

**Presentation Materials for the Earnings Briefing
for the First Half of the Fiscal Year Ending September 30, 2023**



Global Kids Company Corp.

April 28, 2023

The plans, forecasts, strategies and other information contained in these materials forecast future performance based on information available at the time the materials were prepared. These include inherent risk and uncertainty.

Actual performance may differ from forecasts and predictions due to such risk and uncertainty.

Information considered useful for explaining our business environment has been provided in these materials. The results in the data may vary depending on the method or timing of the survey.

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Overview of Results for the First Half of the Fiscal Year	
Ending September 30, 2023 (FY9/23)	3
Forecast for the Fiscal Year Ending September 30, 2023 (FY9/23)	12
Status of Initiatives for Management Issues	14
Conclusion of Share Transfer Agreement	17
Appendix	19

Overview of Results for the First Half of the Fiscal Year Ending September 30, 2023 (FY9/23)

Operating results for 2Q FY9/23

- Net sales increased only 1.1% year on year due to the transfer of the company sponsored childcare business. Operating profit declined significantly due mainly to an increase in personnel and recruiting expenses, resulting in a loss of ¥22 million
 - Net sales ¥6,299 million (up 1.1% year on year)
 - Operating profit ¥-22 million (¥236 million for 2Q FY9/22, ¥177 million for 1Q FY9/23)
 - EBITDA ¥165 million (down 63.3% year on year, down 54.7% from 1Q FY9/23)

Operating results for the first half of FY9/23

- Owing to a substantial deterioration in profitability in the second quarter of FY9/23, cumulative operating results showed a significant decline year on year in both operating profit and EBITDA
 - Net sales ¥12,379 million (up 1.0% year on year)
 - Operating profit ¥155 million (down 58.0% year on year)
 - EBITDA ¥529 million (down 33.5% year on year)

Full-year earnings forecast for FY9/23

- The consolidated earnings forecast was revised downward due mainly to a significant increase in personnel and recruiting expenses
- The forecast dividend was unchanged in consideration of the results of free cash flow and other factors
 - Net sales ¥25,400 million (up 4.3% year on year)
 - Operating profit ¥300 million (down 57.6% year on year)
 - EBITDA ¥1,140 million (down 26.4% year on year)

Results summary for the first half of FY9/23

Results for the second quarter of FY9/23 show an increase in sales and a decrease in profit. While the facilities which opened in FY9/22 contributed to the results, net sales increased only 1.0% year on year due to the transfer of the company-sponsored childcare business and a decrease in certain subsidies.

Operating profit decreased 58.0% year on year as a result of increases in cost of sales and SG&A expenses in the second quarter. Main factors behind higher cost of sales and SG&A expenses were increased personnel/recruiting expenses and IT expenses, respectively

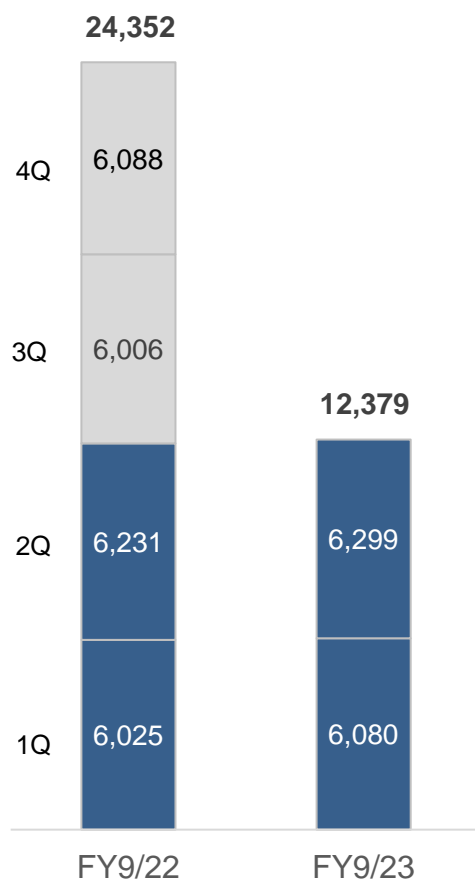
Overview of consolidated operating results for the first half of FY9/23 (millions of yen)

	1H FY9/22	Against net sales	1H FY9/23	Against net sales	YoY change
Net sales	12,257	-	12,379	-	+1.0%
Gross profit	1,107	9.0%	963	7.8%	-13.0%
SG&A expenses	736	6.0%	807	6.5%	9.6%
Operating profit	370	3.0%	155	1.3%	-58.0%
Ordinary profit	364	3.0%	148	1.2%	-59.3%
Profit attributable to owners of parent	221	1.8%	98	0.8%	-55.4%
EBITDA	797	6.5%	529	4.3%	-33.5%

