Consolidated Financial Results for the Fiscal Year Ended September 30, 2019

[Japanese GAAP]

November 13, 2019

Company name: Global Kids Company Corp. Stock Exchange Listing: TSE (1st section)
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Scheduled date of annual shareholders' meeting: December 18, 2019
Scheduled submission date of annual securities report: December 19, 2019
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, 2019 (October 1, 2018 to September 30, 2019)

(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, 2019	19,694	15.6	173	(48.6)	1,786	(6.8)	1,116	99.8
Fiscal year ended Sep. 30, 2018	17,032	29.5	337	(17.0)	1,917	29.7	559	(29.4)

Note: Comprehensive income (million yen) Fiscal year ended Sep. 30, 2019: 1,114 (up 82.3%)
Fiscal year ended Sep. 30, 2018: 611 (down 8.6%)

	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, 2019	122.24	119.23	15.7	10.5	0.9
Fiscal year ended Sep. 30, 2018	62.63	60.71	9.0	13.0	2.0

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Sep. 30, 2019: - Fiscal year ended Sep. 30, 2018: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	18,259	7,706	42.1	840.44
As of Sep. 30, 2018	15,691	6,577	41.8	720.33

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 7,687 As of Sep. 30, 2018: 6,558

(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, 2019	2,196	(2,842)	825	1,480
Fiscal year ended Sep. 30, 2018	2,028	(2,963)	989	1,301

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, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Sep. 30, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Sep. 30, 2020 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2020 (October 1, 2019 to September 30, 2020)

(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	22,500	14.2	300	72.2	630	(64.7)	420	(62.4)	45.80

***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, 2019: 9,170,058 shares As of Sep. 30, 2018: 9,105,071 shares

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

As of Sep. 30, 2019: 236 shares As of Sep. 30, 2018: 171 shares

3) Average number of shares issued during the period

Fiscal year ended Sep. 30, 2019: 9,137,817 shares Fiscal year ended Sep. 30, 2018: 8,927,555 shares

* The current 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

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, 2019

During the fiscal year ended September 30, 2019 (hereinafter, “the current fiscal year”), while the Japanese economy saw a moderate recovery due to solid corporate earnings and improvements in the employment and income environment, the outlook remained uncertain as a result of factors such as growing concern about a global economic slowdown resulting from the trade friction between the U.S. and China.

As for the child-rearing support business in this economic environment above, 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, and demand for childcare services remains at a high level.

In response to this increase in demand for childcare services, both the central and local governments are implementing measures to secure childcare workers and develop nursery schools to expand service capacity, based on a policy of establishing capacity for a total of 3,000,000 children by the end of fiscal 2020. As a result of these measures undertaken by the government, more new nursery schools have been established, and demand for establishing nursery schools is expected to slow down in the future. However, in conjunction with the start of free early childhood education and preschool programs in October 2019, the number of parents seeking admission to nursery schools for their children may increase. Accordingly, demand for establishing new nursery schools is expected to continue to remain at a certain level for the time being.

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 and improvement of the quality of childcare services are issues to be addressed 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 Kids Company Corp. (hereinafter “the Company”) and its consolidated subsidiaries (hereinafter collectively, “the Group”) opened 22 new nursery schools and one new after-school day care center as listed below during the current fiscal year as a result of our continued efforts to develop nursery school facilities in Tokyo, Kanagawa, Saitama and Osaka.

In addition, the Group also leveraged our previous experience in the nurseries business to launch the child developmental support business as a new business, and opened Global Kids Act Kiyosumi-shirakawa, the Group’s first child developmental support facility. Including this facility, a total of 24 facilities have been newly opened during the current fiscal year.

Consequently, at the end of the current fiscal year, the Group operates a total of 166 facilities: 118 central government licensed nursery schools (86 in Tokyo, 23 in Kanagawa, three in Chiba, one in Saitama and five in Osaka); 23 local government licensed nursery schools or centers for early childhood education and care; 11 employer-sponsored nurseries; 13 after-school day care centers or children’s houses; and one child developmental support facility.

