

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2021 (Six Months Ended March 31, 2021)

[Japanese GAAP]

May 14, 2021

Company name: Global Kids Company Corp.

Securities code: 6189

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Stock Exchange Listing: TSE (1st section)

URL: <https://www.gkids.jp/>

Scheduled date of filing of Quarterly Report:

May 14, 2021

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2021 (October 1, 2020 to March 31, 2021)

(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	%
Six months ended Mar. 31, 2021	11,640	6.0	336	71.5	324	34.4	196	33.3
Six months ended Mar. 31, 2020	10,977	18.2	195	(21.0)	241	3.3	147	4.3

Note: Comprehensive income (million yen)

Six months ended Mar. 31, 2021: 209 (up 31.8%)

Six months ended Mar. 31, 2020: 159 (up 5.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2021	21.28	20.93
Six months ended Mar. 31, 2020	16.09	15.72

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2021	21,443	8,373	39.0
As of Sep. 30, 2020	18,561	8,146	43.8

Reference: Shareholders' equity (million yen) As of Mar. 31, 2021: 8,353

As of Sep. 30, 2020: 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	-	0.00			
Fiscal year ending Sep. 30, 2021 (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, 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 Mar. 31, 2021:	9,276,511 shares	As of Sep. 30, 2020:	9,229,880 shares
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2) Number of treasury shares as of the end of the period

As of Mar. 31, 2021:	3,621 shares	As of Sep. 30, 2020:	1,072 shares
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3) Average number of shares issued during the period

Six months ended Mar. 31, 2021:	9,251,776 shares	Six months ended Mar. 31, 2020:	9,175,917 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, (4) 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 six months of the fiscal year ending September 30, 2021 (hereinafter, “the period under review”), while the situation in the Japanese economy continues to be severe due to the impact of the novel coronavirus infection, there have been signs of recovery, including a partial recovery in corporate earnings. However, with no prospects of an end to the pandemic, including the third declaration of a state of emergency in April 2021, the outlook is becoming increasingly uncertain.

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, despite the second declaration of a state of emergency in January 2021, the attendance rate for nursery school children remained generally 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.

Meanwhile, we arranged to open new facilities during the period under review, and opened nine central government licensed nursery schools on April 1, 2021, as listed below. In addition, we are planning to open one central government licensed nursery school in September.

(Central government licensed nursery schools)

Tokyo

- Global Kids Ikegami
- Global Kids Kamata No. 2
- Global Kids Magome
- Global Kids Morishita 5-Chome
- Global Kids Hirano
- Global Kids Shimo No. 2

Kanagawa

- Global Kids Mitsukyo
- Global Kids Hiyoshi 5-Chome

Chiba

- Global Kids Urayasu

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, the cost to sales and selling, general and administrative expenses ratios improved due to the promotion of online internal events and training, as well as enhanced efficiency in hiring childcare workers. Consequently, the Group reported net sales for the period under review of 11,640 million yen (up 6.0% year on year) with operating profit of 336 million yen (up 71.5% year on year), ordinary profit of 324 million yen (up 34.4% year on year), and profit attributable to owners of parent of 196 million yen (up 33.3% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 21,443 million yen at the end of the period under review, an increase of 2,882 million yen from the end of the previous fiscal year.

Current assets increased 2,696 million yen to 6,890 million yen. This was mainly attributable to an increase of 2,530 million yen in cash and deposits.

Non-current assets increased 185 million yen to 14,552 million yen. This was mainly attributable to an increase of 565 million yen in construction in progress, in preparation for the opening of new facilities in April, while buildings and structures, net decreased by 330 million.

Liabilities

Total liabilities amounted to 13,070 million yen at the end of the period under review, an increase of 2,656 million yen from the end of the previous fiscal year.

Current liabilities increased by 2,995 million yen to 6,462 million yen. This was mainly attributable to an increase of 3,100 million yen in short-term loans payable.

Non-current liabilities decreased 339 million yen to 6,608 million yen. This was mainly attributable to a decrease of 347 million yen in long-term loans payable.

Net assets

Net assets amounted to 8,373 million yen at the end of the period under review, an increase of 226 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 196 million yen in retained earnings as a result of the booking of profit attributable to owners of parent.

(4) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the period under review amounted to 4,347 million yen.

Cash flows from operating activities

Net cash provided by operating activities amounted to 487 million yen (921 million yen provided in the first half of the fiscal year ended September 30, 2020), mainly due to depreciation of 416 million yen and profit before income taxes of 324 million yen, despite income taxes paid of 344 million yen.

Net cash provided decreased 433 million yen compared with the first half of the fiscal year ended September 30, 2020. This was mainly due to an increase in income taxes paid of 279 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 657 million yen (797 million yen used in the first half of the fiscal year ended September 30, 2020), mainly due to purchase of property, plant and equipment of 604 million for the opening of new nursery schools.

Net cash provided increased by 140 million yen compared with the first half of the fiscal year ended September 30, 2020. This was mainly due to a decrease in purchase of property, plant and equipment of 89 million yen, a decrease in purchase of intangible assets of 19 million yen, and a decrease in payments for lease and guarantee deposits of 19 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 2,700 million yen (2,695 million yen provided in the first half of the fiscal year ended September 30, 2020), mainly due to an increase of 3,100 million yen in short-term loans payable, despite repayments of long-term loans payable of 447 million yen.

