



# **Consolidated Financial Results** **for the Third Quarter of the Fiscal Year Ending September 30, 2020** **(Nine months Ended June 30, 2020)**

**[Japanese GAAP]**  
July 31, 2020

Company name: Global Kids Company Corp.  
Securities code: 6189  
Representative: Yoshitada Ishibashi, Representative Director & CEO  
Contact: Masaya Ikukawa, General Manager, Finance & Investor Relations Department  
Telephone: +81-(0)3-3221-3770

Stock Exchange Listing: TSE (1st section)  
URL: <http://www.gkids.jp>

Scheduled date of filing of Quarterly Report: August 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 Third Quarter of the Fiscal Year Ending September 30, 2020** **(October 1, 2019 to June 30, 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	%
Nine months ended Jun. 30, 2020	16,561	14.3	415	119.1	865	(50.4)	451	(58.7)
Nine months ended Jun. 30, 2019	14,487	14.7	189	(51.7)	1,743	5.1	1,092	24.2

Note: Comprehensive income (million yen) Nine months ended Jun. 30, 2020: 468 (down 57.6%)  
Nine months ended Jun. 30, 2019: 1,105 (up 19.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jun. 30, 2020	49.15	48.17
Nine months ended Jun. 30, 2019	119.69	116.56

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2020	18,558	8,181	44.0
As of Sep. 30, 2019	18,259	7,706	42.1

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 8,162 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	-	0.00	-		
Fiscal year ending Sep. 30, 2020 (Forecast)				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	22,100	12.2	350	101.5	790	(55.8)	420	(62.4)	45.69

Note: Revisions to the most recently announced dividend forecast: Yes

**\*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 Jun. 30, 2020:	9,209,880 shares	As of Sep. 30, 2019:	9,170,058 shares
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2) Number of treasury shares as of the end of the period

As of Jun. 30, 2020:	1,072 shares	As of Sep. 30, 2019:	236 shares
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3) Average number of shares issued during the period

Nine months ended Jun. 30, 2020:	9,184,483 shares	Nine months ended Jun. 30, 2019:	9,129,269 shares
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\* 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 nine months of the fiscal year ending September 30, 2020 (hereinafter, “the period under review”), the Japanese economy continued a moderate recovery trend due to solid corporate earnings and improvements in the employment and income environment. However, the economy is showing growing signs of a slowdown over rising concerns about the stagnation of economic activity arising from factors such as the spread of the novel coronavirus infection.

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, as the demand for childcare services continues to increase due to population inflows in central Tokyo, demand for establishing new nursery schools is expected to continue to remain at a certain level for the time being, despite differences depending on the area.

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.

Under such circumstances, the Group opened seven central government licensed nursery schools and three child developmental support facilities during the period under review as a result of our continued efforts to develop new facilities in Tokyo and Kanagawa.

Consequently, 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.

#### (Nursery schools)

##### Tokyo

- Global Kids Shinonome
- Global Kids Hikifune
- Global Kids Meguro
- Global Kids Rokugo
- Global Kids Koganei No. 2

##### Kanagawa

- Global Kids Okurayama
- Global Kids Ofuna

#### (Child developmental support facilities)

##### Tokyo

- Global Kids Act Mejiro

##### Kanagawa

- Global Kids Act Okurayama
- Global Kids Act Miyamaedaira

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. While the attendance rate for nursery school children decreased due to the issuance of a declaration of a state of emergency concerning the novel coronavirus infection, subsidies from local governments were paid as usual, and increased year-on-year. In terms of expenses, variable costs decreased due to the decline in the attendance rate, in addition to a reduction in selling, general and administrative expenses.

The Group recognizes subsidy income as non-operating income when it receives municipal subsidies to cover part of capital expenditures (mainly for interior construction costs) to open new facilities. As opening of the Group’s new nurseries concentrates in April and thus the recognition of subsidy income tends to be heavily skewed in the third quarter (from April 1 to June 30). For this reason, the Group reported a large amount of subsidy income for this quarter as a result of opening new nursery schools.

Consequently, the Group reported net sales for the period under review of 16,561 million yen (up 14.3% year on year) with operating profit of 415 million yen (up 119.1% year on year), ordinary profit of 865 million yen (down 50.4% year on year), and profit

attributable to owners of parent of 451 million yen (down 58.7% year on year).

## **(2) Explanation of Financial Position**

### **Assets**

Total assets amounted to 18,558 million yen at the end of the period under review, an increase of 298 million yen from the end of the previous fiscal year.

Current assets increased 254 million yen to 4,065 million yen. This was mainly attributable to an increase of 652 million yen in cash and deposits as a result of receiving subsidies on capital expenditures to open new facilities in April, despite a decrease of 525 million yen in accounts receivable-other.

Non-current assets increased 43 million yen to 14,492 million yen. This was mainly attributable to an increase of 56 million yen in buildings and structures due to the opening of new nursery schools.

### **Liabilities**

Total liabilities amounted to 10,376 million yen at the end of the period under review, a decrease of 176 million yen from the end of the previous fiscal year.

Current liabilities decreased 31 million yen to 3,055 million yen. This was mainly attributable to a decrease of 265 million yen in provision for bonuses due to the difference of the period for which the provision is recognized, despite increases of 98 million yen in accounts payable-other and 58 million yen in advances received.

Non-current liabilities decreased 145 million yen to 7,320 million yen. This was mainly attributable to a decrease of 346 million yen in long-term loans payable, despite an increase of 151 million yen in deferred tax liabilities.

