Presentation Materials for the Earnings Briefing for the Third Quarter of the Fiscal Year Ending September 30, 2024

Global Kids Company Corp. July 31, 2024

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.
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Highlights for the third quarter of FY9/24

Operating results for 3Q FY9/24

- Factors such as the conversion of OHAYO KIDS CO., LTD. into a wholly-owned subsidiary and a rise in the authorized fees surpassed the decrease in net sales stemming from the transfer and closing of facilities, resulting in a year on year increase in net sales.
  - Net sales ¥6,380 million (up 2.6% year on year)
- EBITDA significantly increased by 86.4% year on year due mainly to the transfer and closing of facilities and optimization of personnel assignments.
  - EBITDA ¥503 million (up 86.4% year on year)

Operating results for the nine months of FY9/24

- Net sales increased again in the third quarter, and increased by 8.6% year on year for the nine months.
  - Net sales ¥20,189 million (up 8.6% year on year)
  - The conversion of OHAYO KIDS into a wholly-owned subsidiary and the reduction in recruiting expenses in the second quarter, as well as the substantial profitability improvement in the third quarter, the new school year for childcare, made contributions, leading to a significant increase in EBITDA and a record high for the nine months.
  - EBITDA ¥1,254 million (up 56.8% year on year)

Full year earnings forecast for FY9/24

- Both net sales and EBITDA were revised upward for the full-year earnings forecast, based on the status of profitability improvement up until the third quarter
- Owing to the expected increase in FCF and the progress in enhancing financial soundness, the dividend forecast per share was increased by ¥5 to ¥35.
  - Net sales ¥26,400 million (up 5.0% year on year)
  - EBITDA ¥1,700 million (up 47.8% year on year)
  - Dividends ¥35 per share (up ¥5 year on year)

Contents

Overview of Results for the Third Quarter of the Fiscal Year Ending September 30, 2024 (FY9/24) 4

Forecast for the Fiscal Year Ending September 30, 2024 (FY9/24) 13

Conclusion of Business Transfer Agreement 15

Appendix 17

Overview of Results for the Third Quarter of the Fiscal Year Ending September 30, 2024 (FY9/24)

Results summary for the third quarter of FY9/24

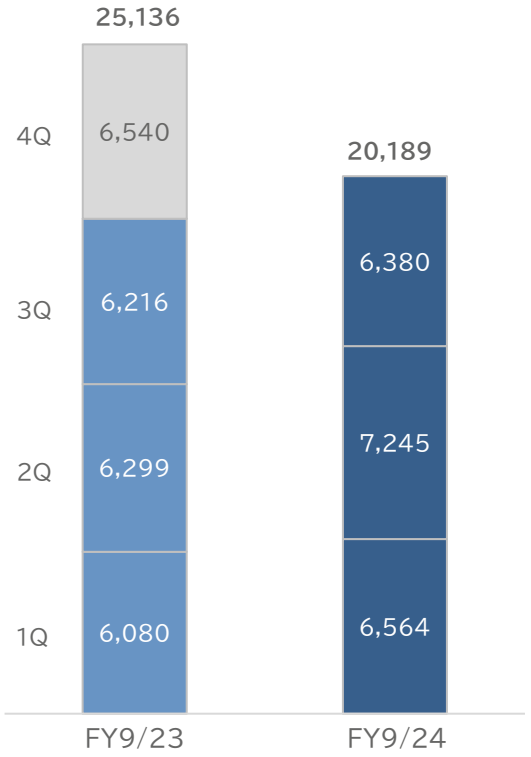
Overview of consolidated operating results for the third quarter of FY9/24 (Millions of yen)

	Nine months FY9/23	Against net sales	Nine months FY9/24	Against net sales	YoY
Net sales	18,595	-	20,189	-	+8.6%
Gross profit	1,451	7.8%	2,021	10.0%	+39.2%
EBITDA	799	4.3%	1,254	6.2%	+56.8%
Operating profit	203	1.1%	632	3.1%	+210.6%
Ordinary profit	192	1.0%	670	3.3%	+248.5%
Profit attributable to owners of parent	-157	-0.8%	144	0.7%	-

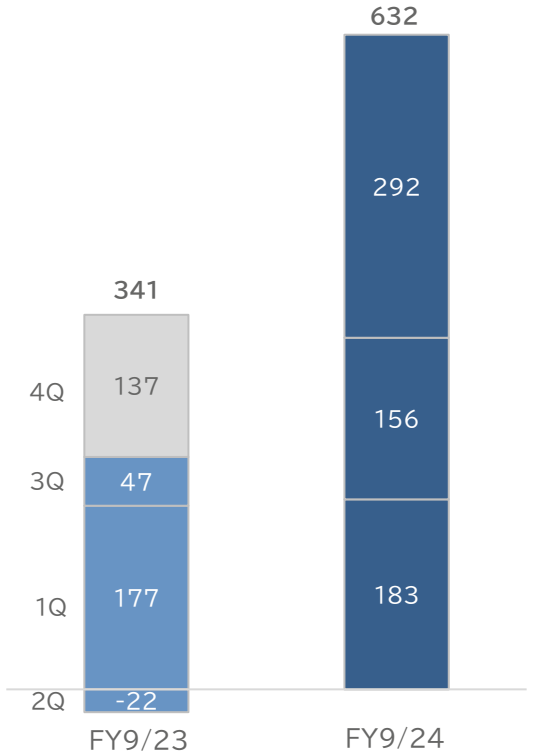
Net Sales, Operating Profit, Profit Attributable to Owners of Parent

Operating results for the third quarter showed increases in net sales and operating profit year on year. Although operating profit increased significantly, by 6.2× year on year, loss of ¥46 million was recorded due to extraordinary losses (impairment loss, business transfer expenses, etc.) of ¥403 million. Operating profit was ¥632 million, a record high for nine months.

