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Presentation Materials for the Earnings Briefing for the First Half of the Fiscal Year Ending September 30, 2020

May 13, 2020 (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, 2020 (FY9/20)

Impact of the novel coronavirus on business performance

- **Following the declaration of the state of emergency, we requested self-restraint from coming to nursery schools in response to the local government policy.**
- **The full-year earnings forecast remains unchanged. Despite the impact on net sales, this will be covered by reducing variable costs.**
- **We plan to carefully examine a specific impact amount based on the cancellation of the declaration of the state emergency.**

Net sales

- ✓ **Childcare fees received directly from local government licensed nursery schools and company-sponsored nurseries are expected to decrease.**
- ✓ **Some nursery schools that originally scheduled for April enrollment were postponed due to rise in working from home.**
- ✓ **Meanwhile, entrustment fees from local governments are expected to be paid, including those for children restraining from attending nursery schools.**

Variable costs

- ✓ **The novel coronavirus countermeasure costs incurred.**
- ✓ **Meanwhile, due to the decrease in the number of nursery school children, variable costs such as school meal expenses, utilities, and overtime pay are expected to decrease.**

Highlights for the first half of FY9/20

- **Net sales increased significantly due to our previous business base expansion strategy.**
- **Ordinary profit increased due to subsidies related to capital investment.**

1. Net sales increased 18% year on year

- Net sales: ¥10,977 million (up ¥1,693 million, or 18.2%, year on year)
  - A higher number of enrolled children and a rise in official price contributed to the increase in net sales.

2. Ordinary profit increased steadily

- Operating profit: ¥195 million (down ¥51 million, or 21.0%, year on year)
  - Operating profit decreased mainly due to an increase in personnel expenses.
- Ordinary profit: ¥241 million (up ¥7 million, or 3.3%, year on year)
  - Ordinary profit increased due to the recording of subsidies related to capital investment.

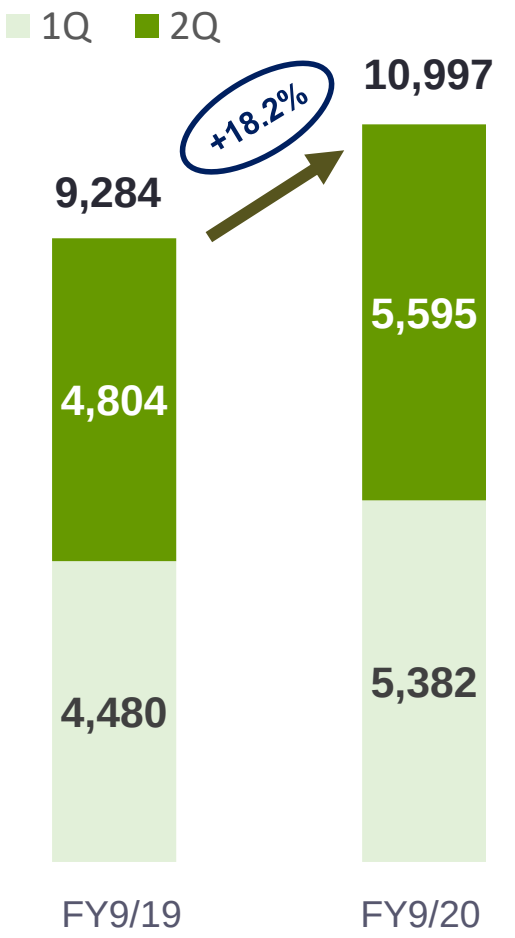
3. Profit increased 4% year on year

- Profit: ¥147 million (up ¥6 million, or 4.3%, year on year)
  - Gain on sale of businesses of ¥27 million occurred under extraordinary income, despite the recording of loss on valuation of investment securities of ¥6 million under extraordinary losses.

