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Consolidated Financial Results for the First Three-Month Period of the Fiscal Year Ending March 31, 2022 (under IFRS)

August 5, 2021

Company name: ARUHI Corporation (the “Company”)
 Listing: Tokyo Stock Exchange
 Securities code: 7198
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 Scheduled date to file interim securities report: August 13, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on interim financial results: Yes
 Holding of interim financial results presentation meeting: Yes (for analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated financial results for the first three-month period of the fiscal year ending March 31, 2022 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Income before tax		Net income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-month period ended								
June 30, 2021	6,854	5.7	1,828	(8.6)	1,258	(8.3)	1,261	(8.1)
June 30, 2020	6,484	1.9	2,000	(8.8)	1,372	(8.8)	1,372	(8.8)

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Three-month period ended				
June 30, 2021	1,258	(8.3)	35.50	35.16
June 30, 2020	1,372	(8.8)	38.99	38.40

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2021	152,620	30,312	30,312	19.9
March 31, 2021	164,762	30,093	30,093	18.3

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	25.00	–	30.00	55.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		30.00	–	30.00	60.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Operating revenue		Income before tax		Net income		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	29,500	10.0	8,520	10.0	5,700	10.1	5,700	10.1	161.38

Notes: 1. Revisions to the earnings forecasts most recently announced: None

2. The forecast of the basic earnings per share is calculated based on the weighted-average number of shares during the period of March 31, 2021.

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- a. Changes in accounting policies required by IFRS: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None

Note: For details, please see “(5) Notes to condensed interim consolidated financial statements” in “2. Condensed interim consolidated financial statements and significant notes thereto” in the attached materials.

- (3) Number of issued shares (ordinary shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	36,080,600 shares
As of March 31, 2021	36,080,600 shares

- b. Number of treasury shares at the end of the period

As of June 30, 2021	557,460 shares
As of March 31, 2021	578,760 shares

- c. Weighted-average number of shares during the period (cumulative from the beginning of the fiscal year)

For the three-month period ended June 30, 2021	35,517,924 shares
For the three-month period ended June 30, 2020	35,203,147 shares

* Interim financial results reports are exempt from interim review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially from these forecasts due to various factors.

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1. Qualitative information regarding results for the first three-month period

(1) Explanation of operating results

In the three-month period ended June 30, 2021, the business environment affecting the residential housing related industry, to which the Company belongs, has shown some signs of a recovery, but the uncertain situation due to the impact of the novel coronavirus disease (COVID-19) has become prolonged. The number of new housing starts has shown signs of a gradual recovery although it is still weak compared to the level before the COVID-19 pandemic, and the number of contracts signed for preowned condominiums and preowned houses has recovered to the level before the COVID-19 pandemic. In our outlook for the market, we expect that the trend of more people seeking comfortable living environments in response to such factors as changes in lifestyles due to the widespread adoption of teleworking, along with a positive effect from tax reductions on housing loans, will keep the market proceeding at a comparatively solid level. However, in addition to the gradual slowdown in the market due to soaring property prices and the declaration of a state of emergency for some areas in April 2021, it is necessary to closely monitor the impact of soaring lumber prices and supply shortages due to the wood shock lumber shortage.

Given this situation, the Company formulated the Mid-term Strategic Plan 2021, a five-year plan that started in this fiscal year, and by evolving into a comprehensive “One-stop Homebuying Service Company” that adds real estate business and consumer service business to the housing loan business, the core business the Company has been focusing its efforts on, it aims to become a consumer brand focused on customers and actively working on improving corporate value. In the housing loan business, the Company established regional branches in order to build a sales structure that can provide more detailed support to each sales office and achieve further growth. In the real estate business, the Company established ARUHI Homebuying Concierge Corporation in April 2021, and although we are still in the process of establishing a system for referring customers between companies within the Group through consulting work for housing loans and buying and selling properties, we are already receiving a lot of positive feedback. In addition, the purchase and resale business for residential real estate launched by ARUHI Real Estate Technologies Corporation has gotten off to a good start, with contracts for properties being signed in a very short period of time.

As a result, the number of loan originations (including refinancing) for the Company in the three-month period ended June 30, 2021 increased 2.1% year on year, which is a high level compared to the overall Flat 35 market, and its share is on an increasing trend.

