

**Presentation Materials for the Earnings Briefing
for the Fiscal Year Ended September 30, 2020**

November 13, 2020 (TSE 1st Section 6189)

Global Kids Company Corp.



Global Kids 

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 is 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 Fiscal Year Ended September 30, 2020 (FY9/20)

■ Operating profit surpassed our initial forecast.

1. Net sales increased 12.5% year on year

- Net sales: ¥22,160 million (up ¥2,465 million, or 12.5%, year on year)
 - An increase in the occupancy rate at facilities in their second and third years after establishment, as well as an increase in the number of children enrolled at new facilities contributed to this increase.

2. Record operating profit achieved

- Operating profit: ¥477 million (up ¥303 million, or 175.0%, year on year)
 - Far exceeds the original forecast of ¥300 million.
 - The substantial increase in profit is mainly due to increased net sales, control of SG&A expenses, and decreased variable costs.
- Ordinary profit: ¥916 million (down ¥870 million, or 48.7%, year on year)
 - Despite a ¥1,458 million decline in subsidies related to capital investment due to curbing of the number of newly opened facilities, the initial forecast of ¥630 million was exceeded due to higher operating profit and lower opening preparation costs.
- Profit: ¥438 million (down ¥678 million, or 60.8%, year on year)
 - Extraordinary income of ¥27 million was recorded due to transfer of the childcare matching service business.
 - Extraordinary losses of ¥169 million were recorded due to impairment losses from the prolonged recovery of investments in some facilities, as well as a loss on valuation of shares of a Vietnamese subsidiary.

Strong performance despite the novel coronavirus

- ❑ **From April to May, when a state of emergency was declared, we made a request for voluntary restraint from attending the nursery school, in accordance with the policies of local governments.**

■ Net sales

- Although the attendance rate for nursery school children decreased temporarily to the 10% level during the period of request for voluntary restraint from nursery school attendance, subsidies were paid, including those for children who refrained from attending, as the operation of nursery schools represents essential infrastructure for society.

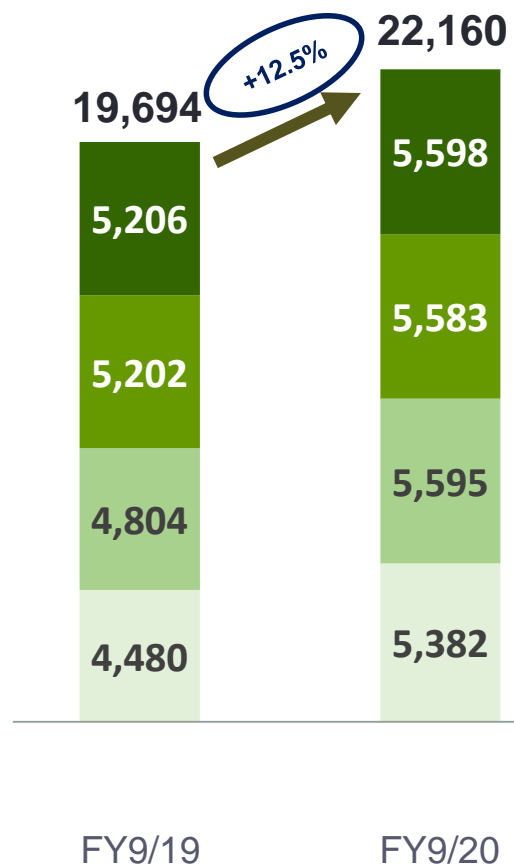
■ Variable costs

- Despite an increase in health and sanitation costs due to novel coronavirus countermeasures, utilities and other variable costs decreased due to a decrease in the number of children attending nursery schools during the period of request for voluntary restraint.

