Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending September 30, 2022
(Six Months Ended March 31, 2022)

[Japanese GAAP]
April 28, 2022

Company name: Global Kids Company Corp.
Stock Exchange Listing: TSE (Prime)
Securities code: 6189
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Scheduled date of filing of Quarterly Report: May 6, 2022
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, 2022 (October 1, 2021 to March 31, 2022)

(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, 2022	12,257	5.3	370	10.2	364	12.2	221	12.3
Six months ended Mar. 31, 2021	11,640	6.0	336	71.5	324	34.4	196	33.3

Note: Comprehensive income (million yen) Six months ended Mar. 31, 2022: 237 (up 13.3%)
Six months ended Mar. 31, 2021: 209 (up 31.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2022	23.64	23.50
Six months ended Mar. 31, 2021	21.28	20.93

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2022	21,188	8,911	42.0
As of Sep. 30, 2021	18,110	8,658	47.7

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 8,892 As of Sep. 30, 2021: 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	-	0.00			
Fiscal year ending Sep. 30, 2022 (Forecast)			-	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 Mar. 31, 2022:	9,390,341 shares	As of Sep. 30, 2021:	9,328,511 shares

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

As of Mar. 31, 2022:	6,859 shares	As of Sep. 30, 2021:	6,797 shares

 3) Average number of shares issued during the period

Six months ended Mar. 31, 2022:	9,352,814 shares	Six months ended Mar. 31, 2021:	9,251,776 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, (4) 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 172 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; 12 after-school day care centers or children's houses; and three child developmental support facilities.

Furthermore, during the period under review, the Group carried out preparations for the opening of new facilities and, as indicated below, opened six new central government licensed nursery schools (including one facility that was transitioned from local government licensed nursery school status) on April 1, 2022.

(Central government licensed nursery schools)

Tokyo

- Global Kids Shoinjinjamae
- Global Kids Hamacho
- Global Kids Toyosu
- Global Kids Matsushima
- Global Kids Higashifushimi

Kanagawa

- Global Kids Shinkoyasu No. 2

Net sales for the period under review increased attributable to a rise in the number of nursery school children mainly due to an increase in the number of facilities under operation. In terms of expenses, although the Group kept recruiting expenses down, land rent rose in conjunction with the increase in the number of facilities under operation, and personnel expenses and company housing rent expenses rose in conjunction with the hiring of additional personnel. Primarily as a result of these factors, the cost to sales ratio rose by 0.2 points. In terms of selling, general and administrative expenses, on the other hand, although the amount of investment in operation efficiency improvements rose, head office personnel expenses fell, and the selling, general and administrative expenses ratio improved by 0.4 points over the previous fiscal year.

Consequently, the Group reported net sales for the period under review of 12,257 million yen (up 5.3% year on year) with operating profit of 370 million yen (up 10.2% year on year), ordinary profit of 364 million yen (up 12.2% year on year), and profit attributable to owners of parent of 221 million yen (up 12.3% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 21,188 million yen at the end of the period under review, an increase of 3,078 million yen from the end of the previous fiscal year.

Current assets increased 2,793 million yen to 6,924 million yen. This was mainly attributable to an increase of 2,752 million yen in cash and deposits.

Non-current assets increased 285 million yen to 14,264 million yen. This was mainly attributable to an increase of 640 million yen in construction in progress in preparation for the openings of new facilities in April, despite a decrease of 361 million yen in buildings and structures, net due to depreciation.

Liabilities

Total liabilities amounted to 12,277 million yen at the end of the period under review, an increase of 2,825 million yen from the end of the previous fiscal year.

Current liabilities increased 3,162 million yen to 6,374 million yen. This was mainly attributable to an increase of 3,100 million yen in short-term loans payable.

In order to procure funding for the opening by consolidated subsidiary Global Kids K.K. of new central government licensed nursery schools in April 2022 and for their short-term operation, it was resolved on November 30, 2021, that the Group would borrow 3,100 million yen in short-term funding from five banks, including Mizuho Bank, Ltd. This borrowing was performed on March 14 and March 23, 2022.