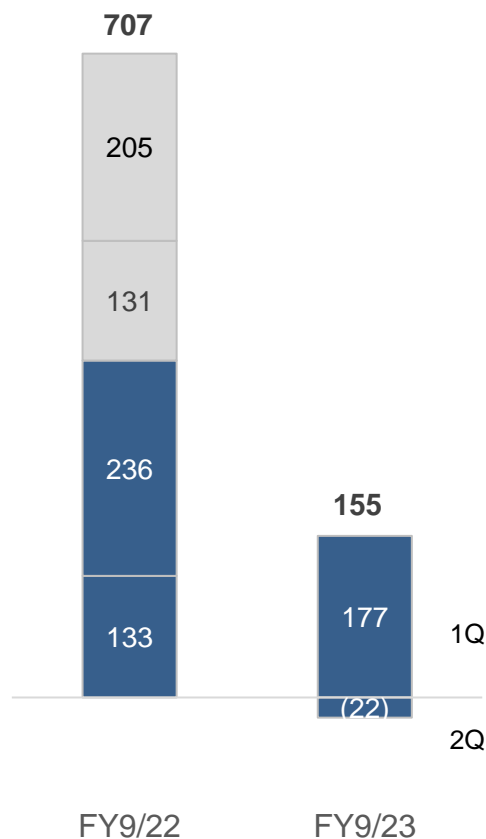
Net sales, operating profit, and net income attributable to owners of parent

Although net sales for the second quarter increased year on year, operating profit and net income attributable to owners of parent for the second quarter declined sharply year on year. As a result, operating profit and net income attributable to owners of parent for the first half were 42.0% and 44.6% year on year, respectively

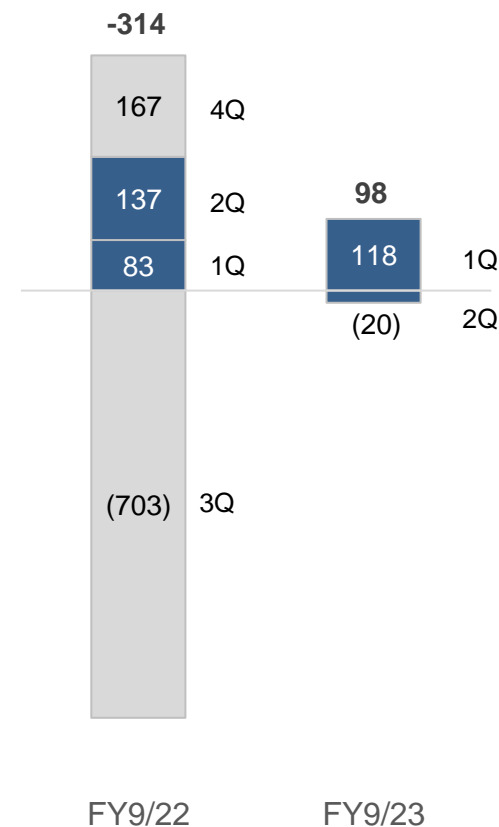
Net sales (Millions of yen)



Operating profit (Millions of yen)



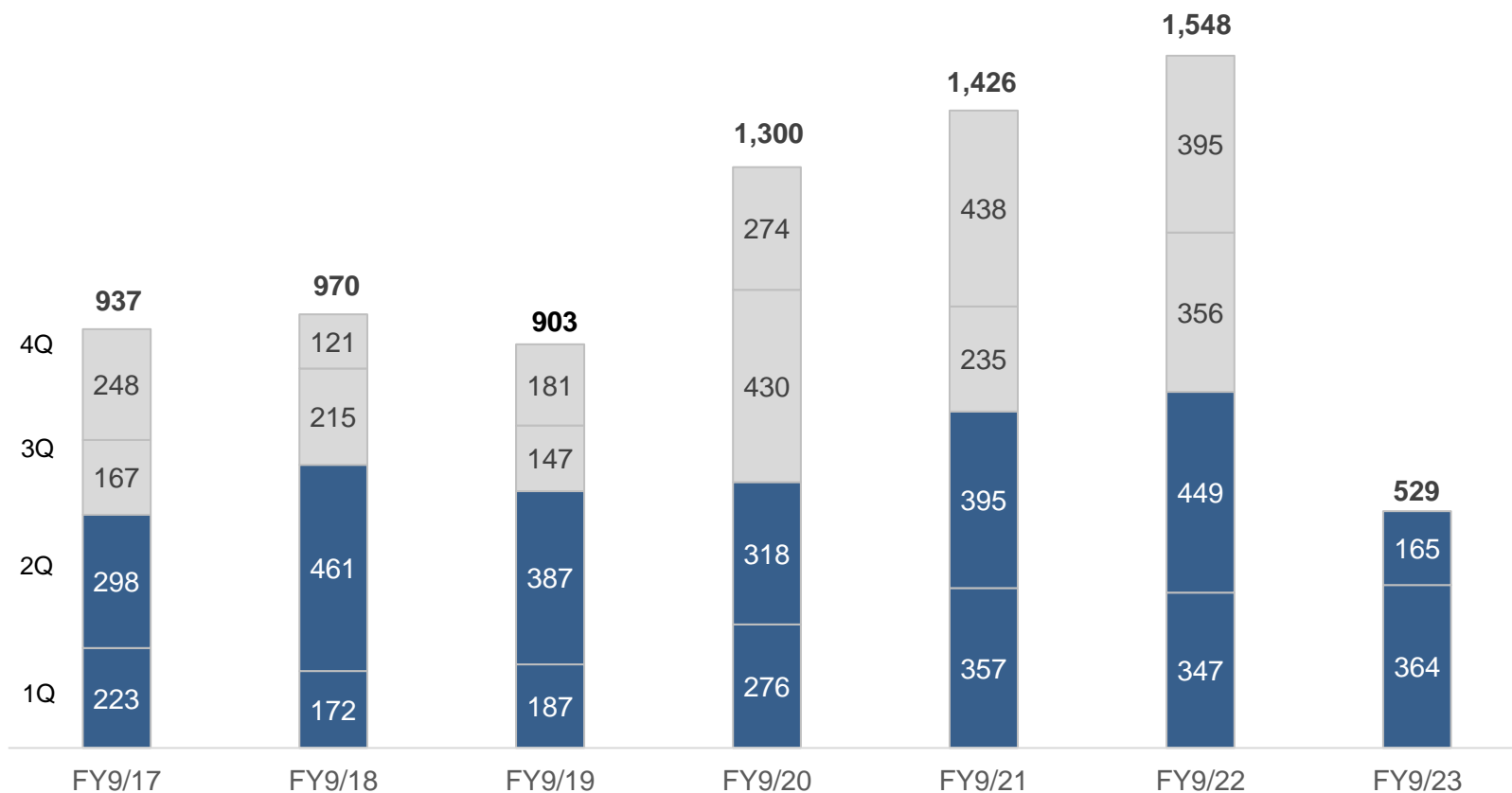
Profit attributable to owners of parent (Millions of yen)



