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Consolidated Financial Results for the Year Ended September 30, 2019 [Japanese GAAP]

November 14, 2019

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

Representative Director, Chief Executive Officer
Executive Officer of Business Administration Division

Scheduled date of Annual General Meeting of Shareholders: December 25, 2019
Scheduled date of commencing dividend payments: -
Scheduled date of filing annual securities report: December 26, 2019
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, 2019 (October 01, 2018 to September 30, 2019)

(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, 2019	3,427	20.9	187	(7.3)	178	(19.0)	110	(10.9)
September 30, 2018	2,835	27.4	202	32.9	219	41.1	123	(28.5)

(Note) Comprehensive income: Fiscal year ended September 30, 2019: ¥ 108 million [(12.3) %]
Fiscal year ended September 30, 2018: ¥ 123 million [(27.8) %]

	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, 2019	7.14	-	17.2	7.2	5.5
September 30, 2018	8.07	-	23.9	10.8	7.1

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2019: ¥ - million
Fiscal year ended September 30, 2018: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2019	2,603	691	26.6	44.92
September 30, 2018	2,315	584	25.2	37.92

(Reference) Equity: As of September 30, 2019: ¥ 691 million
As of September 30, 2018: ¥ 584 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	Million yen	Million yen	Million yen	Million yen
September 30, 2019	227	(157)	-	1,874
September 30, 2018	536	(53)	10	1,804

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, 2018	-	0.00	-	0.00	0.00	-	-	-
September 30, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending September 30, 2020 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended September 30, 2019 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2020 (October 01, 2019 to September 30, 2020)

(% 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	4,110	19.9	259	38.3	259	45.9	145	31.9	9.42

* 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, 2019:	15,388,000 shares
September 30, 2018:	15,388,000 shares

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

September 30, 2019:	- shares
September 30, 2018:	- shares

3) Average number of shares during the period:

Fiscal Year ended September 30, 2019:	15,388,000 shares
Fiscal Year ended September 30, 2018:	15,289,644 shares

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of September 30,2018	As of September 30,2019
Assets		
Current assets		
Cash and deposits	1,804,065	1,874,179
Accounts receivable - trade	82,383	88,444
Work in process	-	240
Raw materials	227	29
Prepaid expenses	136,246	148,571
Other	42,286	3,779
Total current assets	2,065,207	2,115,242
Non-current assets		
Property, plant and equipment		
Buildings	54,523	154,718
Accumulated depreciation	(18,107)	(30,013)
Buildings, net	36,415	124,705
Tools, furniture and fixtures	55,729	92,282
Accumulated depreciation	(34,594)	(43,472)
Tools, furniture and fixtures, net	21,135	48,810
Construction in progress	6,567	495
Total property, plant and equipment	64,117	174,010
Intangible assets		
Software	4,936	3,774
Total intangible assets	4,936	3,774
Investments and other assets		
Investment securities	30,237	60,162
Deferred tax assets	58,213	68,406
Leasehold and guarantee deposits	88,092	177,179
Other	4,613	4,427
Total investments and other assets	181,154	310,174
Total non-current assets	250,207	487,959
Total assets	2,315,415	2,603,200

(Thousand yen)

	As of September 30,2018	As of September 30,2019
Liabilities		
Current liabilities		
Accounts payable - trade	79,838	12,076
Accounts payable - other	169,503	154,965
Unearned revenue	1,172,616	1,357,381
Income taxes payable	85,010	47,928
Provision for bonuses	112,245	132,216
Asset retirement obligations	-	10,020
Other	49,909	71,048
Total current liabilities	1,669,120	1,785,633
Non-current liabilities		
Asset retirement obligations	24,855	61,251
Other	37,915	65,022
Total non-current liabilities	62,769	126,273
Total liabilities	1,731,890	1,911,906
Net assets		
Shareholders' equity		
Capital stock	330,800	330,800
Capital surplus	296,500	296,500
Retained earnings	(41,342)	68,555
Total shareholders' equity	585,958	695,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	108	57
Foreign currency translation adjustment	(2,541)	(4,618)
Total accumulated other comprehensive income	(2,433)	(4,561)
Total net assets	583,525	691,294
Total liabilities and net assets	2,315,415	2,603,200

