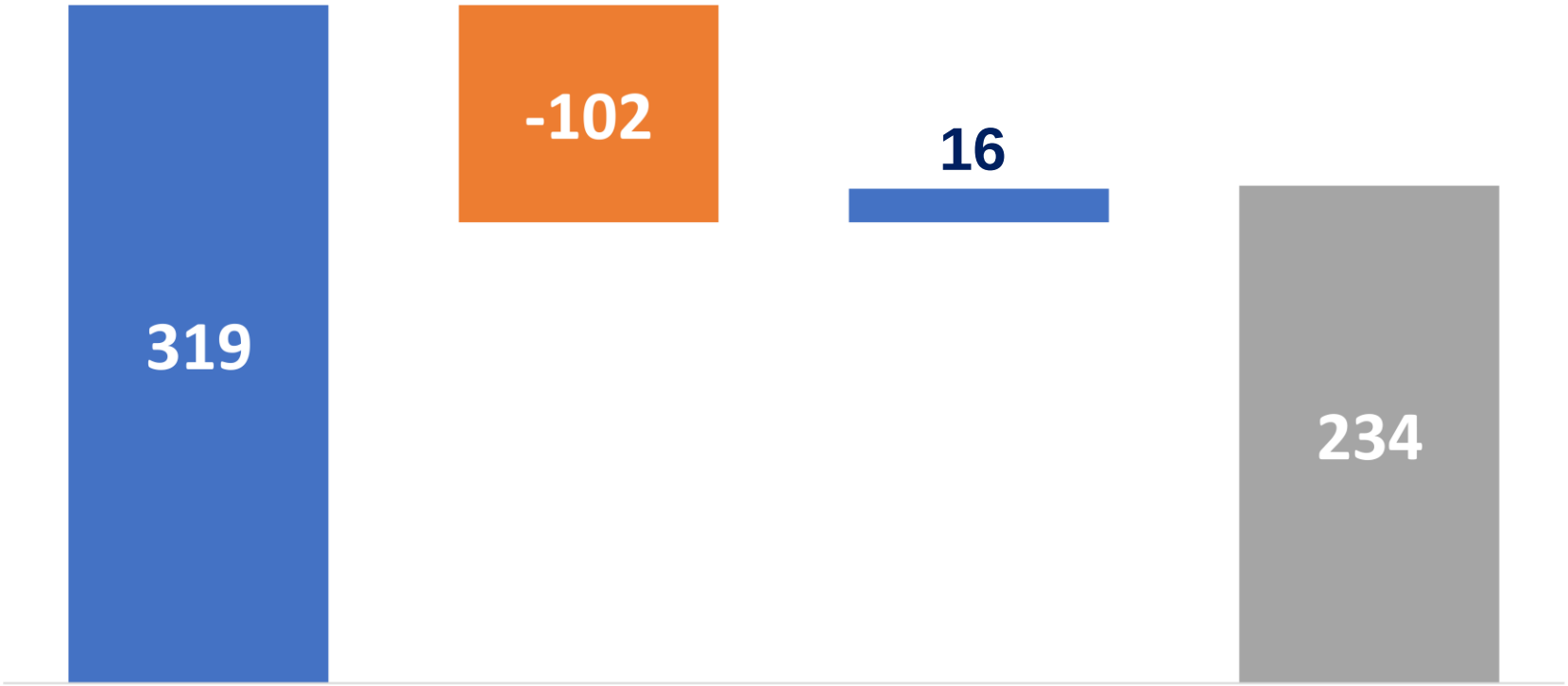


- ✓ Increase of ¥66 million in taxes and dues
- ✓ Increase of ¥42 million in recruiting expenses
- ✓ Increase of ¥21 million in investment in operational efficiency
- ✓ Increase of ¥19 million in advertising expenses
- ✓ Increase of ¥14 million in IT investment
- ✓ Increase of ¥75 million in others

