

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the Year Ended September 30, 2021 [Japanese GAAP]

November 12, 2021

Company name: HENNGE K.K.

Stock exchange listing: Tokyo

Code number: 4475

URL: <https://hennge.com/jp/>

Representative: Kazuhiro Ogura

Contact: Haruo Amano

Phone: 03-6415-3660

Scheduled date of Annual General Meeting of Shareholders: December 23, 2021

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: December 23, 2021

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

Representative Director, Chief Executive Officer
Director, Executive Vice President

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (October 01, 2020 to September 30, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended September 30, 2021	4,845	16.7	380	(29.4)	383	(28.4)	224	(36.9)
September 30, 2020	4,153	21.2	539	187.7	535	201.6	355	223.0

(Note) Comprehensive income: Fiscal year ended September 30, 2021: ¥ 3 million [(99.6)%]
Fiscal year ended September 30, 2020: ¥ 786 million [629.3%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended September 30, 2021	13.87	13.78	12.2	8.8	7.8
September 30, 2020	22.58	21.89	28.3	15.6	13.0

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2021: ¥ - million
Fiscal year ended September 30, 2020: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	4,491	1,843	41.0	113.45
September 30, 2020	4,241	1,822	43.0	113.85

(Reference) Equity: As of September 30, 2021: ¥ 1,843 million
As of September 30, 2020: ¥ 1,822 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended September 30, 2021	527	(25)	18	3,393
September 30, 2020	774	(123)	345	2,871

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2020	-	0.00	-	0.00	0.00	-	-	-
September 30, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending September 30, 2022 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended September 30, 2021 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2022 (October 01, 2021 to September 30, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	5,782	19.3	434	14.2	434	13.3	273	22.1	16.82

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New	-	(Company name:)
Exclusion:	-	(Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2021:	16,244,200 shares
September 30, 2020:	16,002,200 shares

2) Total number of treasury shares at the end of the period:

September 30, 2021:	79 shares
September 30, 2020:	37 shares

3) Average number of shares during the period:

Fiscal Year ended September 30, 2021:	16,140,910 shares
Fiscal Year ended September 30, 2020:	15,717,948 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (October 01, 2020 to September 30, 2021)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	4,832	16.6	409	(27.0)	417	(25.7)	258	(32.4)
September 30, 2020	4,144	21.1	560	165.5	562	173.4	381	176.5

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2021	15.96	15.86
September 30, 2020	24.25	23.50

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2021	4,540	1,902	41.9	117.10
September 30, 2020	4,265	1,850	43.4	115.60

(Reference) Equity: As of September 30, 2021: ¥ 1,902 million
As of September 30, 2020: ¥ 1,850 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of September 30,2020	As of September 30,2021
Assets		
Current assets		
Cash and deposits	2,870,891	3,392,761
Accounts receivable - trade	163,304	125,905
Raw materials	29	-
Prepaid expenses	134,824	216,298
Other	2,408	2,463
Total current assets	3,171,457	3,737,426
Non-current assets		
Property, plant and equipment		
Buildings	161,550	162,550
Accumulated depreciation	(20,652)	(33,627)
Buildings, net	140,898	128,923
Tools, furniture and fixtures	105,918	119,775
Accumulated depreciation	(58,501)	(78,196)
Tools, furniture and fixtures, net	47,417	41,579
Construction in progress	-	941
Total property, plant and equipment	188,314	171,443
Intangible assets		
Software	2,612	1,450
Total intangible assets	2,612	1,450
Investments and other assets		
Investment securities	653,878	308,373
Deferred tax assets	-	24,374
Leasehold and guarantee deposits	160,380	160,808
Other	64,129	87,344
Total investments and other assets	878,387	580,898
Total non-current assets	1,069,313	753,791
Total assets	4,240,770	4,491,217

(Thousand yen)