<Newly opened facilities>
(Nursery schools)
Tokyo
Global Kids Myogadani
Global Kids Otsuka 4-chome
Global Kids Musashi-Nitta
Global Kids Nishirokugo
Global Kids Kamiikedai
Global Kids Yahiro
Global Kids Ookayama
Global Kids Numabukuro
Global Kids Hamadayama
Global Kids Shimo
Global Kids Machiya
Global Kids Sakuradai
Global Kids Ukitacho
Global Kids Keizaisangyosho
Global Kids Ark Hills
Mebae Hoiku Room Kaminoge (now Global Kids Kaminoge 1-chome)
Mebae Hoiku Room Toritsu Daigaku (now Global Kids Toritsu Daigaku)
Mebae Hoiku Room Shimokitazawa (now Global Kids Shimokitazawa)

Kanagawa
Global Kids Utsukushigaoka
Global Kids Isogo
Global Kids Kamiooka
Osaka
Global Kids Kamishinjo

(After-school day care centers)
Tokyo
Global Kids Iidabashi Gakudo Club No. 2

(Child developmental support facility)
Tokyo
Global Kids Act Kiyosumi-shirakawa

While net sales increased along with a rise in the number of nursery school children mainly due to an increase in the number of facilities under operation, the cost of sales and selling, general and administrative expenses increased compared to the previous fiscal year due to an increase in personnel-related and recruiting expenses, etc., as a result of the recruitment of on-site childcare workers in anticipation of nursery school children entering in the next fiscal year.
Consequently, the Group reported net sales for the current fiscal year of 19,694 million yen (up 15.6% year on year) with operating profit of 173 million yen (down 48.6% year on year), ordinary profit of 1,786 million yen (down 6.8% year on year), and profit attributable to owners of parent of 1,116 million yen (up 99.8% 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 at over 90%.
Meanwhile, local governments have been building more nursery schools, and the number of wait-listed children has decreased for two consecutive years, as shown in the table below. However, a large number of children, 16,772, still remained on the waiting list as of April 2019. Furthermore, in conjunction with preschool programs, which became 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 promote stable development of new facilities, while curbing the number of newly opened facilities than in the past, 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	April 1, 2019
21,371	23,167	23,553	26,081	19,895	16,772

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 22,500 million yen (up 14.2% year on year) with operating profit of 300 million yen (up 72.2% year on year), ordinary profit of 630 million yen (down 64.7% year on year), and profit attributable to owners of parent of 420 million yen (down 62.4% 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, as well as the rising occupancy rates of relatively new nursery schools in the second and third years after establishment. In addition, operating profit is expected to increase due to expected contributions from sales and optimization of personnel expenses through optimized staff allocation, in addition to improved efficiency associated with higher occupancy rates. Ordinary profit, on the other hand, is expected to decrease, due to a decrease of subsidy income as a result of curbing the number of newly opened facilities.

(2) Financial Position

1) Assets, liabilities, and net assets

Assets

Total assets amounted to 18,259 million yen at the end of the current fiscal year, an increase of 2,568 million yen from the end of the previous fiscal year.

Current assets increased 546 million yen to 3,810 million yen. This was mainly attributable to increases of 178 million yen in cash and deposits and 335 million yen in accounts receivable-other.

Non-current assets increased by 2,021 million yen to 14,448 million yen. This was mainly attributable to an increase of 1,972 million yen in buildings and structures due to the opening of new nursery schools.

Liabilities

Total liabilities amounted to 10,553 million yen at the end of the current fiscal year, an increase of 1,439 million yen from the end of the previous fiscal year.

Current liabilities decreased 8 million yen to 3,087 million yen. This was attributable to a decrease of 131 million yen in income taxes payable, despite an increase of 108 million yen in provision for bonuses.

Non-current liabilities increased 1,448 million yen to 7,466 million yen. This was mainly attributable to an increase of 827 million yen in long-term loans payable as a result of opening new nursery schools, and an increase of 444 million yen in deferred tax liabilities.