Results summary for FY9/20

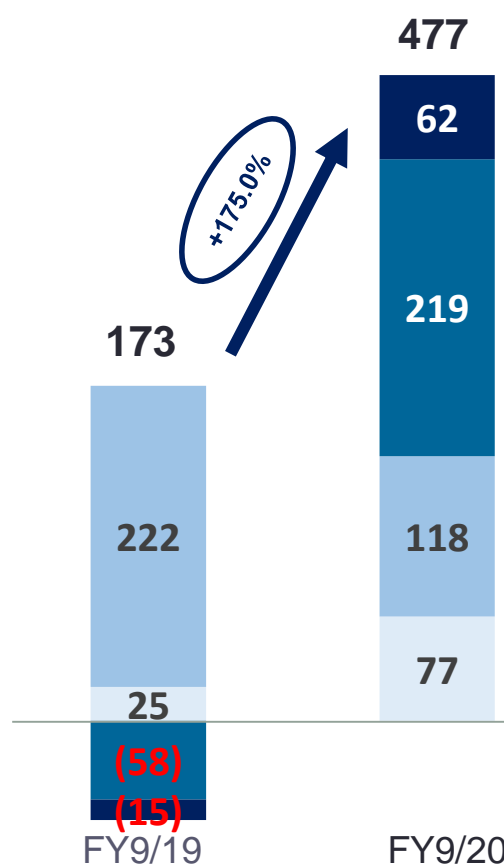
Net sales

1Q 2Q 3Q 4Q



Operating profit

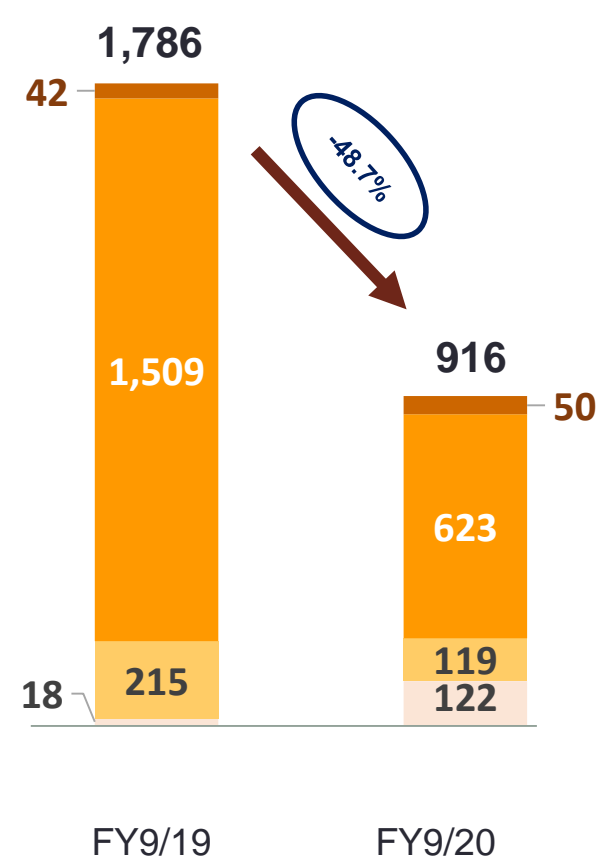
1Q 2Q 3Q 4Q



Ordinary profit

(Millions of yen)

1Q 2Q 3Q 4Q



Consolidated statement of income for FY9/20

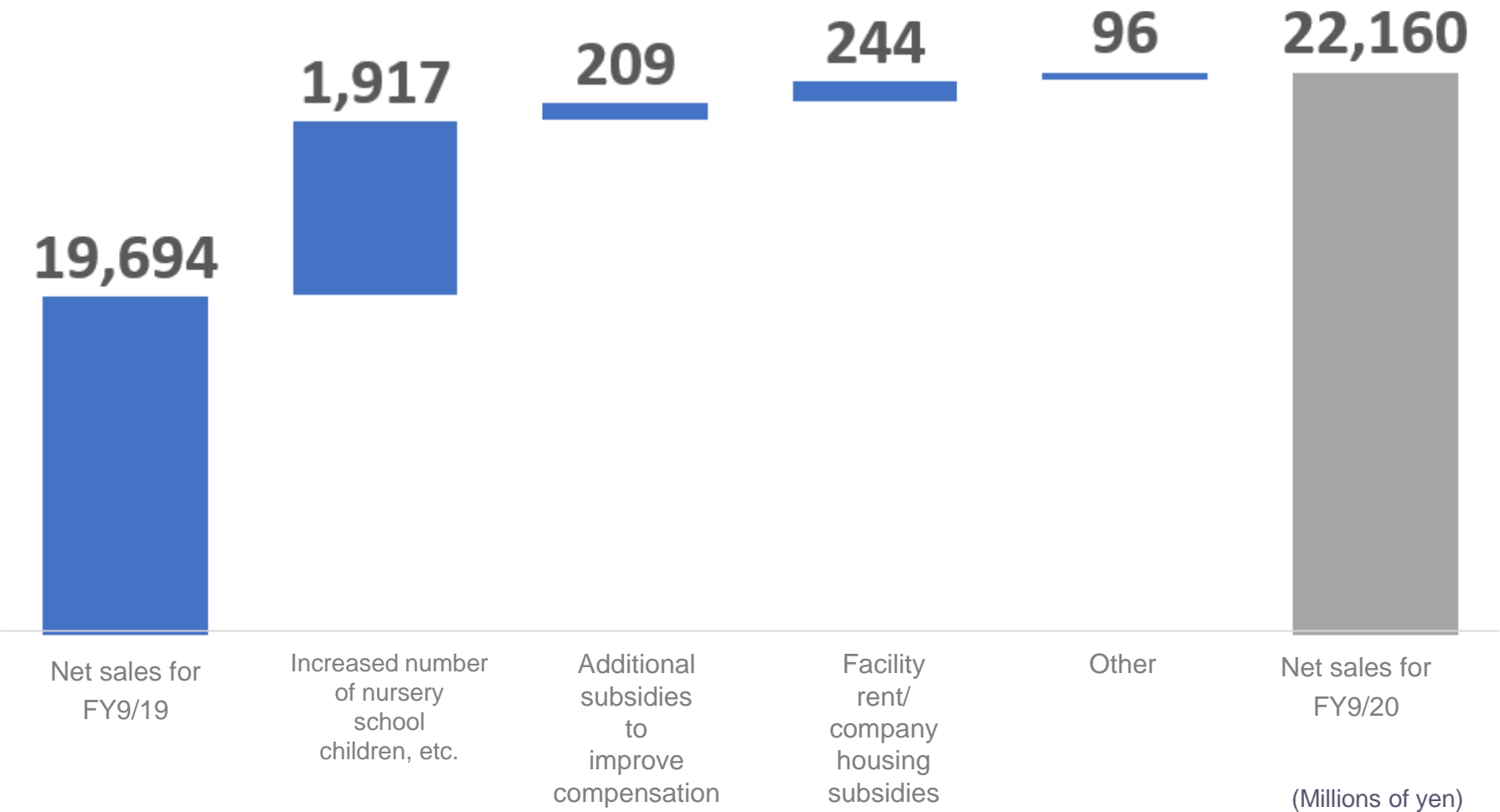
	FY9/19		FY9/20		
	Amount (Millions of yen)	%	Amount (Millions of yen)	%	YoY change
Net sales	19,694	100.0%	22,160	100.0%	+12.5%
Cost of sales	17,234	87.5%	19,385	87.5%	+12.5%
Gross profit	2,459	12.5%	2,774	12.5%	+12.8%
SG&A expenses	2,285	11.6%	2,296	10.4%	+0.5%
Operating profit	173	0.9%	477	2.2%	+175.0%
Non-operating income	2,078	-	615	-	(70.4)%
Non-operating expenses	466	-	177	-	(62.0)%
Ordinary profit	1,786	9.1%	916	4.1%	(48.7)%
Extraordinary income	-	-	27	-	-
Extraordinary losses	78	-	169	-	-
Profit before income taxes	1,708	8.7%	774	3.5%	(54.7)%
Income taxes	591	-	336	-	(43.1)%
Profit	1,116	5.7%	438	2.0%	(60.8)%

