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Presentation Materials for the Earnings Briefing for the Fiscal Year Ended September 30, 2019

November 13, 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 Fiscal Year Ended September 30, 2019 (FY9/19)

Highlights for FY9/19

- Net sales increased steadily due to our previous business base expansion strategy.
- Operating profit decreased due to assignment of priority to upfront investments for the quality of childcare services, such as securing human resources.

1. Net sales increased 15.6%

- Net sales: ¥19,694 million (up ¥2,662 million, or 15.6%, year on year)
- The increase is attributable primarily to a higher number of enrolled children, mainly due to a steady increase in the number of facilities under operation.
- The occupancy rates of local government licensed nursery schools and company-sponsored nurseries, which had declined in the third quarter, both made a gradual recovery.

2. Operating profit decreased, and ordinary profit decreased slightly

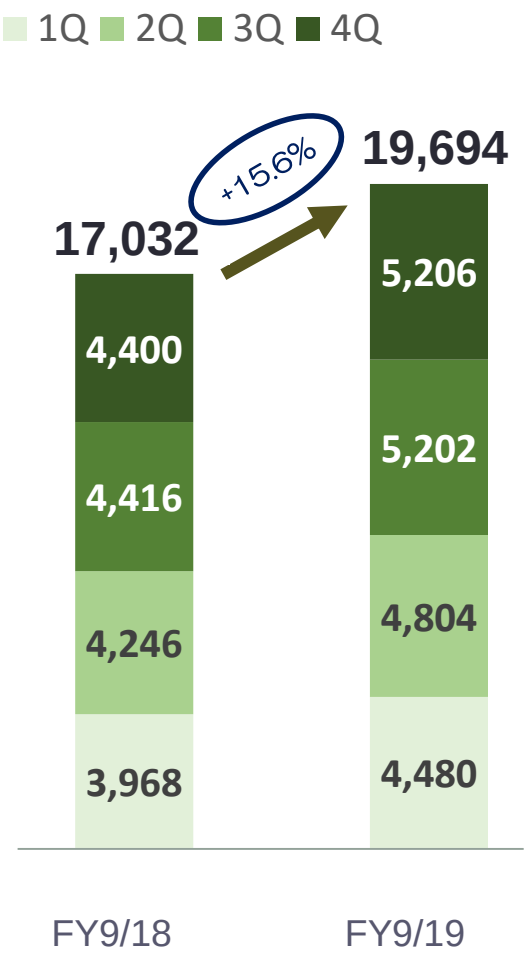
- Operating profit: ¥173 million (down ¥164 million, or 48.6%, year on year)
  - Although the occupancy rates of local government licensed nursery schools and company-sponsored nurseries started to recover, they fell short of expectations. In addition, recruitment of childcare workers in anticipation for the next fiscal year proceeded roughly as planned, and operating profit decreased due to an increased burden regarding personnel-related and recruiting expenses.
  - Ordinary profit: ¥1,786 million (down ¥131 million, or 6.8%, year on year)
  - The impact of decreased operating profit resulted in decreased profit, despite improved non-operating income resulting from an increase in subsidies for opening facilities related to capital investment.

3. Profit increased dramatically

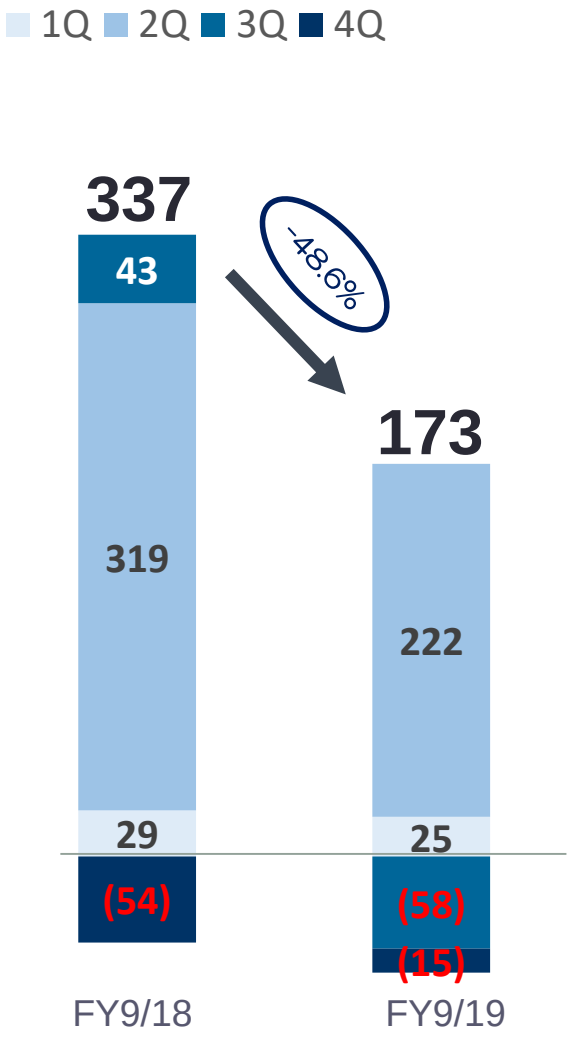
- Profit: ¥1,116 million (up ¥557 million, or 99.8%, year on year)
  - Although there was a software impairment loss, profits doubled year on year, due to the absence of the impairment loss for facilities that was recorded in the previous period.

