

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2024 (Nine Months Ended June 30, 2024)

[Japanese GAAP]
July 31, 2024

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Stock Exchange Listing: TSE
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Scheduled date of payment of dividend: -
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2024 (October 1, 2023 to June 30, 2024)

(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 | % |
| Nine months ended Jun. 30, 2024 | 20,189 | 8.6 | 1,254 | 56.8 | 632 | 210.6 | 670 | 248.5 | 144 | - |
| Nine months ended Jun. 30, 2023 | 18,595 | 1.8 | 799 | (30.7) | 203 | (59.5) | 192 | (80.4) | (157) | - |

Note 1: Comprehensive income (million yen)

Nine months ended Jun. 30, 2024: 152 (-%)

Nine months ended Jun. 30, 2023: (145) (down 68.6%)

Note 2: EBITDA (Operating profit + Depreciation)

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Jun. 30, 2024 | 15.36 | 15.31 |
| Nine months ended Jun. 30, 2023 | (16.75) | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of Jun. 30, 2024 | 15,219 | 7,989 | 52.5 |
| As of Sep. 30, 2023 | 16,675 | 8,104 | 48.6 |

Reference: Shareholders' equity (million yen) As of Jun. 30, 2024: 7,989

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 | - | 0.00 | - | - | - |
| Fiscal year ending Sep. 30, 2024 (Forecast) | - | - | - | 35.00 | 35.00 |

Note: Revisions to the most recently announced dividend forecast: Yes

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 |
| | 26,400 | 5.0 | 860 | 152.1 | 900 | 180.3 | 320 | - | 33.94 |

Note: Revisions to the most recently announced earnings forecast: Yes

Reference: EBITDA (million yen) 1,700

*Notes

(1) Significant changes in scope of consolidation during the period: 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 Jun. 30, 2024: | 9,452,752 shares | As of Sep. 30, 2023: | 9,429,141 shares |
|----------------------|------------------|----------------------|------------------|

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

| | | | |
|----------------------|---------------|----------------------|---------------|
| As of Jun. 30, 2024: | 15,823 shares | As of Sep. 30, 2023: | 15,823 shares |
|----------------------|---------------|----------------------|---------------|

3) Average number of shares issued during the period

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Nine months ended Jun. 30, 2024: | 9,427,256 shares | Nine months ended Jun. 30, 2023: | 9,407,614 shares |
|----------------------------------|------------------|----------------------------------|------------------|

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or auditing firms: None

* 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 | 2 |
| (1) Explanation of Results of Operations | 2 |
| (2) Explanation of Financial Position | 2 |
| (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements | 3 |
| 2. Quarterly Consolidated Financial Statements and Notes | 4 |
| (1) Quarterly Consolidated Balance Sheet | 4 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income (For the Nine-month Period) | 6 |
| (3) Notes to Quarterly Consolidated Financial Statements | 7 |
| Going Concern Assumption | 7 |
| Quarterly Consolidated Statement of Income | 7 |
| Significant Changes in Shareholders' Equity | 8 |
| Segment and Other Information | 8 |
| Statement of Cash Flows | 8 |
| Business Combination | 8 |
| Significant Subsequent Events | 10 |

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 the number of facilities operated by the Group decreased due to a business and share transfer implemented on April 1, 2024, the percentage of central government licensed nursery schools among facilities operated by the Group increased 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 (Business Combination).”

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 renewed and reopened 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 168 facilities: 149 central government licensed nursery schools (115 in Tokyo, 29 in Kanagawa, four in Chiba and one in Saitama); 8 local government licensed nursery schools or centers for early childhood education and care; and 11 after-school day care centers or children’s houses.

Regarding results of operations for the period under review, net sales increased year on year due mainly to a rise in the authorized fees resulting from the revision of remuneration recommendations by the National Personnel Authority and the recording of one-off subsidies, in addition to converting OHAYO KIDS CO., LTD. into a wholly-owned subsidiary and reviewing the user capacity.