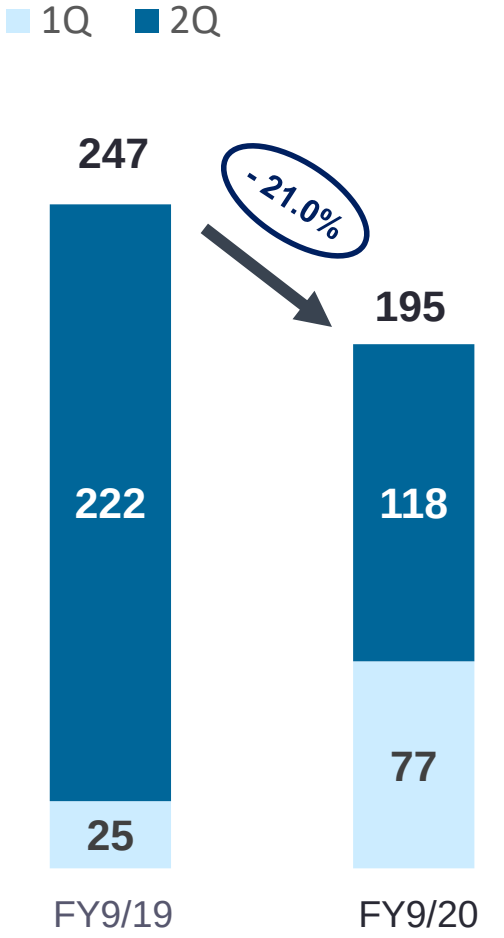
4. Opened 7 central government licensed nursery schools in April, 2 child developmental support facilities in May, as scheduled.

Results summary for the first half of FY9/20

Net sales

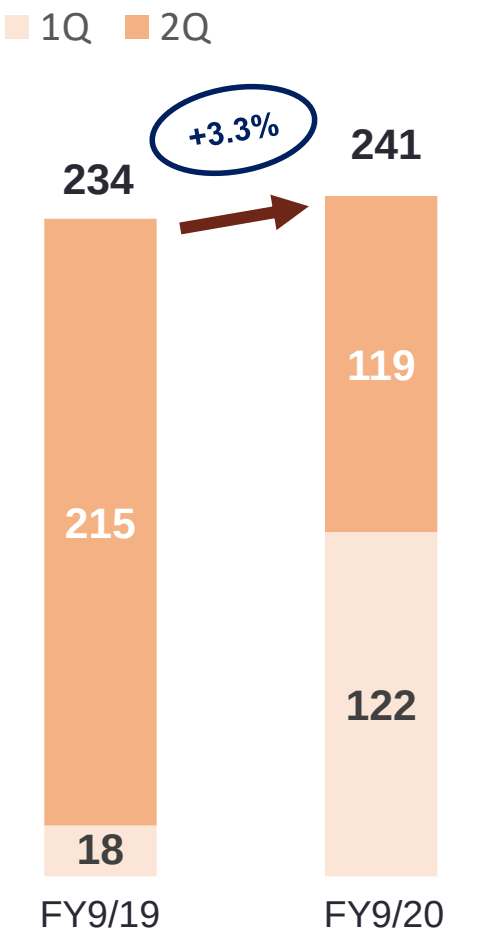


Operating profit



Ordinary profit

(Millions of yen)