Results summary for FY9/19

Net sales

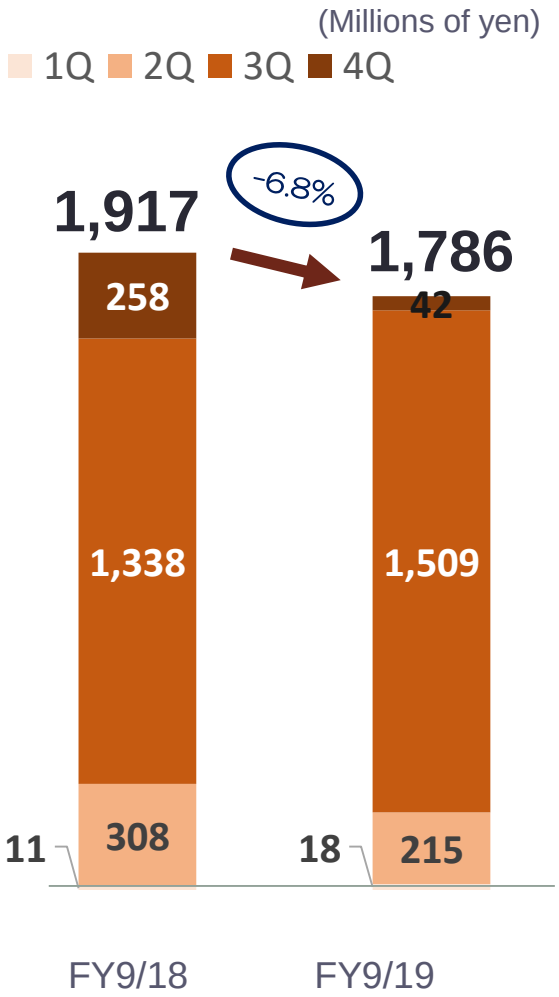


Operating profit



Ordinary profit

(Millions of yen)



Consolidated statement of income for FY9/19

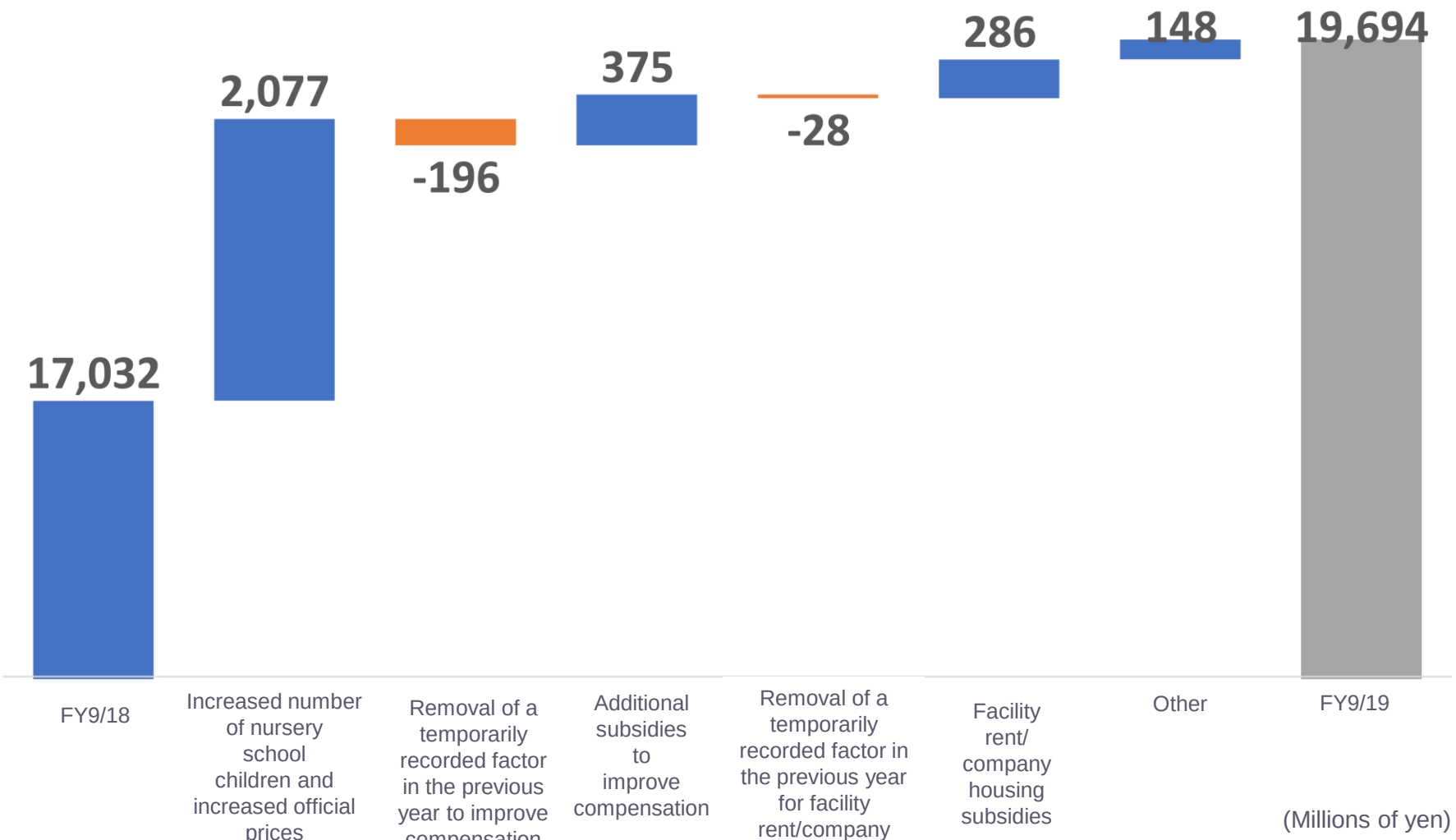
(Millions of yen)