EBITDA

EBITDA for the second quarter reached a record low since listing, 66.5% year on year for the first half of the fiscal year

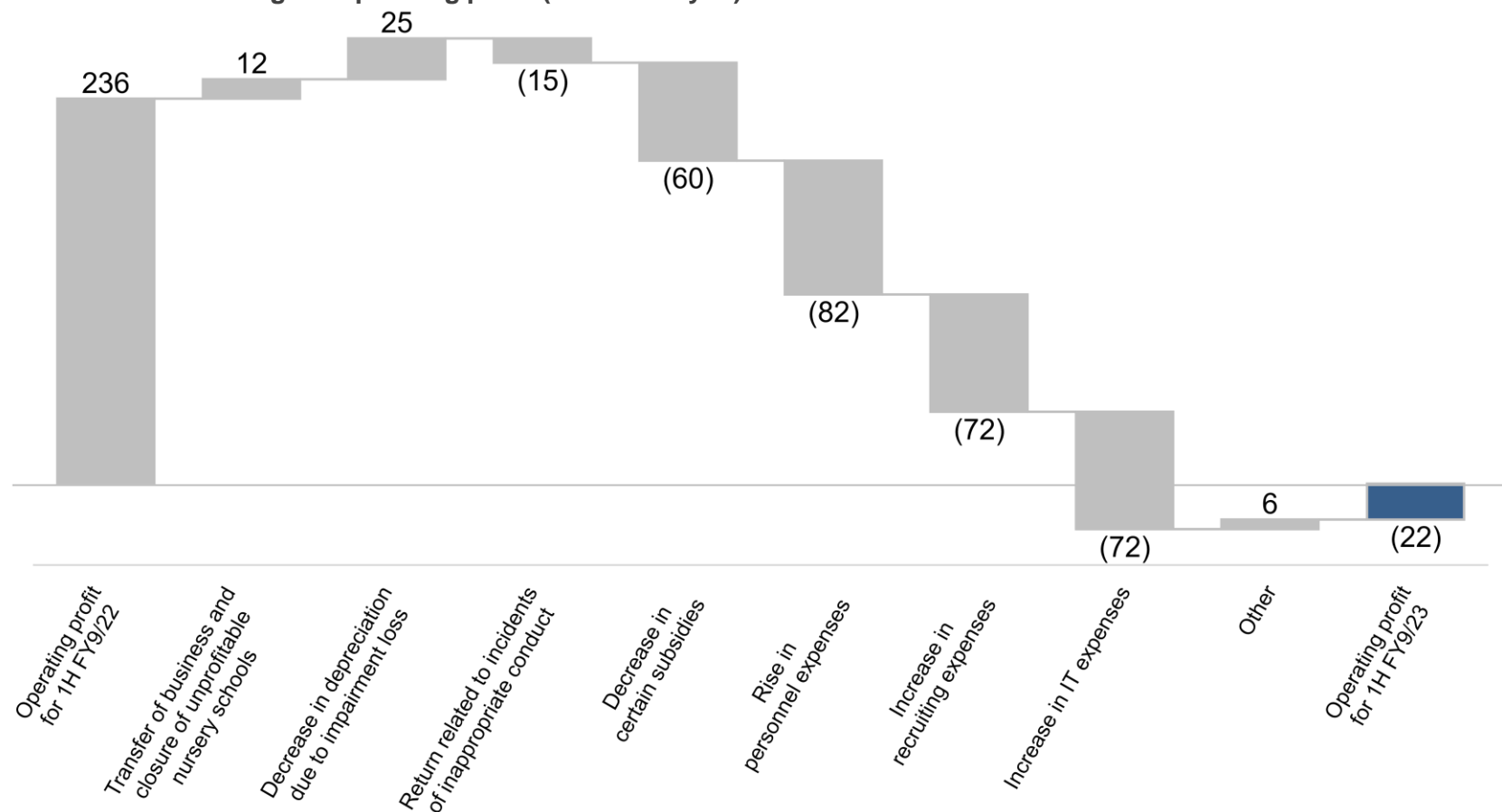
EBITDA (Millions of yen)