Factors behind year-on-year change in ordinary profit for first half of FY9/19

Ordinary profit

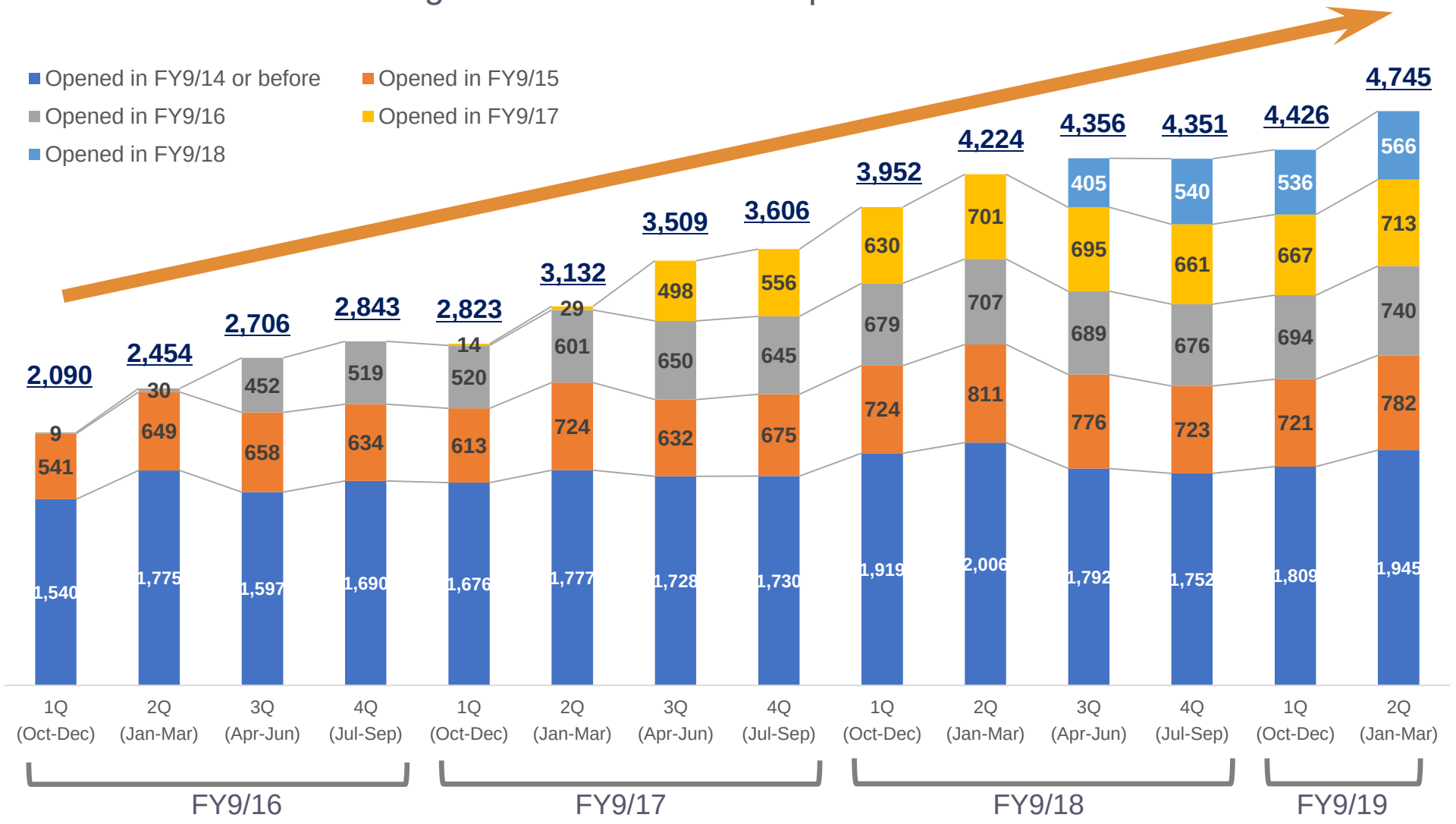
✓ 26.7% decrease due to a decrease in operating profit



(Millions of yen)

Quarterly net sales by period of school opening (childcare business)

■ Achieved record high for two consecutive quarters



Note: The above figures exclude those for the childcare business and consulting/school meal catering business.

(Millions of yen)

Consolidated balance sheet

(Millions of yen)

	As of September 30, 2018	As of March 31, 2019	YoY change
Current assets	**3,264**	**6,304**	**3,040**
Cash and deposits	1,301	3,901	2,600
Non-current assets	**12,427**	**14,668**	2,241
Property, plant and equipment	9,711	11,808	2,096
Total assets	**15,691**	**20,972**	**5,281**
Current liabilities	3,095	7,475	4,379
Non-current liabilities	6,017	6,754	736
Total liabilities	**9,113**	**14,230**	**5,116**
Net assets	**6,577**	**6,742**	**164**
Total liabilities & net assets	**15,691**	**20,972**	**5,281**
Interest-bearing debt	5,133	10,180	5,046
Equity ratio	41.8%	32.1%	-

[Current assets]

◆ Cash and deposits increased by ¥2,600 million in preparation for the opening of new nursery schools.

