



Consolidated Financial Results for the Fiscal Year Ended September 30, 2021

[Japanese GAAP]

November 12, 2021

Company name: Global Kids Company Corp. Stock Exchange Listing: TSE (1st section)
 Securities code: 6189 URL: <https://www.gkids.jp/>
 Representative: Yuichi Nakasho, Representative Director & CEO
 Contact: Masayuki Noda, General Manager, Finance & Investor Relations Department
 Telephone: +81-(0)3-3221-3770

Scheduled date of annual shareholders' meeting: December 21, 2021

Scheduled submission date of annual securities report: December 22, 2021

Scheduled date of payment of dividend: -

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended September 30, 2021

(October 1, 2020 to September 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	%
Fiscal year ended Sep. 30, 2021	23,529	6.2	576	20.6	1,148	25.3	481	10.0
Fiscal year ended Sep. 30, 2020	22,160	12.5	477	175.0	916	(48.7)	438	(60.8)

Note: Comprehensive income (million yen) Fiscal year ended Sep. 30, 2021: 497 (up 14.8%)

Fiscal year ended Sep. 30, 2020: 433 (down 61.1%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Sep. 30, 2021	51.97	51.41	5.7	6.3	2.4
Fiscal year ended Sep. 30, 2020	47.65	46.75	5.5	5.0	2.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Sep. 30, 2021: - Fiscal year ended Sep. 30, 2020: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2021	18,110	8,658	47.7	928.85
As of Sep. 30, 2020	18,561	8,146	43.8	882.76

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 8,639 As of Sep. 30, 2020: 8,127

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Sep. 30, 2021	1,235	(907)	(816)	1,327
Fiscal year ended Sep. 30, 2020	1,999	(1,044)	(619)	1,816

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Sep. 30, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Sep. 30, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Sep. 30, 2022 (Forecast)	-	0.00	-	25.00	25.00		29.1	

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2022

(October 1, 2021 to September 30, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	24,900	5.8	940	63.2	1,260	9.7	800	66.0	85.82

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) 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

(3) Number of shares issued (common stock)

1) Number of shares issued as of the end of the period (including treasury shares)

As of Sep. 30, 2021: 9,328,511 shares As of Sep. 30, 2020: 9,229,880 shares

2) Number of treasury shares as of the end of the period

As of Sep. 30, 2021: 6,797 shares As of Sep. 30, 2020: 1,072 shares

3) Average number of shares issued during the period

Fiscal year ended Sep. 30, 2021: 9,272,876 shares Fiscal year ended Sep. 30, 2020: 9,193,412 shares

* The current financial report is not subject to audit 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. Overview of Results of Operations, (4) Future Outlook" on page 4 of the attachments for details on the above forecasts.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	3
(3) Cash Flows	3
(4) Future Outlook	4
2. Corporate Group	5
3. Basic Approach to the Selection of Accounting Standards	5
4. Consolidated Financial Statements and Notes	
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
Going Concern Assumption	12
Significant Accounting Policies in the Preparation of Consolidated Financial Statements	12
Consolidated Statements of Income and Comprehensive Income	14
Additional Information	14
Segment and Other Information	15
Per-share Information	16
Significant Subsequent Events	16

1. Overview of Results of Operations

(1) Results of Operations

(Results of operations for the fiscal year ended September 30, 2021)

In Japan, dealing with the declining workforce due to the low birthrate and aging population has become an issue of the utmost urgency, and the significance of the child-rearing business is growing year by year, as an infrastructure to support the social advancement and active participation of women who are expected to boost the country's economic vitality.

To reduce the number of wait-listed children at nursery schools, both the central and local governments are implementing measures that aim to expand service capacity by securing childcare workers and developing nursery schools. 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.

While the number of wait-listed children is decreasing, thanks to these initiatives taken by the government, the situation is still far from the government's goal of zero wait-listed children. The demand for establishing new nursery schools is expected to continue to a certain extent to achieve the goal of expanding service capacity under the government's New Child-rearing Security Plan.

