



Consolidated Financial Results **for the Second Quarter of the Fiscal Year Ending September 30, 2020** **(Six Months Ended March 31, 2020)**

[Japanese GAAP]
May 13, 2020

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Securities code: 6189
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Stock Exchange Listing: TSE (1st section)
URL: <http://www.gkids.jp>

Scheduled date of filing of Quarterly Report: May 14, 2020

Scheduled date of payment of dividend: -

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, 2020 **(October 1, 2019 to March 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	%
Six months ended Mar. 31, 2020	10,977	18.2	195	(21.0)	241	3.3	147	4.3
Six months ended Mar. 31, 2019	9,284	13.0	247	(29.0)	234	(26.7)	141	(15.3)

Note: Comprehensive income (million yen) Six months ended Mar. 31, 2020: 159 (up 5.6%)
Six months ended Mar. 31, 2019: 150 (down 28.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2020	16.09	15.72
Six months ended Mar. 31, 2019	15.53	15.12

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2020	21,409	7,871	36.7
As of Sep. 30, 2019	18,259	7,706	42.1

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 7,852 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	22,500	14.2	300	72.7	630	(64.7)	420	(62.4)	45.80

Note: Revisions to the most recently announced dividend 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, 2020:	9,190,880 shares	As of Sep. 30, 2019:	9,105,071 shares
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2) Number of treasury shares as of the end of the period

As of Mar. 31, 2020:	1,072 shares	As of Sep. 30, 2019:	171 shares
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3) Average number of shares issued during the period

Six months ended Mar. 31, 2020:	9,175,917 shares	Six months ended Mar. 31, 2019:	9,117,532 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 half 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 these circumstances, at the end of the period under review, the Group operates a total of 166 facilities: 118 central government licensed nursery schools (86 in Tokyo, 23 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 one child developmental support facility.

Meanwhile, we arranged to open new facilities during the second quarter and opened seven central government licensed nursery schools on April 1, 2020 and two child developmental support facilities on May 1, 2020, as listed below.

(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 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. Meanwhile, while we pushed forward with the reduction in selling, general and administrative expenses, cost of sales increased as a result of an increase in personnel expenses due to the strategical work style reforms to improve the quality of childcare services.

Consequently, the Group reported net sales for the period under review of 10,977 million yen (up 18.2% year on year) with operating profit of 195 million yen (down 21.0% year on year), ordinary profit of 241 million yen (up 3.3% year on year), and profit attributable to owners of parent of 147 million yen (up 4.3% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 21,409 million yen at the end of the period under review, an increase of 3,149 million yen from the end of the previous fiscal year.

Current assets increased 2,771 million yen to 6,582 million yen. This was mainly attributable to an increase of 2,818 million yen in cash and deposits to prepare for the opening of new nursery schools in April, despite a decrease of 195 million yen in accounts receivable-other.

Non-current assets increased 378 million yen to 14,827 million yen. This was mainly attributable to an increase of 684 million yen in construction in progress for the opening of new nursery schools, despite a decrease of 339 million yen in buildings and structures.

Liabilities

Total liabilities amounted to 13,537 million yen at the end of the period under review, an increase of 2,984 million yen from the end of the previous fiscal year.

Current liabilities increased 3,005 million yen to 6,092 million yen. This was mainly attributable to an increase of 2,700 million yen in short-term loans payable to prepare for the opening of new nursery schools and an increase of 252 million yen in accounts payable-other.

Non-current liabilities decreased 21 million yen to 7,445 million yen. This was mainly attributable to a decrease of 42 million yen in deferred tax liabilities, despite an increase of 24 million yen in net defined benefit liability.

Net assets

Net assets increased 165 million yen to 7,871 million yen at the end of the period under review. This was mainly attributable to an increase of 147 million yen in retained earnings as a result of the booking of profit attributable to owners of parent.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the period under review amounted to 4,299 million yen.

Cash flows from operating activities

Net cash provided by operating activities amounted to 921 million yen (66 million yen provided in the first half of the fiscal year ended September 30, 2019), mainly due to profit before income taxes of 263 million yen, an increase in accounts payable-other of 252 million yen, and depreciation of 399 million yen, despite an increase in prepaid expenses of 142 million yen due to payments relating to the opening of new nursery schools.

Net cash provided increased 854 million yen compared with the first half of the fiscal year ended September 30, 2019. This was mainly due to an increase in accounts receivable-other of 204 million yen, an increase in prepaid expenses of 278 million yen, an increase in profit before income taxes of 29 million yen, and a decrease in income taxes paid of 140 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 797 million yen (2,511 million yen used in the first half of the fiscal year ended September 30, 2019), mainly due to purchase of property, plant and equipment of 693 million yen and payments for lease and guarantee deposits of 82 million yen.

Net cash used decreased 1,713 million yen compared with the first half of the fiscal year ended September 30, 2019. This was mainly due to a decrease in purchase of property, plant and equipment of 1,720 million yen, despite a decrease in proceeds from refund of lease and guarantee deposits of 17 million yen and an increase in purchase of intangible assets of 15 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 2,695 million yen (5,045 million yen provided in the first half of the fiscal year ended September 30, 2019), mainly due to a net increase in short-term loans payable of 2,700 million yen and proceeds from long-term loans payable of 478 million yen, which were partially offset by repayments of long-term loans payable of 457 million yen.