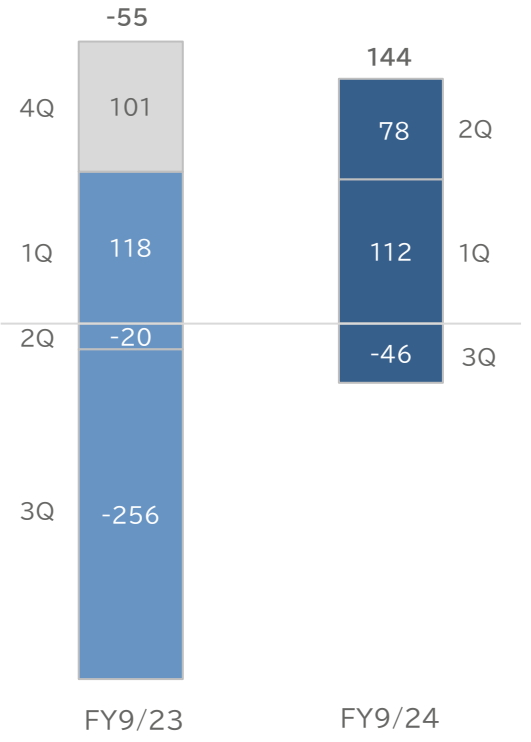
Net sales (Millions of yen)



Operating profit (Millions of yen)

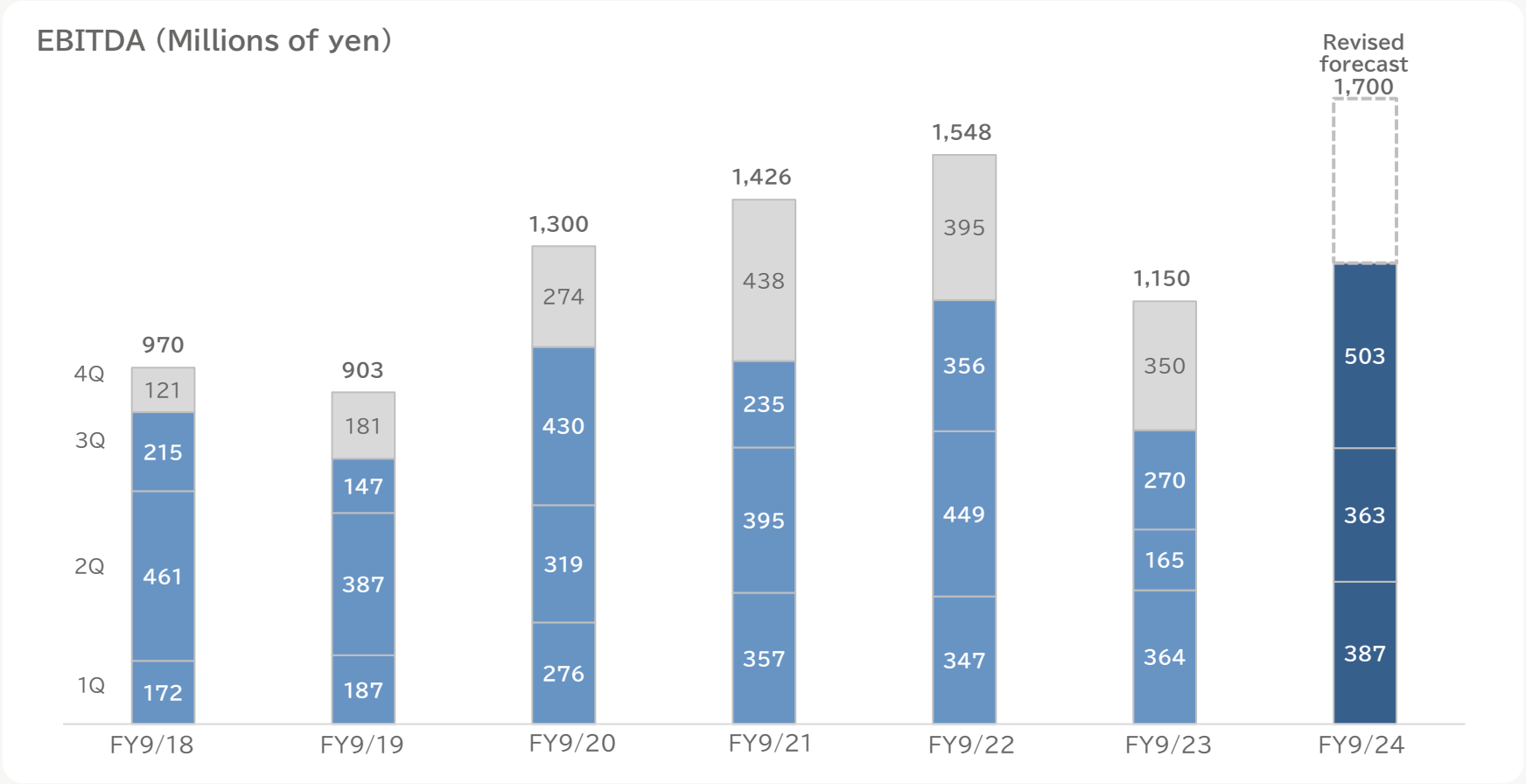


Profit attributable to owners of parent (Millions of yen)