Net assets

Net assets increased 1,129 million yen to 7,706 million yen at the end of the current fiscal year. This was mainly attributable to an increase of 1,116 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 178 million yen from the end of the previous fiscal year to 1,480 million yen with net cash provided by operating activities of 2,196 million yen, net cash used in investing activities of 2,842 million yen, and net cash provided by financing activities of 825 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 2,196 million yen, mainly due to profit before income taxes of 1,708 million yen and depreciation of 729 million yen. These were partially offset by an increase in accounts receivable-other of 239 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 2,842 million yen, mainly due to purchase of property, plant and equipment of 2,705 million yen and payments for lease and guarantee deposits of 94 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 825 million yen, mainly due to proceeds from long-term loans payable of 1,955 million yen, which was partially offset by repayments of long-term loans payable of 1,090 million yen and redemption of bonds of 35 million yen.

Reference: Cash flow indicators

	FY9/19
Equity ratio (%)	42.1
Market value-based equity ratio (%)	99.8
Interest-bearing debt to cash flow ratio (%)	2.7
Interest coverage ratio (Times)	66.7

-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.

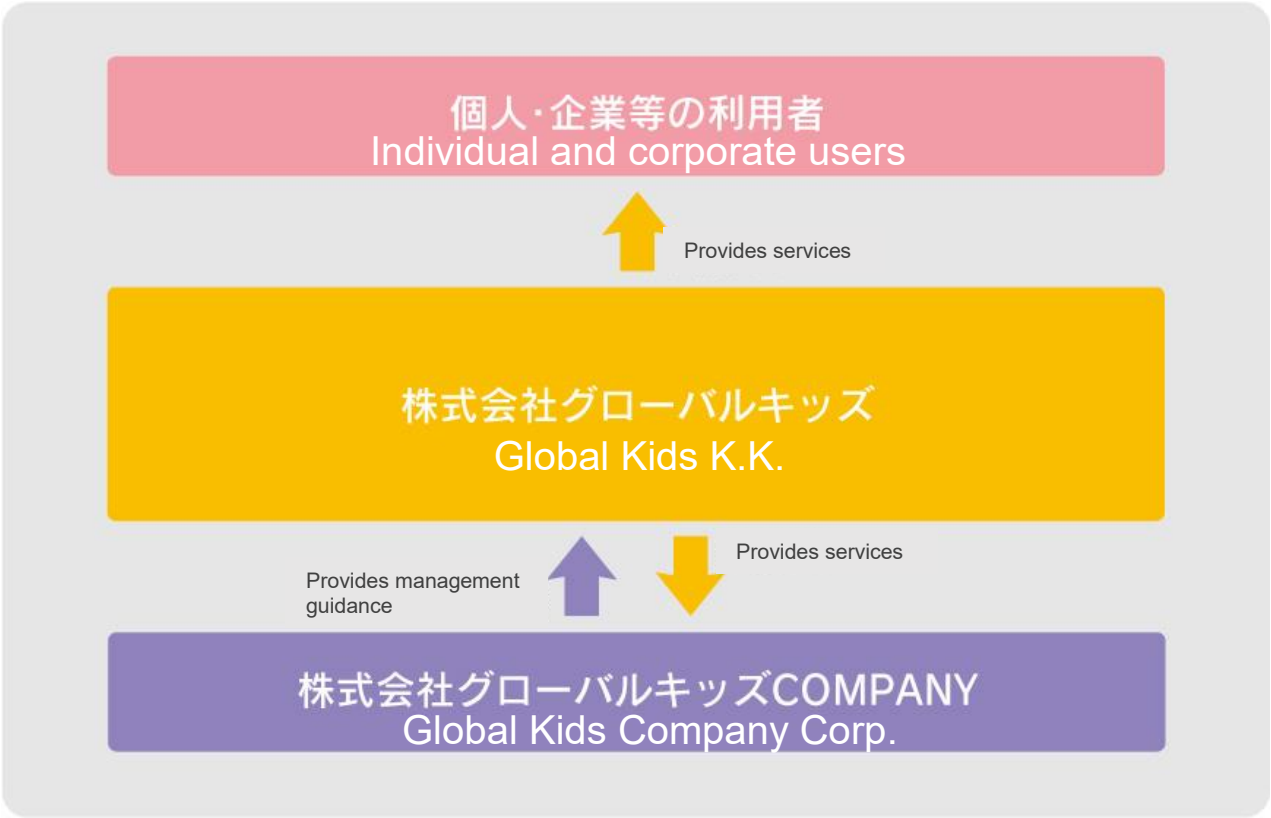
We plan to exploit our internal reserves effectively as a source of funds to open new facilities and make other capital investments with an aim to further expand our business.