	As of September 30,2020	As of September 30,2021
Liabilities		
Current liabilities		
Accounts payable - trade	17,234	24,151
Accounts payable - other	111,917	163,049
Unearned revenue	1,606,578	1,929,328
Income taxes payable	148,240	83,300
Provision for bonuses	155,326	197,112
Other	188,188	151,901
Total current liabilities	2,227,482	2,548,842
Non-current liabilities		
Deferred tax liabilities	92,186	-
Asset retirement obligations	61,390	61,531
Other	37,905	38,016
Total non-current liabilities	191,481	99,547
Total liabilities	2,418,962	2,648,388
Net assets		
Shareholders' equity		
Share capital	503,153	512,228
Capital surplus	468,853	477,928
Retained earnings	423,536	647,371
Treasury shares	(109)	(432)
Total shareholders' equity	1,395,433	1,637,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	430,216	207,048
Foreign currency translation adjustment	(3,842)	(1,314)
Total accumulated other comprehensive income	426,375	205,734
Total net assets	1,821,808	1,842,829
Total liabilities and net assets	4,240,770	4,491,217

Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended September 30,2020	For the fiscal year ended September 30,2021
Net sales	4,152,655	4,844,887
Cost of sales	735,302	821,701
Gross profit	3,417,353	4,023,187
Selling, general and administrative expenses	2,878,703	3,643,087
Operating profit	538,649	380,100
Non-operating income		
Interest income	1,298	37
Dividend income	6	6
Gain on sale of investment securities	-	152
Foreign exchange gains	-	577
Subsidy income	-	2,500
Other	-	31
Total non-operating income	1,304	3,303
Non-operating expenses		
Foreign exchange losses	3,830	-
Commission expenses	666	-
Total non-operating expenses	4,496	-
Ordinary profit	535,457	383,403
Extraordinary losses		
Loss on valuation of investment securities	30,000	27,200
Total extraordinary losses	30,000	27,200
Profit before income taxes	505,457	356,203
Income taxes - current	166,503	150,435
Income taxes - deferred	(16,027)	(18,067)
Total income taxes	150,476	132,368
Profit	354,981	223,835
Profit attributable to owners of parent	354,981	223,835

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended September 30,2020	For the fiscal year ended September 30,2021
Profit	354,981	223,835
Other comprehensive income		
Valuation difference on available-for-sale securities	430,160	(223,168)
Foreign currency translation adjustment	776	2,527
Total other comprehensive income	430,936	(220,641)
Comprehensive income	785,917	3,194
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	785,917	3,194

Consolidated Statements of Changes in Net Assets
For the fiscal year ended September 30,2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	330,800	296,500	68,555	-	695,855
Changes during period					
Issuance of new shares	172,353	172,353			344,706
Profit attributable to owners of parent			354,981		354,981
Purchase of treasury shares				(109)	(109)
Net changes in items other than shareholders' equity					
Total changes during period	172,353	172,353	354,981	(109)	699,578
Balance at end of period	503,153	468,853	423,536	(109)	1,395,433

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	57	(4,618)	(4,561)	691,294
Changes during period				
Issuance of new shares				344,706
Profit attributable to owners of parent				354,981
Purchase of treasury shares				(109)
Net changes in items other than shareholders' equity	430,160	776	430,936	430,936
Total changes during period	430,160	776	430,936	1,130,514
Balance at end of period	430,216	(3,842)	426,375	1,821,808

For the fiscal year ended September 30,2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	503,153	468,853	423,536	(109)	1,395,433
Changes during period					
Issuance of new shares	9,075	9,075			18,150
Profit attributable to owners of parent			223,835		223,835
Purchase of treasury shares				(323)	(323)
Net changes in items other than shareholders' equity					
Total changes during period	9,075	9,075	223,835	(323)	241,662
Balance at end of period	512,228	477,928	647,371	(432)	1,637,095

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	430,216	(3,842)	426,375	1,821,808
Changes during period				
Issuance of new shares				18,150
Profit attributable to owners of parent				223,835
Purchase of treasury shares				(323)
Net changes in items other than shareholders' equity	(223,168)	2,527	(220,641)	(220,641)
Total changes during period	(223,168)	2,527	(220,641)	21,021
Balance at end of period	207,048	(1,314)	205,734	1,842,829

