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## Consolidated Financial Results for the Year Ended September 30, 2020 [Japanese GAAP]

November 13, 2020

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, 2020  
Scheduled date of commencing dividend payments: -  
Scheduled date of filing annual securities report: December 25, 2020  
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, 2020 (October 01, 2019 to September 30, 2020)

#### (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, 2020 | 4,153       | 21.2 | 539              | 187.7 | 535             | 201.6  | 355                                     | 223.0  |
| September 30, 2019                   | 3,427       | 20.9 | 187              | (7.3) | 178             | (19.0) | 110                                     | (10.9) |

(Note) Comprehensive income: Fiscal year ended September 30, 2020: ¥ 786 million [ 629.3%]  
Fiscal year ended September 30, 2019: ¥ 108 million [ (12.3)%]

|                                      | 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, 2020 | 22.58                    | 21.89                      | 28.3                     | 15.6                                  | 13.0                                |
| September 30, 2019                   | 7.14                     | -                          | 17.2                     | 7.2                                   | 5.5                                 |

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2020: ¥ - million  
Fiscal year ended September 30, 2019: ¥ - 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, 2020 | 4,241        | 1,822       | 43.0                   | 113.85               |
| September 30, 2019       | 2,603        | 691         | 26.6                   | 44.92                |

(Reference) Equity: As of September 30, 2020: ¥ 1,822 million  
As of September 30, 2019: ¥ 691 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, 2020 | 774                                  | (123)                                | 345                                  | 2,871  |
| September 30, 2019                   | 227                                  | (157)                                | -                                    | 1,874  |

## 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, 2019                               | -                | 0.00            | -               | 0.00     | 0.00  | -               | -                           | -                                      |
| September 30, 2020                               | -                | 0.00            | -               | 0.00     | 0.00  | -               | -                           | -                                      |
| Fiscal year ending September 30, 2021 (Forecast) | -                | 0.00            | -               | 0.00     | 0.00  |                 | -                           |  |

(Note) Breakdown of the year-end dividend for the fiscal year ended September 30, 2020 :

|                        |       |
|------------------------|-------|
| Commemorative dividend | - yen |
| Special dividend       | - yen |

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2021 (October 01, 2020 to September 30, 2021)

(% 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 | 4,841       | 16.6 | 310              | (42.4) | 310             | (42.1) | 193                                     | (45.6) | 12.06                    |

## \* 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, 2020: | 16,002,200 shares |
| September 30, 2019: | 15,388,000 shares |

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

|                     |           |
|---------------------|-----------|
| September 30, 2020: | 37 shares |
| September 30, 2019: | - shares  |

3) Average number of shares during the period:

|                                       |                   |
|---------------------------------------|-------------------|
| Fiscal Year ended September 30, 2020: | 15,717,948 shares |
| Fiscal Year ended September 30, 2019: | 15,388,000 shares |

## Consolidated Financial Statements

## Consolidated Balance Sheets

(Thousand yen)

|                                     | As of September 30,2019 | As of September 30,2020 |
|-------------------------------------|-------------------------|-------------------------|
| <b>Assets</b>                       |                         |                         |
| Current assets                      |                         |                         |
| Cash and deposits                   | 1,874,179               | 2,870,891               |
| Accounts receivable - trade         | 88,444                  | 163,304                 |
| Work in process                     | 240                     | -                       |
| Raw materials                       | 29                      | 29                      |
| Prepaid expenses                    | 148,571                 | 134,824                 |
| Other                               | 3,779                   | 2,408                   |
| Total current assets                | 2,115,242               | 3,171,457               |
| Non-current assets                  |                         |                         |
| Property, plant and equipment       |                         |                         |
| Buildings                           | 154,718                 | 161,550                 |
| Accumulated depreciation            | (30,013)                | (20,652)                |
| Buildings, net                      | 124,705                 | 140,898                 |
| Tools, furniture and fixtures       | 92,282                  | 105,918                 |
| Accumulated depreciation            | (43,472)                | (58,501)                |
| Tools, furniture and fixtures, net  | 48,810                  | 47,417                  |
| Construction in progress            | 495                     | -                       |
| Total property, plant and equipment | 174,010                 | 188,314                 |
| Intangible assets                   |                         |                         |
| Software                            | 3,774                   | 2,612                   |
| Total intangible assets             | 3,774                   | 2,612                   |
| Investments and other assets        |                         |                         |
| Investment securities               | 60,162                  | 653,878                 |
| Deferred tax assets                 | 68,406                  | -                       |
| Leasehold and guarantee deposits    | 177,179                 | 160,380                 |
| Other                               | 4,427                   | 64,129                  |
| Total investments and other assets  | 310,174                 | 878,387                 |
| Total non-current assets            | 487,959                 | 1,069,313               |
| Total assets                        | 2,603,200               | 4,240,770               |