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 consolidated subsidiary that engage primarily in the child-rearing support business by operating nursery schools, after-school day care centers, children houses, and child developmental support business.
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)

	FY9/18 (As of Sep. 30, 2018)	FY9/19 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	1,301	1,480
Accounts receivable-other	1,597	1,932
Prepaid expenses	349	392
Other	15	6
Total current assets	3,264	3,810
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,668	10,640
Construction in progress	566	32
Other, net	476	1,027
Total property, plant and equipment	9,711	11,701
Intangible assets		
Software	108	30
Software in progress	-	23
Total intangible assets	108	54
Investments and other assets		
Investment securities	37	79
Long-term prepaid expenses	721	705
Lease and guarantee deposits	1,492	1,546
Construction assistance fund receivables	346	324
Deferred tax assets	9	10
Other	0	26
Total investments and other assets	2,607	2,693
Total non-current assets	12,427	14,448
Total assets	15,691	18,259
Liabilities		
Current liabilities		
Current portion of long-term loans payable	869	907
Current portion of bonds	35	23
Accounts payable-other	1,240	1,228
Income taxes payable	224	93
Advances received	90	71
Provision for bonuses	445	553
Other	189	209
Total current liabilities	3,095	3,087
Non-current liabilities		
Bonds payable	23	-
Long-term loans payable	4,205	5,032
Net defined benefit liability	188	255
Deferred tax liabilities	1,407	1,852
Asset retirement obligations	184	319
Other	9	6
Total non-current liabilities	6,017	7,466
Total liabilities	9,113	10,553

(Millions of yen)

	FY9/18 (As of Sep. 30, 2018)	FY9/19 (As of Sep. 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	1,267	1,275
Capital surplus	1,955	1,963
Retained earnings	3,405	4,522
Treasury shares	(0)	(0)
Total shareholders' equity	6,629	7,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(69)	(72)
Total accumulated other comprehensive income	(70)	(73)
Subscription rights to shares	19	19
Total net assets	6,577	7,706
Total liabilities and net assets	15,691	18,259

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)	FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)
Net sales	17,032	19,694
Cost of sales	14,703	17,234
Gross profit	2,328	2,459
Selling, general and administrative expenses	1,990	2,285
Operating profit	337	173
Non-operating income		
Interest income	3	6
Subsidy income	2,006	2,065
Other	4	7
Total non-operating income	2,014	2,078
Non-operating expenses		
Interest expenses	32	32
Capital expenses	385	426
Other	17	6
Total non-operating expenses	435	466
Ordinary profit	1,917	1,786
Extraordinary losses		
Impairment loss	*1 1,268	*1 62
Loss on closing of nursery schools	*2 5	-
Loss on cancellation of systems	-	16
Total extraordinary losses	1,273	78
Profit before income taxes	643	1,708
Income taxes-current	333	145
Income taxes-deferred	(248)	445
Total income taxes	84	591
Profit (Loss)	559	1,116
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	559	1,116
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	53	(2)
Total other comprehensive income	52	(2)
Comprehensive income	611	1,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	611	1,114
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

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

FY9/19 (Oct. 1, 2018–Sep. 30, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,267	1,955	3,405	(0)	6,629
Changes of items during period					
Issuance of new shares	7	7			14
Profit attributable to owners of parent			1,116		1,116
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	7	7	1,116	(0)	1,131
Balance at end of current period	1,275	1,963	4,522	(0)	7,760

	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)	(69)	(70)	19	6,577
Changes of items during period					
Issuance of new shares					14
Profit attributable to owners of parent					1,116
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	0	(2)	(2)	-	(2)
Total changes of items during period	0	(2)	(2)	-	1,129
Balance at end of current period	(0)	(72)	(73)	19	7,706