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended September 30,2020	For the fiscal year ended September 30,2021
Cash flows from operating activities		
Profit before income taxes	505,457	356,203
Depreciation	49,239	36,702
Increase (decrease) in provision for bonuses	23,110	41,786
Interest and dividend income	(1,304)	(43)
Foreign exchange losses (gains)	(4,391)	51
Loss (gain) on sale of investment securities	-	(152)
Loss (gain) on valuation of investment securities	30,000	27,200
Decrease (increase) in trade receivables	(74,860)	37,400
Decrease (increase) in inventories	240	29
Decrease (increase) in prepaid expenses	13,746	(81,473)
Increase (decrease) in trade payables	5,158	6,917
Increase (decrease) in accounts payable - other	7,708	54,197
Increase (decrease) in unearned revenue	249,197	322,751
Other, net	41,926	(61,054)
Subtotal	845,226	740,511
Interest and dividends received	1,304	43
Income taxes paid	(72,343)	(213,626)
Net cash provided by (used in) operating activities	774,187	526,929
Cash flows from investing activities		
Purchase of property, plant and equipment	(113,138)	(21,732)
Payments for asset retirement obligations	(10,032)	-
Proceeds from sale of investment securities	-	233
Purchase of investment securities	(16,938)	(3,436)
Payments of leasehold and guarantee deposits	(1,219)	(428)
Proceeds from refund of leasehold and guarantee deposits	18,019	-
Net cash provided by (used in) investing activities	(123,308)	(25,363)
Cash flows from financing activities		
Purchase of treasury shares	(109)	(323)
Proceeds from issuance of shares	344,706	18,150
Net cash provided by (used in) financing activities	344,597	17,827
Effect of exchange rate change on cash and cash equivalents	1,237	2,476
Net increase (decrease) in cash and cash equivalents	996,713	521,869
Cash and cash equivalents at beginning of period	1,874,179	2,870,891
Cash and cash equivalents at end of period	2,870,891	3,392,761

(Significant Subsequent Events)

(Stock split and partial amendment to the Articles of Incorporation)

HENNGE K.K.(hereinafter “the Company”) authorised a stock split of shares of its common share and partial amendment to the Articles of Incorporation due to the stock split, at the Board of Directors meeting held on November 12, 2021.

1. Purpose of the stock split

The stock split aims to increase the liquidity of the shares by reducing the investment unit price for the Company’s share, and to further expand the investor base.

2. Outline of the stock split

(1) Method of stock split

The record date for the stock split will be December 31, 2021 (Friday) and each common share recorded based on the shareholders list or in the shareholder registry as of the record date will be split into two shares.

(2) Increase in the number of shares resulting from stock split

- ①Total number of issued shares before stock split : 16,244,200 shares
- ②Increase in the number of shares resulting from stock split : 16,244,200 shares
- ③Total number of shares issued after stock split : 32,488,400 shares
- ④Total number of authorised shares to issue after stock split : 123,080,000 shares

(3) Schedule of the stock split

- ①Date of public notice of the record date : November 15, 2021 (Monday)
- ②Record date : December 31, 2021 (Friday)
- ③Effective date : January 1, 2022 (Saturday)

(4) Effect on per-stock information

The impact on per stock information assuming that the stock split was taken into place at the beginning of the fiscal year ended September 30, 2021 is as follows.

	For the fiscal year ended September 30, 2020 (Yen)	For the fiscal year ended September 30, 2021 (Yen)
Net assets per share	56.92	56.72
Basic earnings per share	11.29	6.93
Diluted earnings per share	10.95	6.89

(5) Adjustment on the exercising price for the stock option

In accordance with the stock split, the exercising price per share for the stock option which is due after January 1, 2022 (Saturday) will be adjusted as stated in the below table.

Name of the stock option	Pre-adjustment (Yen)	Post-adjustment (Yen)
4th stock option	75	38

(6) Change in the amount of share capital

There will be no change in the amount of share capital in relation to the stock split.

3. Partial amendment to Articles of Incorporation

(1) Reason for the amendment

Due to the stock split expected to be effective on January 1, 2022, the Company will partially amend Articles of Incorporation, article 6, which is to amend the total number of authorised shares to issue, pursuant to the Board of Directors resolution by following Article 184, Paragraph 2 of the Companies Act.

Amendment will be effective on or after January 1, 2022 (Saturday).

(2) Details of the amendment

Details of the amendment is as stated in the below table (amended details are underlined).

Pre-amendment	Post-amendment
(Total number of shares authorised to issue) Article 6 Total number of shares authorised to issue for the Company is at <u>61,540,000</u> shares.	(Total number of shares authorised to issue) Article 6 Total number of shares authorised to issue for the Company is at <u>123,080,000</u> shares.