EBITDA

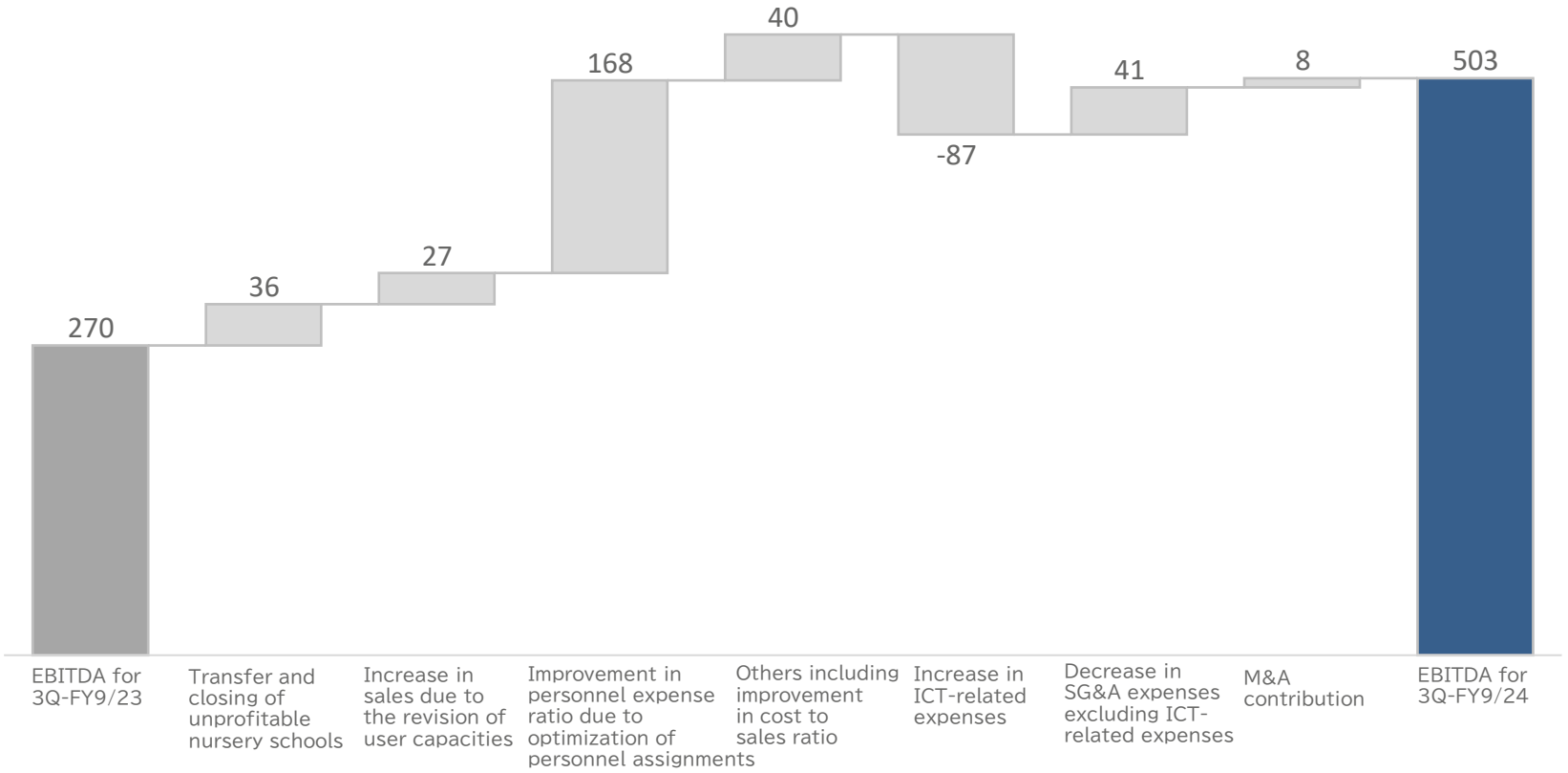
EBITDA for the third quarter reached a record high of ¥503 million and increased 56.8% year on year even for the nine months to a record high of ¥1,254 million. The full-year forecast was raised from ¥1,300 million to ¥1,700 million based on the status of profitability improvement up until the third quarter.



Factors behind change in EBITDA

While the increase in ICT-related expenses which we have been increasing strategically has an impact, the progress in profitability improvement measures such as optimization of personnel assignments and revision of user capacities, in addition to the transfer and closing of unprofitable nursery schools, contributed to a significant increase in EBITDA.