(Figures have been rounded down to the nearest million yen. Rates of increases/decrease and composition ratios have been rounded to two decimal places.)

Factors behind year-on-year change in net sales for FY9/20

Net sales

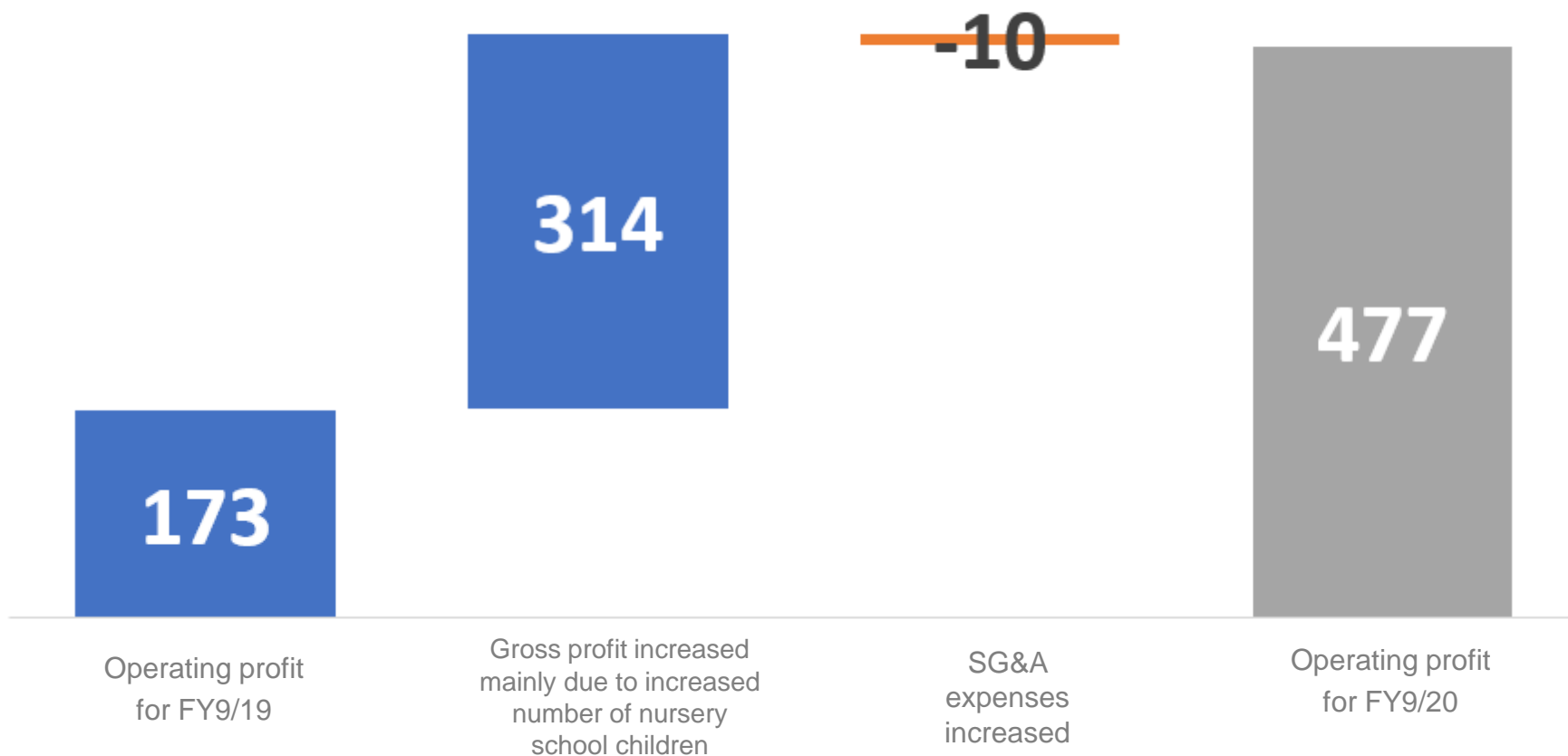
✓ 12.5% increase year on year due to the contribution from a rise in the number of enrolled children, as a result of an increase in facilities under operation and improved occupancy rates.



