

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2024
(Three Months Ended December 31, 2023)

[Japanese GAAP]
January 31, 2024

Company name: Global Kids Company Corp.
Securities code: 6189
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Stock Exchange Listing: TSE
URL: <https://www.gkids.jp/>

Scheduled date of filing of Quarterly Report: February 9, 2024
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, 2024
(October 1, 2023 to December 31, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Dec. 31, 2023	6,564	8.0	387	6.4	183	3.5	181	1.5	112	(5.1)
Three months ended Dec. 31, 2022	6,080	0.9	364	5.0	177	32.6	178	36.2	118	42.7

Note 1: Comprehensive income (million yen) Three months ended Dec. 31, 2023: 115 (down 6.1%)
Three months ended Dec. 31, 2022: 122 (up 34.0%)

Note 2: EBITDA (Operating profit + Depreciation)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2023	11.99	11.94
Three months ended Dec. 31, 2022	12.65	12.60

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	16,449	7,937	48.3
As of Sep. 30, 2023	16,675	8,104	48.6

Reference: Shareholders' equity (million yen) As of Dec. 31, 2023: 7,937 As of Sep. 30, 2023: 8,104

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2023	-	0.00	-	30.00	30.00
Fiscal year ending Sep. 30, 2024	-	-	-	-	-
Fiscal year ending Sep. 30, 2024 (Forecast)	-	0.00	-	30.00	30.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2024

(October 1, 2023 to September 30, 2024)

(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
	26,000	3.4	450	31.9	480	49.5	190	-	20.18

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

Reference: EBITDA (million yen) 1,300

*Notes

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Dec. 31, 2023:	9,429,141 shares	As of Sep. 30, 2023:	9,429,141 shares
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2) Number of treasury shares as of the end of the period

As of Dec. 31, 2023:	15,823 shares	As of Sep. 30, 2023:	15,823 shares
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3) Average number of shares issued during the period

Three months ended Dec. 31, 2023:	9,413,318 shares	Three months ended Dec. 31, 2022:	9,399,095 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special items

Forecasts and other forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 3 of the attachments for details on the above forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Regarding the circumstances surrounding the child-rearing support business, the number of nursery school users and childcare facilities had been continuing to increase due to the rise in the number of households with two workers and the employment rate for women. However, the number of wait-listed children in April 2023 decreased by 264 children from the previous year to 2,680 children, and the number of newborns in 2022 fell below 800,000 for the first time since 1899 when the gathering of such statistics began. As seen by these trends, the external environment has been changing.

Meanwhile, the government promotes relevant measures such as establishing “Children and Families Agency” in April 2023 to tackle various issues surrounding families in earnest, under the banner of a “child-centered society” which unifies the measures regarding children and centrally positions child-related initiatives and policies within society. In addition, the “Children’s Future Strategy,” decided by the Cabinet in December 2023, includes revising the policies to decrease the number of children each childcare worker is to be in charge of for the first time in 76 years and further improving childcare workers’ compensation.

Amid such substantial changes in the external environment surrounding the child-rearing support business, the Group announced its Medium-term Management Plan 2024 on November 12, 2021, and in the current fiscal year as the final year of the three-year plan, the Group continues to move forward with initiatives whose core consists of three policies, namely “expansion of scale,” “expansion of functions,” and “strengthening of infrastructure.”

As a concrete measure for “expansion of scale,” the Company entered into a share transfer agreement on April 18, 2023, to acquire all shares of OHAYO KIDS CO., LTD. (former Tokyo Tatemono Kids Co., Ltd.) which mainly operates Tokyo Metropolitan Government licensed nursery schools on which the Group is focusing and it became our wholly-owned subsidiary on June 1, 2023. Although there will be a decrease in the number of facilities operated by the Group, due to a business and share transfer scheduled in April 1, 2024, the percentage of central government licensed nursery schools among facilities operated by the Group will increase from approximately 81.9% to 88.7%. For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Additional Information).”

Also, based on the judgment that improving productivity through reorganization of the Group’s head office functions would be indispensable for promoting the diversification of revenue sources mainly by strengthening new businesses seeking “expansion of functions,” the Company transferred part of Global Kids K.K.’s child-rearing support business to GKS K.K., effective April 1, 2023. In addition, the Group is working on introducing a new personnel system and revamping the accounting system to enhance the efficiency of head office functions and further improve operational quality.

