

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending September 30, 2018
(Six Months Ended March 31, 2018)

[Japanese GAAP]

May 11, 2018

Company name: Global Group Corp.

Stock Exchange Listing: TSE (1st section)

Securities code: 6189

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Scheduled date of filing of Quarterly Report: May 14, 2018

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, 2018
(October 1, 2017 to March 31, 2018)

(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, 2018 | 8,214 | 37.5 | 349 | 21.7 | 319 | (11.8) | 167 | (48.6) |
| Six months ended Mar. 31, 2017 | 5,976 | 31.1 | 287 | 40.0 | 362 | 118.8 | 325 | 125.9 |

Note: Comprehensive income (million yen)

Six months ended Mar. 31, 2018: 209 (down 12.5%)

Six months ended Mar. 31, 2017: 239 (up 66.3%)

| | Net income per share | Diluted net income per share |
|--------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended Mar. 31, 2018 | 19.01 | 18.17 |
| Six months ended Mar. 31, 2017 | 39.81 | 34.75 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of Mar. 31, 2018 | 18,534 | 6,172 | 33.2 |
| As of Sep. 30, 2017 | 13,952 | 5,924 | 42.5 |

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2018: 6,153

As of Sep. 30, 2017: 5,924

2. Dividends

| | Dividend per share | | | | |
|---|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended Sep. 30, 2017 | - | 0.00 | - | 0.00 | 0.00 |
| Fiscal year ending Sep. 30, 2018 | - | 0.00 | - | - | - |
| Fiscal year ending Sep. 30, 2018 (forecast) | - | - | - | 0.00 | 0.00 |

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2018
(October 1, 2017 to September 30, 2018)

(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 | 17,000 | 29.2 | 370 | (9.1) | 1,700 | 15.0 | 1,150 | 45.3 | 129.40 |

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

*** 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 Mar. 31, 2018: | 8,979,071 shares | As of Sep. 30, 2017: | 8,695,360 shares |
|----------------------|------------------|----------------------|------------------|

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

| | | | |
|----------------------|------------|----------------------|------------|
| As of Mar. 31, 2018: | 128 shares | As of Sep. 30, 2017: | 128 shares |
|----------------------|------------|----------------------|------------|

3) Average number of shares issued during the period

| | | | |
|---------------------------------|------------------|---------------------------------|------------------|
| Six months ended Mar. 31, 2018: | 8,793,805 shares | Six months ended Mar. 31, 2017: | 8,170,046 shares |
|---------------------------------|------------------|---------------------------------|------------------|

* The current quarterly financial report is not subject to audit 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

During the first half of the fiscal year ending September 30, 2018 (hereinafter, “the period under review”), the Japanese economy continued a moderate recovery trend led by continued recoveries in corporate earnings and capital investments against a backdrop of economic and monetary policies by the government, along with some signs of a turnaround in consumer spending reflecting improvements in employment and income environments.

Regarding the situation surrounding a child-rearing support business in the environment above, both the central and local governments are implementing measures to secure childcare workers and develop nursery schools to expand childcare service capacity. The goal is to address greater demand for childcare services in the face of increasing number of female workers. Further, the government released the Relief Plan for Child Rearing in June 2017 with the aim of eliminating wait-listed children by creating capacity for a total of 320,000 children with 220,000 children by the end of fiscal 2020 and another 100,000 by the end of fiscal 2022. Thus, we expect that the number of nursery facilities will continue to expand.

Given the concern over Japan’s declining workforce due to its aging population and a decrease in its total population, the development of a sound child-rearing environment is urgent in the course of promoting the women’s social advancement to boost the economic vitality of our country. In this context, the child-rearing support service providers are playing an increasingly important social role.

As of the end of the period under review, Global Group Corp. (hereinafter, “the Company”) and its consolidated subsidiaries (hereinafter collectively, “the Group”) operate a total of 118 facilities: 56 central government licensed nursery schools in Tokyo, 19 in Kanagawa, three in Chiba and three in Osaka; 25 local government licensed nursery schools or centers for early childhood education and care; and 12 after-school day care centers or children’s houses.

Meanwhile, we arranged to open new facilities during the second quarter, and opened 16 new central government licensed nursery schools on April 1, 2018 as listed below.