Factors behind change in operating profit

Regarding personnel expenses, personnel expenses per person rose in addition to increases in dispatch expenses and overtime allowance. Regarding recruiting expenses, mainly unit recruiting cost per person increased. Increase in IT expenses is within budget. Standardization of head office operations and increased productivity are, among other measures, expected to contribute to improving profitability

Factors behind change in operating profit (Millions of yen)

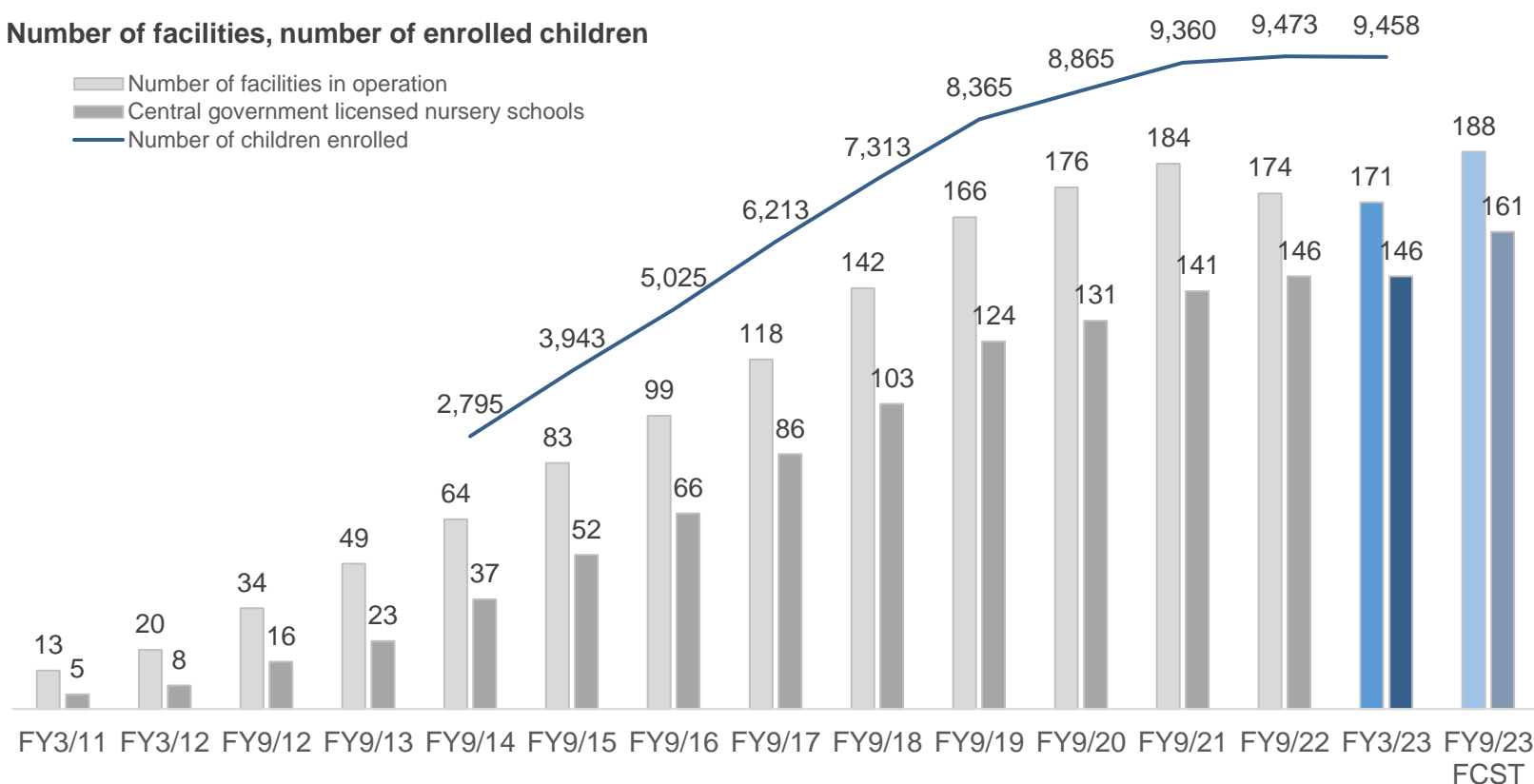


Net sales: number of childcare business facilities

The number of facilities in operation at the end of March 2023 decreased by three year on year due to the closure of child developmental support facilities, and the ratio of central government licensed nursery schools to facilities in operation was 85.4%.

Owing to the conversion of Tokyo Tatemono Kids into a wholly-owned subsidiary scheduled for June 2023, the number of nursery schools will increase by 17 (15 of which are central government licensed nursery schools).