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended September 30,2018	For the fiscal year ended September 30,2019
Net sales	2,834,900	3,426,851
Cost of sales	630,572	605,105
Gross profit	2,204,328	2,821,746
Selling, general and administrative expenses	2,002,276	2,634,522
Operating profit	202,052	187,223
Non-operating income		
Interest income	295	453
Dividend income	5	6
Foreign exchange gains	16,878	-
Other	28	72
Total non-operating income	17,206	531
Non-operating expenses		
Foreign exchange losses	-	10,241
Total non-operating expenses	-	10,241
Ordinary profit	219,258	177,513
Extraordinary losses		
Loss on valuation of investment securities	29,970	-
Total extraordinary losses	29,970	-
Profit before income taxes	189,288	177,513
Income taxes - current	84,689	77,786
Income taxes - deferred	(18,732)	(10,171)
Total income taxes	65,957	67,616
Profit	123,331	109,897
Profit attributable to owners of parent	123,331	109,897

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended September 30,2018	For the fiscal year ended September 30,2019
Profit	123,331	109,897
Other comprehensive income		
Valuation difference on available-for-sale securities	24	(51)
Foreign currency translation adjustment	(434)	(2,077)
Total other comprehensive income	(410)	(2,128)
Comprehensive income	122,921	107,769
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	122,921	107,769

Consolidated Statements of Changes in Net Assets

For the fiscal year ended September 30,2018

(Thousand yen)

	Shareholders' equity			Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	
Balance at beginning of current period	325,800	291,500	(164,673)	452,627
Changes of items during period				
Issuance of new shares	5,000	5,000		10,000
Profit attributable to owners of parent			123,331	123,331
Net changes of items other than shareholders' equity				
Total changes of items during period	5,000	5,000	123,331	133,331
Balance at end of current period	330,800	296,500	(41,342)	585,958

	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 current period	84	(2,106)	(2,023)	450,604
Changes of items during period				
Issuance of new shares				10,000
Profit attributable to owners of parent				123,331
Net changes of items other than shareholders' equity	24	(434)	(410)	(410)
Total changes of items during period	24	(434)	(410)	132,921
Balance at end of current period	108	(2,541)	(2,433)	583,525

For the fiscal year ended September 30,2019

(Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	330,800	296,500	(41,342)	585,958
Changes of items during period				
Profit attributable to owners of parent			109,897	109,897
Net changes of items other than shareholders' equity				
Total changes of items during period	-	-	109,897	109,897
Balance at end of current period	330,800	296,500	68,555	695,855

	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 current period	108	(2,541)	(2,433)	583,525
Changes of items during period				
Profit attributable to owners of parent				109,897
Net changes of items other than shareholders' equity	(51)	(2,077)	(2,128)	(2,128)
Total changes of items during period	(51)	(2,077)	(2,128)	107,769
Balance at end of current period	57	(4,618)	(4,561)	691,294

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended September 30,2018	For the fiscal year ended September 30,2019
Cash flows from operating activities		
Profit before income taxes	189,288	177,513
Depreciation	34,634	28,465
Increase (decrease) in provision for bonuses	44,225	19,971
Interest and dividend income	(300)	(459)
Foreign exchange losses (gains)	(15,671)	19,260
Loss (gain) on valuation of investment securities	29,970	-
Decrease (increase) in notes and accounts receivable - trade	2,230	(6,061)
Decrease (increase) in inventories	6	(41)
Decrease (increase) in prepaid expenses	(21,978)	(11,921)
Increase (decrease) in notes and accounts payable - trade	64,565	(67,762)
Increase (decrease) in accounts payable - other	16,425	(68,228)
Increase (decrease) in unearned revenue	274,441	184,765
Other, net	(50,472)	70,256
Subtotal	567,364	345,759
Interest and dividend income received	300	459
Income taxes paid	(31,633)	(119,193)
Net cash provided by (used in) operating activities	536,031	227,025
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,051)	(37,287)
Purchase of intangible assets	(5,810)	-
Purchase of investment securities	(30,000)	(29,999)
Payments for leasehold and guarantee deposits	(9,821)	(89,669)
Other, net	391	360
Net cash provided by (used in) investing activities	(53,291)	(156,595)
Cash flows from financing activities		
Proceeds from issuance of common shares	10,000	-
Net cash provided by (used in) financing activities	10,000	-
Effect of exchange rate change on cash and cash equivalents	316	(315)
Net increase (decrease) in cash and cash equivalents	493,056	70,114
Cash and cash equivalents at beginning of period	1,311,008	1,804,065
Cash and cash equivalents at end of period	1,804,065	1,874,179