Operating results for the first half of FY9/20

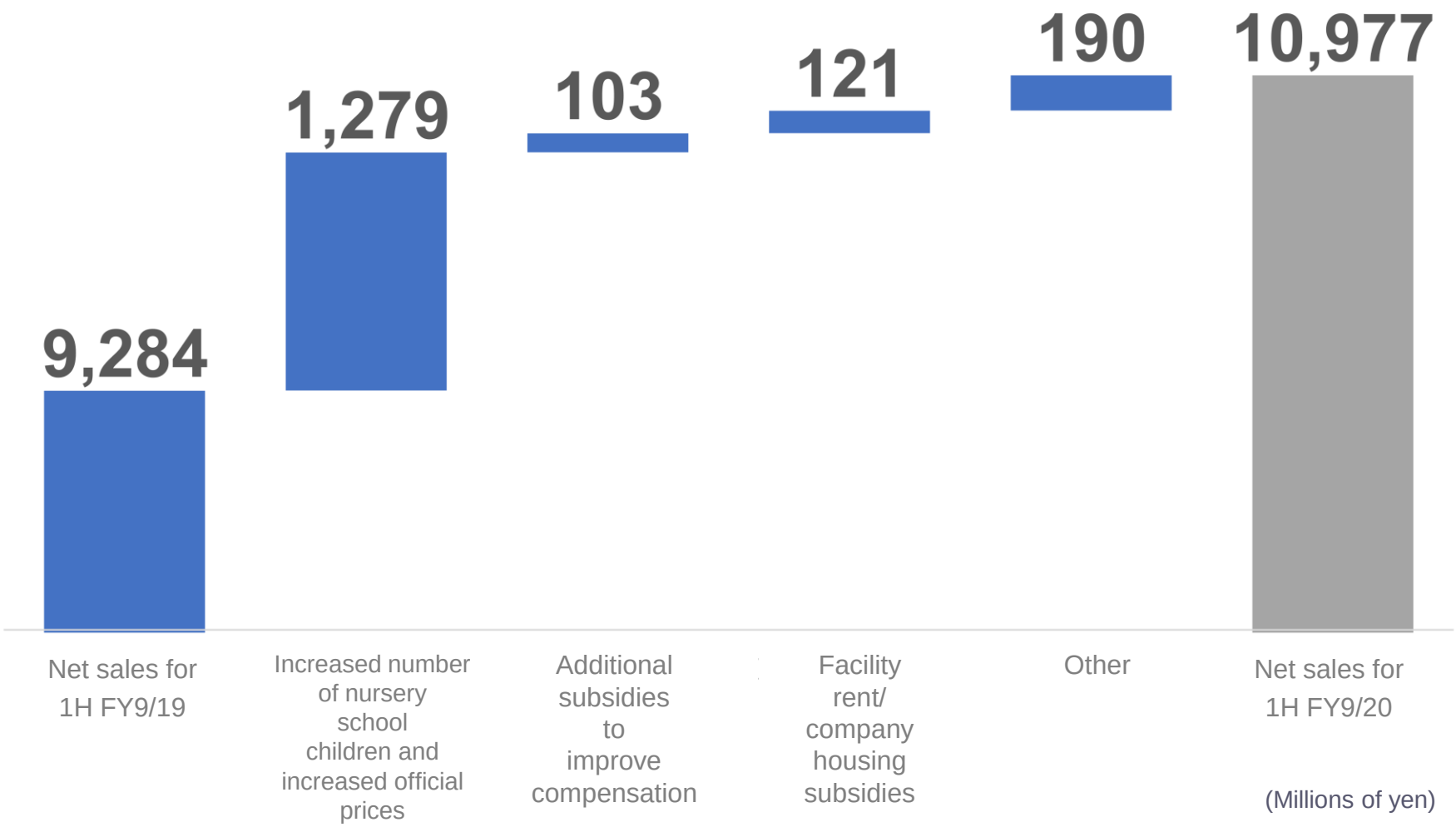
(Millions of yen)

	1H FY9/19		1H FY9/20		
	Amount	%	Amount	%	YoY change
Net sales	9,284	100.0%	10,977	100.0%	+18.2%
Cost of sales	7,860	84.7%	9,598	87.4%	+22.1%
Gross profit	1,424	15.3%	1,379	12.6%	(3.2)%
SG&A expenses	1,176	12.7%	1,183	10.8%	+0.6%
Operating profit	247	2.7%	195	1.8%	(21.0)%
Non-operating income	5	-	61	-	+1,075.9%
Non-operating expenses	19	-	15	-	(19.5)%
Ordinary profit	234	2.5%	241	2.2%	+3.3%
Extraordinary income	-	-	27	-	-
Extraordinary losses	-	-	6	-	-
Profit before income taxes	234	2.5%	263	2.4%	+12.6%
Income taxes	92	-	115	-	+25.3%
Profit	141	1.5%	147	1.3%	+4.3%

Factors behind year on year change in net sales for the first half of FY9/20

Net sales

✓18% increase year on year due to contribution from increased official prices, in addition to rise in number of enrolled children as a result of increase in facilities under operation and improved occupancy rates.



(Millions of yen)

Factors behind year on year change in operating profit for the first half of FY9/20

Operating profit

✓In addition to reducing recruitment expenses by improving the employee retention rate, we also pushed forward with the reduction in SG&A expenses by promoting efficiency. However, operating profit decreased 21% year on year as personnel expenses increased temporarily resulting from advance payments to improve compensation due to changes in administrative systems.