Number of facilities, number of enrolled children



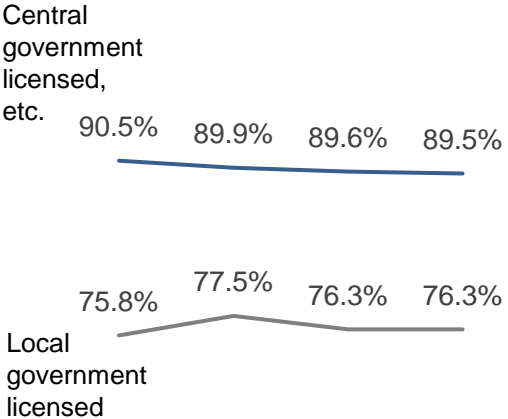
The number of facilities is the total of nursery schools, after-school day care centers and children houses, and child developmental support facilities. The number of enrolled children is for nursery schools only.

Net sales: occupancy rate

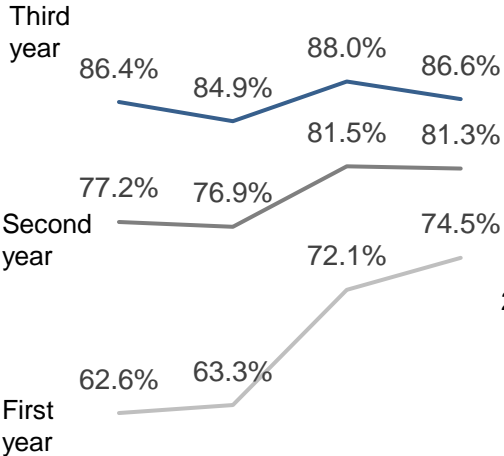
The occupancy rate by type of nursery schools declined slightly for central government licensed schools, etc., but remained at the same level as the end of the previous fiscal year for local government licensed schools. By year of opening, the occupancy rate for new facilities continued to improve. By age group, the occupancy rate for 0-year-olds remained high after recovering.

The occupancy rate for April 2023 stood at 86.6% (down 0.5 pts from April of last year) due to the expansion of childcare leave systems and the falling number of wait-listed children. The occupancy rate for 0-year-olds stood at 70.6%, down 4.0 pts from April of last year