Furthermore, in an effort to unify its measures regarding children, the government is aiming to establish a "Children's Affairs Agency" that raises the concept of "Children First." The establishment of the Children's Affairs Agency is expected to raise the percentage of childcare-related expenditures against GDP to the latter 3% levels, comparable to European countries, and to improve the compensation and social standing of childcare workers, and the stance of promoting children-centric policies on a national scale has become increasingly marked.

Under such circumstances, the Group opened ten 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 current fiscal year, the Group operates a total of 184 facilities: 135 central government licensed nursery schools (98 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.

(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
- Global Kids Tachiaigawa

Kanagawa

- Global Kids Mitsukyo
- Global Kids Hiyoshi 5-Chome

Chiba

- Global Kids Urayasu

Net sales for the current fiscal year increased attributable to a rise in the number of nursery school children due to the opening of ten new central government licensed nursery schools mainly in Tokyo as part of our strategy to expand our business foundations and the rising occupancy rates of relatively new nursery schools mainly in the second and third years after establishment, in addition to the gradual recovery from the temporary fall in occupancy rates as a result of the suspension of nursery admissions of mainly 0 to 1-year-olds due to the impact of the novel coronavirus infection. Cost of sales rose due to the increase in facility operation expenses including facility rent and personnel expenses reflecting the increase in the number of facilities, despite lower recruiting costs. Meanwhile, the selling, general and administrative expenses ratio improved thanks to the contributions made by the establishment of online internal events, training, and meetings and the resulting decrease in meeting and travel expenses, as well as the promotion of enhanced efficiency in hiring.

Consequently, the Group reported net sales for the current fiscal year of 23,529 million yen (up 6.2% year on year) with operating

profit of 576 million yen (up 20.6% year on year), ordinary profit of 1,148 million yen (up 25.3% year on year), and profit attributable to owners of parent of 481 million yen (up 10.0% year on year).

(2) Financial Position

Assets

Total assets amounted to 18,110 million yen at the end of the current fiscal year, a decrease of 450 million yen from the end of the previous fiscal year.

Current assets decreased 63 million yen to 4,130 million yen. This was mainly attributable to a decrease of 488 million yen in cash and deposits, despite increases of 370 million yen and 55 million yen in accounts receivable-other and prepaid expenses, respectively.

Non-current assets decreased 387 million yen to 13,979 million yen. This was mainly attributable to a decrease of 306 million yen in property, plant and equipment due to depreciation and impairment loss, despite an acquisition of buildings and structures as well as machinery and equipment due to the opening of new nursery schools.

Liabilities

Total liabilities amounted to 9,452 million yen at the end of the current fiscal year, a decrease of 962 million yen from the end of the previous fiscal year.

Current liabilities decreased by 254 million yen to 3,212 million yen. This was mainly attributable to a decrease of 193 million yen in income taxes payable and a decrease of 41 million yen in advances received.

Non-current liabilities decreased 707 million yen to 6,239 million yen. This was mainly attributable to a decrease of 776 million yen in long-term loans payable.

Total interest-bearing debt decreased 814 million yen from the end of the previous fiscal year.

Net assets

Net assets amounted to 8,658 million yen at the end of the current fiscal year, an increase of 511 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 481 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 current fiscal year decreased 488 million yen from the end of the previous fiscal year to 1,327 million yen with net cash provided by operating activities of 1,235 million yen, net cash used in investing activities of 907 million yen, and net cash used in financing activities of 816 million yen.

The cash flow components for the current fiscal year and the main factors for changes are described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,235 million yen, mainly due to recording of profit before income taxes of 815 million yen, an increase in net defined benefit liability of 107 million yen, an increase in provision for bonuses of 31 million yen and a cash inflow from other operating activities of 143 million yen.

Net cash provided decreased 764 million yen compared to the fiscal year ended September 30, 2020. This was mainly due to an increase in accounts receivable-other of 505 million yen and an increase in income taxes paid of 425 million yen, despite an increase in profit before income taxes of 41 million yen and an increase in prepaid expenses of 133 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 907 million yen, mainly due to purchase of property, plant and equipment of 785 million yen and payments for lease and guarantee deposits of 136 million yen.