[Non-current assets]

◆ Non-current assets increased by ¥2,200 million due to investment in new nursery schools.

[Liabilities]

◆ Current liabilities increased due to an increase in short-term loans payable.

[Interest-bearing debt]

◆ Increased due to borrowings for the opening of new nursery schools.

[Equity ratio]

◆ Equity ratio fell in 2Q due to an increase in loans payable for investment in new nursery schools.

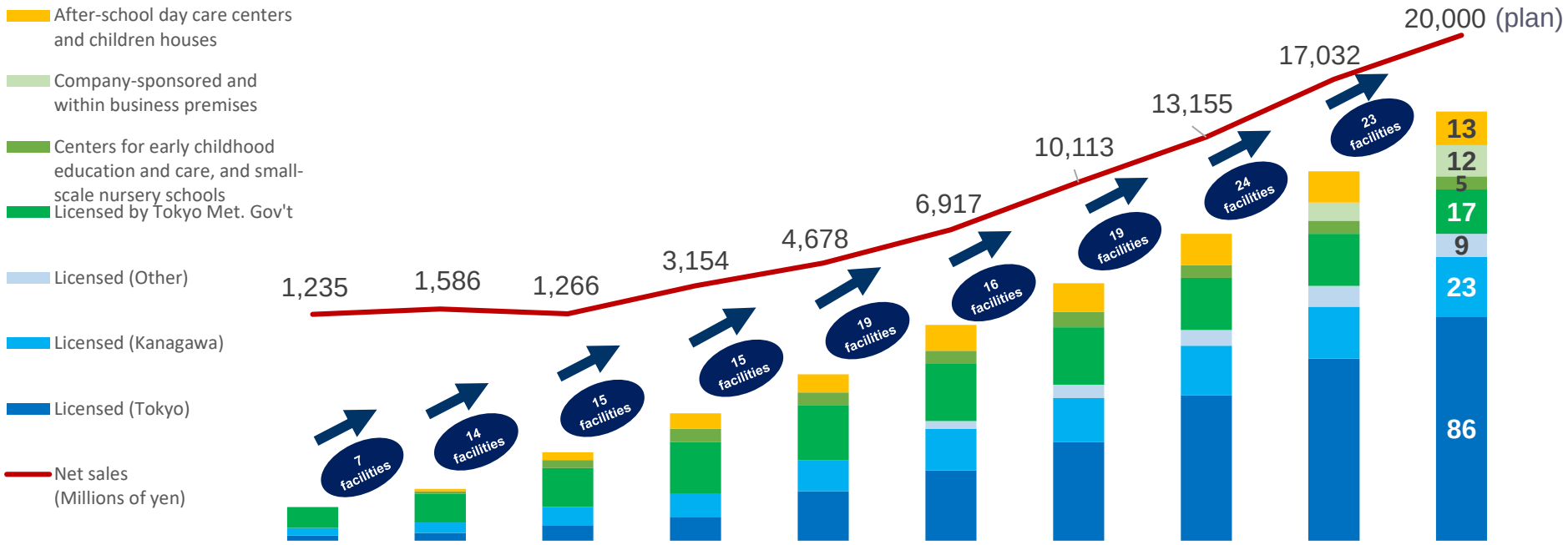
Consolidated statement of cash flows

(Millions of yen)

	1H FY9/18	1H FY9/19
Cash flows from operating activities	**35**	**66**
Profit before income taxes	319	234
Depreciation	284	326
Decrease (increase) in accounts receivable-other	(432)	(8)
Decrease (increase) in prepaid expenses	(351)	(421)
Increase (decrease) in advances received	(150)	(89)
Cash flows from investing activities	**(1,773)**	**(2,511)**
Purchase of property, plant and equipment	(1,783)	(2,414)
Payments for lease and guarantee deposits	(70)	(81)
Cash flows from financing activities	**4,047**	**5,045**
Net increase (decrease) in loans payable and bonds	4,024	5,048
Net increase (decrease) in cash and cash equivalents	**2,309**	**2,600**
Cash and cash equivalents at beginning of period	**1,246**	**1,301**
Cash and cash equivalents at end of period	**3,555**	**3,901**

Number of facilities under operation

- 23 new facilities opened in April 2019. We are operating 165 facilities in total.