	FY9/18		FY9/19		
	Amount	%	Amount	%	YoY change
Net sales	17,032	100.0%	19,694	100.0%	+15.6%
Cost of sales	14,703	86.3%	17,234	87.5%	+17.2%
Gross profit	2,328	13.7%	2,459	12.5%	+5.6%
SG&A expenses	1,990	11.7%	2,285	11.6%	+14.8%
Operating profit	337	2.0%	173	0.9%	(48.6)%
Non-operating income	2,014	-	2,078	-	+3.2%
Non-operating expenses	435	-	466	-	+7.1%
Ordinary profit	1,917	11.3%	1,786	9.1%	(6.8)%
Extraordinary income (losses)	(1,273)	-	(78)	-	-
Profit before income taxes	643	3.8%	1,708	8.7%	+165.5%
Income taxes	84	-	591	-	+601.3%
Profit	559	3.3%	1,116	5.7%	+99.8%

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

Net sales

✓ **15.6% increase, mainly due to an increased number of nursery school children**



(Millions of yen)

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

Operating profit

✓ **Operating profit decreased due to upfront investments for securing human resources, etc.**



✓ Personnel-related (company housing rent, etc.) and recruiting expenses (introduction fees), etc. increased due to the recruitment of childcare workers.

- ✓ Increase of ¥107 million in taxes and dues
- ✓ Increase of ¥41 million in recruiting expenses
- ✓ Increase of ¥17 million in advertising expenses (TV ads, etc.)
- ✓ Increase of ¥11 million in IT investment (personnel systems, etc.)
- ✓ Increase of ¥13 million in depreciation
- ✓ Increase of ¥5 million in labor-related expenses
- ✓ Increase of ¥101 million in other