On the operating revenues front, loan execution operations saw an increase of 7.5% year on year for origination fee sales due to the trend of increasing amounts per loan. Furthermore, although the financing operations saw a 3.2% decrease year on year, loan management and collection operations and insurance-related operations, which are stock-type revenue related to housing loans, showed solid growth. Loan management and collection operations rose 14.7% year on year due to a steady number of loan originations, and insurance-related operations rose 28.0% year on year partly due to the release of the “Mirai” Package service that offers a discount under certain conditions on premiums for all-illness coverage special contract, amid the rising interest, due to the spread of COVID-19, in life insurance that offers protections against reductions in personal income.

Operating revenue for the three-month period ended June 30, 2021 increased 5.7% year on year to ¥6,854 million. On the other hand, due to an increase in advertising expenses for TV commercials and other aggressive promotional activities, income before tax decreased 8.6% year on year to ¥1,828 million. Net income decreased 8.3% year on year to ¥1,258 million, and net income attributable to owners of the parent decreased 8.1% year on year to ¥1,261 million.

As the Company operates within the single segment of housing loan related business, a presentation by segment is omitted.

(2) Explanation of financial position

(Assets)

As of June 30, 2021, assets were ¥152,620 million, a decrease of ¥12,141 million compared with March 31, 2021. This was primarily due to cash and cash equivalents decreasing ¥4,970 million, and operating loans receivable decreasing ¥8,196 million due to seasonality.

(Liabilities)

As of June 30, 2021, liabilities were ¥122,308 million, a decrease of ¥12,359 million compared with March 31, 2021. This was primarily due to deposits received and borrowings decreasing ¥4,422 million and ¥7,954 million, respectively.

(Equity)

As of June 30, 2021, equity was ¥30,312 million, an increase of ¥218 million compared with March 31, 2021. This was primarily due to the recording of net income of ¥1,258 million, despite dividends of surplus of ¥1,065 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The Company's performance during the three-month period ended June 30, 2021 proceeded firmly in line with the existing forecasts. Accordingly, there is no revision to the consolidated earnings forecasts for the fiscal year ending March 31, 2022 announced on "Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (under IFRS)" released on May 11, 2021.

2. Condensed interim consolidated financial statements and significant notes thereto

(1) Condensed interim consolidated statement of financial position

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Cash and cash equivalents	37,404	32,433
Trade receivables	957	937
Operating loans receivable	71,649	63,452
Deposits paid	126	134
Accounts receivable	128	52
Other financial assets	24,596	26,025
Other assets	614	558
Property, plant and equipment	1,222	1,092
Goodwill	24,464	24,464
Intangible assets	3,310	3,180
Deferred tax assets	287	287
Total assets	164,762	152,620
Liabilities		
Deposits received	14,517	10,095
Lease liabilities	1,191	1,009
Borrowings	80,556	72,602
Provisions	183	181
Income taxes payable	1,420	557
Other financial liabilities	35,371	36,269
Other liabilities	1,425	1,593
Total liabilities	134,668	122,308
Equity		
Share capital	3,471	3,471
Share premium	9,057	9,040
Treasury shares	(1,070)	(1,031)
Retained earnings	18,635	18,831
Equity attributable to owners of the parent	30,093	30,312
Non-controlling interests	–	0
Total equity	30,093	30,312
Total liabilities and equity	164,762	152,620

(2) Condensed interim consolidated statement of net income and condensed interim consolidated statement of comprehensive income

Condensed interim consolidated statement of net income

(Millions of yen)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021
Operating revenue	6,484	6,854
Operating expenses		
Finance costs	(736)	(887)
Selling, general and administrative expenses	(3,642)	(4,049)
Other expenses	(13)	(19)
Total operating expenses	(4,392)	(4,956)
Other income and expenses		
Other income	4	9
Other expenses	(96)	(78)
Total other income and expenses	(92)	(69)
Income before tax	2,000	1,828
Income tax expenses	(627)	(570)
Net income	1,372	1,258
Net income attributable to:		
Owners of the parent	1,372	1,261
Non-controlling interests	–	(2)
Net income	1,372	1,258
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	38.99	35.50
Diluted earnings per share (Yen)	38.40	35.16

Condensed interim consolidated statement of comprehensive income

(Millions of yen)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021
Net income	1,372	1,258
Comprehensive income	1,372	1,258
Comprehensive income attributable to:		
Owners of the parent	1,372	1,261
Non-controlling interests	–	(2)
Comprehensive income	1,372	1,258

(3) Condensed interim consolidated statement of changes in equity

Three-month period ended June 30, 2020

(Millions of yen)