Factors behind year-on-year change in operating profit for FY9/20

Operating profit

- ✓ Substantial increase in profit due to sales growth, lower variable costs, reduced recruitment expenses, and SG&A expenses.



(Millions of yen)

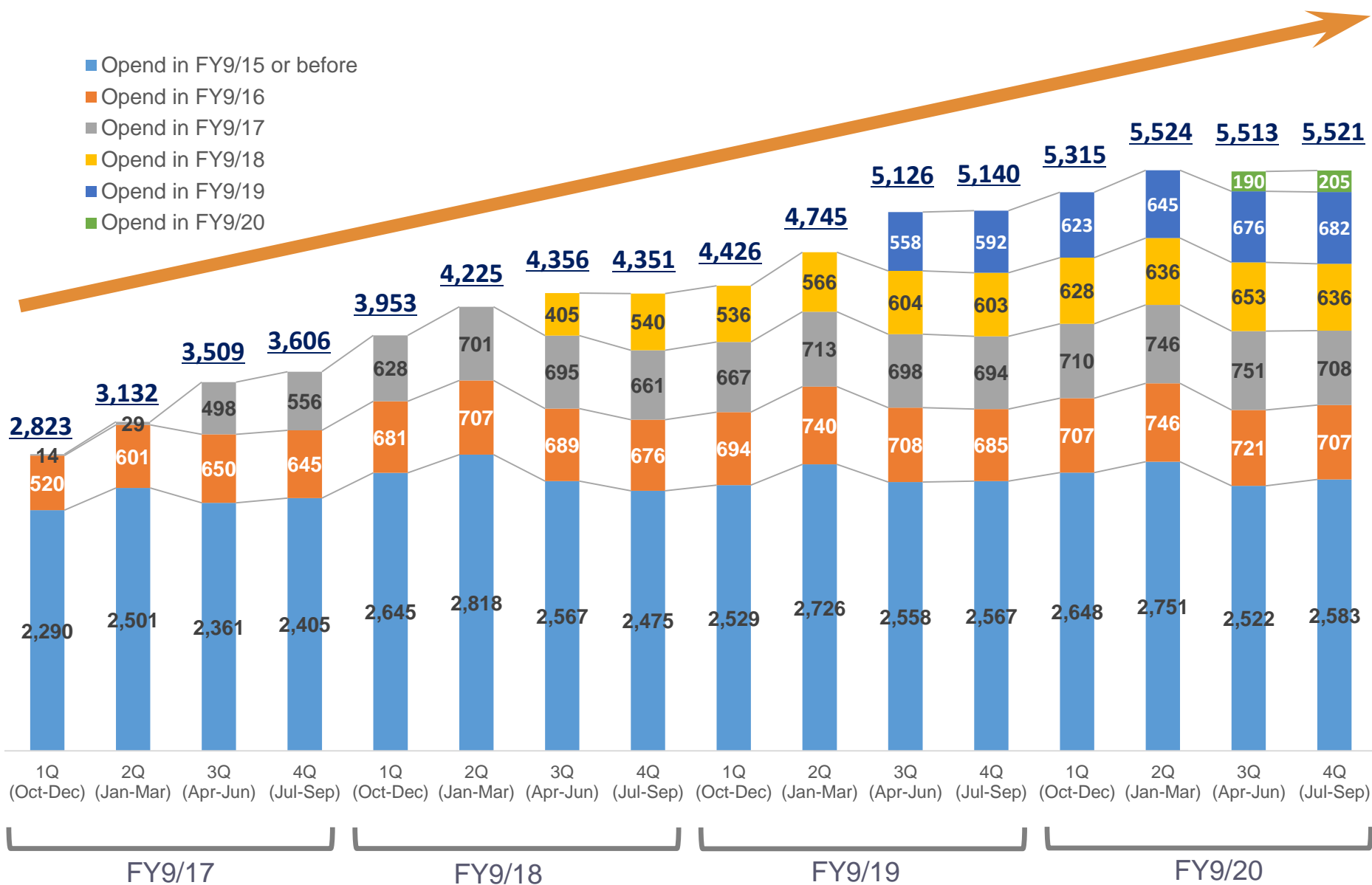
Factors behind year-on-year change in ordinary profit for FY9/20