Cost to sales ratio improved significantly due to the contributions of factors such as reductions in recruitment expenses and the foodstuff costs, dropping 2.2 points year on year. Selling, general and administrative expenses increased due to the impact of ICT expenses which are being increased strategically, but the increase in net sales and improvement in the cost to sales ratio contributed to revenue improvement.

Consequently, the Group reported net sales for the period under review of 20,189 million yen (up 8.6% year on year) with EBITDA of 1,254 million yen (up 56.8% year on year), operating profit of 632 million yen (up 210.6% year on year), ordinary profit of 670 million yen (up 248.5% year on year), and profit attributable to owners of parent of 144 million yen.

(2) Explanation of Financial Position

Assets

Total assets amounted to 15,219 million yen at the end of the period under review, a decrease of 1,455 million yen from the end of the previous fiscal year.

Current assets decreased 565 million yen to 4,188 million yen. This was mainly attributable to a decrease of 784 million yen in

accounts receivable-other and contract assets, despite an increase of 223 million yen in cash and deposits.

Non-current assets decreased 890 million yen to 11,031 million yen. This was mainly attributable to a decrease of 757 million yen in buildings and structures, net, as a result of the recording of impairment loss and depreciation.

Liabilities

Total liabilities amounted to 7,230 million yen at the end of the period under review, a decrease of 1,341 million yen from the end of the previous fiscal year.

Current liabilities decreased 610 million yen to 3,042 million yen. This was mainly attributable to a decrease of 329 million yen in provision for bonuses due to the payment of bonuses in June and a decrease of 186 million yen in income taxes payable.

Non-current liabilities decreased 730 million yen to 4,187 million yen. This was mainly attributable to a decrease of 731 million yen in long-term loans payable.

Net assets

Net assets amounted to 7,989 million yen at the end of the period under review, a decrease of 114 million yen from the end of the previous fiscal year. This was mainly attributable to the recording of 144 million yen in 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 has revised its consolidated earnings forecasts for the fiscal year ending September 30, 2024 that was announced on November 10, 2023. For details, please refer to “Notice of Revision of Earnings Forecast and Dividend Forecast, as well as Extraordinary Losses” that was announced today (July 31, 2024).

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

(Millions of yen)

| | FY9/23 (As of Sep. 30, 2023) | Third quarter of FY9/24 (As of Jun. 30, 2024) |
|---|---------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,359 | 1,582 |
| Accounts receivable-other and contract assets | 2,589 | 1,804 |
| Prepaid expenses | 708 | 677 |
| Income taxes refund receivable | 86 | 81 |
| Other | 9 | 41 |
| Total current assets | 4,753 | 4,188 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 692 | 692 |
| Buildings and structures, net | 8,145 | 7,388 |
| Other, net | 255 | 290 |
| Total property, plant and equipment | 9,093 | 8,371 |
| Intangible assets | | |
| Software | 276 | 302 |
| Software in progress | 23 | 6 |
| Total intangible assets | 299 | 309 |
| Investments and other assets | | |
| Investment securities | 27 | 27 |
| Long-term prepaid expenses | 293 | 223 |
| Lease and guarantee deposits | 1,878 | 1,788 |
| Construction assistance fund receivables | 247 | 201 |
| Deferred tax assets | 81 | 109 |
| Other | 0 | 0 |
| Total investments and other assets | 2,528 | 2,350 |
| Total non-current assets | 11,921 | 11,031 |
| Total assets | 16,675 | 15,219 |
| Liabilities | | |
| Current liabilities | | |
| Current portion of long-term loans payable | 949 | 827 |
| Accounts payable-other | 1,445 | 1,475 |
| Income taxes payable | 223 | 36 |
| Advances received | 135 | 119 |
| Provision for bonuses | 629 | 300 |
| Other | 268 | 282 |
| Total current liabilities | 3,652 | 3,042 |
| Non-current liabilities | | |
| Long-term loans payable | 3,026 | 2,295 |
| Net defined benefit liability | 508 | 504 |
| Deferred tax liabilities | 965 | 1,001 |
| Asset retirement obligations | 414 | 384 |
| Other | 3 | 2 |
| Total non-current liabilities | 4,918 | 4,187 |
| Total liabilities | 8,571 | 7,230 |