Net cash provided decreased 2,350 million yen compared with the first half of the fiscal year ended September 30, 2019. This was mainly due to a net decrease in short-term loans payable of 1,600 million yen and a decrease in proceeds from long-term loans payable of 744 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, 2020 that was announced on November 13, 2019.

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

(Millions of yen)

	FY9/19 (As of Sep. 30, 2019)	Second quarter of FY9/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,480	4,299
Accounts receivable-other	1,932	1,736
Prepaid expenses	392	540
Other	6	6
Total current assets	3,810	6,582
Non-current assets		
Property, plant and equipment		
Land	589	589
Buildings and structures, net	10,640	10,301
Construction in progress	32	716
Other, net	437	393
Total property, plant and equipment	11,701	12,001
Intangible assets		
Software	30	45
Software in progress	23	34
Total intangible assets	54	80
Investments and other assets		
Investment securities	79	111
Long-term prepaid expenses	705	666
Lease and guarantee deposits	1,546	1,617
Construction assistance fund receivables	324	314
Deferred tax assets	10	8
Other	26	26
Total investments and other assets	2,693	2,744
Total non-current assets	14,448	14,827
Total assets	18,259	21,409
Liabilities		
Current liabilities		
Short-term loans payable	-	2,700
Current portion of long-term loans payable	907	929
Current portion of bonds	23	-
Accounts payable-other	1,228	1,481
Income taxes payable	93	172
Advances received	71	9
Provision for bonuses	553	553
Other	209	246
Total current liabilities	3,087	6,092
Non-current liabilities		
Long-term loans payable	5,032	5,030
Net defined benefit liability	255	280
Deferred tax liabilities	1,852	1,810
Asset retirement obligations	319	320
Other	6	4
Total non-current liabilities	7,466	7,445
Total liabilities	10,553	13,537

	(Millions of yen)	
	FY9/19 (As of Sep. 30, 2019)	Second quarter of FY9/20 (As of Mar. 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	1,275	1,278
Capital surplus	1,963	1,966
Retained earnings	4,522	4,670
Treasury shares	(0)	(1)
Total shareholders' equity	7,760	7,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(72)	(61)
Total accumulated other comprehensive income	(73)	(61)
Subscription rights to shares	19	19
Total net assets	7,706	7,871
Total liabilities and net assets	18,259	21,409

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

(Millions of yen)

	First six months of FY9/19 (Oct. 1, 2018 –Mar. 31, 2019)	First six months of FY9/20 (Oct. 1, 2019 –Mar. 31, 2020)
Net sales	9,284	10,977
Cost of sales	7,860	9,598
Gross profit	1,424	1,379
Selling, general and administrative expenses	1,176	1,183
Operating profit	247	195
Non-operating income		
Interest and dividend income	4	4
Subsidy income	-	54
Other	0	2
Total non-operating income	5	61
Non-operating expenses		
Interest expenses	16	14
Other	2	0
Total non-operating expenses	19	15
Ordinary profit	234	241
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	234	263
Income taxes	92	115
Profit (Loss)	141	147
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	141	147
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	9	11
Total other comprehensive income	9	11
Comprehensive income	150	159
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	150	159
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY9/19 (Oct. 1, 2018 –Mar. 31, 2019)	First six months of FY9/20 (Oct. 1, 2019 –Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	234	263
Depreciation	326	399
Subsidy income	-	(54)
Loss (gain) on sale of businesses	-	(27)
Loss (gain) on valuation of investment securities	-	6
Increase (decrease) in provision for bonuses	2	0
Increase (decrease) in net defined benefit liability	34	42
Interest and dividend income	(4)	(4)
Interest expenses	16	14
Decrease (increase) in accounts receivable-other	(8)	196
Decrease (increase) in prepaid expenses	(421)	(142)
Increase (decrease) in accounts payable-other	245	252
Increase (decrease) in advances received	(89)	(62)
Other, net	(49)	61
Subtotal	285	944
Interest and dividend income received	2	2
Interest expenses paid	(16)	(14)
Income taxes paid	(205)	(65)
Proceeds from subsidy income	-	54
Net cash provided by (used in) operating activities	66	921
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,414)	(693)
Purchase of intangible assets	(5)	(21)
Payments for lease and guarantee deposits	(81)	(82)
Proceeds from refund of lease and guarantee deposits	18	1
Collection of construction assistance fund receivables	12	12
Purchase of shares of affiliated companies	(18)	-
Other, net	(22)	(14)
Net cash provided by (used in) investing activities	(2,511)	(797)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,300	2,700
Proceeds from long-term loans payable	1,222	478
Repayments of long-term loans payable	(457)	(457)
Redemption of bonds	(17)	(23)
Repayments of lease obligations	(2)	(2)
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	5,045	2,695
Net increase (decrease) in cash and cash equivalents	2,600	2,818
Cash and cash equivalents at beginning of period	1,301	1,480
Cash and cash equivalents at end of period	3,901	4,299

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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.”

3. Others

Material Events Regarding Going Concern Assumption

Not applicable.

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.