	Equity attributable to owners of the parent					Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total	
Balance as of April 1, 2020	3,471	9,590	(1,685)	15,257	26,634	26,634
Net income	–	–	–	1,372	1,372	1,372
Total comprehensive income	–	–	–	1,372	1,372	1,372
Disposal of treasury shares	–	(20)	30	–	9	9
Dividends	–	–	–	(915)	(915)	(915)
Share acquisition rights	–	29	–	–	29	29
Total transactions with owners	–	8	30	(915)	(876)	(876)
Balance as of June 30, 2020	3,471	9,599	(1,655)	15,715	27,130	27,130

Three-month period ended June 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
Balance as of April 1, 2021	3,471	9,057	(1,070)	18,635	30,093	–	30,093
Net income	–	–	–	1,261	1,261	(2)	1,258
Total comprehensive income	–	–	–	1,261	1,261	(2)	1,258
Disposal of treasury shares	–	(26)	39	–	13	–	13
Dividends	–	–	–	(1,065)	(1,065)	–	(1,065)
Share acquisition rights	–	(7)	–	–	(7)	–	(7)
Restricted share-based remuneration	–	16	–	–	16	–	16
Changes in ownership interest in subsidiaries	–	–	–	–	–	3	3
Total transactions with owners	–	(17)	39	(1,065)	(1,042)	3	(1,039)
Balance as of June 30, 2021	3,471	9,040	(1,031)	18,831	30,312	0	30,312

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021
Cash flows from operating activities		
Income before tax	2,000	1,828
Depreciation and amortization expenses	277	277
Amortization expenses of servicing assets	88	83
Impairment loss	—	4
Interest income	(82)	(78)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(630)	(200)
Interest expenses	175	168
Revenue related to liquidation of loans receivable	(925)	(1,258)
Decrease (increase) in trade receivables	8	19
Decrease (increase) in operating loans receivable	5,235	9,517
Decrease (increase) in deposits paid	0	(8)
Decrease (increase) in accounts receivable	114	76
Decrease (increase) in other financial assets	(136)	(78)
Decrease (increase) in other assets	54	56
Increase (decrease) in deposits received	(1,232)	(4,422)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(243)	(278)
Increase (decrease) in other liabilities	(297)	167
Other	60	(158)
Subtotal	4,467	5,716
Interest received	495	278
Interest paid	(60)	(103)
Income taxes paid	(1,666)	(1,434)
Net cash provided by operating activities	3,236	4,458
Cash flows from investing activities		
Purchase of intangible assets	(229)	(184)
Other	(45)	(25)
Net cash used in investing activities	(275)	(209)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,200	(9,000)
Increase (decrease) in borrowings accompanying the liquidation	(172)	(0)
Proceeds from non-current borrowings	1,000	1,000
Repayments of lease liabilities	(186)	(180)
Proceeds from exercise of share options	9	13
Dividends paid	(903)	(1,054)
Other	—	3
Net cash provided by (used in) financing activities	1,947	(9,218)
Increase (decrease) in cash and cash equivalents	4,908	(4,970)
Cash and cash equivalents at beginning of period	14,811	37,404
Cash and cash equivalents at end of period	19,720	32,433

(5) Notes to condensed interim consolidated financial statements

(Note on assumption of going concern)

Not applicable.

(Changes in accounting policies)

The significant accounting policies applied to the condensed interim consolidated financial statements are identical to the accounting policies applied to the consolidated financial statements in the previous fiscal year except for the following items.

Income tax expenses for the three-month period ended June 30, 2021, were calculated based on the estimated annual effective tax rate.

IFRS		Outline of new standards and amendments
IFRS 16	Leases	Revision of accounting treatment for lessee in regard to COVID-19-related rent concessions
IFRS 4	Insurance Contracts	Revision to address the impact on financial reporting that arises when, in line with the IBOR reform, the current interest rate benchmark is replaced by an alternative reference rate
IFRS 7	Financial Instruments: Disclosures	
IFRS 9	Financial Instruments	
IFRS 16	Leases	

The adoption of above standards does not have a significant effect on the condensed interim consolidated financial statements.

(Segment information)

(1) General information

The Company's business consists of the execution and collection of long-term and fixed rate housing loans such as "Flat 35," floating rate or fixed and floating rate mixed-type housing loans, and the sale of insurance products incidental to these loans, etc. As such, the Company has a single reportable segment since there are no separable operating segments.

(2) Information about services

	(Millions of yen)	
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021
Loan execution operations	3,242	3,485
Financing operations	2,090	2,024
Loan management and collection operations	588	674
Insurance-related operations	457	586
Other operations	105	83
Total operating revenue	6,484	6,854