Non-current liabilities decreased 337 million yen to 5,902 million yen. This was mainly attributable to a decrease of 377 million yen for repayments of long-term loans payable.

Net assets

Net assets amounted to 8,911 million yen at the end of the period under review, an increase of 253 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 221 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 4,080 million yen.

Cash flows from operating activities

Net cash provided by operating activities amounted to 789 million yen (487 million yen provided in the first half of the fiscal year ended September 30, 2021). This was primarily due to profit before income taxes of 355 million yen and the non-cash item of 426 million yen in depreciation.

There was also an increase of 301 million yen compared with the first half of the fiscal year ended September 30, 2021. This was mainly due to a decrease in income taxes paid of 195 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 745 million yen (657 million yen used in the first half of the fiscal year ended September 30, 2021), mainly due to purchase of property, plant and equipment of 714 million for the opening of new nursery schools.

There was also a decrease of 87 million yen compared with the first half of the fiscal year ended September 30, 2021. This was primarily due to an increase in purchase of property, plant and equipment of 110 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 2,708 million yen (2,700 million yen provided in the first half of the fiscal year ended September 30, 2021). This was mainly due to an increase of 3,100 million yen in short-term loans payable, despite repayments of long-term loans payable of 391 million yen.

Net cash provided stayed at around the same level as in the first half of the fiscal year ended September 30, 2021, with an increase of 7 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, 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)	Second quarter of FY9/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,327	4,080
Accounts receivable-other	2,168	-
Accounts receivable-other and contract assets	-	2,138
Prepaid expenses	629	701
Other	4	3
Total current assets	4,130	6,924
Non-current assets		
Property, plant and equipment		
Land	635	692
Buildings and structures, net	10,317	9,955
Construction in progress	52	692
Other, net	356	315
Total property, plant and equipment	11,360	11,656
Intangible assets		
Software	42	35
Total intangible assets	42	35
Investments and other assets		
Investment securities	50	47
Long-term prepaid expenses	455	435
Lease and guarantee deposits	1,746	1,779
Construction assistance fund receivables	285	276
Deferred tax assets	38	33
Other	0	0
Total investments and other assets	2,576	2,573
Total non-current assets	13,979	14,264
Total assets	18,110	21,188
Liabilities		
Current liabilities		
Short-term loans payable	-	3,100
Current portion of long-term loans payable	820	806
Accounts payable-other	1,280	1,452
Income taxes payable	177	141
Advances received	86	17
Provision for bonuses	617	595
Other	229	261
Total current liabilities	3,212	6,374
Non-current liabilities		
Long-term loans payable	3,711	3,334
Net defined benefit liability	408	441
Deferred tax liabilities	1,755	1,766
Asset retirement obligations	364	359
Other	0	0
Total non-current liabilities	6,239	5,902
Total liabilities	9,452	12,277

(Millions of yen)

	FY9/21 (As of Sep. 30, 2021)	Second quarter of FY9/22 (As of Mar. 31, 2022)
Net assets		
Shareholders' equity		
Capital stock	1,288	1,296
Capital surplus	1,976	1,984
Retained earnings	5,442	5,663
Treasury shares	(6)	(6)
Total shareholders' equity	8,701	8,938
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	-
Remeasurements of defined benefit plans	(61)	(45)
Total accumulated other comprehensive income	(62)	(45)
Subscription rights to shares	19	19
Total net assets	8,658	8,911
Total liabilities and net assets	18,110	21,188

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

(Millions of yen)