(Millions of yen)

| | FY9/23 (As of Sep. 30, 2023) | Third quarter of FY9/24 (As of Jun. 30, 2024) |
|--|---------------------------------|--|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,302 | 1,309 |
| Capital surplus | 1,991 | 1,998 |
| Retained earnings | 4,836 | 4,699 |
| Treasury shares | (12) | (12) |
| Total shareholders' equity | 8,118 | 7,996 |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | (14) | (6) |
| Total accumulated other comprehensive income | (14) | (6) |
| Total net assets | 8,104 | 7,989 |
| Total liabilities and net assets | 16,675 | 15,219 |

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

(Millions of yen)

| | First nine months of FY9/23 (Oct. 1, 2022 – Jun. 30, 2023) | First nine months of FY9/24 (Oct. 1, 2023 – Jun. 30, 2024) |
|--|---|---|
| Net sales | 18,595 | 20,189 |
| Cost of sales | 17,143 | 18,168 |
| Gross profit | 1,451 | 2,021 |
| Selling, general and administrative expenses | 1,248 | 1,388 |
| Operating profit | 203 | 632 |
| Non-operating income | | |
| Interest and dividend income | 1 | 1 |
| Subsidy income | - | 62 |
| Miscellaneous income | 10 | 1 |
| Total non-operating income | 12 | 65 |
| Non-operating expenses | | |
| Interest expenses | 12 | 19 |
| Capital expenses | - | 3 |
| Miscellaneous loss | 10 | 4 |
| Total non-operating expenses | 23 | 27 |
| Ordinary profit | 192 | 670 |
| Extraordinary profit | | |
| Insurance claim income | - | 18 |
| Gain on step acquisitions | *1 21 | - |
| Gain on bargain purchase | *2 98 | - |
| Total extraordinary profit | 119 | 18 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 8 |
| Impairment loss | *3 608 | *3 201 |
| Loss on closing of nursery schools | - | *4 11 |
| Business transfer expenses | - | *5 179 |
| Loss on compensation for damage | - | 18 |
| Loss on sale of shares of subsidiaries | - | *6 3 |
| Total extraordinary losses | 608 | 423 |
| Profit (loss) before income taxes | (296) | 265 |
| Income taxes | (139) | 120 |
| Profit (loss) | (157) | 144 |
| Profit attributable to | | |
| Profit (loss) attributable to owners of parent | (157) | 144 |
| Profit attributable to non-controlling interests | - | - |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | - | - |
| Remeasurements of defined benefit plans, net of tax | 11 | 7 |
| Total other comprehensive income | 11 | 7 |
| Comprehensive income | (145) | 152 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (145) | 152 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Quarterly Consolidated Statement of Income***1 Gain on step acquisitions**

First nine months of FY9/23 (Oct 1, 2022 – Jun. 30, 2023)

The Group recorded 21 million yen following the step acquisition of shares of OHAYO KIDS CO., LTD. (former Tokyo Tatemono Kids Co., Ltd.)

***2 Gain on bargain purchase**

First nine months of FY9/23 (Oct 1, 2022 – Jun. 30, 2023)

The Group recorded 98 million yen in gain on bargain purchase following the conversion of OHAYO KIDS CO., LTD. (former Tokyo Tatemono Kids Co., Ltd.) into a wholly-owned subsidiary effective June 1, 2023 through the acquisition of its shares.

***3 Impairment loss**

First nine months of FY9/23 (Oct 1, 2022 – Jun. 30, 2023)

| Purpose | Type | Location | Impairment loss (Millions of yen) |
|-----------------------------|--|------------------------------|--------------------------------------|
| Facility (16 facilities) | Buildings and structures “Other” under property, plant and equipment | Yokohama-shi, Kanagawa, etc. | 608 |

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 (583 million yen for buildings and structures and 25 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.