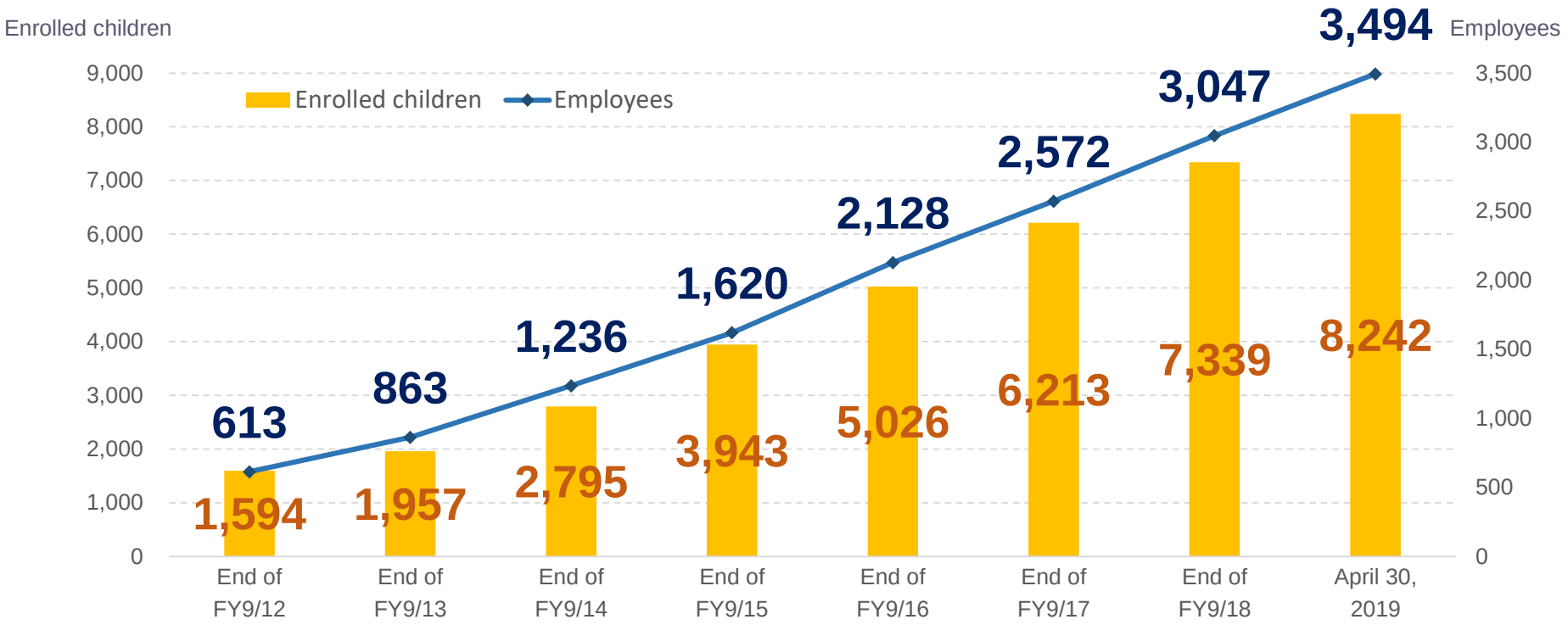


At end of	FY3/11	FY3/12	FY9/12	FY9/13	FY9/14	FY9/15	FY9/16	FY9/17	FY9/18	Apr. 2019
Licensed (Tokyo)	2	3	6	9	20	28	38	56	70	86
Licensed (Kanagawa)	3	4	7	9	12	16	17	19	20	23
Licensed (Chiba)	-	-	-	-	-	2	3	3	3	3
Licensed (Saitama)	-	-	-	-	-	-	-	-	1	1
Licensed (Osaka)	-	-	-	-	-	1	2	3	4	5
Licensed by Tokyo Met. Gov't	8	11	15	20	20	21	22	20	20	17
Centers for early childhood education and care	-	1	3	5	5	5	6	5	5	5
Company-sponsored	-	-	-	-	-	-	-	-	7	11
Within business premises	-	-	-	-	-	-	-	-	-	1
After-school day care centers and children houses	-	1	3	6	7	10	11	12	12	13
Total	13	20	34	49	64	83	99	118	142	165

Note: Net sales for FY9/15 and before are those of Global Kids Co., Ltd. on a consolidated basis.

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 part-time workers.