(Thousand yen)

|   | As of September 30,2019 | As of September 30,2020 |
|---|-------------------------|-------------------------|
| <b>Liabilities</b>                                    |                         |                         |
| Current liabilities                                   |                         |                         |
| Accounts payable - trade                              | 12,076                  | 17,234                  |
| Accounts payable - other                              | 154,965                 | 111,917                 |
| Unearned revenue                                      | 1,357,381               | 1,606,578               |
| Income taxes payable                                  | 47,928                  | 148,240                 |
| Provision for bonuses                                 | 132,216                 | 155,326                 |
| Asset retirement obligations                          | 10,020                  | -                       |
| Other   | 71,048                  | 188,188                 |
| Total current liabilities                             | 1,785,633               | 2,227,482               |
| Non-current liabilities                               |                         |                         |
| Deferred tax liabilities                              | -                       | 92,186                  |
| Asset retirement obligations                          | 61,251                  | 61,390                  |
| Other   | 65,022                  | 37,905                  |
| Total non-current liabilities                         | 126,273                 | 191,481                 |
| Total liabilities                                     | 1,911,906               | 2,418,962               |
| <b>Net assets</b>                                     |                         |                         |
| Shareholders' equity                                  |                         |                         |
| Share capital   | 330,800                 | 503,153                 |
| Capital surplus                                       | 296,500                 | 468,853                 |
| Retained earnings                                     | 68,555                  | 423,536                 |
| Treasury shares                                       | -                       | (109)                   |
| Total shareholders' equity                            | 695,855                 | 1,395,433               |
| Accumulated other comprehensive income                |                         |                         |
| Valuation difference on available-for-sale securities | 57                      | 430,216                 |
| Foreign currency translation adjustment               | (4,618)                 | (3,842)                 |
| Total accumulated other comprehensive income          | (4,561)                 | 426,375                 |
| Total net assets                                      | 691,294                 | 1,821,808               |
| <b>Total liabilities and net assets</b>               | <b>2,603,200</b>        | <b>4,240,770</b>        |

Consolidated Statements of Income and Comprehensive Income  
 Consolidated Statements of Income

(Thousand yen)

|  | For the fiscal year<br>ended September 30,2019 | For the fiscal year<br>ended September 30,2020 |
|--|--|--|
| Net sales                                    | 3,426,851                                      | 4,152,655                                      |
| Cost of sales                                | 605,105  | 735,302  |
| Gross profit                                 | 2,821,746                                      | 3,417,353                                      |
| Selling, general and administrative expenses | 2,634,522                                      | 2,878,703                                      |
| Operating profit                             | 187,223  | 538,649  |
| Non-operating income                         |  |  |
| Interest income                              | 453  | 1,298  |
| Dividend income                              | 6  | 6  |
| Other  | 72   | -  |
| Total non-operating income                   | 531  | 1,304  |
| Non-operating expenses                       |  |  |
| Foreign exchange losses                      | 10,241   | 3,830  |
| Commission expenses                          | -  | 666  |
| Total non-operating expenses                 | 10,241   | 4,496  |
| Ordinary profit                              | 177,513  | 535,457  |
| Extraordinary losses                         |  |  |
| Loss on valuation of investment securities   | -  | 30,000   |
| Total extraordinary losses                   | -  | 30,000   |
| Profit before income taxes                   | 177,513  | 505,457  |
| Income taxes - current                       | 77,786   | 166,503  |
| Income taxes - deferred                      | (10,171)                                       | (16,027)                                       |
| Total income taxes                           | 67,616   | 150,476  |
| Profit                                       | 109,897  | 354,981  |
| Profit attributable to owners of parent      | 109,897  | 354,981  |