First nine months of FY9/24 (Oct 1, 2023 – Jun. 30, 2024)

| Purpose | Type | Location | Impairment loss (Millions of yen) |
|----------------------------|--|------------------------|--------------------------------------|
| Facility (9 facilities) | Buildings and structures “Other” under property, plant and equipment | Minato-ku, Tokyo, etc. | 201 |

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 (185 million yen for buildings and structures and 16 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.

***4 Loss on closing of nursery schools**

First nine months of FY9/24 (Oct 1, 2023 – Jun. 30, 2024)

The Company recorded a loss on closing of nursery schools as a result of incurring restoration costs of 11 million yen, due to the relocation and closure of childcare facilities.

***5 Business transfer expenses**

First nine months of FY9/24 (Oct 1, 2023 – Jun. 30, 2024)

The Company recorded the carrying value of non-current assets of 189 million yen for facilities for which businesses and shares are to be transferred, additional retirement benefits of 14 million yen to employees who work at such facilities, and other expenses as business transfer expenses. For details of the business and share transfer, please refer to “2. Quarterly Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Business Combination).”

***6 Loss on sale of shares of subsidiaries**

First nine months of FY9/24 (Oct 1, 2023 – Jun. 30, 2024)

Global Kids K.K., a consolidated subsidiary of the Company, transferred all shares of T-Kids Co., Ltd. to SHINKS Inc. As a result, the Company recorded a loss on sale of shares of subsidiaries of 3 million yen. For details of the share transfer, please refer to “2. Quarterly Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Business Combination).”

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

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

Statement of Cash Flows

Quarterly consolidated statement of cash flows for the first nine months of FY9/24 have not been prepared. Depreciation (including depreciation for intangible assets except goodwill) for such period is as follows:

| | First nine months of FY9/23 (Oct. 1, 2022 – Jun. 30, 2023) | First nine months of FY9/24 (Oct. 1, 2023 – Jun. 30, 2024) |
|--------------|---|---|
| Depreciation | 596 million yen | 622 million yen |

Business Combination

Business divestiture

Business transfer to Social Welfare Corporation Sukesukudoronkonokai

Global Kids K.K., the Company's consolidated subsidiary, completed the transfer of nursery schools and a childcare facility on April 1, 2024.

(1) Overview of business divestiture

1) Name of the successor company

Social Welfare Corporation Sukesukudoronkonokai

2) Description of the business divested

Five central government licensed nursery schools in Osaka and one small-scale childcare facility in Ageo-shi

3) Date of business divestiture

April 1, 2024

4) Overview of transaction including legal form

Business transfer without consideration

(2) Overview of accounting implemented

1) Amount of gain or loss on transfer

Business transfer expenses: 152 million yen

2) Fair carrying values of assets and liabilities pertaining to the transferred business and major breakdown thereof

| | | |
|-------------------------|-----|-------------|
| Current assets | - | million yen |
| Non-current assets | 170 | million yen |
| Total assets | 170 | million yen |
| Current liabilities | - | million yen |
| Non-current liabilities | - | million yen |
| Total liabilities | - | million yen |

(3) Name of reportable segment in which the divested business was included

The Group has only a single business segment that is included in the child-rearing support business.

(4) Estimated amount of profit or loss pertaining to the divested business reported on the quarterly consolidated statements of income and comprehensive income for the cumulative period

| | Cumulative period |
|------------------|-------------------|
| Net sales | 329 million yen |
| Operating profit | 0 million yen |

Business transfer to SHINKS-K K.K.

Global Kids K.K., the Company's consolidated subsidiary, completed the transfer of nursery schools on April 1, 2024.

(1) Overview of business divestiture

1) Name of the successor company

SHINKS-K K.K.

