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Consolidated Financial Results for the Year Ended September 30, 2023 [Japanese GAAP]

November 10, 2023

Company name: HENNGE K.K.
Stock exchange listing: Tokyo
Code number: 4475
URL: <https://hennge.com/jp/>
Representative: Kazuhiro Ogura
Contact: Haruo Amano
Phone: +81-3-6415-3660

Representative Director, Chief Executive Officer
Director, Executive Vice President

Scheduled date of Annual General Meeting of Shareholders: December 22, 2023
Scheduled date of commencing dividend payments: -
Scheduled date of filing annual securities report: December 22, 2023
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes

(Amounts are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended September 30, 2023	6,776	20.0	708	53.1	713	57.7	509	58.4
September 30, 2022	5,646	16.5	462	21.6	452	17.9	321	43.5

(Note) Comprehensive income: Fiscal year ended September 30, 2023: ¥ 553 million [139.1%]
Fiscal year ended September 30, 2022: ¥ 231 million [-%]

	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, 2023	15.75	-	22.7	12.4	10.4
September 30, 2022	9.88	9.88	16.3	9.3	8.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2023: ¥ - million
Fiscal year ended September 30, 2022: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	6,295	2,415	38.0	74.17
September 30, 2022	5,206	2,092	40.2	64.36

(Reference) Equity: As of September 30, 2023: ¥ 2,393 million
As of September 30, 2022: ¥ 2,092 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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2023	1,228	(425)	(270)	4,585
September 30, 2022	777	(120)	(0)	4,054

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	Millions of yen	%	%
September 30, 2022	-	0.00	-	0.00	0.00	-	-	-
September 30, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending September 30, 2024 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended September 30, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,316	22.7	945	33.5	945	32.5	633	24.4	19.62

* 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: Yes
- 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, 2023:	32,500,600 shares
September 30, 2022:	32,500,600 shares

2) Number of treasury shares at the end of the period:

September 30, 2023:	233,017 shares
September 30, 2022:	276 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended September 30, 2023:	32,299,578 shares
Fiscal Year ended September 30, 2022:	32,494,080 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	6,750	19.9	752	54.6	760	58.5	556	59.5
September 30, 2022	5,630	16.5	486	18.9	480	14.9	349	35.3

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2023	17.22	-
September 30, 2022	10.73	10.73

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2023	6,411	2,546	39.4	78.21
September 30, 2022	5,277	2,174	41.2	66.90

(Reference) Equity: As of September 30, 2023: ¥ 2,524 million
As of September 30, 2022: ¥ 2,174 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	4,053,700	4,585,223
Accounts receivable - trade	115,304	169,955
Prepaid expenses	364,479	330,999
Other	3,313	29,273
Total current assets	4,536,797	5,115,450
Non-current assets		
Property, plant and equipment		
Buildings	167,989	195,732
Accumulated depreciation	(46,812)	(60,247)
Buildings, net	121,177	135,486
Tools, furniture and fixtures	131,807	125,471
Accumulated depreciation	(92,493)	(94,778)
Tools, furniture and fixtures, net	39,313	30,693
Construction in progress	386	1,542
Total property, plant and equipment	160,876	167,721
Intangible assets		
Software	288	-
Software in progress	-	44,688
Total intangible assets	288	44,688
Investments and other assets		
Investment securities	258,939	556,363
Deferred tax assets	67,981	75,727
Leasehold and guarantee deposits	161,047	256,850
Other	19,718	77,986
Total investments and other assets	507,684	966,927
Total non-current assets	668,848	1,179,336
Total assets	5,205,645	6,294,786

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	26,874	29,149
Accounts payable - other	294,174	353,072
Income taxes payable	73,205	190,878
Contract liabilities	2,307,302	2,791,415
Provision for bonuses	168,565	212,819
Other	138,764	215,913
Total current liabilities	3,008,885	3,793,246
Non-current liabilities		
Asset retirement obligations	61,674	61,682
Other	43,281	24,582
Total non-current liabilities	104,955	86,264
Total liabilities	3,113,840	3,879,510
Net assets		
Shareholders' equity		
Share capital	521,191	521,191
Capital surplus	486,891	486,891
Retained earnings	968,541	1,476,949
Treasury shares	(684)	(251,863)
Total shareholders' equity	1,975,938	2,233,167
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	112,896	157,707
Foreign currency translation adjustment	2,972	2,404
Total accumulated other comprehensive income	115,868	160,112
Share acquisition rights	-	21,997
Total net assets	2,091,805	2,415,276
Total liabilities and net assets	5,205,645	6,294,786