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

Ordinary profit

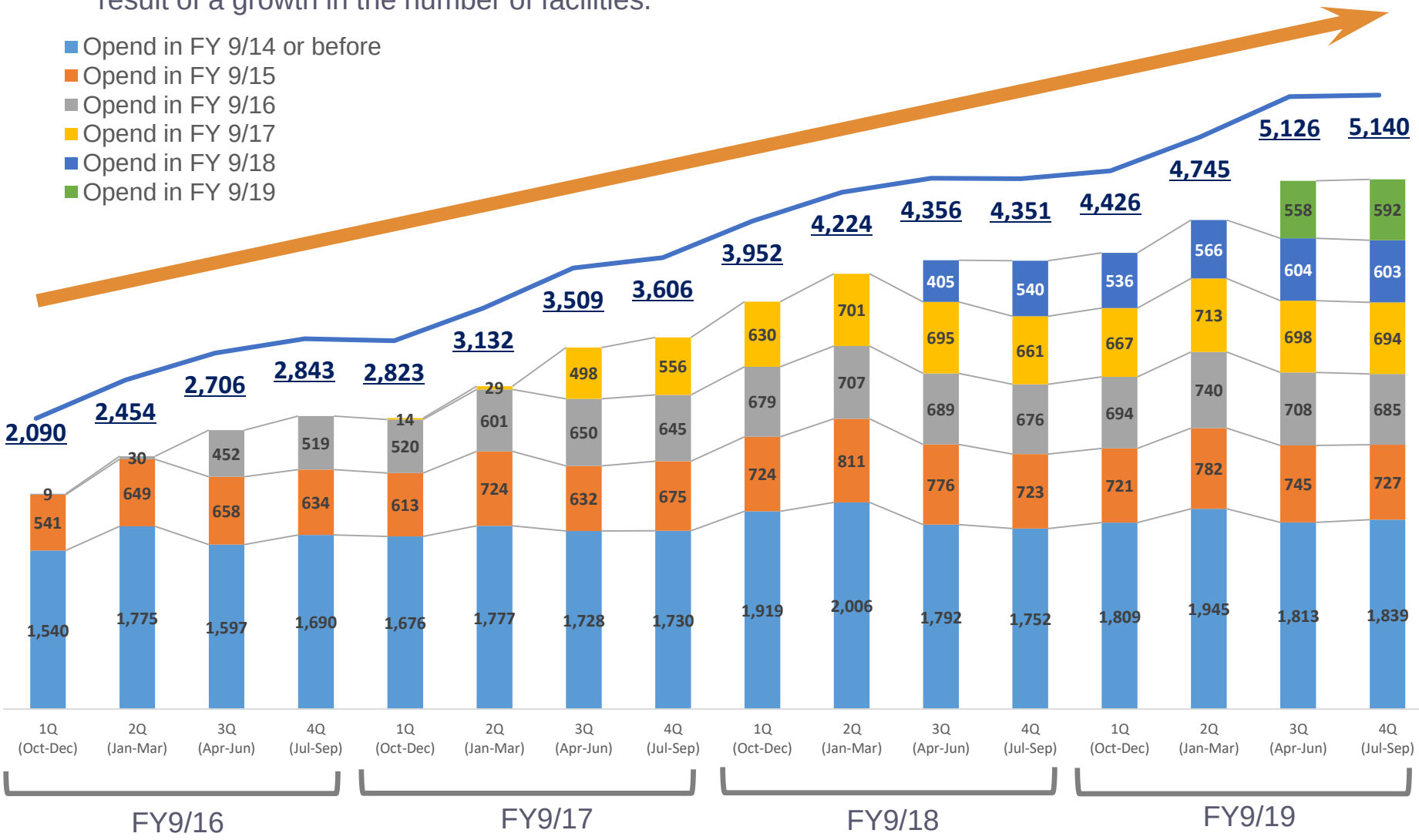
✓ **Although subsidies for opening facilities related to capital investment increased, there was an impact from decreased operating profit**



(Millions of yen)

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

- Steady expansion due to an increased number of nursery school children as a result of a growth in the number of facilities.



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

(Millions of yen)

Consolidated balance sheet for FY9/19

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019	YoY change
Current assets	**3,264**	**3,810**	**546**
Cash and deposits	1,301	1,480	178
Non-current assets	**12,427**	**14,448**	**2,021**
Property, plant and equipment	9,711	11,701	1,989
Total assets	**15,691**	**18,259**	**2,568**
Current liabilities	3,095	3,087	(8)
Non-current liabilities	6,017	7,466	1,448
Total liabilities	**9,113**	**10,553**	**1,439**
Net assets	**6,577**	**7,706**	**1,129**
Total liabilities & net assets	**15,691**	**18,259**	**2,568**
Interest-bearing debt	5,133	5,962	828
Equity ratio	41.8%	42.1%	-

[Current assets]

- Increased by ¥540 million due to increased cash and deposits, etc.

[Non-current assets]

- Property, plant and equipment increased by ¥1,980 million due to an increase in buildings and structures for the opening of new nursery schools in April.

[Liabilities]

- Liabilities increased due to increases in loans payable and deferred tax liabilities.

[Interest-bearing debt]

- Interest-bearing debt increased due to an increase in loans payable for the investment for the opening of new nursery schools.

[Equity ratio]

- The equity ratio rose slightly due to an increase in retained earnings.