2) Description of the business divested

Six nursery schools licensed by the Tokyo Metropolitan Government

3) Date of business divestiture

April 1, 2024

4) Overview of transaction including legal form

Business transfer without consideration

(2) Overview of accounting implemented

1) Amount of gain or loss on transfer

Business transfer expenses: 16 million yen

2) Fair carrying values of assets and liabilities pertaining to transferred business and major breakdown thereof

| | | |
|-------------------------|----|-------------|
| Current assets | - | million yen |
| Non-current assets | 18 | million yen |
| Total assets | 18 | million yen |
| Current liabilities | - | million yen |
| Non-current liabilities | - | million yen |
| Total liabilities | - | million yen |

(3) Name of reportable segment in which the divested business was included

The Group has only a single business segment that is included in the child-rearing support business.

(4) Estimated amount of profit or loss pertaining to the divested business reported on the quarterly consolidated statements of income and comprehensive income for the cumulative period

| | Cumulative period |
|-------------------------|-------------------|
| Net sales | 175 million yen |
| Operating profit (loss) | (26) million yen |

Transfer of shares of consolidated subsidiary

Share transfer to SHINKS Inc.

Global Kids K.K., the Company's consolidated subsidiary, completed the transfer of all shares of the Company's wholly-owned subsidiary, T-KIDS Co., Ltd., to SHINKS Inc. on April 1, 2024.

(1) The Overview of business divestiture

1) Name of the successor company

SHINKS Inc.

2) Name of the divested subsidiary and description of business

Name of the divested subsidiary: T-KIDS Co., Ltd

Description of business: operation of nursery schools, etc.

3) Date of business divestiture

April 1, 2024

4) Overview of transaction including legal form

Business transfer for which consideration consists only of properties such as cash

(2) Overview of accounting implemented

1) Amount of gain or loss on transfer

Loss on sale of shares of subsidiaries: 3 million yen

2) Fair carrying values of assets and liabilities pertaining to transferred business and major breakdown thereof

| | | |
|-------------------------|----|-------------|
| Current assets | 7 | million yen |
| Non-current assets | 11 | million yen |
| Total assets | 19 | million yen |
| Current liabilities | 0 | million yen |
| Non-current liabilities | 6 | million yen |
| Total liabilities | 6 | million yen |

3) Accounting

The difference between the carrying value on consolidation of such transferred shares and the sales amount, etc. was recorded in extraordinary losses as “loss on sale of shares of subsidiaries.”

(3) Name of reportable segment in which the divested business was included

The Group has only a single business segment that is included in the child-rearing support business.

(4) Estimated amount of profit or loss pertaining to the divested business reported on the quarterly consolidated statements of income and comprehensive income for the quarterly consolidated cumulative period

| | Cumulative period |
|-------------------------|-------------------|
| Net sales | 114 million yen |
| Operating profit (loss) | (21) million yen |

Main reasons for business transfer to Social Welfare Corporation Sukesukudoronkonokai and SHINKS-K K.K. and share transfer to SHINKS Inc.

Following an analysis of the geographical areas in which the Company operates, an examination of the area characteristics and demand for nursery services, and a verification of the earnings and expenditures forecast, it was decided that the Group’s operational efficiency can be optimized by concentrating management resources in nursery business in the Tokyo metropolitan areas, in which solid business operation is expected over the medium to long term. This business transfer and share transfer were decided on such basis.

Significant Subsequent Events

Business transfer

By a resolution at the Board of Directors meeting held on July 31, 2024, the Company decided to transfer three central government licensed nursery schools operated by its consolidated subsidiary, Global Kids K.K. to Social Welfare Corporation Sukesukudoronkonokai, and concluded a business transfer agreement therewith, accordingly. For details, please refer to “Notice of Business Transfer at a Consolidated Subsidiary” that was announced today (July 31, 2024).

(1) Name of the transferee

Social Welfare Corporation Sukesukudoronkonokai

(2) Description of the business to be transferred

One central government licensed nursery school in Toda-shi and three central government licensed nursery schools in Chiba

(3) Scheduled date of transfer

April 1, 2025

(4) Transfer price

Free of charge

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.