Net cash provided stayed at around the same level as in the first half of the fiscal year ended September 30, 2020, with an increase of 5 million yen.

(4) 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)	Second quarter of FY9/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,816	4,347
Accounts receivable-other	1,797	1,808
Prepaid expenses	574	730
Other	6	4
Total current assets	4,194	6,890
Non-current assets		
Property, plant and equipment		
Land	635	635
Buildings and structures, net	10,523	10,192
Construction in progress	107	672
Other, net	400	362
Total property, plant and equipment	11,666	11,863
Intangible assets		
Software	52	49
Software in progress	4	-
Total intangible assets	56	49
Investments and other assets		
Investment securities	113	112
Long-term prepaid expenses	570	531
Lease and guarantee deposits	1,632	1,684
Construction assistance fund receivables	304	295
Deferred tax assets	23	17
Other	0	0
Total investments and other assets	2,643	2,639
Total non-current assets	14,366	14,552
Total assets	18,561	21,443
Liabilities		
Current liabilities		
Short-term loans payable	-	3,100
Current portion of long-term loans payable	859	809
Accounts payable-other	1,261	1,493
Income taxes payable	370	163
Advances received	127	82
Provision for bonuses	586	574
Provision for retirement benefits for directors (and other officers)	24	-
Other	237	239
Total current liabilities	3,466	6,462
Non-current liabilities		
Long-term loans payable	4,487	4,139
Net defined benefit liability	340	371
Deferred tax liabilities	1,773	1,752
Asset retirement obligations	343	344
Other	2	1
Total non-current liabilities	6,947	6,608
Total liabilities	10,414	13,070

	(Millions of yen)	
	FY9/20 (As of Sep. 30, 2020)	Second quarter of FY9/21 (As of Mar. 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	1,278	1,287
Capital surplus	1,967	1,976
Retained earnings	4,960	5,157
Treasury shares	(1)	(3)
Total shareholders' equity	8,205	8,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	0
Remeasurements of defined benefit plans	(79)	(65)
Total accumulated other comprehensive income	(77)	(64)
Subscription rights to shares	19	19
Total net assets	8,146	8,373
Total liabilities and net assets	18,561	21,443

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

(Millions of yen)

	First six months of FY9/20 (Oct. 1, 2019 – Mar. 31, 2020)	First six months of FY9/21 (Oct. 1, 2020 – Mar. 31, 2021)
Net sales	10,977	11,640
Cost of sales	9,598	10,155
Gross profit	1,379	1,484
Selling, general and administrative expenses	1,183	1,148
Operating profit	195	336
Non-operating income		
Interest and dividend income	4	4
Subsidy income	54	-
Other	2	2
Total non-operating income	61	6
Non-operating expenses		
Interest expenses	14	12
Other	0	5
Total non-operating expenses	15	17
Ordinary profit	241	324
Extraordinary income		
Gain on sale of businesses	27	-
Total extraordinary income	27	-
Extraordinary losses		
Loss on valuation of investment securities	6	-
Total extraordinary losses	6	-
Profit before income taxes	263	324
Income taxes	115	128
Profit (Loss)	147	196
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	147	196
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Remeasurements of defined benefit plans, net of tax	11	13
Total other comprehensive income	11	13
Comprehensive income	159	209
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	159	209
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY9/20 (Oct. 1, 2019 – Mar. 31, 2020)	First six months of FY9/21 (Oct. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	263	324
Depreciation	399	416
Subsidy income	(54)	-
Loss (gain) on sale of businesses	(27)	-
Loss (gain) on valuation of investment securities	6	-
Increase (decrease) in provision for bonuses	0	(12)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	(24)
Increase (decrease) in net defined benefit liability	42	53
Interest and dividend income	(4)	(4)
Interest expenses	14	12
Decrease (increase) in accounts receivable-other	196	(10)
Decrease (increase) in prepaid expenses	(142)	(141)
Increase (decrease) in accounts payable-other	252	231
Increase (decrease) in advances received	(62)	(45)
Other, net	61	40
Subtotal	944	842
Interest and dividend income received	2	2
Interest expenses paid	(14)	(12)
Income taxes paid	(65)	(344)
Proceeds from subsidy income	54	-
Net cash provided by (used in) operating activities	921	487
Cash flows from investing activities		
Purchase of property, plant and equipment	(693)	(604)
Purchase of intangible assets	(21)	(1)
Payments for lease and guarantee deposits	(82)	(62)
Proceeds from refund of lease and guarantee deposits	1	0
Collection of construction assistance fund receivables	12	10
Other, net	(14)	-
Net cash provided by (used in) investing activities	(797)	(657)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,700	3,100
Proceeds from long-term loans payable	478	50
Repayments of long-term loans payable	(457)	(447)
Redemption of bonds	(23)	-
Repayments of lease obligations	(2)	(2)
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	2,695	2,700
Net increase (decrease) in cash and cash equivalents	2,818	2,530
Cash and cash equivalents at beginning of period	1,480	1,816
Cash and cash equivalents at end of period	4,299	4,347

(4) 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.