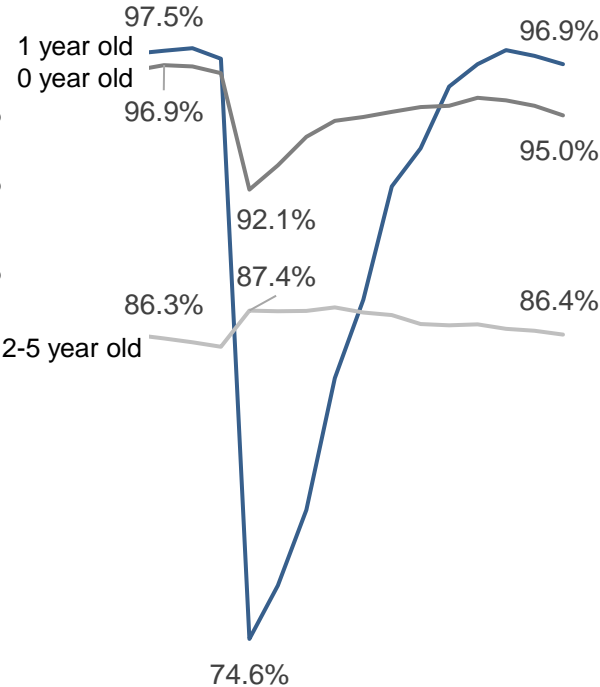
By type of nursery schools



By year of opening



By age group



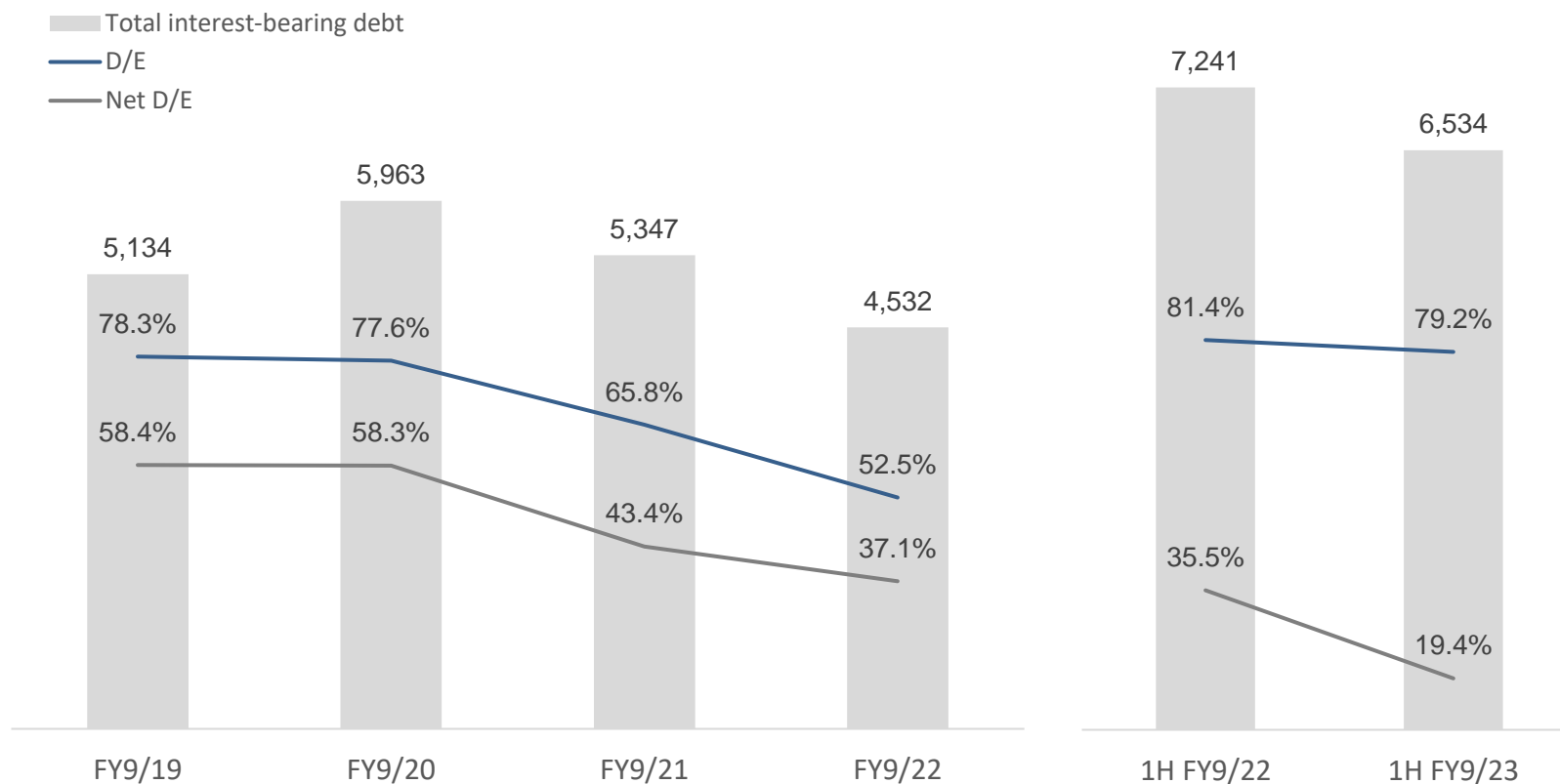
FY9/20 FY9/21 FY9/22 1H FY9/23

FY9/20 FY9/21 FY9/22 1H FY9/23

Jan. 2022 Apr. 2022 Jul. 2022 Oct. 2022 Jan. 2023

Net interest-bearing debt decreased due to an increase in free cash flow, and the net D/E ratio continued improving

D/E ratio, Total interest-bearing debt (Millions of yen)



Forecast for the Fiscal Year Ending September 30, 2023 (FY9/23)

Forecast for the fiscal year ending September 30, 2023

Consolidated operating results for the first half of FY9/23 deteriorated significantly due mainly to substantial increases in personnel and recruiting expenses. Even though measures were implemented to improve profitability such as optimizing the user capacity, the recovery was not enough to make up for the deterioration for the first half and the consolidated earnings forecast was revised downward.

Regarding forecast dividend, since we expect to be able to secure adequate funds in consideration of factors including the results of free cash flow for the first half of FY9/23, we plan to pay a dividend of ¥30 per share as initially planned.

(Millions of yen)	FY9/22 Results	FY9/23 Initial forecast	FY9/23 Forecast	YoY change
Net sales	24,352	24,750	25,400	4.3%
Operating profit	707	800	300	-57.6%
Ordinary profit	1,179	780	280	-76.3%
Profit attributable to owners of parent	-314	500	170	-
EBITDA	1,548	1,640	1,140	-26.4%
Dividend per share	¥25	¥30	¥30	+20.0%

Status of Initiatives for Management Issues

(1) Response to incidents of improper conduct and thorough compliance with Code of Ethics Declaration

- In connection with the incident of illegally receiving development subsidies for the development of childcare facilities, we returned childcare facility development subsidies, etc., on March 31. We completed all returns related to the incidents of improper conduct announced on June 15, 2022 and thereafter
- By ensuring thorough compliance with the Code of Ethics Declaration (Fairness, Trust and Safety, Radical Transparency) whose establishment was announced on January 31, we promote reform of the corporate culture and improvement of the quality of business

(2) Reorganization of the Group and changes to governance

- On April 1, we reorganized the Group's head office function through a company split, developed a system to expand functions to cope with changes in the external environment and promote improvement of productivity
- On the same day, we introduced the executive officer system with the aim of strengthening the management structure and corporate governance and conducting prompt and accurate business execution in priority fields

(3) Improvement of business quality and business efficiency

- Began reviewing overall head office business processes for the purpose of improving business quality and business efficiency with the officer in charge of corporate planning as the responsible person
- Started a project to overhaul the core system of the head office business, with initiatives for intensely improving business quality and enhancing productivity in one year going forward