Factors behind change EBITDA (Millions of yen)



Note: The increase in sales due to the revision of user capacities reflects the impact of the rise in operating subsidiary unit and the reduction in the number of necessary personnel.
The optimization of personnel assignments reflects the sum of the increase in the addition of personnel assignments associated with eliminating the personnel shortage and the decrease in personnel expenses at facilities with excess personnel.
Factors behind change excluding M&A are presented as an amount excluding OHAYO KIDS which was converted into a wholly-owned subsidiary in June 2023.

Net sales: number of childcare business facilities

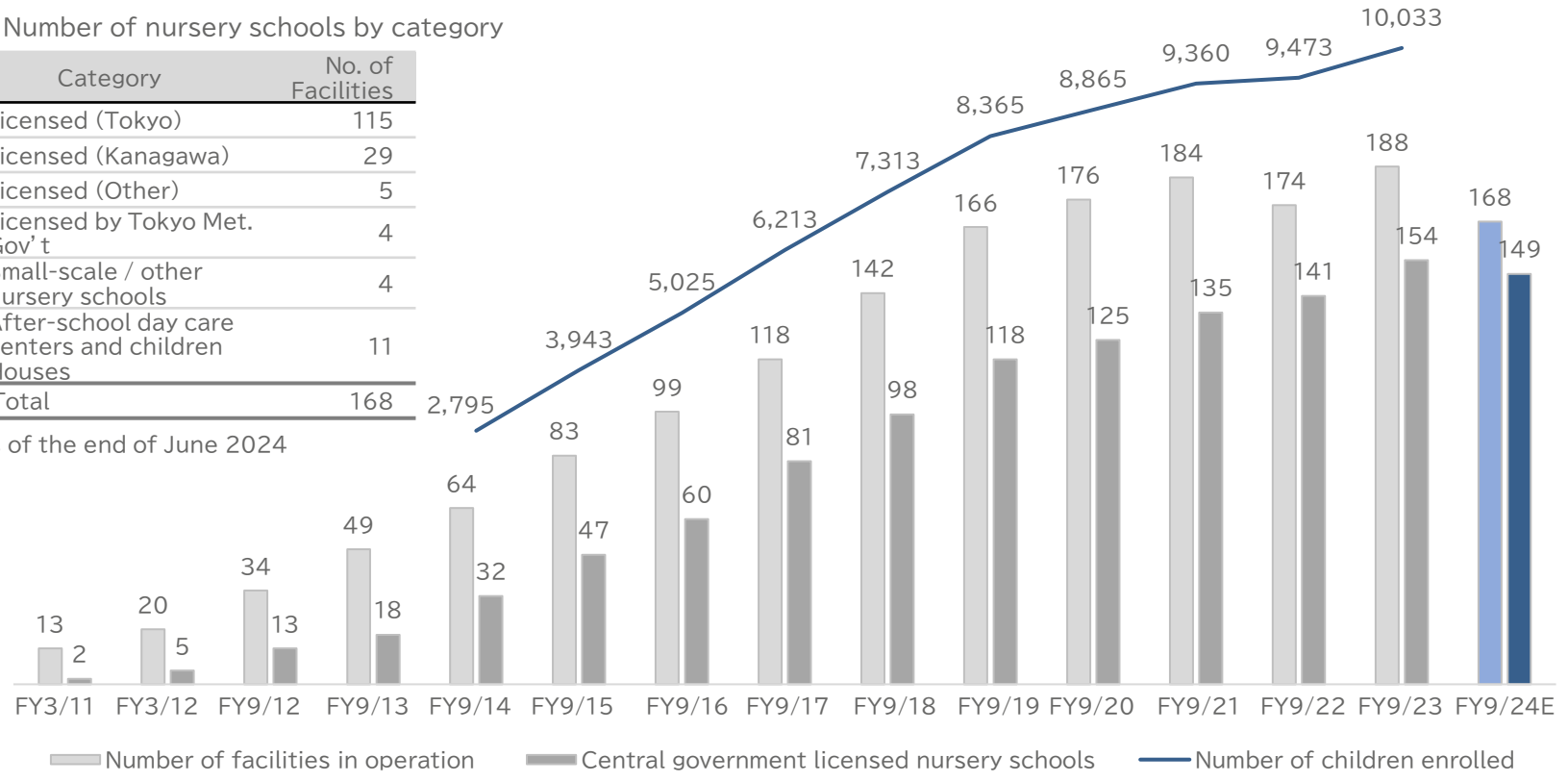
At the end of March 2024 and on April 1, 2024, 20 nursery schools were transferred and closed, and entrustment of one after-school day care center was terminated. Meanwhile, we were newly entrusted with one after-school day care center.
The percentage of central government licensed nursery schools among facilities operated by the Group rose to 88.7% (81.9% at the end of September 2023).
We plan to close one central government licensed nursery school in Tokyo at the end of March 2025, and transfer two central government licensed nursery schools in Chiba Prefecture and one central government licensed nursery school in Saitama Prefecture on April 1, 2025.