### **Net assets**

Net assets increased 475 million yen to 8,181 million yen at the end of the period under review. This was mainly attributable to an increase of 451 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**

With regard to the consolidated forecasts for the fiscal year ending September 30, 2020, please see the “Notification Regarding the Recognition of Non-operating Income (Subsidy Income), Non-operating Expenses (Capital Expenses) and Extraordinary Losses (Impairment Loss/Loss on Valuation of Shares of Subsidiaries and Affiliates), and Revision of Earnings Forecasts,” which was announced today (July 31, 2020).

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

(Millions of yen)

	FY9/19 (As of Sep. 30, 2019)	Third quarter of FY9/20 (As of Jun. 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	1,480	2,133
Accounts receivable-other	1,932	1,407
Prepaid expenses	392	518
Other	6	6
Total current assets	3,810	4,065
Non-current assets		
Property, plant and equipment		
Land	589	635
Buildings and structures, net	10,640	10,697
Construction in progress	32	15
Other, net	437	424
Total property, plant and equipment	11,701	11,772
Intangible assets		
Software	30	56
Software in progress	23	4
Total intangible assets	54	61
Investments and other assets		
Investment securities	79	111
Long-term prepaid expenses	705	612
Lease and guarantee deposits	1,546	1,612
Construction assistance fund receivables	324	308
Deferred tax assets	10	13
Other	26	0
Total investments and other assets	2,693	2,659
Total non-current assets	14,448	14,492
Total assets	18,259	18,558
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term loans payable	907	893
Current portion of bonds	23	-
Accounts payable-other	1,228	1,327
Income taxes payable	93	71
Advances received	71	130
Provision for bonuses	553	287
Other	209	344
Total current liabilities	3,087	3,055
Non-current liabilities		
Long-term loans payable	5,032	4,685
Net defined benefit liability	255	285
Deferred tax liabilities	1,852	2,003
Asset retirement obligations	319	342
Other	6	3
Total non-current liabilities	7,466	7,320
Total liabilities	10,553	10,376

	(Millions of yen)	
	FY9/19 (As of Sep. 30, 2019)	Third quarter of FY9/20 (As of Jun. 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	1,275	1,278
Capital surplus	1,963	1,966
Retained earnings	4,522	4,974
Treasury shares	(0)	(1)
Total shareholders' equity	7,760	8,218
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(72)	(55)
Total accumulated other comprehensive income	(73)	(55)
Subscription rights to shares	19	19
Total net assets	7,706	8,181
Total liabilities and net assets	18,259	18,558

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(For the Nine-month Period)**

(Millions of yen)

	First nine months of FY9/19 (Oct. 1, 2018 –Jun. 30, 2019)	First nine months of FY9/20 (Oct. 1, 2019 –Jun. 30, 2020)
Net sales	14,487	16,561
Cost of sales	12,558	14,427
Gross profit	1,929	2,133
Selling, general and administrative expenses	1,739	1,718
Operating profit	189	415
Non-operating income		
Interest and dividend income	5	5
Subsidy income	2,004	608
Other	5	2
Total non-operating income	2,015	616
Non-operating expenses		
Interest expenses	25	22
Capital Expenses	432	143
Other	3	0
Total non-operating expenses	461	165
Ordinary profit	1,743	865
Extraordinary income		
Gain on sale of businesses	-	27
Total extraordinary income	-	27
Extraordinary losses		
Impairment loss	-	*1 137
Loss on cancellation of systems	16	-
Loss on valuation of investment securities	-	*2 6
Loss on valuation of shares of subsidiaries and associates	-	*3 26
Total extraordinary losses	16	169
Profit before income taxes	1,727	723
Income taxes	634	272
Profit (Loss)	1,092	451
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	1,092	451
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Remeasurements of defined benefit plans, net of tax	13	16
Total other comprehensive income	12	17
Comprehensive income	1,105	468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,105	468
Comprehensive income attributable to non-controlling interests	-	-

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Quarterly Consolidated Statements of Income and Comprehensive Income****\*1 Impairment loss**

The Group reported impairment loss for the following group of assets.

First nine months of FY9/20 (Oct. 1, 2019 – Jun. 30, 2020)

Purpose	Type	Location	Impairment loss (Millions of yen)
Facility (3 facilities)	Buildings and structures “Other” under property, plant and equipment	Toda City, Saitama Prefecture, etc.	95
Headquarters	Software	Head Office (Chiyoda-ku, Tokyo)	41

The Group’s assets are grouped by facility as a basic unit, which is the smallest group of assets that generates cash inflows. The Group recognized an impairment loss (89 million yen for buildings and structures and 6 million yen for “Other” under property, plant and equipment) as an extraordinary loss as well as writing down the carrying amount of facilities with deteriorating operating performance to their recoverable amount. Their recoverable amount is measured based on value in use, which is determined to be zero as the future cash flows cannot be expected.

The Group has previously recorded the expenses required for the development of the system being built to enhance work efficiency as construction in progress. However, as it was determined that the initially forecast results cannot be expected, the Company has judged that the asset value has decreased and recorded it under extraordinary losses as an impairment loss.

**\*2 Loss on valuation of investment securities**

First nine months of FY9/20 (Oct. 1, 2019 – Jun. 30, 2020)

Of the securities held by the Company that are classified as available-for-sale securities, the Company recognized a loss on valuation for those whose actual value has deteriorated significantly.

**\*3 Loss on valuation of shares of subsidiaries and associates**

First nine months of FY9/20 (Oct. 1, 2019 – Jun. 30, 2020)

The Company recognized a loss on valuation of the shares of GLOBAL KIDS VIETNAM CO., LTD, an unconsolidated subsidiary.

**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.*