(Millions of yen)

Factors behind year on year change in ordinary profit for the first half of FY9/20

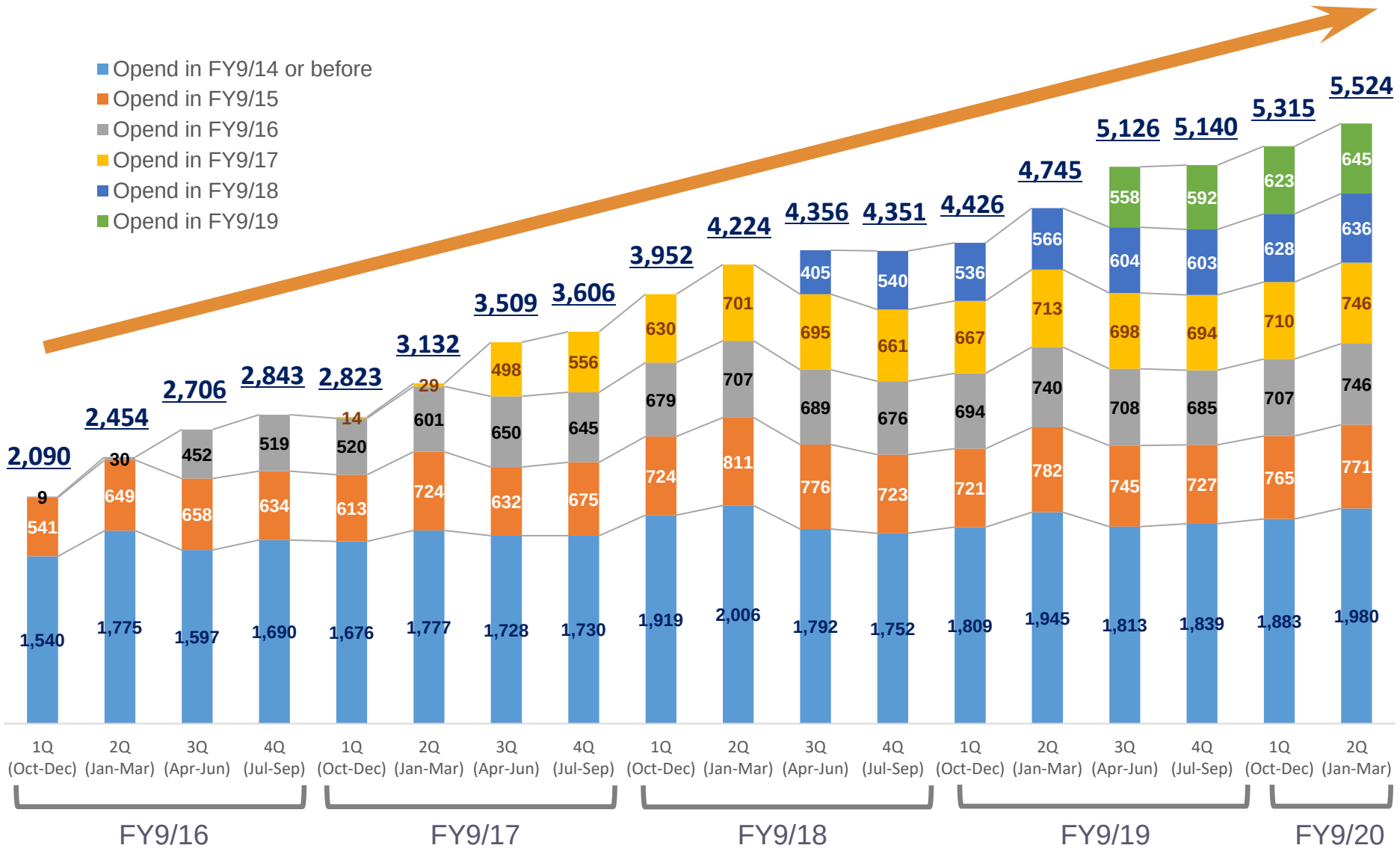
Ordinary profit

✓Ordinary profit increased 3% year on year as non-operating income increased. This is because the posting of some subsidies related to capital investment in newly opened facilities in FY9/19 was deferred to FY9/20.



(Millions of yen)

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



Note: The above figures only include those for the childcare business (excluding consulting/school meal catering business).