Net cash used in investing activities decreased 136 million yen compared to the fiscal year ended September 30, 2020. This was mainly due to a decrease in purchase of property, plant and equipment of 82 million yen and a decrease in the purchase of intangible assets of 71 million yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 816 million yen, mainly due to repayments of long-term loans payable of 904 million yen, despite proceeds from long-term loans payable of 90 million yen.

Net cash used in financing activities increased by 197 million yen compared to the fiscal year ended September 30, 2020. This was

mainly due to a decrease in proceeds from long-term loans payable of 388 million yen, despite a decrease in repayments of long-term loans payable of 166 million yen.

Reference: Cash flow indicators

	FY9/21
Equity ratio (%)	47.7
Market value-based equity ratio (%)	44.3
Interest-bearing debt to cash flow ratio (Years)	3.7
Interest coverage ratio (Times)	52.7

-Equity ratio: Shareholders' equity / Total assets

-Market value-based equity ratio: Market capitalization / Total assets

-Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

-Interest coverage ratio: Operating cash flows / Interest expenses

Notes: 1. Market capitalization is calculated by multiplying the closing share price at the period end (or the contract price for the most recent day prior to the period end if there is no applicable contract execution at the period end) by the number of shares issued and outstanding (excluding treasury shares) at the period end.

2. Cash flows are calculated using the figures for operating cash flows in the statement of cash flows.

3. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(4) Future Outlook

Nursery school users have been increasing due to the rise in the number of double-income households and the employment rate of women, reflecting the change in awareness of the social advancement of women and government efforts to encourage them to take active roles. Meanwhile, although the usage rate of nursery schools remains high at over 90%, thanks to the successful efforts by both the central and local governments to expand service capacity, the rate is on a slight decline.

The central and local governments continue to build more nursery schools, in an effort to expand service capacity, and the number of wait-listed children has decreased for four consecutive years, as shown in the table below. However, as of April 2021, the number of wait-listed children stood at 5,634, a figure that is still far from the government's goal of zero, and in December 2020, the government launched the New Child-rearing Security Plan, setting a goal of securing additional capacity of approximately 140,000 children over the four years from fiscal 2021 to the end of fiscal 2024. In light of these circumstances, the demand for establishing new nursery schools is expected to continue to a certain extent.

In this environment, we are making it a policy to promote the stable development of new facilities to fulfill the social demand for eliminating wait-listed children.

Number of wait-listed children

April 1, 2016	April 1, 2017	April 1, 2018	April 1, 2019	April 1, 2020	April 1, 2021
23,553	26,081	19,895	16,772	12,439	5,634

Source: *Summary of Nursery School Situation* issued by the Ministry of Health, Labour, and Welfare

Based on the above, we anticipate net sales for the next fiscal year of 24,900 million yen (up 5.8% year on year) with operating profit of 940 million yen (up 63.2% year on year), ordinary profit of 1,260 million yen (up 9.7% year on year), and profit attributable to owners of parent of 800 million yen (up 66.0% year on year).

The year-on-year increase in net sales for the next fiscal year is attributable to an expected rise in the number of nursery school children mainly due to the opening of new nursery schools, as well as the rising occupancy rates of relatively new nursery schools in the second and third years after establishment. In addition, both operating profit and ordinary profit are expected to increase due to expected contributions from sales and optimization of personnel expenses through optimized staff allocation, in addition to improved efficiency associated with higher occupancy rates.

2. Corporate Group

The Group consists of the Company and its consolidated subsidiary that engage primarily in the child-rearing support business by operating nursery schools, after-school day care centers, children houses, and child developmental support business.

The following diagram shows the Group's business activities and the positioning of the Company and its affiliated companies in the business.

Business structure diagram



3. Basic Approach to the Selection of Accounting Standards

We adopt Japanese GAAP because most of our stakeholders are shareholders, creditors, users, and business partners located in Japan, and we do not necessarily have to raise funds from overseas capital markets.