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Net sales	5,646,198	6,775,545
Cost of sales	874,476	1,098,219
Gross profit	4,771,722	5,677,326
Selling, general and administrative expenses	4,309,421	4,969,650
Operating profit	462,301	707,676
Non-operating income		
Interest income	47	86
Gain on valuation of derivatives	-	29,174
Other	45	35
Total non-operating income	92	29,295
Non-operating expenses		
Foreign exchange losses	6,515	15,652
Loss on investments in investment partnerships	3,729	7,679
Other	-	811
Total non-operating expenses	10,244	24,142
Ordinary profit	452,149	712,830
Profit before income taxes	452,149	712,830
Income taxes - current	133,034	231,520
Income taxes - deferred	(2,054)	(27,524)
Total income taxes	130,980	203,996
Profit	321,169	508,834
Profit attributable to owners of parent	321,169	508,834

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Profit	321,169	508,834
Other comprehensive income		
Valuation difference on available-for-sale securities	(94,153)	44,812
Foreign currency translation adjustment	4,286	(568)
Total other comprehensive income	(89,866)	44,244
Comprehensive income	231,303	553,078
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	231,303	553,078

Consolidated Statements of Changes in Equity
For the fiscal year ended September 30, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	512,228	477,928	647,371	(432)	1,637,095
Changes during period					
Issuance of new shares	8,963	8,963			17,926
Profit attributable to owners of parent			321,169		321,169
Purchase of treasury shares				(252)	(252)
Disposal of treasury shares					
Transfer from retained earnings to capital surplus					
Net changes in items other than shareholders' equity					
Total changes during period	8,963	8,963	321,169	(252)	338,843
Balance at end of period	521,191	486,891	968,541	(684)	1,975,938

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	207,048	(1,314)	205,734	-	1,842,829
Changes during period					
Issuance of new shares					17,926
Profit attributable to owners of parent					321,169
Purchase of treasury shares					(252)
Disposal of treasury shares					-
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity	(94,153)	4,286	(89,866)	-	(89,866)
Total changes during period	(94,153)	4,286	(89,866)	-	248,976
Balance at end of period	112,896	2,972	115,868	-	2,091,805

For the fiscal year ended September 30, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	521,191	486,891	968,541	(684)	1,975,938
Changes during period					
Issuance of new shares					-
Profit attributable to owners of parent			508,834		508,834
Purchase of treasury shares				(270,313)	(270,313)
Disposal of treasury shares		(425)		19,134	18,709
Transfer from retained earnings to capital surplus		425	(425)		-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	508,409	(251,179)	257,230
Balance at end of period	521,191	486,891	1,476,949	(251,863)	2,233,167

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	112,896	2,972	115,868	-	2,091,805
Changes during period					
Issuance of new shares					-
Profit attributable to owners of parent					508,834
Purchase of treasury shares					(270,313)
Disposal of treasury shares					18,709
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity	44,812	(568)	44,244	21,997	66,241
Total changes during period	44,812	(568)	44,244	21,997	323,470
Balance at end of period	157,707	2,404	160,112	21,997	2,415,276

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	452,149	712,830
Depreciation	39,123	35,946
Increase (decrease) in provision for bonuses	(28,546)	44,254
Interest and dividend income	(47)	(86)
Decrease (increase) in trade receivables	10,601	(54,651)
Decrease (increase) in prepaid expenses	(141,607)	38,759
Increase (decrease) in trade payables	2,724	2,274
Increase (decrease) in accounts payable - other	132,268	59,958
Increase (decrease) in contract liabilities	377,974	484,113
Other, net	75,410	24,648
Subtotal	920,048	1,348,046
Interest and dividends received	47	86
Income taxes paid	(143,359)	(120,556)
Net cash provided by (used in) operating activities	776,736	1,227,575
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,537)	(43,948)
Purchase of intangible assets	-	(44,688)
Purchase of investment securities	(90,001)	(240,515)
Payments of leasehold and guarantee deposits	(735)	(98,255)
Proceeds from refund of leasehold and guarantee deposits	143	2,467
Other, net	(652)	(217)
Net cash provided by (used in) investing activities	(119,782)	(425,157)
Cash flows from financing activities		
Purchase of treasury shares	(252)	(270,313)
Proceeds from issuance of shares	152	-
Net cash provided by (used in) financing activities	(100)	(270,313)
Effect of exchange rate change on cash and cash equivalents	4,086	(583)
Net increase (decrease) in cash and cash equivalents	660,940	531,522
Cash and cash equivalents at beginning of period	3,392,761	4,053,700
Cash and cash equivalents at end of period	4,053,700	4,585,223