(Millions of yen)

Consolidated balance sheet for the first half of FY9/20

(Millions of yen)

	As of September 30, 2019	As of March 31, 2020	
			YoY change
Current assets	**3,810**	**6,582**	**2,771**
Cash and deposits	1,480	4,299	2,818
Non-current assets	**14,448**	**14,827**	378
Property, plant and equipment	11,701	12,001	300
Total assets	**18,259**	**21,409**	**3,149**
Current liabilities	3,087	6,092	3,005
Non-current liabilities	7,466	7,445	(21)
Total liabilities	**10,553**	**13,537**	**2,984**
Net assets	**7,706**	**7,871**	**165**
Total liabilities & net assets	**18,259**	**21,409**	**3,149**
Interest-bearing debt	5,962	8,659	2,697
Equity ratio	42.1%	36.7%	-
D/E ratio	0.78 times	1.10 times	-

Consolidated statement of cash flows

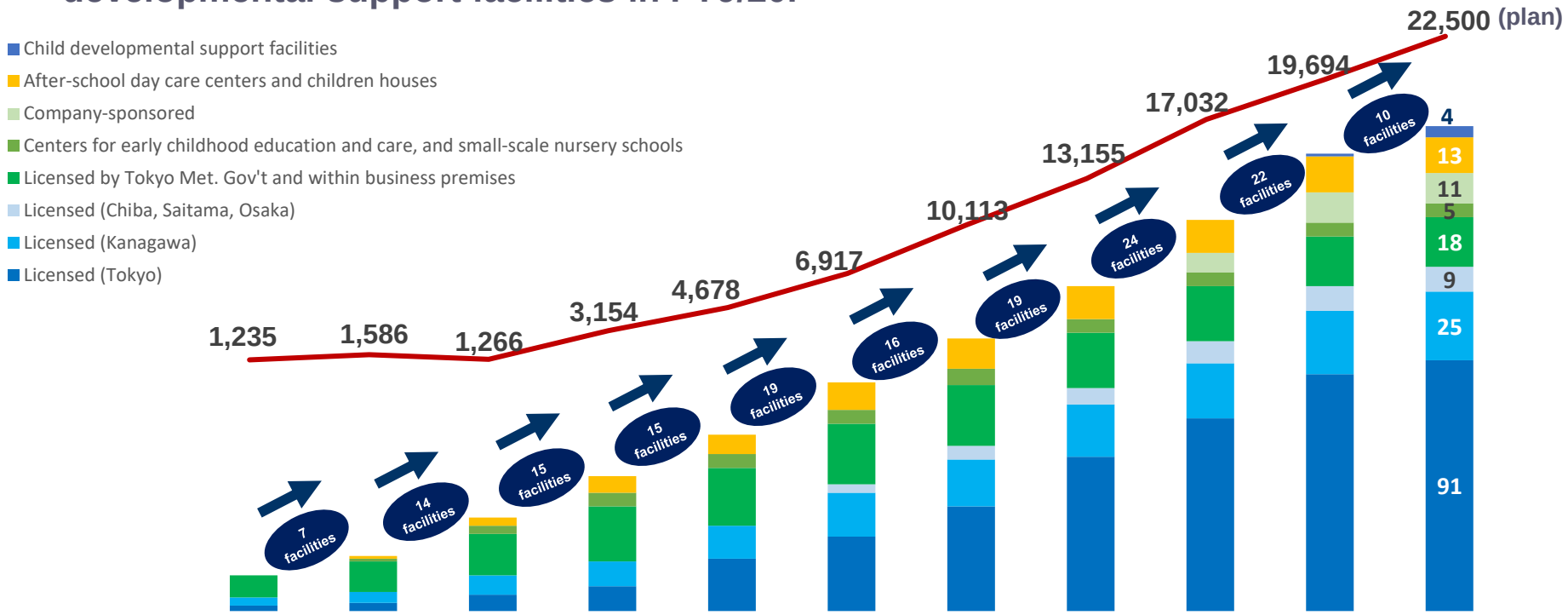
◆ **Cash flows from operating activities improved due to limiting the opening of new nursery schools, while expenditure from investing activities and procurement from financing activities decreased.**

(Millions of yen)

	1H FY9/19	1H FY9/20
Cash flows from operating activities	**66**	**921**
Profit before income taxes	234	263
Depreciation	326	399
Decrease (increase) in accounts receivable-other	(8)	196
Decrease (increase) in prepaid expenses	(421)	(142)
Increase (decrease) in accounts payable-other	245	252
Increase (decrease) in advances received	(89)	(62)
Cash flows from investing activities	**(2,511)**	**(797)**
Purchase of property, plant and equipment	(2,414)	(693)
Payments for lease and guarantee deposits	(81)	(82)
Cash flows from financing activities	**5,045**	**2,695**
Net increase (decrease) in loans payable and bonds	5,046	2,697
Net increase (decrease) in cash and cash equivalents	**2,600**	**2,818**
Cash and cash equivalents at beginning of period	**1,301**	**1,480**
Cash and cash equivalents at end of period	**3,901**	**4,299**