Ordinary profit

- ✓ Decrease due to lower subsidies related to capital investment, as a result of curbing the number of newly opened facilities, despite an increase in operating profit.



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) 11

Consolidated balance sheet for FY9/20

	As of September 30, 2019 (Millions of yen)	As of September 30, 2020	
		(Millions of yen)	YoY change
Current assets	3,810	4,194	383
Cash and deposits	1,480	1,816	336
Non-current assets	14,448	14,366	(81)
Property, plant and equipment	11,701	11,666	(34)
Total assets	18,259	18,561	301
Current liabilities	3,087	3,466	379
Non-current liabilities	7,466	6,947	(518)
Total liabilities	10,553	10,414	(138)
Net assets	7,706	8,146	440
Total liabilities & net assets	18,259	18,561	301
Interest-bearing debt	5,962	5,346	(615)
Equity ratio	42.1%	43.8%	-
D/E ratio	0.78 times	0.66 times	-

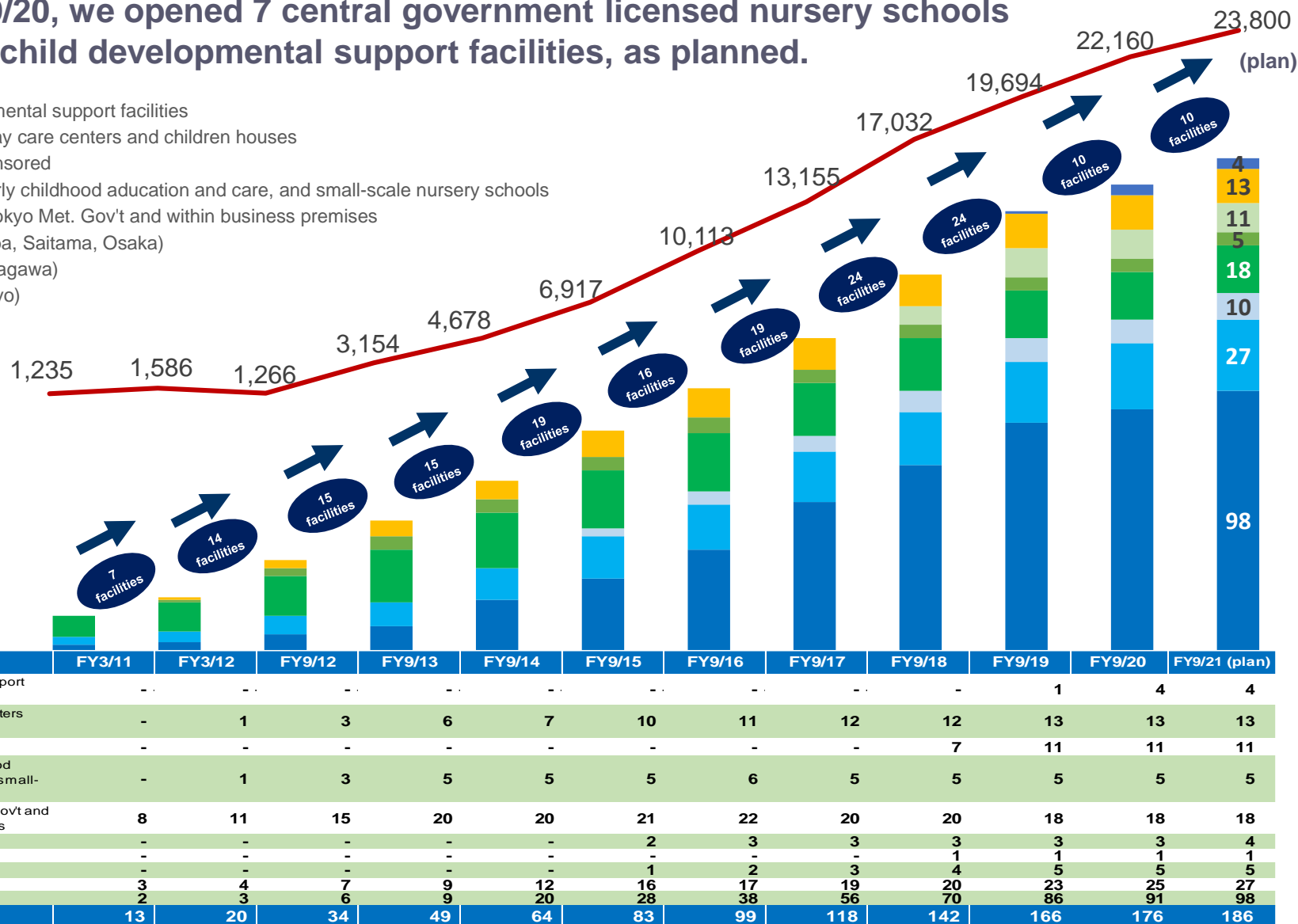
(Figures have been rounded down to the nearest million yen. Rates of increases/decrease and composition ratios have been rounded to two decimal places.)