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

(Millions of yen)

	FY9/20 (As of Sep. 30, 2020)	FY9/21 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,816	1,327
Accounts receivable-other	1,797	2,168
Prepaid expenses	574	629
Other	6	4
Total current assets	4,194	4,130
Non-current assets		
Property, plant and equipment		
Land	635	635
Buildings and structures, net	10,523	10,317
Construction in progress	107	52
Other, net	400	356
Total property, plant and equipment	11,666	11,360
Intangible assets		
Software	52	42
Software in progress	4	-
Total intangible assets	56	42
Investments and other assets		
Investment securities	113	50
Long-term prepaid expenses	570	455
Lease and guarantee deposits	1,632	1,746
Construction assistance fund receivables	304	285
Deferred tax assets	23	38
Other	0	0
Total investments and other assets	2,643	2,576
Total non-current assets	14,366	13,979
Total assets	18,561	18,110
Liabilities		
Current liabilities		
Short-term loans payable		
Current portion of long-term loans payable	859	820
Accounts payable-other	1,261	1,280
Income taxes payable	370	177
Advances received	127	86
Provision for bonuses	586	617
Provision for retirement benefits for directors (and other officers)	24	-
Other	237	229
Total current liabilities	3,466	3,212
Non-current liabilities		
Long-term loans payable	4,487	3,711
Net defined benefit liability	340	408
Deferred tax liabilities	1,773	1,755
Asset retirement obligations	343	364
Other	2	0
Total non-current liabilities	6,947	6,239
Total liabilities	10,414	9,452

(Millions of yen)

	FY9/20 (As of Sep. 30, 2020)	FY9/21 (As of Sep. 30, 2021)
Net assets		
Shareholders' equity		
Capital stock	1,278	1,288
Capital surplus	1,967	1,976
Retained earnings	4,960	5,442
Treasury shares	(1)	(6)
Total shareholders' equity	8,205	8,701
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	(0)
Remeasurements of defined benefit plans	(79)	(61)
Total accumulated other comprehensive income	(77)	(62)
Subscription rights to shares	19	19
Total net assets	8,146	8,658
Total liabilities and net assets	18,561	18,110

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	FY9/20 (Oct. 1, 2019 –Sep. 30, 2020)	FY9/21 (Oct. 1, 2020 –Sep. 30, 2021)
Net sales	22,160	23,529
Cost of sales	19,385	20,654
Gross profit	2,774	2,874
Selling, general and administrative expenses	2,296	2,298
Operating profit	477	576
Non-operating income		
Interest and dividend income	6	5
Subsidy income	606	761
Other	2	37
Total non-operating income	615	805
Non-operating expenses		
Interest expenses	28	23
Capital expenses	143	209
Other	5	0
Total non-operating expenses	177	233
Ordinary profit	916	1,148
Extraordinary income		
Gain on sale of business	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	774	815
Income taxes-current	425	374
Income taxes-deferred	(89)	(40)
Total income taxes	336	333
Profit (Loss)	438	481
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	438	481
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(2)
Remeasurements of defined benefit plans, net of tax	(6)	17
Total other comprehensive income	(4)	15
Comprehensive income	433	497
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	433	497
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY9/20 (Oct. 1, 2019–Sep. 30, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,275	1,963	4,522	(0)	7,760
Changes of items during period					
Issuance of new shares	3	3			7
Profit attributable to owners of parent			438		438
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	3	3	438	(0)	445
Balance at end of current period	1,278	1,967	4,960	(1)	8,205

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(0)	(72)	(73)	19	7,706
Changes of items during period					
Issuance of new shares					7
Profit attributable to owners of parent					438
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	1	(6)	(4)	-	(4)
Total changes of items during period	1	(6)	(4)	-	440
Balance at end of current period	1	(79)	(77)	19	8,146

FY9/21 (Oct. 1, 2020–Sep. 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,278	1,967	4,960	(1)	8,205
Changes of items during period					
Issuance of new shares	9	9			19
Profit attributable to owners of parent			481		481
Purchase of treasury shares				(4)	(4)
Net changes of items other than shareholders' equity					
Total changes of items during period	9	9	481	(4)	496
Balance at end of current period	1,288	1,976	5,442	(6)	8,701

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1	(79)	(77)	19	8,146
Changes of items during period					
Issuance of new shares					19
Profit attributable to owners of parent					481
Purchase of treasury shares					(4)
Net changes of items other than shareholders' equity	(2)	17	15	-	15
Total changes of items during period	(2)	17	15	-	511
Balance at end of current period	(0)	(61)	(62)	19	8,658