Number of facilities under operation

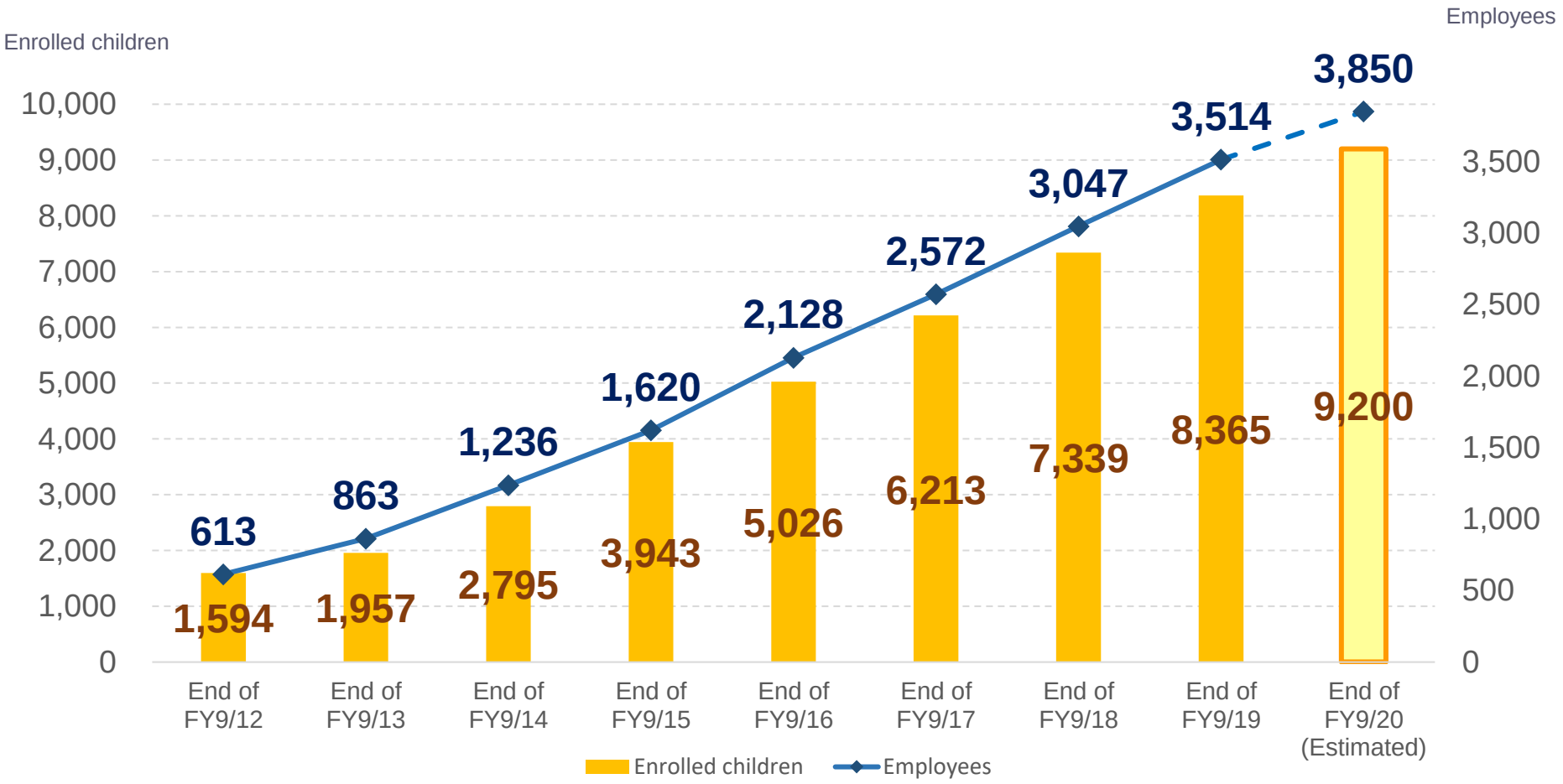
■ **We plan to open 7 central government licensed nursery schools and 3 child developmental support facilities in FY9/20.**