Consolidated statement of cash flows for FY9/20

	FY9/19 (Millions of yen)	FY9/20 (Millions of yen)
Cash flows from operating activities	2,196	1,999
Profit before income taxes	1,708	774
Depreciation	729	822
Impairment loss	62	137
Decrease (increase) in accounts receivable-other	(239)	134
Decrease (increase) in prepaid expenses	(35)	(176)
Increase (decrease) in accounts payable-other	(11)	32
Increase (decrease) in advances received	(18)	56
Cash flows from investing activities	(2,842)	(1,044)
Purchase of property, plant and equipment	(2,705)	(867)
Payments for lease and guarantee deposits	(94)	(107)
Cash flows from financing activities	825	(619)
Net increase (decrease) in loans payable and bonds	828	(615)
Net increase (decrease) in cash and cash equivalents	178	336
Cash and cash equivalents at beginning of period	1,301	1,480
Cash and cash equivalents at end of period	1,480	1,816

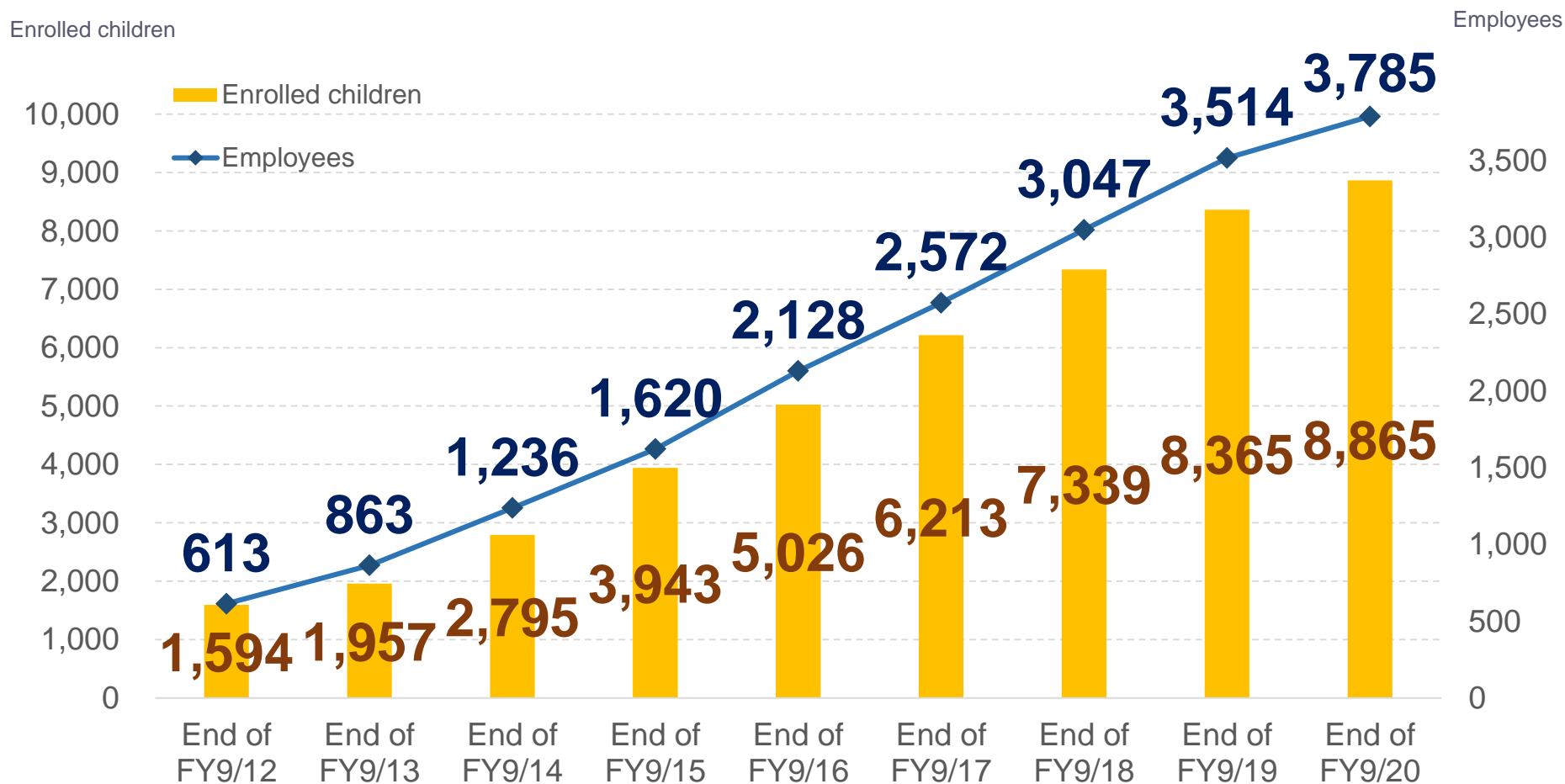
Number of facilities under operation

■ In FY9/20, we opened 7 central government licensed nursery schools and 3 child developmental support facilities, as planned.



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, and both full-time and part-time employees, including those working shorter hours.

Forecast for the Fiscal Year Ending September, 30, 2021

Corporate philosophy

“For the future of our children”

~Enchanting them with rich-hearted, spirited adults~

Vision

“2030 Triple Trust”

**~Becoming the company most trusted by our staff,
children and parents, and local communities~**

Medium-Term Management Plan (Performance Targets)

- **Aim for stable sales growth and improved profitability (profit optimization of existing businesses)**

(Millions of yen)

	Medium-Term Management Plan “2022”			Results
	FY9/20	FY9/21	FY9/22	FY9/20
Net sales	22,500	24,500	27,000	22,160
Operating profit	300	700	1,200	477

* The forecasts for ordinary profit and profit have not been announced due to large variabilities, which depend on the scale of facility development.

Priority measures for FY9/21

■ Implement 3 priority measures.

■ In addition to our ongoing efforts related to people and childcare, we will strengthen new peripheral businesses.

1	Integration of employees and childcare to become the nursery school of choice	<ul style="list-style-type: none">• Initiatives to improve the quality of our childcare services and for branding• Trust and self-management initiatives for spirited adults• Increased public relations and marketing activities toward parents and local communities
2	Strengthen operational capability and profitability as the foundations of the childcare business	<ul style="list-style-type: none">• Optimal placement (including shifts) and improved retention rates• Improvement in earnings by each school• Investment in IT to strengthen operations and improve productivity
3	Strengthen new peripheral businesses for the future	<ul style="list-style-type: none">• Strengthen other businesses (school children, developmental support, school meal consulting, overseas, etc.)• Initiatives to realize the Child Care PF (*) Concept

*A childcare platform which is a tool for collaboration with other service providers.

Consolidated earnings forecast for FY9/21

- Implementing measures to improve profitability to achieve the Medium-term Management Plan “2022”
- Sales and operating profit are expected to increase due to improved occupancy rates and optimized staffing, etc.

	FY9/20 results		FY9/21 forecast		
	Amount (Millions of yen)	%	Amount (Millions of yen)	%	YoY change (%)
Net sales (Millions of yen)	22,160	100.0%	23,800	100.0%	+7.4%
Operating profit (Millions of yen)	477	2.2%	700	2.9%	+46.6%
Ordinary profit (Millions of yen)	916	4.1%	1,260	5.3%	+37.5%
Profit (Millions of yen)	438	2.0%	680	2.9%	+55.2%
Net income per share (Yen)	47.65	-	73.68	-	-

Contributing factors for FY9/21

[Net sales]

- ◆ Occupancy rates are expected to increase, mainly at facilities that have been open for 2 to 3 years.
- ◆ Sales are expected to increase due to newly opened facilities (10 central government licensed nursery schools).