## Consolidated Statements of Comprehensive Income

(Thousand yen)

|  | For the fiscal year<br>ended September 30,2019 | For the fiscal year<br>ended September 30,2020 |
|--|--|--|
| Profit   | 109,897  | 354,981  |
| Other comprehensive income                               |  |  |
| Valuation difference on available-for-sale securities    | (51)   | 430,160  |
| Foreign currency translation adjustment                  | (2,077)  | 776  |
| Total other comprehensive income                         | (2,128)  | 430,936  |
| Comprehensive income                                     | 107,769  | 785,917  |
| Comprehensive income attributable to                     |  |  |
| Comprehensive income attributable to owners of<br>parent | 107,769  | 785,917  |

## Consolidated Statements of Changes in Net Assets

For the fiscal year ended September 30,2019

(Thousand yen)

|  | Shareholders' equity |                 |                   | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings |                            |
| Balance at beginning of period                       | 330,800              | 296,500         | (41,342)          | 585,958                    |
| Changes during period                                |                      |                 |                   |                            |
| Profit attributable to owners of parent              |                      |                 | 109,897           | 109,897                    |
| Net changes in items other than shareholders' equity |                      |                 |                   |                            |
| Total changes during period                          | -                    | -               | 109,897           | 109,897                    |
| Balance at end of 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 period                       | 108   | (2,541)                                 | (2,433)                                      | 583,525          |
| Changes during period                                |   |   |  |                  |
| Profit attributable to owners of parent              |   |   |  | 109,897          |
| Net changes in items other than shareholders' equity | (51)  | (2,077)                                 | (2,128)                                      | (2,128)          |
| Total changes during period                          | (51)  | (2,077)                                 | (2,128)                                      | 107,769          |
| Balance at end of period                             | 57  | (4,618)                                 | (4,561)                                      | 691,294          |

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        |



## Consolidated Statements of Cash Flows

(Thousand yen)

|   | For the fiscal year<br>ended September 30,2019 | For the fiscal year<br>ended September 30,2020 |
|---|--|--|
| <b>Cash flows from operating activities</b>                 |  |  |
| Profit before income taxes                                  | 177,513  | 505,457  |
| Depreciation  | 28,465   | 49,239   |
| Increase (decrease) in provision for bonuses                | 19,971   | 23,110   |
| Interest and dividend income                                | (459)  | (1,304)  |
| Foreign exchange losses (gains)                             | 19,260   | (4,391)  |
| Loss (gain) on valuation of investment securities           | -  | 30,000   |
| Decrease (increase) in trade receivables                    | (6,061)  | (74,860)                                       |
| Decrease (increase) in inventories                          | (41)   | 240  |
| Decrease (increase) in prepaid expenses                     | (12,325)                                       | 13,746   |
| Increase (decrease) in trade payables                       | (67,762)                                       | 5,158  |
| Increase (decrease) in accounts payable - other             | (68,228)                                       | 7,708  |
| Increase (decrease) in unearned revenue                     | 184,765  | 249,197  |
| Other, net  | 70,659   | 41,926   |
| Subtotal  | 345,759  | 845,226  |
| Interest and dividends received                             | 459  | 1,304  |
| Income taxes paid   | (119,193)                                      | (72,343)                                       |
| Net cash provided by (used in) operating activities         | 227,025  | 774,187  |
| <b>Cash flows from investing activities</b>                 |  |  |
| Purchase of property, plant and equipment                   | (37,287)                                       | (113,138)                                      |
| Payments for asset retirement obligations                   | -  | (10,032)                                       |
| Purchase of investment securities                           | (29,999)                                       | (16,938)                                       |
| Payments of leasehold and guarantee deposits                | (89,669)                                       | (1,219)  |
| Proceeds from refund of leasehold and guarantee deposits    | -  | 18,019   |
| Other, net  | 360  | -  |
| Net cash provided by (used in) investing activities         | (156,595)                                      | (123,308)                                      |
| <b>Cash flows from financing activities</b>                 |  |  |
| Purchase of treasury shares                                 | -  | (109)  |
| Proceeds from issuance of shares                            | -  | 344,706  |
| Net cash provided by (used in) financing activities         | -  | 344,597  |
| Effect of exchange rate change on cash and cash equivalents | (315)  | 1,237  |
| Net increase (decrease) in cash and cash equivalents        | 70,114   | 996,713  |
| Cash and cash equivalents at beginning of period            | 1,804,065                                      | 1,874,179                                      |
| Cash and cash equivalents at end of period                  | 1,874,179                                      | 2,870,891                                      |