



Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending September 30, 2021
(Nine Months Ended June 30, 2021)

[Japanese GAAP]

July 30, 2021

Company name: Global Kids Company Corp. Stock Exchange Listing: TSE (1st section)
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Scheduled date of filing of Quarterly Report: August 6, 2021

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, 2021
(October 1, 2020 to June 30, 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	%
Nine months ended Jun. 30, 2021	17,531	5.9	352	(15.2)	856	(1.0)	326	(27.6)
Nine months ended Jun. 30, 2020	16,561	14.3	415	119.1	865	(50.4)	451	(58.7)

Note: Comprehensive income (million yen) Nine months ended Jun. 30, 2021: 346 (down 26.1%)
 Nine months ended Jun. 30, 2020: 468 (down 57.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jun. 30, 2021	35.29	34.83
Nine months ended Jun. 30, 2020	49.15	48.17

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2021	18,013	8,510	47.1
As of Sep. 30, 2020	18,561	8,146	43.8

Reference: Shareholders' equity (million yen) As of Jun. 30, 2021: 8,490 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 Jun. 30, 2021:	9,307,511 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 Jun. 30, 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

Nine months ended Jun. 30, 2021:	9,261,385 shares	Nine months ended Jun. 30, 2020:	9,184,483 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income (For the Nine-month Period)	6
(3) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Quarterly Consolidated Statements of Income and Comprehensive Income	7
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8

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, 2021 (hereinafter, “the period under review”), the outlook of the Japanese economy continues to be uncertain due to the impact of the novel coronavirus infection, despite signs of recovery, including a partial recovery in corporate earnings.

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 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.

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

Consequently, at the end of the period under review, the Group operates a total of 183 facilities: 134 central government licensed nursery schools (97 in Tokyo, 27 in Kanagawa, four in Chiba, one in Saitama and five in Osaka); 22 local government licensed nursery schools or centers for early childhood education and care; 11 employer-sponsored nurseries; 12 after-school day care centers or children’s houses; and four child developmental support facilities. 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, despite the occupancy rates falling short of expectations as a result of the temporary suspension of nursery admissions of mainly 0 to 1 year olds due to the impact of the novel coronavirus infection. In terms of expenses, variable costs increased because there were no facility closures and normal facility operations were achieved during the period under review, whereas in April 2020, variable costs were curbed due to the impact of children refraining from attending nursery schools and facility closures. In addition, the cost to sales ratio rose due to the increase in personnel expenses reflecting the increase in the number of childcare workers, etc., in conjunction with the increase in the number of facilities. Meanwhile, the selling, general and administrative expenses ratio improved as a result of the establishment of online internal events, training and meetings and the promotion of enhanced efficiency in hiring employees.

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, 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 17,531 million yen (up 5.9% year on year) with operating profit of 352 million yen (down 15.2% year on year), ordinary profit of 856 million yen (down 1.0% year on year), and profit attributable to owners of parent of 326 million yen (down 27.6% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 18,013 million yen at the end of the period under review, a decrease of 548 million yen from the end of the previous fiscal year.

Current assets decreased 284 million yen to 3,909 million yen. This was mainly attributable to a decrease of 371 million yen in accounts receivable-other.

Non-current assets decreased 263 million yen to 14,103 million yen. This was mainly attributable to decreases in property, plant and equipment of 619 million yen due to depreciation and 258 million yen due to impairment loss, despite an increase of 731 million yen due to the opening of new nurseries in April, as well as a decrease of 62 million yen in investment securities as a result of the booking of loss on valuation of investment securities and a decrease of 14 million yen in construction assistance fund receivables.

Liabilities

Total liabilities amounted to 9,502 million yen at the end of the period under review, a decrease of 911 million yen from the end of the previous fiscal year.

Current liabilities decreased 467 million yen to 2,999 million yen. This was mainly attributable to a decrease of 325 million yen in income taxes payable and a decrease of 276 million yen in provision for bonuses due to the payment of bonuses in June.

Non-current liabilities decreased 444 million yen to 6,503 million yen. This was mainly attributable to a decrease of 587 million yen in long-term loans payable.