Highest number of hires ever

- Achieved highest number of hires ever with more than 1,100 from May 2018 to April 2019, in order to secure childcare workers.
- Started full-scale efforts to retain staff.

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

FY9/19 progress

■ Progressing steadily in line with initial forecast with no changes to the full-year forecast for FY9/19

(Millions of yen)

	FY9/19 forecast			1H FY9/19 results		
	Amount	%	YoY change (%)	Amount	%	Progress (%)
Net sales	20,000	100.0%	+17.4%	9,284	100.0%	46.4%
Cost of sales	17,230	86.2%	+17.2%	7,860	84.7%	45.6%
Gross profit	2,770	13.9%	+19.0%	1,424	15.3%	51.4%
SG&A expenses	2,430	12.2%	+22.1%	1,176	12.7%	48.4%
Operating profit	340	1.7%	+0.6%	247	2.7%	72.9%
Non-operating income	2,140	-	+6.2%	5	-	0.2%
Non-operating expenses	550	-	+26.3%	19	-	3.5%
Ordinary profit	1,930	9.7%	+0.7%	234	2.5%	12.1%
Profit before income taxes	1,930	9.7%	+199.9%	234	2.5%	12.1%
Income taxes	680	-	-	92	-	-
Profit	1,250	6.3%	+123.5%	141	1.5%	11.3%

1H FY9/19 progress

[Net sales]

- Net sales were in line with the plan due mainly to increased number of nursery school children.

[Operating profit]

- While the progress rate is high, we forecast expenses such as upfront investments to pile up over the 2nd half of FY9/19 and operating profit to be as forecast.

[Ordinary profit]

- Non-operating income (subsidy income) forecast to be recorded in 3Q due to new nursery schools opened in April.

New facilities opened in FY9/19

Location		Name of facilities	Capacity	Facility format
Tokyo	Chiyoda-ku	**Global Kids Keizaisangyosho**	19	Within business premises
	Minato-ku	**Global Kids Ark Hills**	26	Company-sponsored
	Bunkyo-ku	**Global Kids Myogadani / Global Kids Otsuka 4-chome**	63/70	Licensed
	Sumida-ku	**Global Kids Yahiro**	70	Licensed
	Meguro-ku	**Global Kids Ookayama / Mebae Hoiku Room Toritsu Daigaku**	60/30	Licensed/Company-sponsored
	Ota-ku	**Global Kids Musashi-Nitta / Global Kids Nishirokugo / Global Kids Kamiikedai**	69/60/60	Licensed
	Nakano-ku	**Global Kids Numabukuro**	70	Licensed
	Setagaya-ku	**Mebae Hoiku Room Kaminoge / Mebae Hoiku Room Shimokitazawa**	29/19	Company-sponsored
	Suginami-ku	**Global Kids Hamadayama**	67	Licensed
	Kita-ku	**Global Kids Shimo**	35	Licensed
	Arakawa-ku	**Global Kids Machiya**	60	Licensed
	Nerima-ku	**Global Kids Sakuradai**	63	Licensed
	Edogawa-ku	**Global Kids Ukitacho**	70	Licensed
	Chiyoda-ku	**Global Kids Iidabashi Gakudo Club No. 2**	-	After-school day care center
Kanagawa	Yokohama City	**Global Kids Utsukushigaoka / Global Kids Isogo / Global Kids Kamiooka**	63/73/69	Licensed
Osaka	Osaka City	**Global Kids Kamishinjo**	80	Licensed
		22 nursery schools 1 after-school day care center	**1,225 children**	

Our Business Strategy

Strategies and measures for FY9/19

We continue to position this fiscal year as part of a period of expanding the business base aimed at becoming an even stronger company.

Expanding scale

✓ **Continuing the active opening of schools**
- 23 new facilities to be opened in April 2019, and 3 facilities licensed by Tokyo Metropolitan Government to be transitioned to those licensed by the central government

✓ **Enhancing the recruiting of human resources**
- Recruiting around 1,100 annually to support the active opening of schools
- Differentiating from other service providers by strategic recruitment utilizing SNS, etc.

✓ **Improving employee retention**
- Introducing a new personnel system that promotes medium- to long-term working employees (April 2019)
- Promoting work style reform and company-wide as well as individual facility invigorated communication

✓ **Accelerating efforts to enhance quality of childcare services**
- Unifying childcare knowhow and pursuing quality; creating organization for human resources development

✓ **Continuing proactive growth investments**
- Promoting new businesses (Vietnam, En-matching, developmental support business, etc.)