Number of facilities, number of enrolled children

Number of nursery schools by category

Category	No. of Facilities
Licensed (Tokyo)	115
Licensed (Kanagawa)	29
Licensed (Other)	5
Licensed by Tokyo Met. Gov't	4
Small-scale / other nursery schools	4
After-school day care centers and children Houses	11
Total	168

*As of the end of June 2024

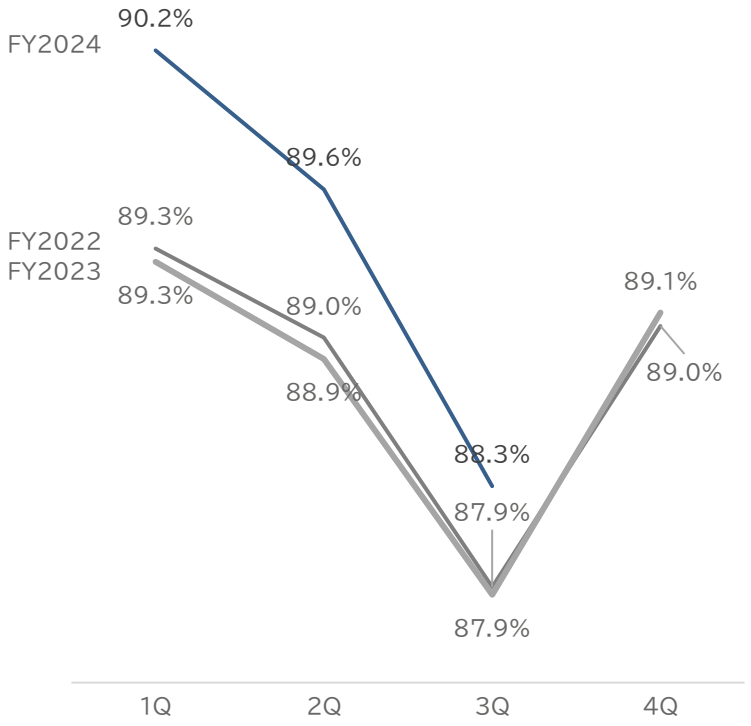


Note: The number of facilities is the total of nursery schools, after school day care centers and children houses.
The number of enrolled children is for nursery schools only.

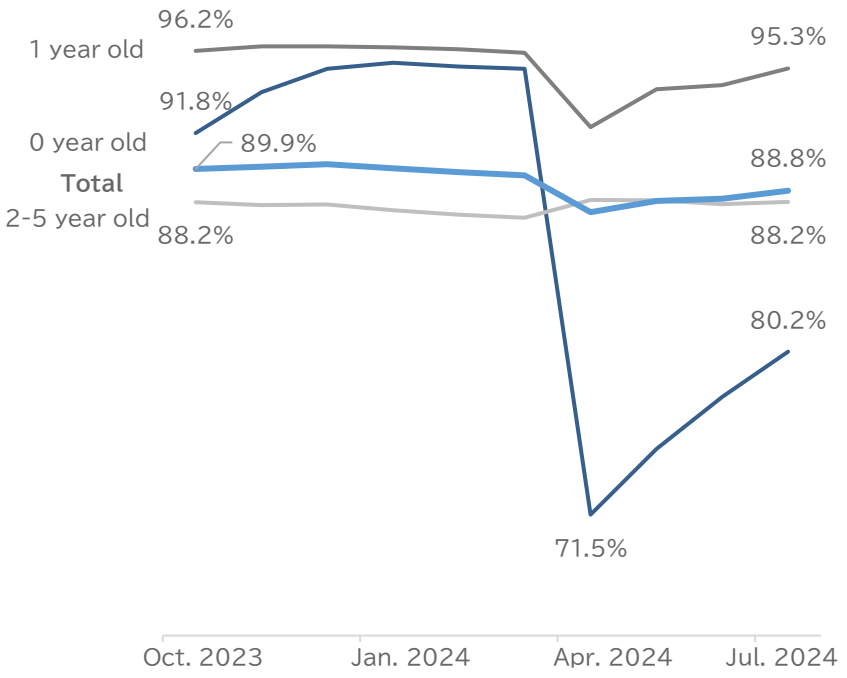
Net sales: occupancy rate

The occupancy rate for the third quarter improved as with the previous year partly due to the transfer and closing of facilities. By age group, the occupancy rate for 0-year-olds was on a recovery trend and slightly higher than last year (79.2%) in July.