Net assets

Net assets amounted to 8,510 million yen at the end of the period under review, an increase of 363 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 326 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

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)	Third quarter of FY9/21 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,816	1,893
Accounts receivable-other	1,797	1,426
Prepaid expenses	574	584
Other	6	5
Total current assets	4,194	3,909
Non-current assets		
Property, plant and equipment		
Land	635	635
Buildings and structures, net	10,523	10,411
Construction in progress	107	88
Other, net	400	363
Total property, plant and equipment	11,666	11,498
Intangible assets		
Software	52	46
Software in progress	4	-
Total intangible assets	56	46
Investments and other assets		
Investment securities	113	51
Long-term prepaid expenses	570	493
Lease and guarantee deposits	1,632	1,689
Construction assistance fund receivables	304	290
Deferred tax assets	23	33
Other	0	0
Total investments and other assets	2,643	2,557
Total non-current assets	14,366	14,103
Total assets	18,561	18,013
Liabilities		
Current liabilities		
Current portion of long-term loans payable	859	834
Accounts payable-other	1,261	1,348
Income taxes payable	370	45
Advances received	127	109
Deposits received	185	323
Provision for bonuses	586	309
Provision for retirement benefits for directors (and other officers)	24	-
Other	52	29
Total current liabilities	3,466	2,999
Non-current liabilities		
Long-term loans payable	4,487	3,900
Net defined benefit liability	340	380
Deferred tax liabilities	1,773	1,867
Asset retirement obligations	343	354
Other	2	0
Total non-current liabilities	6,947	6,503
Total liabilities	10,414	9,502

(Millions of yen)

	FY9/20 (As of Sep. 30, 2020)	Third quarter of FY9/21 (As of Jun. 30, 2021)
Net assets		
Shareholders' equity		
Capital stock	1,278	1,288
Capital surplus	1,967	1,976
Retained earnings	4,960	5,287
Treasury shares	(1)	(3)
Total shareholders' equity	8,205	8,549
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	(0)
Remeasurements of defined benefit plans	(79)	(58)
Total accumulated other comprehensive income	(77)	(58)
Subscription rights to shares	19	19
Total net assets	8,146	8,510
Total liabilities and net assets	18,561	18,013

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

(Millions of yen)

	First nine months of FY9/20 (Oct. 1, 2019 – Jun. 30, 2020)	First nine months of FY9/21 (Oct. 1, 2020 – Jun. 30, 2021)
Net sales	16,561	17,531
Cost of sales	14,427	15,453
Gross profit	2,133	2,077
Selling, general and administrative expenses	1,718	1,725
Operating profit	415	352
Non-operating income		
Interest and dividend income	5	4
Subsidy income	608	668
Other	2	36
Total non-operating income	616	709
Non-operating expenses		
Interest expenses	22	18
Capital expenses	143	186
Other	0	0
Total non-operating expenses	165	205
Ordinary profit	865	856
Extraordinary income		
Gain on sale of businesses	27	-
Total extraordinary income	27	-
Extraordinary losses		
Impairment loss	*1 137	*1 258
Loss on valuation of investment securities	*2 6	*2 59
Loss on valuation of shares of subsidiaries and associates	*3 26	-
Loss on closing of nursery schools	-	*4 13
Total extraordinary losses	169	332
Profit before income taxes	723	524
Income taxes	272	197
Profit (Loss)	451	326
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	451	326
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Remeasurements of defined benefit plans, net of tax	16	20
Total other comprehensive income	17	19
Comprehensive income	468	346
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	468	346
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**

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

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

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 software 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.

First nine months of FY9/21 (Oct. 1, 2020 – Jun. 30, 2021)

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

Purpose	Type	Location	Impairment loss (Millions of yen)
Facility (17 facilities)	Buildings and structures “Other” under property, plant and equipment	Ota-ku, Tokyo, etc.	258

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 (244 million yen for buildings and structures and 14 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.

***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.

First nine months of FY9/21 (Oct. 1, 2020 – Jun. 30, 2021)

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.

***4 Loss on closing of nursery schools**

First nine months of FY9/21 (Oct. 1, 2020 – Jun. 30, 2021)

The Company recognized a loss on closing of nursery schools as a result of incurring restoration costs of 13 million yen, due to the closing of a local government licensed nursery school in conjunction with the establishment of a new central government licensed nursery school in its neighborhood.

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.