Nursery schools:

Tokyo

- Global Kids Aizumicho
- Global Kids Nishi-Shinjuku
- Global Kids Unoki
- Global Kids Zoshiki
- Global Kids Hatagaya
- Global Kids Yoyogi-Uehara
- Global Kids Yoyogi-Hachiman
- Global Kids Shoan
- Global Kids Shiinamachi
- Global Kids Ikebukuro Ekimae
- Global Kids Chihaya
- Global Kids Funabori

Kanagawa

- Global Kids Koyasu Ekimae
- Global Kids Tsunashima SST

Saitama

- Global Kids Toda Ekimae

Osaka

- Global Kids Suminoe

Consequently, the Group reported net sales for the period under review of 8,214 million yen (up 37.5% year-on-year) with operating profit of 349 million yen (up 21.7% year-on-year), ordinary profit of 319 million yen (down 11.8% year-on-year), and profit attributable to owners of parent of 167 million yen (down 48.6% year-on-year).

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

Assets

Total assets amounted to 18,534 million yen at the end of the period under review, an increase of 4,581 million yen over the end of the previous fiscal year.

Current assets increased 3,070 million yen to 5,716 million yen. This was mainly attributable to a piling-up of cash and deposits to prepare for opening of the new nursery schools in April and also an increase of 432 million yen in accounts receivable-other.

Non-current assets increased 1,511 million yen to 12,818 million yen. This was mainly attributable to an increase of 1,770 million yen in construction in progress due to preparation for opening of the new nursery schools.

Liabilities

Total liabilities amounted to 12,361 million yen at the end of the period under review, an increase of 4,333 million yen over the end of the previous fiscal year.

Current liabilities increased 3,271 million yen to 5,743 million yen. This was attributable to an increase of 2,700 million yen in short-term loans payable to prepare for opening of the new nursery schools and also an increase of 515 million yen in accounts payable-other.

Non-current liabilities increased 1,062 million yen to 6,617 million yen. This was mainly attributable to an increase of 1,170 million yen in long-term loans payable.

Net assets

Net assets increased 248 million yen to 6,172 million yen at the end of the period under review. This was mainly due to an increase of 167 million yen in retained earnings from profit attributable to owners of parent.

2) Cash flows

Cash and cash equivalents (hereinafter, "net cash") amounted to 3,555 million yen at the end of the period under review.

Cash flows from operating activities

Net cash provided by operating activities amounted to 35 million yen, mainly due to profit before income taxes of 319 million yen, an increase in accounts payable-other of 515 million yen and depreciation of 284 million yen, which were partially offset by increases of 432 million yen in accounts receivable-other and 351 million yen in prepaid expenses.

Cash flows from investing activities

Net cash used in investing activities amounted to 1,773 million yen, mainly due to purchase of property, plant and equipment of 1,783 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 4,047 million yen, mainly due to a net increase of 2,700 million yen in short-term loans payable and proceeds from long-term loans payable of 1,719 million yen, which were partially offset by repayments of long-term loans payable of 376 million yen.

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

Regarding the consolidated earnings forecast for the fiscal year ending September 30, 2018, please refer to the "Notice concerning a revision of the full-year consolidated earnings forecast" (available in Japanese only) published on May 11, 2018.

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

(Millions of yen)

| | FY9/17 (As of Sep. 30, 2017) | Second quarter of FY9/18 (As of Mar. 31, 2018) |
|--|---------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,246 | 3,555 |
| Accounts receivable-other | 854 | 1,287 |
| Prepaid expenses | 318 | 679 |
| Deferred tax assets | 208 | 173 |
| Other | 17 | 19 |
| Total current assets | 2,645 | 5,716 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 8,113 | 7,865 |
| Construction in progress | 263 | 2,034 |
| Other, net | 411 | 388 |
| Total property, plant and equipment | 8,789 | 10,288 |
| Intangible assets | | |
| Other | 22 | 22 |
| Total intangible assets | 22 | 22 |
| Investments and other assets | | |
| Investment securities | 20 | 20 |
| Long-term prepaid expenses | 649 | 762 |
| Lease and guarantee deposits | 1,306 | 1,367 |
| Construction assistance fund receivables | 366 | 356 |
| Deferred tax assets | 12 | - |
| Other | 139 | 0 |
| Total investments and other assets | 2,495 | 2,506 |
| Total non-current assets | 11,307 | 12,818 |
| Total assets | 13,952 | 18,534 |
| Liabilities | | |
| Current liabilities | | |
| Short-term loans payable | - | 2,700 |
| Current portion of long-term loans payable | 746 | 918 |
| Current portion of bonds | 35 | 35 |
| Accounts payable-other | 788 | 1,303 |
| Income taxes payable | 150 | 170 |
| Advances received | 157 | 7 |
| Provision for bonuses | 375 | 379 |
| Other | 218 | 227 |
| Total current liabilities | 2,472 | 5,743 |
| Non-current liabilities | | |
| Bonds payable | 59 | 41 |
| Long-term loans payable | 3,325 | 4,496 |
| Net defined benefit liability | 153 | 137 |
| Deferred tax liabilities | 1,905 | 1,835 |
| Other | 111 | 107 |
| Total non-current liabilities | 5,555 | 6,617 |
| Total liabilities | 8,028 | 12,361 |