Total nursery schools



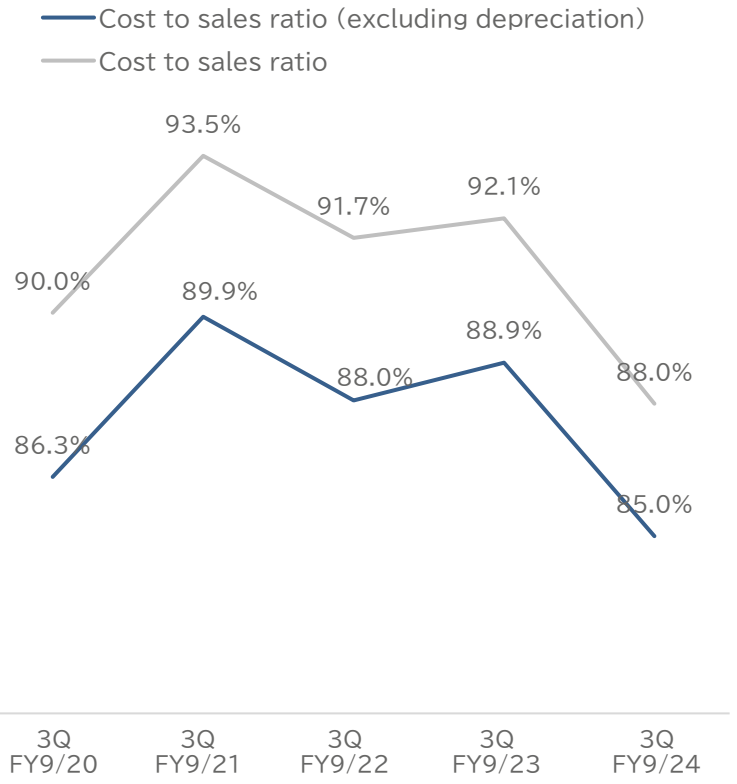
By age group



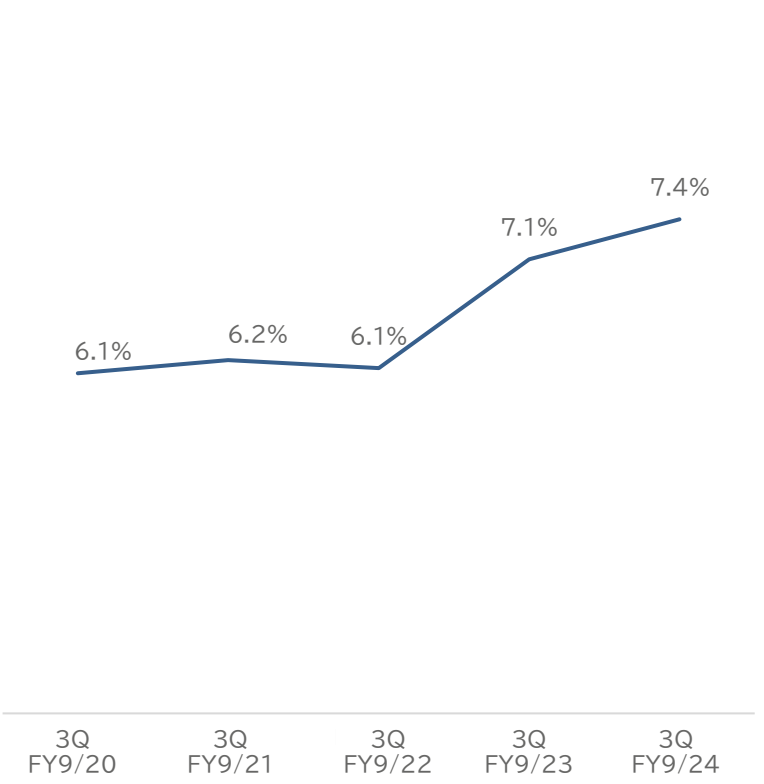
Cost to sales ratio, SG&A ratio

The cost to sales ratio improved 3.9 pts year on year due to contributions of a decline in the personnel expense ratio due to an improvement in personnel assignments as well as the transfer and closing of unprofitable nursery schools (on a basis excluding depreciation). The SG&A ratio rose as a result of an increase in ICT-related expenses.