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY9/20 (Oct. 1, 2019 –Sep. 30, 2020)	FY9/21 (Oct. 1, 2020 –Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	774	815
Depreciation	822	850
Loss on closing of nursery schools	-	13
Impairment loss	137	258
Subsidy income	(606)	(761)
Loss (gain) on sale of businesses	(27)	-
Loss on valuation of investment securities	6	59
Loss on valuation of shares of subsidiaries and associates	26	-
Increase (decrease) in provision for bonuses	33	31
Increase (decrease) in net defined benefit liability	85	107
Increase (decrease) in provision for retirement benefits for directors (and other officers)	24	(24)
Interest and dividend income	(6)	(5)
Interest expenses	28	23
Decrease (increase) in accounts receivable-other	134	(370)
Decrease (increase) in prepaid expenses	(176)	(43)
Increase (decrease) in accounts payable-other	32	6
Increase (decrease) in advances received	56	(41)
Other, net	218	143
Subtotal	<u>1,562</u>	<u>1,063</u>
Interest and dividend income received	2	2
Interest expenses paid	(28)	(23)
Income taxes paid	(144)	(569)
Proceeds from subsidy income	606	761
Net cash provided by (used in) operating activities	<u>1,999</u>	<u>1,235</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(867)	(785)
Purchase of intangible assets	(78)	(6)
Payments for lease and guarantee deposits	(107)	(136)
Proceeds from lease and guarantee deposits received	1	2
Collection of construction assistance fund receivables	23	21
Other, net	(16)	(3)
Net cash provided by (used in) investing activities	<u>(1,044)</u>	<u>(907)</u>
Cash flows from financing activities		
Proceeds from long-term loans payable	478	90
Repayments of long-term loans payable	(1,070)	(904)
Redemption of bonds	(23)	-
Repayments of lease obligations	(4)	(3)
Proceeds from exercise of share options	1	2
Purchase of treasury shares	0	-
Other, net	(619)	(816)
Net increase (decrease) in cash and cash equivalents	<u>336</u>	<u>(488)</u>
Cash and cash equivalents at beginning of period	<u>1,480</u>	<u>1,816</u>
Cash and cash equivalents at end of period	<u>1,816</u>	<u>1,327</u>

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

1) Number of consolidated subsidiaries: 1

Name of consolidated subsidiary:

Global Kids K.K.

2) Name of non-consolidated subsidiary

Non-consolidated subsidiary

GLOBAL KIDS VIETNAM CO., LTD.

(Reason for exclusion from the scope of consolidation)

The non-consolidated subsidiary is excluded from the scope of consolidation as it would be of minor importance in the consolidated financial statements considering its total assets, net sales, profit/loss (amounts proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) even if it is excluded from the scope of consolidation, as its business is small in scale.

2. Application of the equity method

1) Non-consolidated subsidiaries and affiliates accounted for under the equity method

Not applicable.

2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method

Name of major company

GLOBAL KIDS VIETNAM CO., LTD.

(Reason for exclusion from the scope of equity-method application)

The above non-consolidated subsidiary is excluded from the scope of application of the equity method as it would be of minor importance in the consolidated financial statements considering profit/loss (amount proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) even if the method is not applied.

3. Period end of consolidated subsidiaries

The fiscal year of the consolidated subsidiaries ends on the closing date of consolidated financial statements.

4. Accounting policies

(1) Valuation criteria and methods for significant assets

1) Available-for-sale securities

Securities with market quotations

Stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. Cost of securities sold is determined by the moving average method.

Securities without market quotations

Moving average cost method.

2) Inventories

Supplies

Stated at cost determined by the first-in and first-out method (the carrying value on the consolidated balance sheet is written down to reflect the effect of lower profit margins).

(2) Depreciation and amortization method for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures 6 to 39 years

2) Intangible assets (excluding leased assets)

The Company applies the straight-line method.

Software for internal use is amortized over an estimated internal useful life of five years.