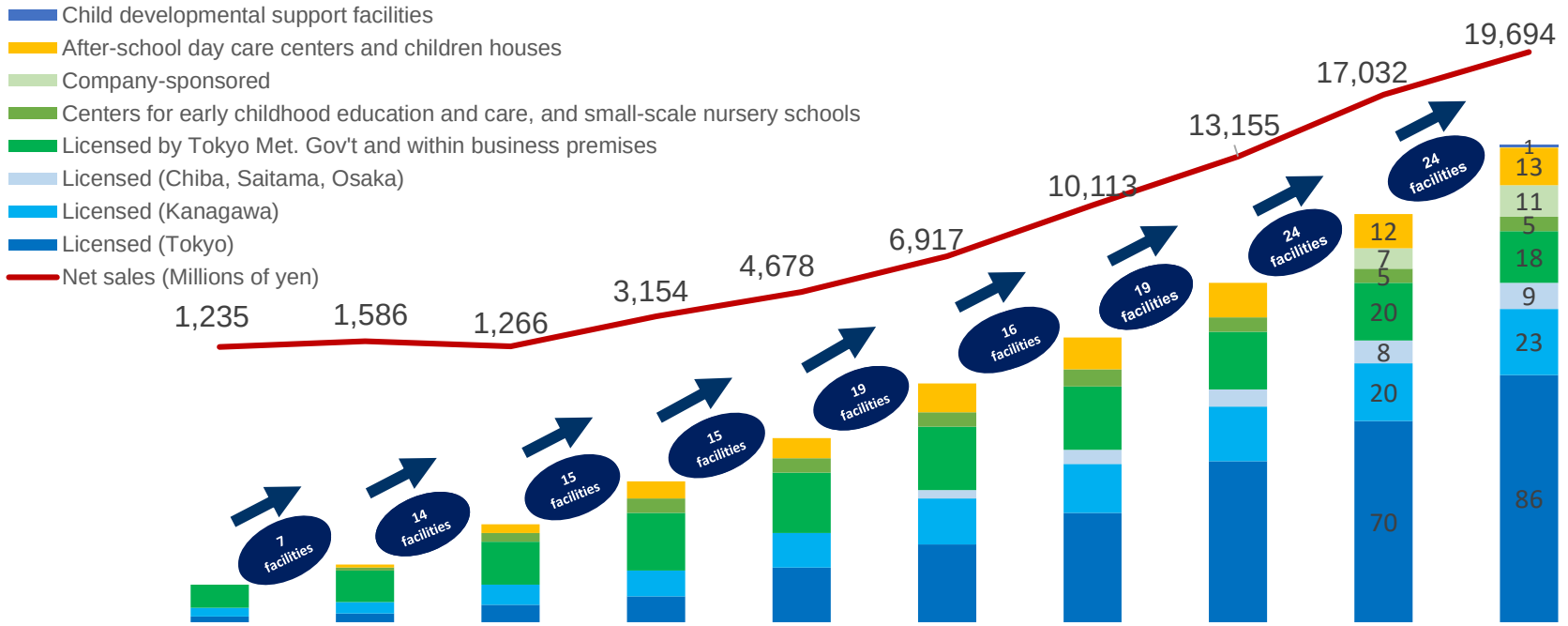
Consolidated statement of cash flows for FY9/19

(Millions of yen)

	FY9/18	FY9/19
Cash flows from operating activities	**2,028**	**2,196**
Profit before income taxes	643	1,708
Depreciation	632	729
Impairment loss	1,268	62
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)
Cash flows from investing activities	**(2,963)**	**(2,842)**
Purchase of property, plant and equipment	(2,774)	(2,705)
Payments for lease and guarantee deposits	(206)	(94)
Cash flows from financing activities	**989**	**825**
Net increase (decrease) in loans payable and bonds	968	828
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**