	FY3/11	FY3/12	FY9/12	FY9/13	FY9/14	FY9/15	FY9/16	FY9/17	FY9/18	FY9/19	FY9/20 (plan)
Child developmental support facilities	-	-	-	-	-	-	-	-	-	1	4
After-school day care centers and children houses	-	1	3	6	7	10	11	12	12	13	13
Company-sponsored	-	-	-	-	-	-	-	-	7	11	11
Centers for early childhood education and care, and small-scale nursery schools	-	1	3	5	5	5	6	5	5	5	5
Licensed by Tokyo Met. Gov't and within business premises	8	11	15	20	20	21	22	20	20	18	18
Licensed (Chiba)	-	-	-	-	-	2	3	3	3	3	3
Licensed (Saitama)	-	-	-	-	-	-	-	-	1	1	1
Licensed (Osaka)	-	-	-	-	-	1	2	3	4	5	5
Licensed (Kanagawa)	3	4	7	9	12	16	17	19	20	23	25
Licensed (Tokyo)	2	3	6	9	20	28	38	56	70	86	91
Total	13	20	34	49	64	83	99	118	142	166	176

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

Forecast for the Fiscal Year Ending September, 30, 2020

Results progress for FY9/20

- **Progressing as expected in the first half of FY9/20.**
- **Although there is a decrease in childcare costs, the impact of the novel coronavirus in the second half of FY9/20 is expected to be limited at the moment, and the earnings forecast remains unchanged. We plan to carefully examine a specific impact amount going forward.**

(Millions of yen)

	1H FY9/19 results		FY9/20 forecast		
	Amount	%	Amount	%	Progress (%)
Net sales	10,977	100.0%	22,500	100.0%	48.8%
Operating profit	195	1.8%	300	1.3%	65.3%
Ordinary profit	241	2.2%	630	2.8%	38.4%
Profit	147	1.3%	420	1.9%	35.2%

◆ Operational responses

- ✓ **Established emergency response headquarters.**
- ✓ **Closed approximately 10 nursery schools at the request of local governments upon the declaration of the state of emergency. Most of remaining refrained from coming to the nursery school.**
- ✓ **10 to 20% of number of enrolled children attending nursery schools.**
- ✓ **Full salaries paid to staff as usual, although some switched to waiting at home or working from home.**
- ✓ **Infection occurred at multiple facilities, but in cooperation with public health centers and the government, we have already taken measures such as closing or disinfection.**

◆ Supporting society through childcare business

- ✓ **Accepting children of essential workers such as medical professionals and contributing to the maintenance of social activities**

◆ Started "online childcare support"

- ✓ **Supporting nursery school children and their parents to the maximum by using the Internet in order to make contact closer with parents**
  - ➢ **Delivery of childcare content and menus using the Internet**

◆ Provision of masks to staff and their families as part of infection control measures

Formed a capital and business alliance with AGREE, Inc., a telemedicine consultation service provider

- **Formed a capital and business alliance with AGREE, Inc. which develops the telemedicine consultation application "LEBER."**
  - **"Map displaying nearby medical institutions" and "introduction of over-the-counter drugs" that match the symptoms.**
  - **Aim to improve health literacy and promote self-medication.**
- **Expanding needs for "LEBER" due to the novel coronavirus.**
  - **Ibaraki prefecture started providing it free for its citizens for a limited time.**
  - **Expansion of the doctor network (currently more than 200 people) that can be consulted with using the application is progressing.**
- **Plan to introduce for the purpose of reducing anxiety and burden of staff and parents.**
  - **Medical consultation when a child is injured or in poor physical condition at the nursery school.**
  - **In the future, we will promote provision to staff and parents to reduce the anxiety of child-rearing households.**

New facilities opened in FY9/20

■ Opening facilities as scheduled.

- ➢ **Nursery schools, limited to 7 central government licensed nursery schools, opened as scheduled in April.**
- ➢ **2 child developmental support facilities, which belong to the new business domain, opened in May. In addition, another is scheduled to open in June.**

◆ Opened in April 2020

Central government licensed nursery schools

Location		No. of facilities opened	Capacity
Tokyo	23 wards	4	251
Tokyo	Other than 23 Wards	1	60
Kanagawa		2	120
		7 nursery schools	**431 children**

◆ Opened in May 2020

Child developmental support facilities

Location	No. of facilities opened
Kanagawa	2

◆ Facilities scheduled to open in FY9/20

Child developmental support facilities

Location	No. of facilities scheduled to open
Tokyo	1

* Schedule is subject to change.