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)	FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	643	1,708
Depreciation	632	729
Impairment loss	1,268	62
Loss on closing of nursery schools	5	-
Loss on cancellation of systems	-	16
Subsidy income	(2,006)	(2,065)
Increase (decrease) in provision for bonuses	69	108
Increase (decrease) in net defined benefit liability	53	68
Interest and dividend income	(6)	(6)
Interest expenses	32	32
Decrease (increase) in accounts receivable-other	(603)	(239)
Decrease (increase) in prepaid expenses	(20)	(35)
Increase (decrease) in accounts payable-other	381	(11)
Increase (decrease) in advances received	(67)	(18)
Other, net	66	190
Subtotal	448	539
Interest and dividend income received	2	2
Interest expenses paid	(30)	(32)
Income taxes paid	(258)	(378)
Proceeds from subsidy income	1,867	2,065
Net cash provided by (used in) operating activities	2,028	2,196
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,774)	(2,705)
Proceeds from sales of property, plant and equipment	-	10
Purchase of intangible assets	(22)	(7)
Payments for lease and guarantee deposits	(206)	(94)
Proceeds from lease and guarantee deposits received	1	20
Collection of construction assistance fund receivables	24	24
Purchase of shares of affiliated companies	(8)	(18)
Payments for transfer of business	(40)	-
Other, net	62	(72)
Net cash provided by (used in) investing activities	(2,963)	(2,842)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,869	1,955
Repayments of long-term loans payable	(866)	(1,090)
Redemption of bonds	(35)	(35)
Repayments of lease obligations	(5)	(4)
Proceeds from exercise of share options	10	1
Proceeds from issuance of subscription rights to shares	19	-
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	989	825
Net increase (decrease) in cash and cash equivalents	55	178
Cash and cash equivalents at beginning of period	1,246	1,301
Cash and cash equivalents at end of period	1,301	1,480

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Consolidated Statements of Income and Comprehensive Income

*1 Impairment loss

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

FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)

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.

FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)

Purpose	Type	Location	Impairment loss (Millions of yen)
Headquarters	Software	Head Office (Chiyoda-ku, Tokyo)	62

The Group has previously recorded the expenses required for the development of the system introduced to enhance the employee benefit system as software. However, as the number of the users of the system was lower than initially planned, the Company has judged that the asset value has been lost and recorded it under extraordinary loss as an impairment loss.

*2 Loss associated with the closing of facilities

FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)

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 nursery schools.

FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)

Not applicable.

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 total 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) 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.

(6) 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

(Consolidated balance sheet)

Because asset retirement obligations, which were included in other under non-current liabilities for the previous fiscal year, have become increasingly important in terms of their amounts, the Company has decided to state them independently from the current fiscal year. The consolidated balance sheet for the previous fiscal year has been adjusted to reflect this change in presentation.

As a result, 193 million yen, which was presented in other under non-current liabilities in the consolidated balance sheet for the previous fiscal year, has been restated as 184 million yen in asset retirement obligations and 9 million yen in other.

Segment and Other Information

a. Segment information

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

b. Related information

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

FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)

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	2,722	Child-rearing support business

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

Omitted since the Group has only a single business segment.

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

Omitted since the Group has only a single business segment.

e. Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)	FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)
Net assets per share	720.33	840.44
Net income per share	62.63	122.24
Diluted net income per share	60.71	119.23

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

	FY9/18 (Oct. 1, 2017 –Sep. 30, 2018)	FY9/19 (Oct. 1, 2018 –Sep. 30, 2019)
Net income per share		
Profit attributable to owners of parent (millions of yen)	559	1,116
Amount not attributable to ordinary shareholders (millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (millions of yen)	559	1,116
Average number of shares of common stock outstanding (shares)	8,927,555	9,137,817
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)	282,881	230,356
[Of which, stock acquisition rights (shares)]	[282,881]	[230,356]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Material Subsequent Events

Business combinations

Global Kids K.K., a consolidated subsidiary of the Company, has concluded a basic agreement on October 29, 2019 to transfer its "En-matching" business* to Life Care Partners Co., Ltd., a subsidiary of Nippon Life Insurance Company.

(1) Purpose of the transfer

This transfer is being undertaken for the purpose of spreading and facilitating the further development of the "En-matching" further. The Company will continued to be involved in the "En-matching" business, and will support this business through capital participation and a business alliance by acquiring a portion of the shares of Life Care Partners.

(2) Name of the counterparty to the transfer

Life Care Partners Co., Ltd.

(3) Description of the business to be transferred

"En-matching" business

(4) Timing of the transfer

January 1, 2020

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

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.