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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 and IT utilization to realize efficiencies in administrative work, etc.
- Carrying out strategic IT investments (accelerating IT utilization at facilities, developing system to manage municipality invoices, etc.)
- Carrying out major review of and enhancing head office system for facilities support

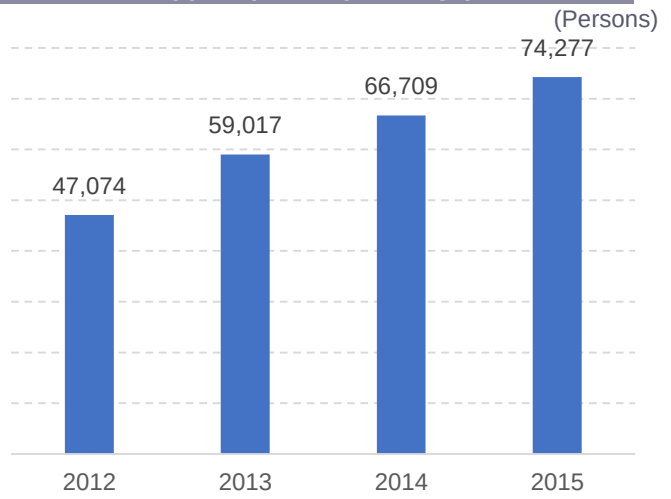
Starting new child developmental support business

- **Entry into child developmental support business aimed at preschool children with high potential needs**
- **Business development based on strong partnerships with nurseries (first for a large childcare provider)**

Toward the realization of an inclusive society

- Outline of business
  - Star: June 2019
  - Brand name: “Global Kids Act”
- Future development
  - Plan to open around 30 facilities in 5 years in cooperation with nursery schools/kindergartens
  - Considering of development of visiting services to nursery schools, etc.
    - Aim to support 400-500 facilities by providing visiting services to around 10-15 nursery schools per facility (including those not in the Group)
    - Also provide support for childcare workers and guardians, in addition to disabled children

Number of children using child developmental support (January average)



- Developmental support business
  - Licensed business prescribed in the Child Welfare Act in 2012 for preschool children with developmental disabilities

- Current status of child developmental support business
  - It is said that approx. 330 thousand out of 5 million preschool children in Japan have disabilities.
  - Out of these, only approx. 10% of children are receiving rehabilitation* by using child developmental support services.

* Rehabilitation refers to education/treatment to enable the social independence of children with disabilities.

Promoting sharing economy model for childcare business (En-matching)

- **Intend to establish industry's first childcare sharing model**
- **Accelerate expansion of business base through business partnership with Nippon Life Insurance Company**

◆ Business partnership with Nippon Life Insurance Company aimed at enhancing "En-matching" (March 2019)

- ✓ Significant and nationwide expansion of nursery service providers and joint-use companies
- ✓ Enhancement of awareness of company-sponsored nurseries
- ✓ Various efforts to secure quality of childcare in company-sponsored nurseries

◆ Number of partner companies and contract nurseries expanding

	No. of partner companies	No. of partner company employees	No. of nurseries with joint use agreements
May 2018	**80**	380,000	32
▪ ▪			
April 2019	**142**	**600,000**	**86**

* "En-matching" is a childcare version of sharing economy model which provides open spots initially allotted for company-sponsored nurseries to companies that want to secure nursery usage for the early return to work of employees on childcare leave.

Progress of initiatives in Vietnam

- **Establishing a business model for the South East Asian region which has a large potential market**

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

- Market environment in Vietnam

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

- Progressing steadily to begin service in summer 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 Kids Company Corp., 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 ～Initiatives to solve social issues～

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	◆ Creation of a society in which children can be easily raised • Contributing to the social advancement of women by opening around 20 nursery schools each year • Start of child developmental support business → contribute to realization of an inclusive society ◆ Establishing a comfortable work environment ✓ Improvement of leave system • Unused paid leave accumulation scheme - leave for nursing care or sickness • Systematic granting of paid leave, etc. ✓ Introduction of spouse-hunting support service for employees, etc. ◆ Enhancing "En-matching" sharing economy model for childcare via partnership with Nippon Life Insurance Company
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.)

For sustainable growth



Thank you for your attention!

◆ Websites:

http://www.gkids.jp/ Global Kids Company 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/hoikushi_dairy Well-received comic, “Global Kids!”