(4) Initiatives for measures to improve profitability

- Completed closure of Act facilities of the child developmental support business in February 2023
- Promoted measures to improve profitability such as optimizing the user capacity, and the effects of improving profitability are expected to emerge in April 2023 and thereafter
- Regarding facility personnel expenses and recruiting expenses which were factors behind the deterioration in profitability for the second quarter of FY9/23, began reviewing the series of business processes and a system from arrangement of staff members to recruitment, realized early appropriate staffing, and reduced the turnover rate and recruiting expenses

(5) Growth strategy

- Agreed with Tokyo Tatemono Co., Ltd. on April 18 to acquire all shares of Tokyo Tatemono Kids Co., Ltd., and plan to complete the transfer on June 1. Working to expand mainly the scale of central government licensed nursery schools in and around Tokyo, a priority area for the Company, with the intention of realizing synergy through improvement of operational efficiency of the head office function
- Decided to open GKPlus Toyosu School (June 2023) and offer gymnastics and English classes. Will develop the business in the future at the Group's facilities based on knowhow in operating an extracurricular business gained at GKPlus Iidabashi Lab (opened in October 2021)
- As a key measure for strengthening marketing and expanding profit opportunities in the childcare business, will begin trial provision of services on the childcare platform in May 2023 and thereafter, and plan to provide childcare support (course on baby food) and conduct product sales and photo sales

Conclusion of Share Transfer Agreement

- **Outline of case**

- Agreed with Tokyo Tatemono Co., Ltd. to acquire all shares of Tokyo Tatemono Kids Co., Ltd., an operator of child-rearing support business, and concluded a share transfer agreement on April 18, 2023
- Acquire 90% of outstanding shares of Tokyo Tatemono Kids held by Tokyo Tatemono to make Tokyo Tatemono Kids a wholly-owned subsidiary (the Company holds a 10% equity interest)
- Concluded a business alliance agreement regarding the development and operation of childcare facilities with Global Kids K.K., a consolidated subsidiary

- **Overview of Tokyo Tatemono Kids Co., Ltd.**

- Date of establishment August 1, 2016
- FY12/22 results Net sales ¥1,928 million, operating profit ¥-11 million, EBITDA ¥81 million
- Number of facilities in operation 17(15 of which are central government licensed nursery schools)

- **Strategic significance**

- Part of the strategy to expand the childcare business through the active use of M&A. Contributes to achieve the target EBITDA
- Tokyo Tatemono Kids and the Group have almost the same areas of operation, and cost synergy is expected particularly for the head office

- **Schedule**

- April 18, 2023 Conclusion of share transfer agreement and business alliance agreement
- June 1, 2023 (planned) Execution of share transfer

Appendix

Breakdown of the number of facilities in operation

	FY9/14	FY9/15	FY9/16	FY9/17	FY9/18	FY9/19	FY9/20	FY9/21	FY9/22	FY9/23 2Q
Licensed (Tokyo)	20	28	38	56	70	86	91	98	103	103
Licensed (Kanagawa)	12	16	17	19	20	23	25	27	28	28
Licensed (Other)	-	3	5	6	8	9	9	10	10	10
Licensed by Tokyo Met. Gov't Centers for early childhood education and care, etc.	20	21	22	20	20	17	17	16	15	15
Company-sponsored	-	-	-	-	7	11	11	11	-	-
After-school day care centers and children houses	7	10	11	12	12	13	13	12	10	10
Child developmental support facilities	-	-	-	-	-	1	4	4	3	-
Total	64	83	99	118	142	166	176	184	174	171

Note: Centers for early childhood education and care, etc. : Centers for early childhood education and care, small-scale, in-office

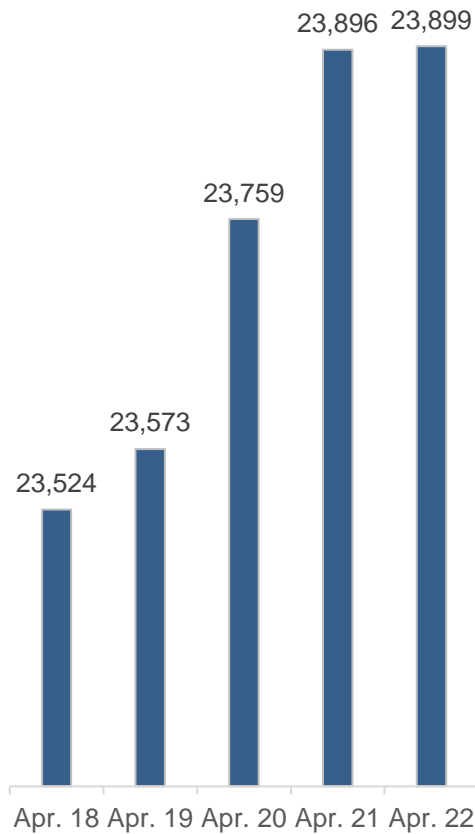
Ranking of childcare service sales

	Company name	Net sales (Millions of yen)
1	JP-HOLDINGS	34,373
2	LIKE	27,790
3	Kodomo no Mori	25,112
4	Global Kids Company	24,352
5	Poppins	23,069
6	AIGRAN	17,167
7	Sakurasaku plus	11,992
8	HITOWA Kids Life	11,976
9	teno. Holdings	11,454
10	ART CHILDCARE	8,434