| | (Millions of yen) | |
|---|---------------------------------|---|
| | FY9/17 (As of Sep. 30, 2017) | Second quarter of FY9/18 (As of Mar. 31, 2018) |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,256 | 1,266 |
| Capital surplus | 1,944 | 1,954 |
| Retained earnings | 2,846 | 3,013 |
| Treasury shares | (0) | (0) |
| Total shareholders' equity | 6,047 | 6,234 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 0 | 0 |
| Remeasurements of defined benefit plans | (122) | (80) |
| Total accumulated other comprehensive income | (122) | (80) |
| Subscription rights to shares | - | 19 |
| Total net assets | 5,924 | 6,172 |
| Total liabilities and net assets | 13,952 | 18,534 |

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

(Millions of yen)

| | First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017) | First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018) |
|--|--|--|
| Net sales | 5,976 | 8,214 |
| Cost of sales | 4,917 | 6,926 |
| Gross profit | 1,059 | 1,288 |
| Selling, general and administrative expenses | 772 | 939 |
| Operating profit | 287 | 349 |
| Non-operating income | | |
| Interest and dividend income | 1 | 4 |
| Subsidy income | 110 | - |
| Other | 3 | 0 |
| Total non-operating income | 115 | 4 |
| Non-operating expenses | | |
| Interest expenses | 15 | 16 |
| Capital expenses | 22 | - |
| Other | 1 | 17 |
| Total non-operating expenses | 40 | 34 |
| Ordinary profit | 362 | 319 |
| Profit before income taxes | 362 | 319 |
| Income taxes | 37 | 152 |
| Profit | 325 | 167 |
| Profit attributable to | | |
| Profit attributable to owners of parent | 325 | 167 |
| 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 | (85) | 42 |
| Total other comprehensive income | (85) | 42 |
| Comprehensive income | 239 | 209 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 239 | 209 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

| | First six months of FY9/17 (Oct. 1, 2016 – Mar. 31, 2017) | First six months of FY9/18 (Oct. 1, 2017 – Mar. 31, 2018) |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 362 | 319 |
| Depreciation | 233 | 284 |
| Amortization of goodwill | 1 | - |
| Subsidy income | (110) | - |
| Increase (decrease) in provision for bonuses | 4 | 3 |
| Increase (decrease) in net defined benefit liability | 7 | 27 |
| Interest and dividend income | (1) | (4) |
| Interest expenses | 15 | 16 |
| Decrease (increase) in accounts receivable-other | (139) | (432) |
| Decrease (increase) in prepaid expenses | (315) | (351) |
| Increase (decrease) in accounts payable-other | 51 | 515 |
| Increase (decrease) in advances received | (120) | (150) |
| Other, net | (94) | (38) |
| Subtotal | (106) | 191 |
| Interest and dividend income received | 0 | 2 |
| Interest expenses paid | (16) | (15) |
| Income taxes paid | (104) | (142) |
| Proceeds from subsidy income | 43 | - |
| Net cash provided by (used in) operating activities | (183) | 35 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,790) | (1,783) |
| Purchase of intangible assets | (6) | (3) |
| Payments for lease and guarantee deposits | (133) | (70) |
| Payments of construction assistance fund receivables | (42) | - |
| Collection of construction assistance fund receivables | 9 | 12 |
| Other, net | (24) | 72 |
| Net cash provided by (used in) investing activities | (1,987) | (1,773) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 1,300 | 2,700 |
| Proceeds from long-term loans payable | 1,190 | 1,719 |
| Repayments of long-term loans payable | (339) | (376) |
| Redemption of bonds | (44) | (17) |
| Repayments of lease obligations | (4) | (3) |
| Proceeds from exercise of share options | 4 | 6 |
| Proceeds from issuance of subscription rights to shares | - | 19 |
| Net cash provided by (used in) financing activities | 2,104 | 4,047 |
| Net increase (decrease) in cash and cash equivalents | (65) | 2,309 |
| Cash and cash equivalents at beginning of period | 1,474 | 1,246 |
| Cash and cash equivalents at end of period | 1,408 | 3,555 |

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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.”

3. Others

Material Events Regarding Going Concern Assumption

Not applicable.

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.