Number of facilities under operation

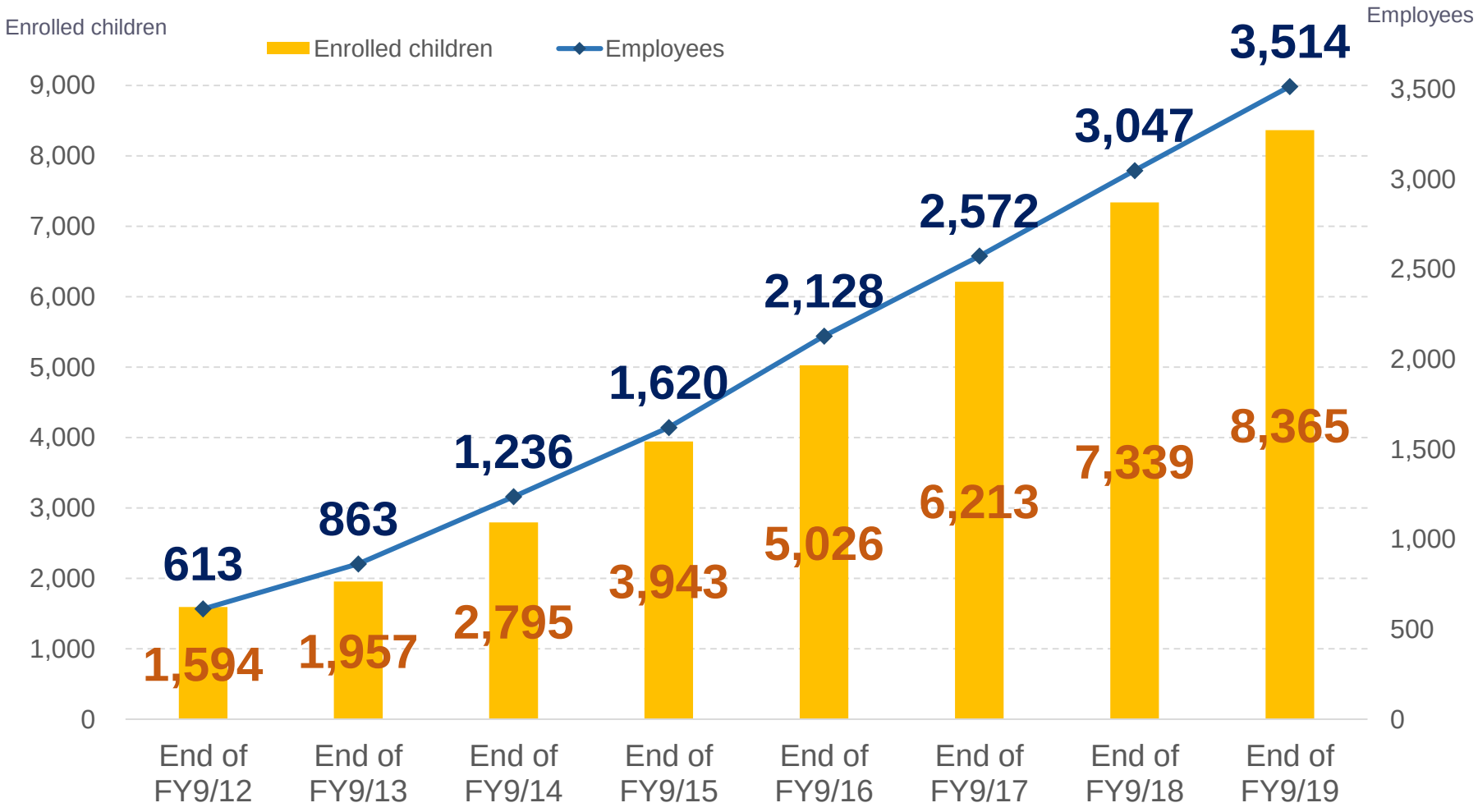
- 24 new facilities opened in FY9/19 (17 central government licensed nursery schools, 4 company-sponsored, 1 within business premises, 1 after-school day care center, and 1 child developmental support facility).
- We are operating 166 facilities in total as of the end of the fiscal year.



	FY3/11	FY3/12	FY9/12	FY9/13	FY9/14	FY9/15	FY9/16	FY9/17	FY9/18	FY9/19
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 and within business premises	8	11	15	20	20	21	22	20	20	18
Centers for early childhood education and care, and small-scale nursery schools	-	1	3	5	5	5	6	5	5	5
Company-sponsored	-	-	-	-	-	-	-	-	7	11
After-school day care centers and children houses	-	1	3	6	7	10	11	12	12	13
Child developmental support facilities	-	-	-	-	-	-	-	-	-	1
Total	13	20	34	49	64	83	99	118	142	166

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" above excludes those enrolled in after-school day care centers, children houses, and child developmental support facilities.
"Employees" above includes corporate staff and part-time workers.

Comparison from disclosed FY9/19 consolidated forecasts

■ **Exceeded the revised forecast due to higher net sales and reduced expenses.**

- Operating profit exceeded expectations due to higher net sales, as a result of the recovery of occupancy rates, etc., as well as reduced SG&A expenses.

(Millions of yen)

	FY9/19			
	Initial forecast values (announced in November)	Revised forecast values (announced in August)	FY9/19 results	% achieved (% of revised forecast)
Net sales	20,000	19,650	19,694	100.2%
Operating profit	340	115	173	151.0%
Ordinary profit	1,930	1,750	1,786	102.1%
Profit	1,250	1,090	1,116	102.5%

Forecast for the Fiscal Year Ending September, 30, 2020

Consolidated earnings forecast for FY9/20

- **Sales and operating profit are expected to increase due to improved occupancy rates and optimized staffing, etc.**
- **Ordinary profit and profit are expected to decrease, due to a decrease in subsidies for opening facilities (non-operating income) as a result of curbing the number of newly opened facilities.**

	FY9/19 results		FY9/20 forecast		
	Amount	%	Amount	%	YoY change (%)
Net sales	19,694	100.0%	22,500	100.0%	+14.2%
Operating profit	173	0.9%	300	1.3%	72.7%
Ordinary profit	1,786	9.1%	630	2.8%	(64.7)%
Profit	1,116	5.7%	420	1.9%	(62.4)%

Contributing factors for FY9/20

[Net sales]

- Occupancy rates are expected to increase, mainly at facilities that have been open for 2 to 3 years.
- Sales are expected to increase due to newly opened facilities.

[Operating profit/Ordinary profit]

- Operating profit is expected to increase due to improved profitability driven by optimized staffing.
- Ordinary profit is expected to decrease due to a decrease in subsidies related to capital investment as a result of curbing the number of newly opened facilities, which started from the previous year.