As a measure for “strengthening of infrastructure,” the Company is pursuing development of a child-rearing platform, the focal point of ICT strategies, and continuing active investments. In addition, with respect to the “GlobalKids Plus +” learning business, lessons were started in Toyosu in June 2023. Furthermore, we plan to renew and reopen one local government licensed nursery school in Toshima-ku as an international preschool in April 2024 in collaboration with Eis International Pre-School, an international kindergarten in Singapore.

The number of facilities operated by the Group at the end of the period under review was a total of 188 facilities: 154 central government licensed nursery schools (115 in Tokyo, 29 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 after-school day care centers or children’s houses; and one company sponsored nursery schools.

Regarding results of operations for the period under review, net sales increased year on year due to the contribution of conversion of OHAYO KIDS CO., LTD. into a consolidated subsidiary.

In terms of expenses, gross profit increased due to reductions in recruitment expenses and improvements in the personnel expense ratio, despite an increase in ICT expenses. In terms of selling, general and administrative expenses, outsourcing expenses increased due mainly to investments in the child-rearing platform mentioned above.

Consequently, the Group reported net sales for the period under review of 6,564 million yen (up 8.0% year on year) with EBITDA of 387 million yen (up 6.4% year on year), operating profit of 183 million yen (up 3.5% year on year), ordinary profit of 181 million yen (up 1.5% year on year), and profit attributable to owners of parent of 112 million yen (down 5.1% year on year).

(2) Explanation of Financial Position

Assets

Total assets amounted to 16,449 million yen at the end of the period under review, a decrease of 225 million yen from the end of the previous fiscal year.

Current assets decreased 88 million yen to 4,664 million yen. This was mainly attributable to an increase of 110 million yen in accounts receivable-other and contract assets, despite a decrease of 229 million yen in cash and deposits.

Non-current assets decreased 136 million yen to 11,785 million yen. This was mainly attributable to a decrease of 165 million yen in buildings and structures.

Liabilities

Total liabilities amounted to 8,512 million yen at the end of the period under review, a decrease of 58 million yen from the end of the previous fiscal year.

Current liabilities increased 89 million yen to 3,741 million yen. This was mainly attributable to an increase of 300 million yen in short-term loans payable, an increase of 177 million yen in accounts payable-other and an increase of 115 million yen in advances received, despite a decrease of 339 million yen in provision for bonuses due to the payment of bonuses in December.

Non-current liabilities decreased 147 million yen to 4,771 million yen. This was mainly attributable to an increase of 48 million yen in deferred tax liabilities, despite a decrease of 211 million yen in long-term loans payable.

Net assets

Net assets amounted to 7,937 million yen at the end of the period under review, a decrease of 166 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 112 million yen in retained earnings as a result of the booking of profit attributable to owners of parent, while a decrease of 282 million yen occurred due to the payment of year-end dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The Company maintains its consolidated forecasts for the fiscal year ending September 30, 2024 that was announced on November 10, 2023.

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

(Millions of yen)

	FY9/23 (As of Sep. 30, 2023)	First quarter of FY9/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	1,359	1,130
Accounts receivable-other and contract assets	2,589	2,699
Prepaid expenses	708	737
Income taxes refund receivable	86	90
Other	9	6
Total current assets	4,753	4,664
Non-current assets		
Property, plant and equipment		
Land	692	692
Buildings and structures, net	8,145	7,980
Construction in progress	-	24
Other, net	255	272
Total property, plant and equipment	9,093	8,969
Intangible assets		
Software	276	259
Software in progress	23	59
Total intangible assets	299	319
Investments and other assets		
Investment securities	27	27
Long-term prepaid expenses	293	276
Lease and guarantee deposits	1,878	1,867
Construction assistance fund receivables	247	243
Deferred tax assets	81	79
Other	0	0
Total investments and other assets	2,528	2,495
Total non-current assets	11,921	11,785
Total assets	16,675	16,449
Liabilities		
Current liabilities		
Short-term loans payable	-	300
Current portion of long-term loans payable	949	934
Accounts payable-other	1,445	1,622
Income taxes payable	223	23
Advances received	135	251
Provision for bonuses	629	290
Other	268	318
Total current liabilities	3,652	3,741
Non-current liabilities		
Long-term loans payable	3,026	2,814
Net defined benefit liability	508	523
Deferred tax liabilities	965	1,014
Asset retirement obligations	414	414
Other	3	3
Total non-current liabilities	4,918	4,771
Total liabilities	8,571	8,512

(Millions of yen)