3) Leased assets

Leased assets associated with finance lease transactions where there is no transfer of ownership

The straight-line method with no residual value is applied over the lease period used as the useful life of the assets.

(3) Accounting for significant allowance

Provision for bonuses

An allowance is provided, based on an estimated amount of payment for the current fiscal year, to prepare for the payment of bonuses to employees of the Group.

(4) Accounting method for retirement benefits

1) Method of attributing estimated retirement benefits to periods

In its calculation of retirement benefit obligations, the Company uses the benefit formula basis for attributing estimated retirement benefit obligations to the period until the end of the current fiscal year.

2) Amortization of actuarial difference and past service cost

Past service cost is amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees.

(5) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments, with maturities of three months or less, that are highly liquid and readily convertible to known amounts of cash and present insignificant risk of change in value.

(6) Other significant matters for preparation of the consolidated financial statements

Accounting for consumption taxes

Consumption taxes are accounted for by the tax-exclusion method. Non-deductible consumption taxes are recorded as expenses in the corresponding fiscal years. However, non-deductible consumption taxes associated with non-current assets are included in long-term prepaid expenses under investments and other assets and amortized over five years by the straight-line method.

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

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

FY9/20 (Oct. 1, 2019 – Sep. 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.

FY9/21 (Oct. 1, 2020 – Sep. 30, 2021)

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**

FY9/20 (Oct. 1, 2019 – Sep. 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.

FY9/21 (Oct. 1, 2020 – Sep. 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**

FY9/20 (Oct. 1, 2019 – Sep. 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**

FY9/21 (Oct. 1, 2020 – Sep. 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.

Additional Information

(Accounting-based estimates regarding the impact of the novel coronavirus infection)

With regard to the impact of the novel coronavirus infection, the Company had assumed that the infection would be contained by the end of March 2021 and that normal facility operations would commence from April 2021. However, as the nursery school admissions of 0 to 1-year-olds were temporarily suspended, due to the effects of the resurgence of the infection and the state of emergency once

again being declared, the occupancy rates fell short of expectations. Consequently, the Company has changed its assumption so that the impact of the novel coronavirus infection will continue until the end of March 2022 and has accordingly made estimates of future cash flows in the impairment of non-current assets.

Segment and Other Information

a. Segment information

Omitted since the Group has only a single business segment, which is the “child-rearing support business.”

b. Related information

FY9/20 (Oct. 1, 2019 –Sep. 30, 2020)

1. Information by product or service

Omitted since sales to external customers, which account for more than 90% of net sales shown on the consolidated statement of income, are derived from a single product or service category.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Millions of yen)

Customer name	Net sales	Relevant segment
Yokohama City	3,049	Child-rearing support business

FY9/21 (Oct. 1, 2020 –Sep. 30, 2021)

1. Information by product or service

Omitted since sales to external customers, which account for more than 90% of net sales shown on the consolidated statement of income, are derived from a single product or service category.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Millions of yen)

Customer name	Net sales	Relevant segment
Yokohama City	3,320	Child-rearing support business

c. Information related to impairment losses on non-current assets for each reportable segment

Omitted since the Group has only a single business segment.

d. Information related to goodwill amortization and the unamortized balance for each reportable segment

Omitted since the Group has only a single business segment.

e. Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY9/20 (Oct. 1, 2019 –Sep. 30, 2020)	FY9/21 (Oct. 1, 2020 –Sep. 30, 2021)
Net assets per share	882.76	928.85
Net income per share	47.65	51.97
Diluted net income per share	46.75	51.41

Note: The basis of calculating the net income per share and diluted net income per share is as follows:

	FY9/20 (Oct. 1, 2019 –Sep. 30, 2020)	FY9/21 (Oct. 1, 2020 –Sep. 30, 2021)
Net income per share		
Profit attributable to owners of parent (millions of yen)	438	481
Amount not attributable to ordinary shareholders (millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (millions of yen)	438	481
Average number of shares of common stock outstanding (shares)	9,193,412	9,272,876
Diluted net income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	-	-
Increase in number of shares of common stock (shares)	178,236	101,116
[Of which, stock acquisition rights (shares)]	[178,236]	[101,116]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Significant Subsequent Events

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.