Priority measures for FY9/20

- **Implement 3 priority measures.**
- **In addition to our ongoing efforts related to people and childcare, we will actively promote business reform.**

People

- Solving human resource issues
  - Large-scale recruiting
  - Optimal placement
  - Improved retention rate

Childcare

- Establish Global Kids childcare
  - Toward expansion to all facilities in April 2021

Business reform

- Increased productivity
  - Maximize face-to-face time spent with children
  - Optimize income and expenditure (improve occupancy rates, etc.)
  - IT investment

New facilities scheduled to open in FY9/20

- **Change strategy according to the external environment.**
  - **Focus on strengthening operational and marketing capabilities, etc. by reducing the number of newly opened facilities to 7 central government licensed nursery schools.**
  - **In addition to the above, we plan to open 2 to 4 new child developmental support facilities, which is our new business.**
- **After the opening, the number of facilities under operation is scheduled to be 175 to 177.**

◆**New facilities scheduled to open**

Central government licensed nursery schools

Location		No. of facilities scheduled to open	Planned capacity
Tokyo	23 wards	4	261
Tokyo	Other than 23 Wards	1	60
Kanagawa	Yokohama City	1	72
Kanagawa	Kamakura City	1	48
		7 nursery schools	**441 children**

Child developmental support facilities

Location	No. of facilities scheduled to open
Tokyo, etc.	2 to 4

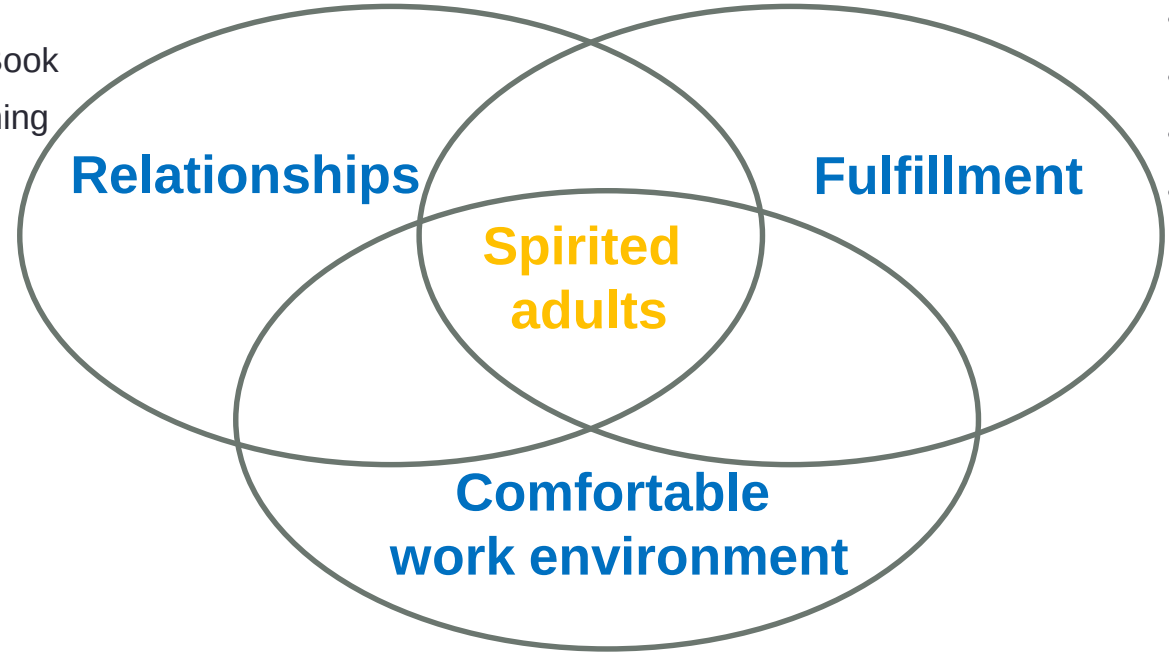
* Schedule is subject to change.

Initiatives that embody the philosophy of “spirited adults”

- **Cherish people (employees) and accelerate to implement measures for them to work as “spirited adults.”**
- **Realize a virtuous cycle of improving the quality of childcare services by improving both our ability to recruit and our retention rates.**

Get parents and children to choose us through the power of our people, so they say,
“I want to leave my child with that staff member! I’m glad I left my child with that staff member!”