	FY9/23 (As of Sep. 30, 2023)	First quarter of FY9/24 (As of Dec. 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	1,302	1,302
Capital surplus	1,991	1,991
Retained earnings	4,836	4,667
Treasury shares	(12)	(12)
Total shareholders' equity	8,118	7,948
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(14)	(11)
Total accumulated other comprehensive income	(14)	(11)
Total net assets	8,104	7,937
Total liabilities and net assets	16,675	16,449

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

(Millions of yen)

	First three months of FY9/23 (Oct. 1, 2022 – Dec. 31, 2022)	First three months of FY9/24 (Oct. 1, 2023 – Dec. 31, 2023)
Net sales	6,080	6,564
Cost of sales	5,505	5,933
Gross profit	574	630
Selling, general and administrative expenses	396	446
Operating profit	177	183
Non-operating income		
Interest and dividend income	0	0
Subsidy income	-	2
Miscellaneous income	6	0
Total non-operating income	7	3
Non-operating expenses		
Interest expenses	3	4
Miscellaneous loss	1	0
Total non-operating expenses	5	5
Ordinary profit	178	181
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Loss on closing of nursery schools	0	-
Total extraordinary losses	0	0
Profit before income taxes	178	181
Income taxes	60	68
Profit	118	112
Profit attributable to		
Profit attributable to owners of parent	118	112
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	3	2
Total other comprehensive income	3	2
Comprehensive income	122	115
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	122	115
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.

Additional Information

Business transfer

Business transfer to Social Welfare Corporation Sukesukudoronkonokai

By a resolution at the Board of Directors meeting held on July 18, 2023, the Company decided to transfer five central government licensed nursery schools in Osaka-shi operated by its consolidated subsidiary, Global Kids K.K. to Social Welfare Corporation Sukesukudoronkonokai, and concluded a business transfer agreement therewith, accordingly.

In addition, Global Kids K.K. resolved to transfer one small-scale childcare facility it operates in Ageo-shi to the same corporation and concluded a business transfer agreement therewith, accordingly.

(1) Name of the transferee

Social Welfare Corporation Sukesukudoronkonokai

(2) Description of the business to be transferred

Five central government licensed nursery schools in Osaka-shi and one small-scale childcare facility in Ageo-shi operated by Global Kids K.K.

(3) Scheduled date of completion of the transfer

April 1, 2024

(4) Transfer price

This information is not to be disclosed under the duty of confidentiality to the transferee.

Business transfer to SHINKS-K K.K.

By a resolution at the Board of Directors meeting held on August 10, 2023, the Company decided to transfer six local government licensed nursery schools operated by our consolidated subsidiary, Global Kids K.K. to SHINKS-K K.K., and entered into a business transfer agreement therewith, accordingly.

In addition, the consolidated subsidiary OHAYO KIDS CO., LTD. resolved to transfer one small-scale childcare facility and one company sponsored nursery school it operates in Yokohama-shi to the same company and concluded a business transfer agreement therewith, accordingly.

(1) Name of the transferee

SHINKS-K K.K.

(2) Description of the business to be transferred

Six local government licensed nursery schools, along with one small-scale childcare facility and one company sponsored nursery school in Yokohama-shi

(3) Scheduled date of completion of the transfer

April 1, 2024

(4) Transfer price

This information is not to be disclosed under the duty of confidentiality to the transferee.

Share transfer

Share transfer to SHINKS Inc.

The Company decided to transfer all shares of its wholly-owned subsidiary, T-KIDS Co., Ltd. to SHINKS Inc. and entered into a share transfer agreement therewith, accordingly.

Prior to the share transfer, an absorption-type divestiture is scheduled to be conducted whereby the operation of four local government licensed nursery schools operated by Global Kids K.K. shall be succeeded by T-KIDS Co., Ltd.

(1) Name of the transferee

SHINKS Inc.

(2) Overview of the transferee

(1) Company name	SHINKS Inc.	
(2) Head office address	1305 Terrace Shibuya Mitake, 1-15-15, Shibuya, Shibuya-ku, Tokyo	
(3) Representative	Yasuo Iwakabe, Representative Director	
(4) Businesses	Nursery business, restaurant business	
(5) Capital	10 million yen	
(6) Establishment	March 24, 2017	
(7) Major shareholders and shareholding ratios	Yasuo Iwakabe: 60.00%	
(8) Relationship between the listed company and the transferor	Capital	Not applicable.
	Personnel	Not applicable.
	Trading	Not applicable.

(3) Scheduled date of completion of the transfer

April 1, 2024

(4) Transfer price

This information is not to be disclosed under the duty of confidentiality to the transferee.

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.