	First six months of FY9/21 (Oct. 1, 2020 – Mar. 31, 2021)	First six months of FY9/22 (Oct. 1, 2021 – Mar. 31, 2022)
Net sales	11,640	12,257
Cost of sales	10,155	10,721
Gross profit	1,484	1,535
Selling, general and administrative expenses	1,148	1,165
Operating profit	336	370
Non-operating income		
Interest and dividend income	4	4
Other	2	2
Total non-operating income	6	7
Non-operating expenses		
Interest expenses	12	10
Capital expenses	-	0
Other	5	1
Total non-operating expenses	17	12
Ordinary profit	324	364
Extraordinary losses		
System failure handling expense	-	* 9
Total extraordinary losses	-	9
Profit before income taxes	324	355
Income taxes	128	134
Profit (Loss)	196	221
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	196	221
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	13	15
Total other comprehensive income	13	16
Comprehensive income	209	237
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	209	237
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY9/21 (Oct. 1, 2020 – Mar. 31, 2021)	First six months of FY9/22 (Oct. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	324	355
Depreciation	416	426
System failure handling expense	-	9
Increase (decrease) in provision for bonuses	(12)	(22)
Increase (decrease) in net defined benefit liability	53	59
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(24)	-
Interest and dividend income	(4)	(4)
Interest expenses	12	10
Decrease (increase) in accounts receivable-other	(10)	-
Decrease (increase) in accounts receivable-other and contract assets	-	30
Decrease (increase) in prepaid expenses	(141)	(66)
Increase (decrease) in accounts payable-other	231	171
Increase (decrease) in advances received	(45)	(69)
Other, net	40	45
Subtotal	842	946
Interest and dividend income received	2	3
Interest expenses paid	(12)	(10)
Income taxes paid	(344)	(149)
Net cash provided by (used in) operating activities	487	789
Cash flows from investing activities		
Purchase of property, plant and equipment	(604)	(714)
Proceeds from sale of property, plant and equipment	-	1
Purchase of intangible assets	(1)	-
Payments for lease and guarantee deposits	(62)	(45)
Proceeds from refund of lease and guarantee deposits	0	-
Collection of construction assistance fund receivables	10	10
Other, net	-	2
Net cash provided by (used in) investing activities	(657)	(745)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,100	3,100
Proceeds from long-term loans payable	50	-
Repayments of long-term loans payable	(447)	(391)
Repayments of lease obligations	(2)	(1)
Proceeds from exercise of share options	0	1
Purchase of treasury shares	-	(0)
Net cash provided by (used in) financing activities	2,700	2,708
Net increase (decrease) in cash and cash equivalents	2,530	2,752
Cash and cash equivalents at beginning of period	1,816	1,327
Cash and cash equivalents at end of period	4,347	4,080

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Quarterly Consolidated Statement of Income

* System failure handling expense

First six months of FY9/22 (Oct. 1, 2021 – Mar. 31, 2022)

Expenses were incurred as a result of the system failure that was caused by malware that used malicious emails, discovered on February 24, 2022. Expenses primarily consisted of the costs involved in having an outside expert perform investigation and analysis. Expenses related to this incident will also be reported in and after the third quarter as they arise.

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 first half of the fiscal year ended September 30, 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 is indicated as "accounts receivable-other, and contract assets" from the first quarter of the fiscal year ending September 30, 2022 . "Decrease (increase) in accounts receivable-other," which was indicated under "cash flows from operating activities" in the quarterly consolidated statement of cash flows for the first half of the fiscal year ended September 30, 2021, is included within "Decrease (increase) in 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 first half of the fiscal year ended September 30, 2021 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."

Business Combinations

(Transfer of Business)

The Group's consolidated subsidiary Global Kids K.K. transferred its employer-sponsored nursery business to ten inc.

(1) Name of company to which business was transferred

ten inc.

(2) Contents of transferred business

Employer-sponsored nursery business

(3) Reason for transfer of business

The majority of the facilities operated by the Group are central government licensed nursery schools.

Even if there is a lull in the quantity of demand for childcare services, the Group expects there to be continued demand for "nursery schools of choice" that supply high quality childcare, provide guardians with convenience, and offer educational functions. By transferring this business, the Group aims to focus its management resources in central government licensed nursery schools, which it operates many of and with regard to which it possesses extensive know-how, so that these nursery schools become nursery schools of choice.

The Group believes that transferring this employer-sponsored nursery business to ten inc., which has extensive experience with operation and social utilization, will make it possible to provide even greater flexibility and a more diverse range of childcare services as only the employer-sponsored nursery business can.

(4) Date of completion of transfer

March 31, 2022

(5) Transfer price

Given the fact that the business is a public undertaking, the parties involved have reached a consensus not to disclose the transfer price.