- Creating our Team Book
- Communication training
- Support for newly appointed facility managers



- Growth of children
- Contribution to society
- Pride in one’s work
- Motivation

- Personnel system built by the employees, for the employees
- Work environment where staff spend a lot of time face-to-face with children

A generous range of systems that create a comfortable work environment

- **Establish various personnel systems for employees that go beyond legal requirements.**
- **Ongoing improvement through mechanisms for hearing employee opinions (Lincoln Meeting/GK App).**

1. Leave systems

- ✓ Anniversary leave, any-time leave (paid, available immediately after joining the company)
- ✓ Nursing leave for preschool children (paid)
- ✓ Nursing care leave, grandchild birth leave (paid)

2. Flexible work styles

- ✓ Select employee system (choose work style by time or day: short-time regular employee system)
- ✓ Transfer registration system (no undesired transfers)
- ✓ Retirement age 65 + indefinite re-employment (salary maintained)

3. Systems related to childbirth and childcare

- ✓ Maternity leave (6 weeks before childbirth, 8 weeks after childbirth)
- ✓ Extend the period of childcare leave (until the child is 3 years old; legal requirement is 2 years old)
- ✓ Extend the period of reduced working hours for childcare (until the child graduates elementary school; legal requirement is until the child is 3 years old)
- ✓ Childcare cost assistance for unlicensed nursery schools
- ✓ Nurseries that can be preferentially used by employees (reduce the burden of “hokatsu” (nursery school hunting))
- ✓ Child allowance

4. Proprietary retirement allowance system

5. Housing support

- ✓ Dormitory, company-rented housing

6. Other

- ✓ Unused paid leave accumulation scheme (for emergency use of unused paid leave)
- ✓ Covering all expenses for influenza vaccination and gynecological examinations
- ✓ Subsidies for communication costs within facilities
- ✓ Sharing of information using an internal App
- ✓ General employee meeting for all employees
- ✓ Lincoln Meeting, which collect opinions from the field
- ✓ Enhanced training system
- ✓ Employee meal systems, circle activities

* Includes systems planned for introduction in April 2020.

TOPIC

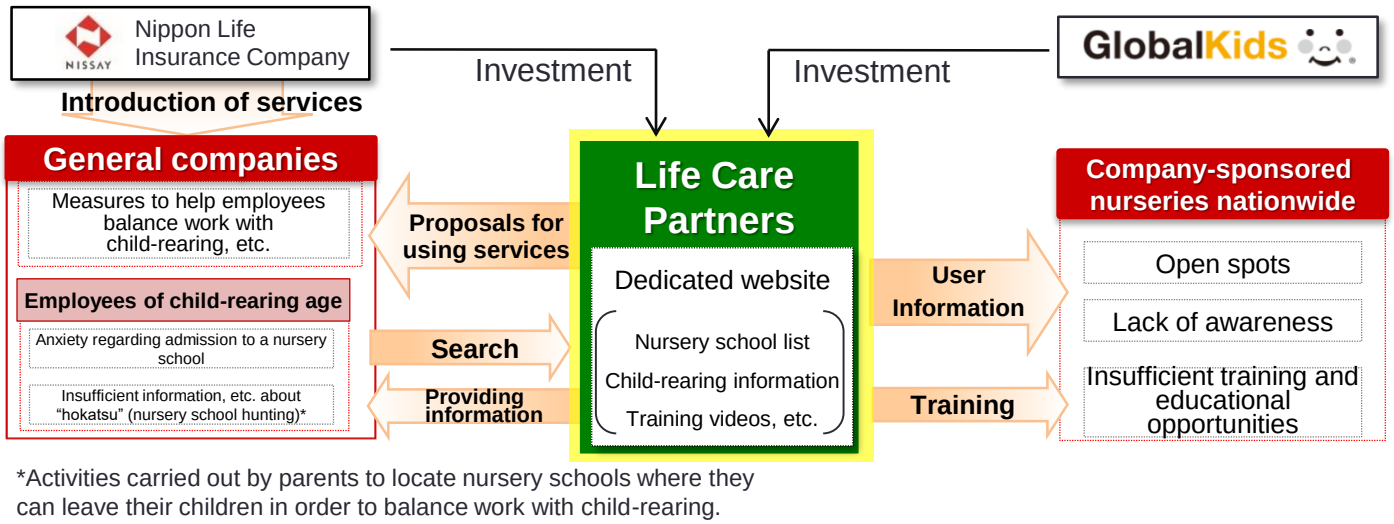
Business transfer of “En-matching”

Announced on October 30, 2019

◆ Business transfer of “En-matching” to a subsidiary of Nippon Life Insurance Company

- **In March 2019, we formed a business partnership with Nippon Life Insurance Company, with the aim of enhancing “En-matching,” and decided to undertake a business transfer to “Life Care Partners,” a subsidiary of Nippon Life Insurance Company, with the goal of spreading and developing the business further.**
- **The Company has acquired some shares of “Life Care Partners” and continues to participate in the “En-matching” business.**

<Overview of Initiatives>



*Activities carried out by parents to locate nursery schools where they can leave their children in order to balance work with child-rearing.

“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.



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



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