Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2022
(Three Months Ended December 31, 2021)

[Japanese GAAP]

January 31, 2022

Company name: Global Kids Company Corp.
Stock Exchange Listing: TSE (1st section)
Securities code: 6189
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Scheduled date of filing of Quarterly Report: February 4, 2022
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 First Quarter of the Fiscal Year Ending September 30, 2022 (October 1, 2021 to December 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	%
Three months ended Dec. 31, 2021	6,025	5.9	133	(10.5)	131	(10.5)	83	(11.1)
Three months ended Dec. 31, 2020	5,688	5.7	149	92.7	146	19.9	93	16.6

Note: Comprehensive income (million yen) Three months ended Dec. 31, 2021: 91 (down 8.0%)
Three months ended Dec. 31, 2020: 99 (up 13.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2021	8.93	8.87
Three months ended Dec. 31, 2020	10.15	9.96

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2021	17,858	8,751	48.9
As of Dec. 31, 2020	18,110	8,658	47.7

Reference: Shareholders' equity (million yen) As of Dec. 31, 2021: 8,731 As of Dec. 31, 2020: 8,639

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Sep. 30, 2022	-				
Fiscal year ending Sep. 30, 2022 (Forecast)		0.00	-	25.00	25.00

Note: Revisions to the most recently announced dividend forecast: None

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	24,900	5.8	940	63.2	1,260	9.7	800	66.0	85.82

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: Yes
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 Dec. 31, 2021:	9,365,511 shares	As of Sep. 30, 2021:	9,328,511 shares

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

As of Dec. 31, 2021:	6,859 shares	As of Sep. 30, 2021:	6,797 shares

3) Average number of shares issued during the period

Three months ended Dec. 31, 2021:	9,327,974 shares	Three months ended Dec. 31, 2020:	9,234,673 shares

* 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

(1) Explanation of Results of Operations

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 plans to create a new “Agency for Children and Families” as early as possible in fiscal year 2023, under the banner of a “child-centered society” which centrally positions child-related initiatives and policies within society. The establishment of Agency for Children and Families 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 has become increasingly marked.

At the end of the period under review, the Group operates a total of 183 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 three child developmental support facilities. Furthermore, the Group plans to open six new central government licensed nursery schools (including one facility to be transitioned from local government licensed nursery school status) during the fiscal year ending September 30, 2022, mainly in Tokyo.

Net sales for the period under review increased. This was attributable to a rise in the number of nursery school children due to improvements in the occupancy rate and an increase in the number of facilities under operation. In terms of expenses, the cost of sales rose primarily due to an increase in personnel expenses resulting from the hiring of additional personnel in conjunction with the increase in the number of facilities under operation, together with the expansion of benefits. Furthermore, selling, general and administrative expenses also rose in conjunction with recruitment advertising and the increase in business consignment expenses related to investing in operation efficiency improvements, etc.

Consequently, the Group reported net sales for the period under review of 6,025 million yen (up 5.9% year on year) with operating profit of 133 million yen (down 10.5% year on year), ordinary profit of 131 million yen (down 10.5% year on year), and profit attributable to owners of parent of 83 million yen (down 11.1% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 17,858 million yen at the end of the period under review, a decrease of 252 million yen from the end of the previous fiscal year.

Current assets decreased 226 million yen to 3,903 million yen. This was mainly attributable to a decrease of 161 million yen in accounts receivable-other and contract assets (indicated as “accounts receivable-other” until the previous fiscal year).

Non-current assets decreased 25 million yen to 13,954 million yen. This was mainly attributable to long-term prepaid expenses, lease and guarantee deposits, and deferred tax assets decreasing by 19 million yen, 6 million yen, and 5 million yen, respectively, despite an increase of 17 million yen in property, plant and equipment for the opening of new facilities scheduled in April.

Liabilities

Total liabilities amounted to 9,107 million yen at the end of the period under review, a decrease of 344 million yen from the end of the previous fiscal year.

Current liabilities decreased 181 million yen to 3,030 million yen. This was mainly attributable to a decrease of 317 million yen in provision for bonuses due to the payment of bonuses in December, despite a 148 million yen increase in accounts payable-other.

Non-current liabilities decreased 163 million yen to 6,076 million yen. This was mainly attributable to a decrease of 188 million yen in long-term loans payable.

Net assets

Net assets amounted to 8,751 million yen at the end of the period under review, an increase of 92 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 83 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, 2022 that was announced on November 12, 2021.

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

(Millions of yen)

	FY9/21 (As of Sep. 30, 2021)	First quarter of FY9/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,327	1,299
Accounts receivable-other	2,168	-
Accounts receivable-other and contract assets	-	2,007
Prepaid expenses	629	592
Other	4	4
Total current assets	4,130	3,903
Non-current assets		
Property, plant and equipment		
Land	635	635
Buildings and structures, net	10,317	10,140
Construction in progress	52	264
Other, net	356	338
Total property, plant and equipment	11,360	11,377
Intangible assets		
Software	42	38
Total intangible assets	42	38
Investments and other assets		
Investment securities	50	47
Long-term prepaid expenses	455	436
Lease and guarantee deposits	1,746	1,739
Construction assistance fund receivables	285	280
Deferred tax assets	38	32
Other	0	0
Total investments and other assets	2,576	2,537
Total non-current assets	13,979	13,954
Total assets	18,110	17,858
Liabilities		
Current liabilities		
Current portion of long-term loans payable	820	813
Accounts payable-other	1,280	1,429
Income taxes payable	177	46
Advances received	86	142
Provision for bonuses	617	300
Other	229	298
Total current liabilities	3,212	3,030
Non-current liabilities		
Long-term loans payable	3,711	3,522
Net defined benefit liability	408	425
Deferred tax liabilities	1,755	1,762
Asset retirement obligations	364	365
Other	0	0
Total non-current liabilities	6,239	6,076
Total liabilities	9,452	9,107