Cost to sales ratio



SG&A ratio

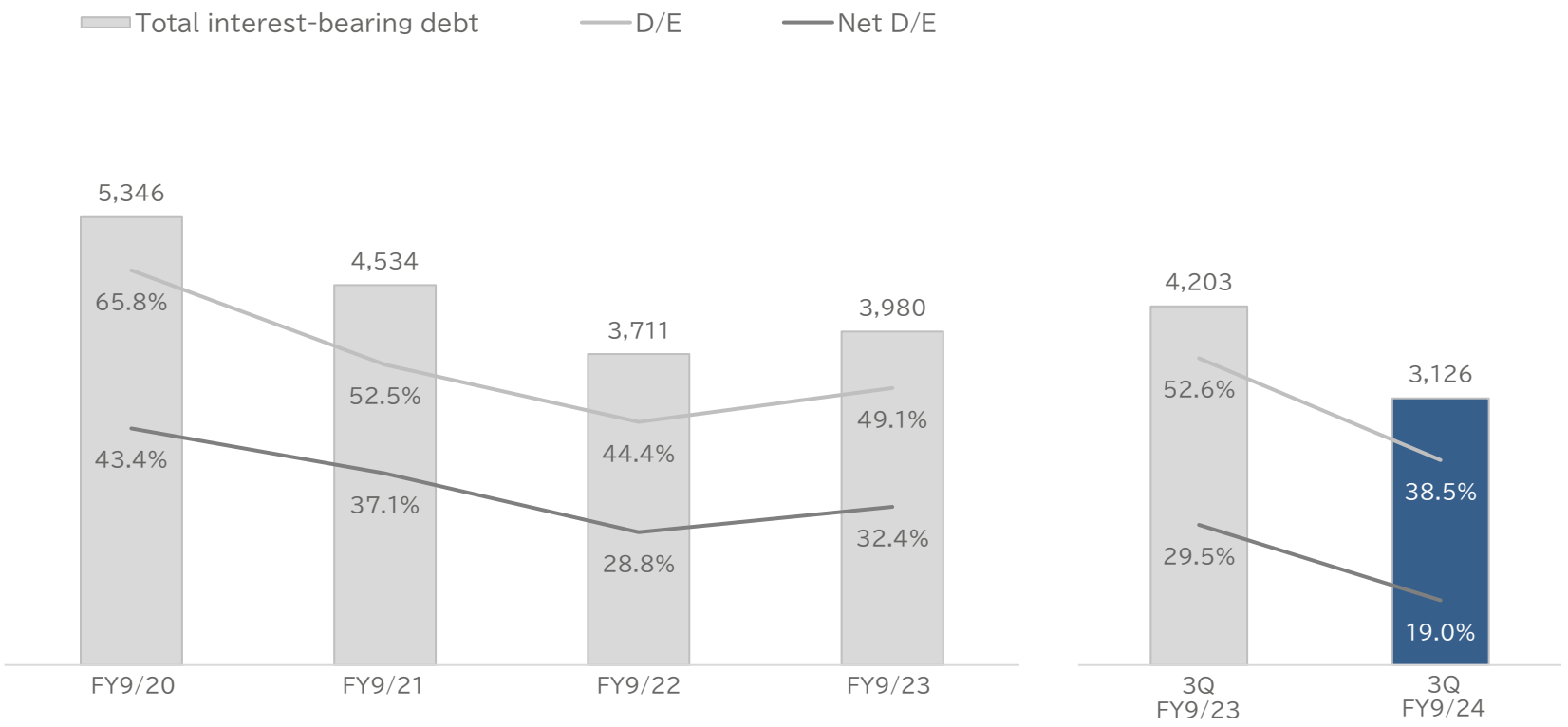


Note: We revised our accounting policies in FY9/23 and have switched from recording taxes and dues and hiring advertisement expenses for facilities from SG&A expenses to cost of sales. Figures for FY9/22 and before have been adjusted accordingly.

Financial soundness

In the third quarter of FY9/24, financial soundness improved substantially due to an increase in FCF resulting from profitability improvement and improvement of capital efficiency after review of the cash management method.

D/E ratio, Total interest-bearing debt (Millions of yen)



Forecast for the Fiscal Year Ending September 30, 2024 (FY9/24)

Forecast for the fiscal year ending September 30, 2024

Full-year earnings forecast for 2024 was revised upward based on the status of profitability improvement in the third quarter of FY9/24.
Owing to the expected increase in FCF and the progress in enhancing financial soundness, the dividend forecast per share was increased by ¥5 to ¥35.

(Millions of yen)	FY9/23 Results	FY9/24 Previous forecast	FY9/24 Revised forecast	Compared with previous forecast	YoY change
Net sales	25,136	26,000	**26,400**	+1.5%	+5.0%
EBITDA	1,150	1,300	**1.700**	+30.8%	+47.8%
Operating profit	341	450	**860**	+91.1%	+152.1%
Ordinary profit	321	480	**900**	+87.5%	+180.3%
Profit attributable to owners of parent	-55	190	**320**	+68.4%	-
Dividend per share	¥30	¥30	**¥35**	+¥5.0	+¥5.0

Conclusion of Business Transfer Agreement

Concluded a business transfer agreement for central government licensed nursery schools

Overview of transaction	The Company concluded a business transfer agreement with Social Welfare Corporation Sukusukudoronkonokai on July 31, 2024 upon agreeing to transfer part of the central government licensed nursery school business operated by the Company's consolidated subsidiary, Global Kids K.K.	
Overview of final agreement	The Company will conduct business transfer of one central government licensed nursery school in Saitama prefecture and two central government licensed nursery schools in Chiba Prefecture (Kamagaya-shi and Ichikawa-shi) to Social Welfare Corporation Sukusukudoronkonokai, subject to approval, etc. by the relevant authorities.	
Overview of transferee	Name	Social Welfare Corporation Sukusukudoronkonokai (Inzai-shi, Chiba Prefecture)
	Representative	Yoshihiro Watanuki, President
	Description of business	Childcare operator
Schedule	July 31, 2024	Conclusion of business transfer agreement
	April 1, 2025 (planned)	Implementation of business transfer