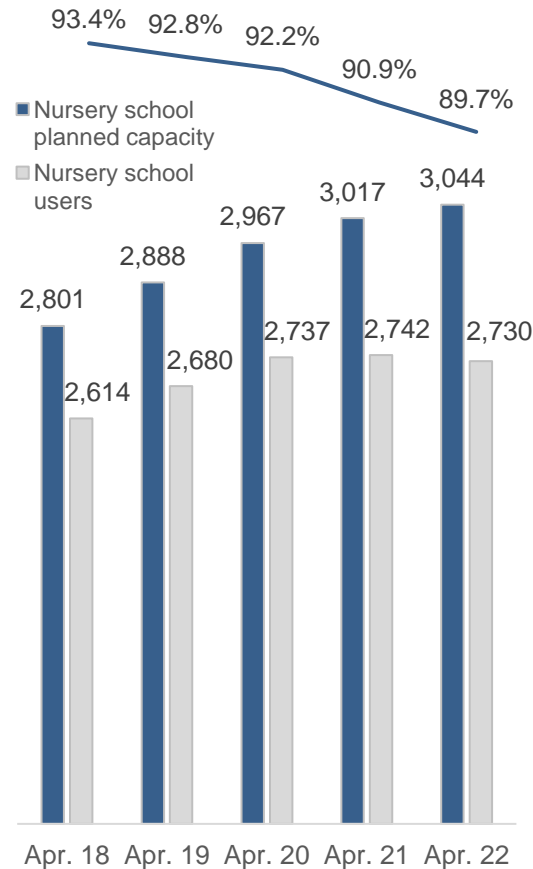
Source: The Nikkei MJ. Financial results for the Company and LIKE.

Note: For the Company, JP Holdings, Like, and Sakurasaku Plus, sales for the fiscal year ended in 2022. For other companies, sales for the fiscal year ended in 2021.

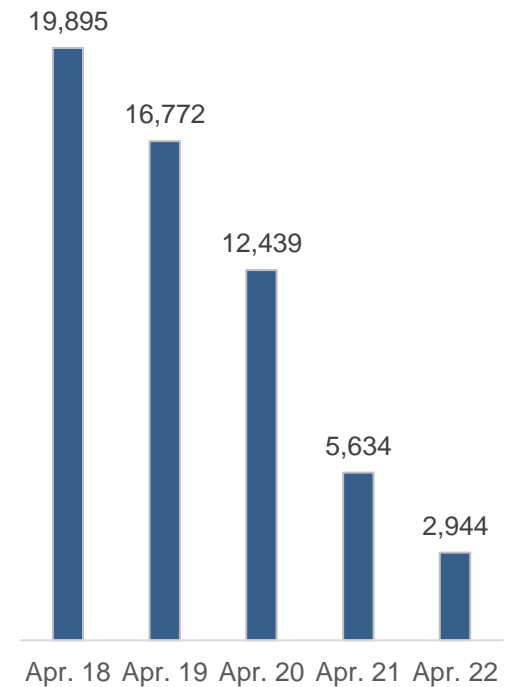
Number of central government licensed childcare centers (nationwide)



Capacity and utilization of nursery schools (thousands)



Number of wait-listed children nationwide (persons)



Source: Ministry of Health, Labour and Welfare

	Establishment standards	Main operating revenue
Central government licensed nursery Schools	<ul style="list-style-type: none"> ● Facilities with national standards based on the Child Welfare Act ● Approval from the prefectural governor, etc., is required for establishment 	<ul style="list-style-type: none"> ● Receives facility-based benefits paid by the national and local governments as a commissioned fee
Independently licensed nursery schools (local government standards)	<ul style="list-style-type: none"> ● Facilities that are not central government licensed but meet the unique standards of the local government (including the Tokyo Metropolitan Government, Yokohama City, etc.) 	<ul style="list-style-type: none"> ● Operating subsidies provided by the local government that established the system ● Childcare fees paid by users
Company-sponsored nursery schools	<ul style="list-style-type: none"> ● Facilities established under the subsidy program for companies initiated by the Cabinet Office ● Has the nature of both onsite childcare for the company that established it and public nursery schools open to the community 	<ul style="list-style-type: none"> ● Subsidies granted by the Child Upbringing Association in accordance with the guidelines for implementing subsidies for company-led childcare business ● Childcare fees paid by users
Childcare centers other than central government licensed, etc.	<ul style="list-style-type: none"> ● Facilities other than central government licensed or local government licensed 	<ul style="list-style-type: none"> ● Childcare fees paid by users
Nursery schools at business offices	<ul style="list-style-type: none"> ● A facility operated by an operating company for its employees using part of its business premises 	<ul style="list-style-type: none"> ● Contracting fees from the operating company to the management company and childcare fees from users ● In some cases, the local government will provide operating expenses

