Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2021 (Three Months Ended December 31, 2020)

[Japanese GAAP]

January 29, 2021

Company name: Global Kids Company Corp. Stock Exchange Listing: TSE (1st section)
Securities code: 6189 URL: https://www.gkids.jp/
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Scheduled date of filing of Quarterly Report: February 5, 2021
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, 2021 (October 1, 2020 to December 31, 2020)

(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, 2020	5,688	5.7	149	92.7	146	19.9	93	16.6
Three months ended Dec. 31, 2019	5,382	20.1	77	203.1	122	564.5	80	-

Note: Comprehensive income (million yen) Three months ended Dec. 31, 2020: 99 (up 13.9%)
Three months ended Dec. 31, 2019: 87 (up -%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2020	10.15	9.96
Three months ended Dec. 31, 2019	8.77	8.56

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	18,039	8,245	45.6
As of Dec. 31, 2019	18,561	8,146	43.8

Reference: Shareholders' equity (million yen) As of Dec. 31, 2020: 8,226 As of Dec. 31, 2019: 8,127

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Sep. 30, 2021	-				
Fiscal year ending Sep. 30, 2021 (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, 2021 (October 1, 2020 to September 30, 2021)

(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	23,800	7.4	700	46.6	1,260	37.5	680	55.2	73.68

Note: Revisions to the most recently announced earnings 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, 2020:	9,255,880 shares	As of Sep. 30, 2020:	9,229,880 shares

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

As of Dec. 31, 2020:	3,621 shares	As of Sep. 30, 2020:	1,072 shares

3) Average number of shares issued during the period

Three months ended Dec. 31, 2020:	9,234,673 shares	Three months ended Dec. 31, 2019:	9,169,920 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, 2021 (hereinafter, “the period under review”), the situation in the Japanese economy continues to be severe due to the impact of the novel coronavirus infection. Although there have been signs of a partial recovery in domestic economic activity, the outlook is becoming increasingly uncertain due to the infection trending toward another spread.

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 to maintain high levels in the number of double-income households and the employment rate of women. Accordingly, demand for childcare services has remained at a high level. In the period under review, the attendance rate for nursery school children was unchanged, and the impact of the novel coronavirus infection was minor.

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. Specifically, free early childhood education and preschool programs began in October 2019, and in December 2020, the government announced the New Child-rearing Security Plan, setting a goal of securing additional capacity for approximately 140,000 children over the four years from fiscal 2021 to the end of fiscal 2024.

Due to these measures undertaken by the government, demand for establishing new nursery schools is expected to continue for the time being, which reflects a continued growth in demand for childcare services in central Tokyo, where we have focused our efforts. 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 176 facilities: 125 central government licensed nursery schools (91 in Tokyo, 25 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 four child developmental support facilities. Furthermore, the Group plans to open 10 new central government licensed nursery schools during the fiscal year ending September 30, 2021, mainly in Tokyo.

Net sales for the period under review increased attributable to a rise in the number of nursery school children mainly due to an increase in the number of facilities under operation. In addition, selling, general and administrative expenses decreased due to the promotion of online internal events and more efficient securing of childcare workers.

Consequently, the Group reported net sales for the period under review of 5,688 million yen (up 5.7% year on year) with operating profit of 149 million yen (up 92.7% year on year), ordinary profit of 146 million yen (up 19.9% year on year), and profit attributable to owners of parent of 93 million yen (up 16.6% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 18,039 million yen at the end of the period under review, a decrease of 521 million yen from the end of the previous fiscal year.

Current assets decreased 626 million yen to 3,567 million yen. This was mainly attributable to a decrease of 609 million yen in cash and deposits.

Non-current assets increased 104 million yen to 14,471 million yen. This was mainly attributable to an increase of 301 million yen in construction in progress, in preparation for the opening of new facilities in April.

Liabilities

Total liabilities amounted to 9,794 million yen at the end of the period under review, a decrease of 620 million yen from the end of the previous fiscal year.

Current liabilities decreased 453 million yen to 3,013 million yen. This was mainly attributable to a decrease of 333 million yen in income taxes payable.

Non-current liabilities decreased 166 million yen to 6,781 million yen. This was mainly attributable to a decrease of 196 million yen in long-term loans payable.

Net assets

Net assets amounted to 8,245 million yen at the end of the period under review, an increase of 98 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 93 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, 2021 that was announced on November 12, 2020.

2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY9/20 (As of Sep. 30, 2020)	First quarter of FY9/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,816	1,207
Accounts receivable-other	1,797	1,814
Prepaid expenses	574	541
Other	6	5
Total current assets	4,194	3,567
Non-current assets		
Property, plant and equipment		
Land	635	635
Buildings and structures, net	10,523	10,362
Construction in progress	107	408
Other, net	400	379
Total property, plant and equipment	11,666	11,786
Intangible assets		
Software	52	52
Software in progress	4	-
Total intangible assets	56	52
Investments and other assets		
Investment securities	113	111
Long-term prepaid expenses	570	552
Lease and guarantee deposits	1,632	1,656
Construction assistance fund receivables	304	299
Deferred tax assets	23	13
Other	0	0
Total investments and other assets	2,643	2,633
Total non-current assets	14,366	14,471
Total assets	18,561	18,039
Liabilities		
Current liabilities		
Current portion of long-term loans payable	859	826
Accounts payable-other	1,261	1,406
Income taxes payable	370	36
Advances received	127	172
Provision for bonuses	586	289
Provision for retirement benefits for directors (and other officers)	24	-
Other	237	280
Total current liabilities	3,466	3,013
Non-current liabilities		
Long-term loans payable	4,487	4,290
Net defined benefit liability	340	355
Deferred tax liabilities	1,773	1,789
Asset retirement obligations	343	343
Other	2	1
Total non-current liabilities	6,947	6,781
Total liabilities	10,414	9,794

(Millions of yen)

	FY9/20 (As of Sep. 30, 2020)	First quarter of FY9/21 (As of Dec. 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	1,278	1,279
Capital surplus	1,967	1,967
Retained earnings	4,960	5,054
Treasury shares	(1)	(3)
Total shareholders' equity	8,205	8,298
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	0
Remeasurements of defined benefit plans	(79)	(72)
Total accumulated other comprehensive income	(77)	(72)
Subscription rights to shares	19	19
Total net assets	8,146	8,245
Total liabilities and net assets	18,561	18,039

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	First Three months of FY9/20 (Oct. 1, 2019 – Dec. 31, 2019)	First Three months of FY9/21 (Oct. 1, 2020 – Dec. 31, 2020)
Net sales	5,382	5,688
Cost of sales	4,707	4,995
Gross profit	674	692
Selling, general and administrative expenses	597	543
Operating profit	77	149
Non-operating income		
Interest and dividend income	3	3
Subsidy income	47	-
Other	0	1
Total non-operating income	51	4
Non-operating expenses		
Interest expenses	7	5
Other	-	1
Total non-operating expenses	7	7
Ordinary profit	122	146
Profit before income taxes	122	146
Income taxes	42	53
Profit (Loss)	80	93
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	80	93
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(1)
Remeasurements of defined benefit plans, net of tax	5	6
Total other comprehensive income	7	5
Comprehensive income	87	99
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	87	99
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.