Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2020 (Three Months Ended December 31, 2019)

[Japanese GAAP]

January 31, 2020

Company name: Global Kids Company Corp. Stock Exchange Listing: TSE (1st section)
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Scheduled date of filing of Quarterly Report: February 7, 2020
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2020 (October 1, 2019 to December 31, 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	%
Three months ended Dec. 31, 2019	5,382	20.1	77	203.1	122	564.5	80	-
Three months ended Dec. 31, 2018	4,480	12.9	25	(13.5)	18	61.8	(38)	-

Note: Comprehensive income (million yen) Three months ended Dec. 31, 2019: 87 (up -%)
Three months ended Dec. 31, 2018: (33) (up -%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2019	8.77	8.56
Three months ended Dec. 31, 2018	(4.21)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	18,690	7,793	41.6
As of Sep. 30, 2019	18,259	7,706	42.1

Reference: Shareholders' equity (million yen) As of Dec. 31, 2019: 7,774 As of Sep. 30, 2019: 7,687

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2019	-	0.00	-	0.00	0.00
Fiscal year ending Sep. 30, 2020	-				
Fiscal year ending Sep. 30, 2020 (Forecast)		0.00	-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

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	72.7	630	(64.7)	420	(62.4)	45.80

Note: Revisions to the most recently announced dividend forecast: None

***Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

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

As of Dec. 31, 2019:	9,172,058 shares	As of Sep. 30, 2019:	9,170,058 shares

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

As of Dec. 31, 2019:	1,072 shares	As of Sep. 30, 2019:	236 shares

3) Average number of shares issued during the period

Three months ended Dec. 31, 2019:	9,169,920 shares	Three months ended Dec. 31, 2018:	9,106,574 shares

* The current quarterly 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 3 of the attachments for details on the above forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first three months of the fiscal year ending September 30, 2020 (hereinafter, “the period under review”), 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.

At the end of the period under review, 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. Furthermore, the Group plans to open seven new nursery schools in April 2020, mainly in Tokyo. In addition, since its launch in the previous fiscal year, two to three new child developmental support facilities were established and a total of nine to 10 facilities are planned to open.

Net sales for the period under review increased mainly attributable to a rise in the number of nursery school children due to an increase in the number of facilities under operation. Meanwhile, operating profit ratio improved as a result of reduction in selling, general and administrative expenses, despite an increase in personnel expenses due to the strategical work style reforms to secure childcare workers and to improve the quality of childcare services.

Consequently, the Group reported net sales for the period under review of 5,382 million yen (up 20.1% year on year) with operating profit of 77 million yen (up 203.1% year on year), ordinary profit of 122 million yen (up 564.5% year on year), and profit attributable to owners of parent of 80 million yen (compared with loss attributable to owners of parent of 38 million yen for the same period of the previous fiscal year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 18,690 million yen at the end of the period under review, an increase of 430 million yen from the end of the previous fiscal year.

Current assets increased 402 million yen to 4,213 million yen. This was mainly attributable to an increase of 202 million yen in cash and deposits due to short-term loans payable, and an increase of 112 million yen in accounts receivable-other.

Non-current assets increased 28 million yen to 14,477 million yen. This was mainly attributable to an increase of 239 million yen in construction in progress to prepare for the opening of new nursery schools in April.

Liabilities

Total liabilities amounted to 10,896 million yen at the end of the period under review, an increase of 343 million yen from the end of the previous fiscal year.

Current liabilities increased 544 million yen to 3,631 million yen. This was mainly attributable to an increase of 500 million yen in short-term loans payable for the opening of new nursery schools, an increase of 185 million yen in advances received and an increase of 164 million yen in accounts payable-other, despite a decrease of 275 million yen in provision for bonuses.

Non-current liabilities decreased 200 million yen to 7,265 million yen. This was mainly attributable to a decrease of 221 million yen in long-term loans payable.

Net assets

Net assets increased 86 million yen to 7,793 million yen at the end of the period under review. This was mainly attributable to an increase of 80 million yen in retained earnings as a result of the booking of profit attributable to owners of parent.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The Company maintains its consolidated forecasts for the fiscal year ending September 30, 2020 that was announced on November 13, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY9/19 (As of Sep. 30, 2019)	First quarter of FY9/20 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,480	1,682
Accounts receivable-other	1,932	2,045
Prepaid expenses	392	480
Other	6	4
Total current assets	3,810	4,213
Non-current assets		
Property, plant and equipment		
Land	589	589
Buildings and structures, net	10,640	10,470
Construction in progress	32	272
Other, net	437	416
Total property, plant and equipment	11,701	11,749
Intangible assets		
Software	30	27
Software in progress	23	36
Total intangible assets	54	64
Investments and other assets		
Investment securities	79	81
Long-term prepaid expenses	705	674
Lease and guarantee deposits	1,546	1,554
Construction assistance fund receivables	324	319
Deferred tax assets	10	6
Other	26	26
Total investments and other assets	2,693	2,663
Total non-current assets	14,448	14,477
Total assets	18,259	18,690
Liabilities		
Current liabilities		
Short-term loans payable	-	500
Current portion of long-term loans payable	907	898
Current portion of bonds	23	-
Accounts payable-other	1,228	1,393
Income taxes payable	93	38
Advances received	71	257
Provision for bonuses	553	277
Other	209	265
Total current liabilities	3,087	3,631
Non-current liabilities		
Long-term loans payable	5,032	4,810
Net defined benefit liability	255	267
Deferred tax liabilities	1,852	1,861
Asset retirement obligations	319	319
Other	6	5
Total non-current liabilities	7,466	7,265
Total liabilities	10,553	10,896

(Millions of yen)

	FY9/19 (As of Sep. 30, 2019)	First quarter of FY9/20 (As of Dec. 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	1,275	1,275
Capital surplus	1,963	1,963
Retained earnings	4,522	4,603
Treasury shares	(0)	(1)
Total shareholders' equity	7,760	7,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans	(72)	(66)
Total accumulated other comprehensive income	(73)	(66)
Subscription rights to shares	19	19
Total net assets	7,706	7,793
Total liabilities and net assets	18,259	18,690

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	First Three months of FY9/19 (Oct. 1, 2018 –Dec. 31, 2018)	First Three months of FY9/20 (Oct. 1, 2019 –Dec. 31, 2019)
Net sales	4,480	5,382
Cost of sales	3,871	4,707
Gross profit	608	674
Selling, general and administrative expenses	583	597
Operating profit	25	77
Non-operating income		
Interest and dividend income	0	3
Subsidy income	-	47
Other	2	0
Total non-operating income	3	51
Non-operating expenses		
Interest expenses	7	7
Other	2	-
Total non-operating expenses	10	7
Ordinary profit	18	122
Profit before income taxes	18	122
Income taxes	56	42
Profit (Loss)	(38)	80
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(38)	80
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	1
Remeasurements of defined benefit plans, net of tax	4	5
Total other comprehensive income	4	7
Comprehensive income	(33)	87
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(33)	87
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

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

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.