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.**

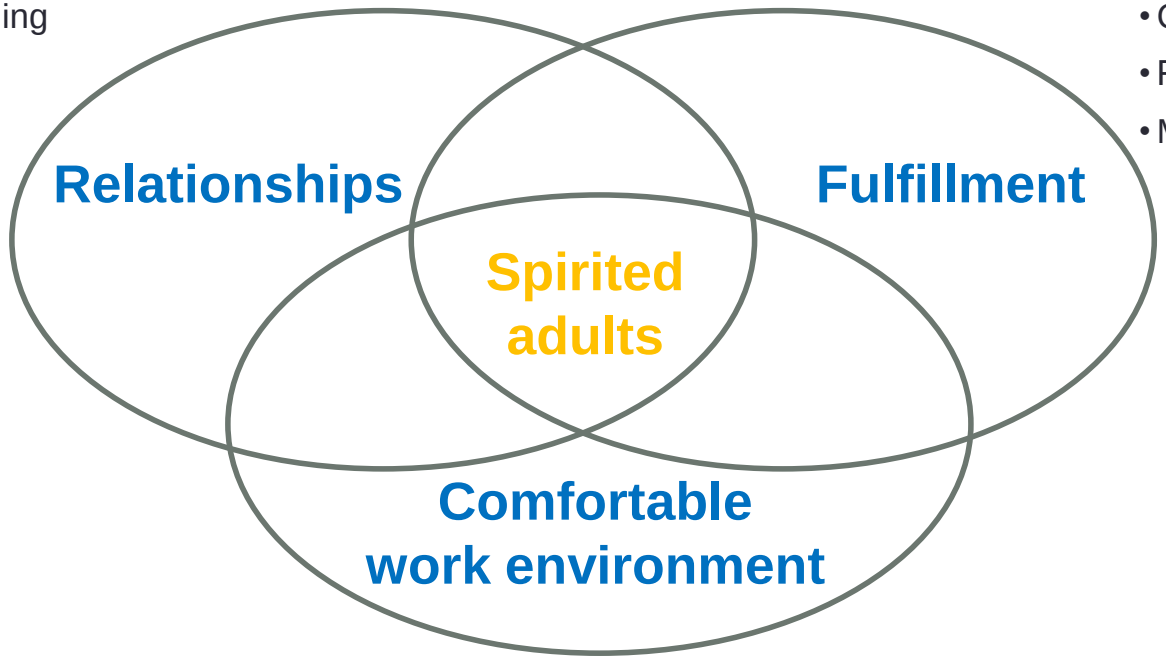
People	■ Solving human resource issues ➢ Large-scale recruiting ➢ Optimal placement ➢ Improved retention rate
Childcare	■ Establish Global Kids childcare ➢ Toward expansion to all facilities in April 2021
Business reform	■ Increased productivity ➢ Maximize face-to-face time spent with children ➢ Optimize income and expenditure (improve occupancy rates, etc.) ➢ IT investment

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.

SDGs Initiatives

SDGs Initiatives ~Aiming to grow and develop sustainably together with society

■ Business development directly linked to SDGs

Relevant SDGs	Social issues solved through business and corporate activities		Main initiatives
	Childcare	Enhancing parenting support (quality and quantity)	● Practice of high-quality childcare ● Opening of new nursery schools ● Expansion of child developmental support facilities ● Provision of school meals that support health
	Promotion of active participation by women Diversity	Realizing a society in which women can work comfortably Realizing diverse work styles	● Development of preparedness to receive children so that women can work with peace of mind ● Working styles that suit the lifestyles peculiar to women ● Full vacation system ● Systems related to childbirth and childcare ● Nursing care systems
	Human resource development	Improving expertise and career development	● Flexible work style reform ● Creating of learning environments ● Career path set according to growth
	Social contribution to local communities	Creating opportunities to receive childcare	● Creating of local hubs for raising children ● Contribution to abuse prevention and poverty control ● Job creation in the local community ● Serving as local disaster hubs ● Operating of “children’s cafes” for a limited time
	Global environment	Contributing to the global environment	● Food loss reduction activities ● Recycling of disposable diapers ● Collecting unnecessary picture books from nursery school users and donating them overseas ● Reducing CO2 emissions by promoting LED lighting ● Promoting revitalization of domestic forestry and forest conservation through active use of domestic timber



Thank you for your attention!

◆ Websites:

https://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!”