(Millions of yen)

	FY9/21 (As of Sep. 30, 2021)	First quarter of FY9/22 (As of Dec. 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	1,288	1,289
Capital surplus	1,976	1,977
Retained earnings	5,442	5,526
Treasury shares	(6)	(6)
Total shareholders' equity	8,701	8,786
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	-
Remeasurements of defined benefit plans	(61)	(54)
Total accumulated other comprehensive income	(62)	(54)
Subscription rights to shares	19	19
Total net assets	8,658	8,751
Total liabilities and net assets	18,110	17,858

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	First Three months of FY9/21 (Oct. 1, 2020 – Dec. 31, 2020)	First Three months of FY9/22 (Oct. 1, 2021 – Dec. 31, 2021)
Net sales	5,688	6,025
Cost of sales	4,995	5,317
Gross profit	692	707
Selling, general and administrative expenses	543	574
Operating profit	149	133
Non-operating income		
Interest and dividend income	3	4
Subsidy income	-	0
Other	1	0
Total non-operating income	4	5
Non-operating expenses		
Interest expenses	5	5
Capital expenses	-	0
Other	1	1
Total non-operating expenses	7	7
Ordinary profit	146	131
Profit before income taxes	146	131
Income taxes	53	48
Profit (Loss)	93	83
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	93	83
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Remeasurements of defined benefit plans, net of tax	6	7
Total other comprehensive income	5	8
Comprehensive income	99	91
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	99	91
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc., from the beginning of the period under review. Under this standard, revenue is recognized as being the amount expected to be received for promised goods and services at the time of transfer of control of such goods and services to the customer.

The Group has only a single business segment, which is the child-rearing support business. The primary sales produced by the Group's businesses are categorized as indicated below.

(1) Central government licensed nursery schools, etc.

Central government licensed nursery schools are childcare facilities which meet the establishment standards (facility size, number of childcare workers and other personnel, school meal equipment, disaster management, hygiene management, etc.) stipulated by the national government in accordance with the Child Welfare Act. They have been licensed by prefectural governors, etc. and by the mayors of municipal governments, and meet the approval standards stipulated by the ordinance of municipal governments. Under the Comprehensive Support System for Children and Child-rearing, the operation of these facilities is funded by public institutional and regional childcare facility benefits provided by the national and municipal governments in the form of consignment fees.

Performance obligations for the majority of their revenue are fulfilled by providing childcare services to users. Based on the authorized prices stipulated by the Cabinet Office and the subsidization guidelines stipulated by municipal governments, revenue is recognized at the specific point in time when requests for consignment fees and subsidies are submitted to municipal governments based on the number of enrolled children, the number of workers, etc.

On the other hand, performance obligations for some of the revenue are fulfilled gradually through the payment of wages to staff and the payment of nursery school rent, in accordance with the subsidization guidelines of municipal governments. Such revenue is recognized over the span of time during the fulfillment of performance obligations.

(2) Unlicensed childcare facilities

Unlicensed childcare facilities are childcare facilities that are not licensed by prefectural governors, etc., and are funded by childcare fees paid by users and operation expense subsidies received from municipal governments and the Foundation for Child Well-being.

Of this revenue, the amount requested to municipal governments is recognized based on equivalent standards to those used for central government licensed nursery schools, etc. With regard to the amount charged to users, childcare consignment contracts are concluded directly with users, performance obligations are fulfilled at the point at which childcare services are offered, and revenue is recognized at that specific point in time.

(3) After-school day care centers and children's houses

The purpose of these facilities is to provide children who are enrolled in elementary school, generally under the age of 10, whose guardians are not at home during the day due to work, etc., with appropriate after-school play spaces and spaces to stay using children's houses, etc., with the aim of promoting their healthy development. Their operation is funded by the receipt of operation expenses from municipal governments and usage fees from users.

Performance obligations for the majority of their revenue are fulfilled by providing childcare services to users, and are fulfilled over a span of time by providing childcare services based on consignment contracts with municipal governments. Consequently, revenue is recognized over the span of time during the fulfillment of performance obligations.

The Group has applied the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The application had no effect on the beginning balance of retained earnings. In addition, the Group has applied the method set forth in Paragraph 86 of the Revenue Recognition Accounting Standard and did not apply the new accounting policy retrospectively to contracts in which almost all of the revenue amounts were recognized using the previous accounting practice prior to the beginning of the period under review. As a result, this had no effect on the quarterly consolidated financial statements for the three months ended December 31, 2021 compared to the previous accounting practice.

Due to the application of the Revenue Recognition Accounting Standard, etc., the “accounts receivable-other” indicated within “current assets” in the consolidated balance sheet of the previous fiscal year will be indicated as “accounts receivable-other, and contract assets” from the period under review. In accordance with the transitional treatment provided in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the prior year’s consolidated financial statements have not been reclassified to conform to the new presentation method. In addition, in accordance with the transitional treatment provided in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), the breakdown of information regarding revenues arising from contracts with customers for the three months ended December 31, 2020 was not stated.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc., from the beginning of the period under review. In accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Group will apply prospectively the new accounting policy set forth in the Fair Value Accounting Standard, etc. The application has no effect on the quarterly consolidated financial statements.

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.