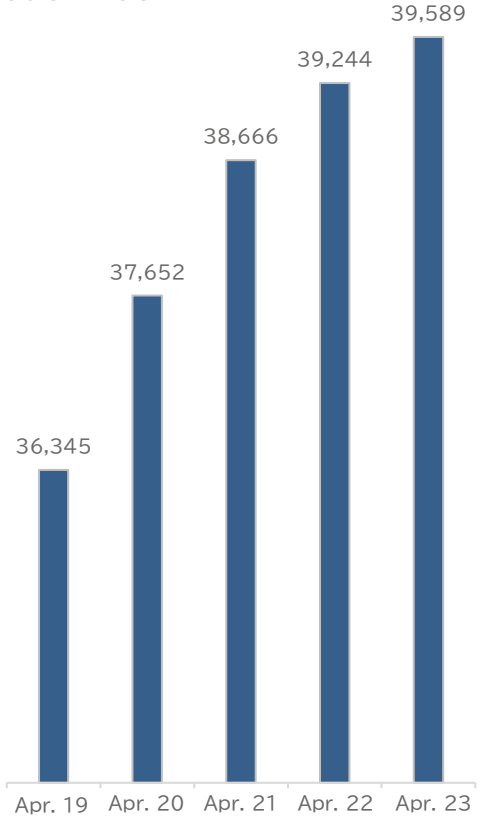
Appendix

Breakdown of the number of facilities in operation

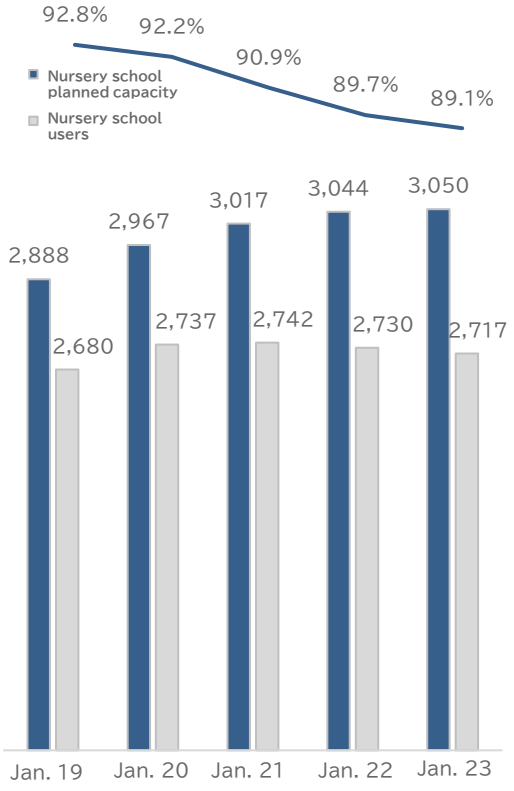
	FY9/15	FY9/16	FY9/17	FY9/18	FY9/19	FY9/20	FY9/21	FY9/22	FY9/23	FY9/24E
Licensed (Tokyo)	28	38	56	70	86	91	98	103	115	115
Licensed (Kanagawa)	16	17	19	20	23	25	27	28	29	29
Licensed (Other)	3	5	6	8	9	9	10	10	10	5
Licensed by Tokyo Met. Gov't	21	22	20	20	17	17	16	15	15	4
Centers for early childhood education and care, etc.	5	6	5	5	6	6	6	5	7	4
Company sponsored	-	-	-	7	11	11	11	-	1	-
After-school day care centers and children houses	10	11	12	12	13	13	12	10	11	11
Child developmental support facilities	-	-	-	-	1	4	4	3	-	-
Total	83	99	118	142	166	176	184	174	188	168

Number of nursery schools, capacity utilization rate, number of wait-listed children

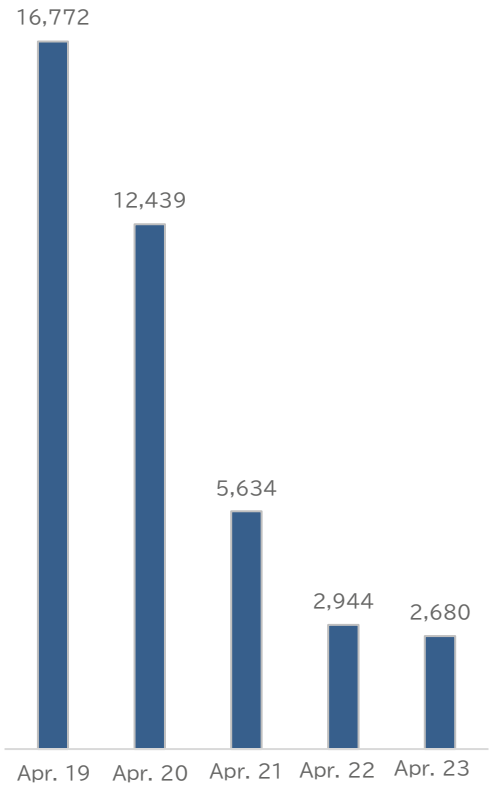
Number of nursery schools, etc. nationwide



Capacity and utilization of nursery schools (thousands)



Number of wait-listed children nationwide (persons)



Source: Ministry of Health, Labour and Welfare; Children and Families Agency

Ranking of childcare service sales

	Company name	Net sales (Millions of yen)
1	JP-HOLDINGS	35,507
2	LIKE	29,047
3	Kodomo no Mori	26,304
4	**Global Kids Company**	**25,136**
5	Poppins	24,569
6	AIGRAN	18,558
7	Sakurasaku plus	13,844
8	HITOWA Kids Life	12,217
9	teno. Holdings	10,874
10	Solasto	9,930

Source: The Nikkei MJ. Financial results for the Company and LIKE.
Note: For the Company, JP Holdings, Like, and Sakurasaku Plus, sales for the fiscal year ended in 2023.
For other companies, sales for the fiscal year ended in 2022.

GlobalKids