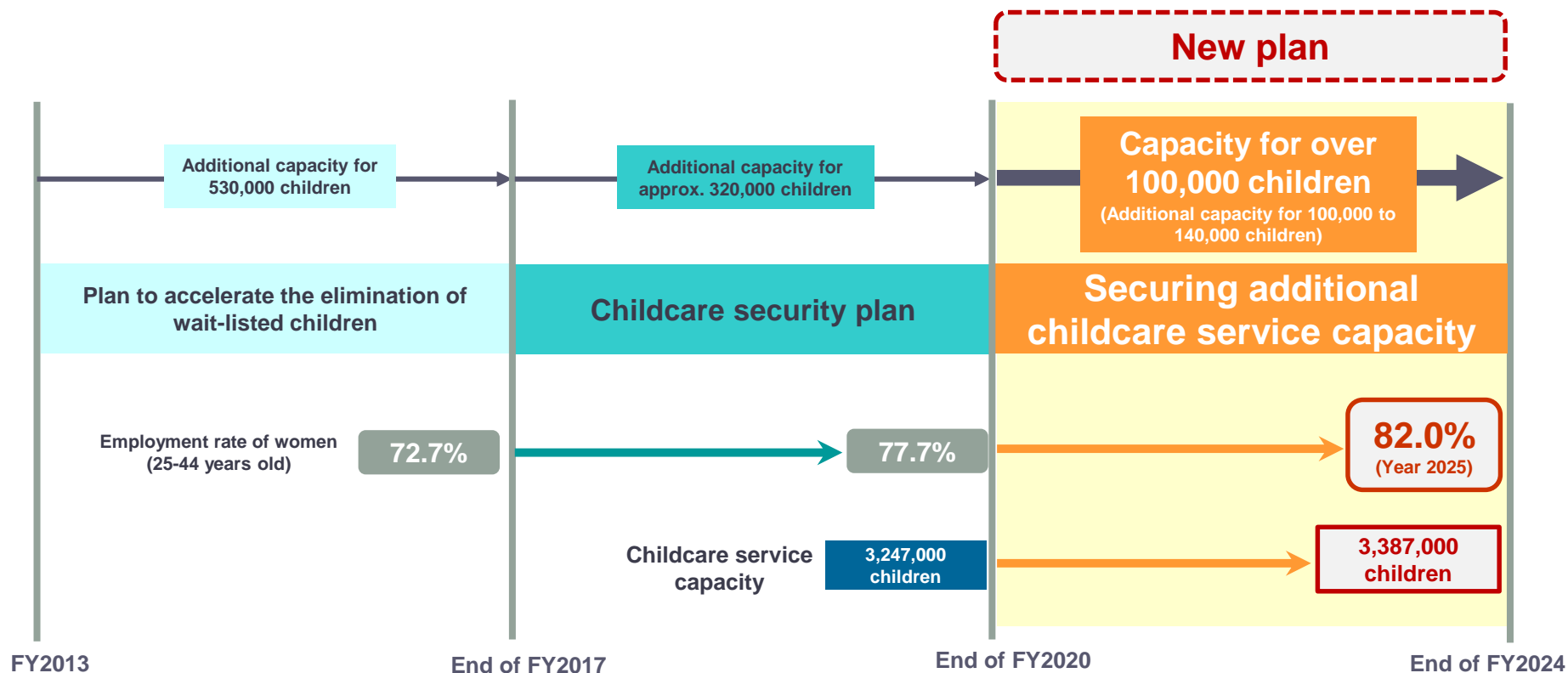
[Operating profit/Ordinary profit]

- ◆ Operating profit is expected to increase due to improved profitability driven by optimized staffing.
- ◆ Ordinary profit is expected to increase as a result of an increase in subsidies related to capital investment, due to an increase in the number of newly opened facilities compared to FY9/20.

Government initiatives

Securing additional childcare service capacity

- Develop childcare service capacity, primarily in municipalities with high population growth rates and low population loss rates.
- In order to respond to a further increase in the employment rate of women aged 25-44 (77.7% in 2020 ⇒ 82.0% in 2025), develop capacity for more than 100,000 children over the next four years.



Source: Prepared by the Company, based on materials from the Cabinet Office, Ministry of Health, Labour and Welfare, and Ministry of Education, Culture, Sports, Science and Technology, "Status of the New Childcare Support System in the FY 2017 Budget Proposal" and "Childcare Council" (October 5, 2020).

New facilities scheduled to open in FY9/21

- In FY9/21, we plan to open 10 central government licensed nursery schools, in line with the Medium-term Management Plan.
- After the openings, the number of facilities under operation is scheduled to be 186.

Central government licensed nursery schools

Name of facilities	Location	Planned capacity	Opening
Global Kids Ikegami	Ota-ku	60	April 2021
Global Kids Kamata No. 2	Ota-ku	60	April 2021
Global Kids Magome	Ota-ku	40	April 2021
Global Kids Morishita 5-chome	Koto-ku	64	April 2021
Global Kids Hirano	Koto-ku	64	April 2021
Global Kids Shimo No. 2	Kita-ku	70	April 2021
Global Kids Mitsukyo	Yokohama City	60	April 2021
Global Kids Hiyoshi 5-chome	Yokohama City	70	April 2021
Global Kids Urayasu	Urayasu City	80	April 2021
Global Kids Tachiaigawa	Shinagawa-ku	60	September 2021

Newly opened nursery schools: 10

Total

628 children














* Schedule is subject to change.

Sustainable Development Goals (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)	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Flexible work style reform ● Creating of learning environments ● Career path set according to growth
  	Social contribution to local communities	Creating opportunities to receive childcare	<ul style="list-style-type: none"> ● 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 period to serve free or low-priced meals to children
  	Global environment	Contributing to the global environment	<ul style="list-style-type: none"> ● 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

<https://www.gkids.co.jp/> Global Kids Co., Ltd. official site

<https://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://note.com/gkids_7088/ Official note

https://www.instagram.com/global_kids/ Well-received comic, "Global Kids!"

<https://twitter.com/globalkids/> Well-received comic, "Global Kids!"

