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

February 7, 2022

Company name: ARUHI Corporation (the “Company”)
 Listing: Tokyo Stock Exchange
 Securities code: 7198
 URL: <https://www.aruhi-group.co.jp>
 Representative: Hiroshi Hamada, Chairman of the Board, Representative Director, President and CEO
 Inquiries: Yasuko Matsumoto, Managing Director, CFO
 TEL: +81-3-6229-0777
 Scheduled date to file interim securities report: February 14, 2022
 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 nine-month period of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 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	%
Nine-month period ended								
December 31, 2021	19,734	(2.8)	5,375	(9.9)	3,698	(8.6)	3,710	(8.3)
December 31, 2020	20,302	3.8	5,962	(3.1)	4,047	(4.2)	4,047	(4.2)

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Nine-month period ended				
December 31, 2021	3,698	(8.6)	104.74	104.02
December 31, 2020	4,047	(4.2)	114.71	113.35

(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
	Millions of yen	Millions of yen	Millions of yen	%
As of				
December 31, 2021	155,769	31,330	31,339	20.1
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	–	30.00	–		
Fiscal year ending March 31, 2022 (Forecast)				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	25,500	△4.9	6,000	△22.5	4,100	△20.8	4,100	△20.8	115.73

- Notes:
1. Revisions to the earnings forecasts most recently announced: Yes
 2. The forecast of the basic earnings per share is calculated based on the weighted-average number of shares during the nine-month period ended December 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 December 31, 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 December 31, 2021	771,860 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 nine-month period ended December 31, 2021	35,426,051 shares
For the nine-month period ended December 31, 2020	35,282,954 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 nine-month period

(1) Explanation of operating results

In the nine-month period ended December 31, 2021, the business environment affecting the residential housing related industry, to which the Company belongs, has been gradually heading toward normalization against the backdrop of promotion of vaccination against the novel coronavirus disease (hereinafter COVID-19) and lifting of the state of emergency, but the situation remains unpredictable. While the number of new housing starts gradually recovered and approaching the level prior to the spread of COVID-19, procurement of building materials was unstable due to a lumber crisis and soaring crude oil prices, and shortages and delays in housing fixtures and appliances have continued, which had some impact on handovers of homes. While the number of contracts signed for preowned condominiums and preowned houses began to recover from a weak trend going into the third quarter, there was also a shortage of residential real estate due to active property purchases by purchase and resale business operators, and an impact on housing demand due to the ongoing rise in housing prices. In light of recent changes in lifestyles such as the widespread adoption of teleworking, the trend toward seeking a more comfortable living environment continues, and there are expectations that willingness to buy homes will proceed at a comparatively solid level. Nevertheless, due to concerns such as the reduction of economic and social activities due to the re-expansion and protracted nature of COVID-19, the delay in recovery cannot be dispelled, and the situation remains unpredictable.

Given this situation, the number of loan originations (including refinancing) for the Company in the nine-month period ended December 31, 2021 decreased by 14.3% year on year; however, we have strived to re-accelerate growth of housing loan business and continued community-based marketing whereby reaching large real estate companies in cooperation with franchise stores and providing thorough and responsive support to franchise stores through regional branches. At the same time, the buying and reselling business for residential real estate operated by ARUHI Real Estate Technologies Corporation has been performing well. In addition, the Company has strived to strengthen products and services that satisfy customers in all steps related to relocation based on the Mid-term Strategic Plan 2021 such as the launch of “TownU” (a web service that proposes “most livable towns” that match each person’s lifestyle and values using AI technology) and has made proactive efforts to improve corporate value.

As a result, operating revenue for the nine-month period ended December 31, 2021 was ¥19,734 million, a decrease of 2.8% year on year. This was due to strong recurring revenue, with loan management and collection operations increasing 14.9% and insurance-related operations increasing 26.5%, despite loan execution operations decreasing 10.9% year on year and financing operations decreasing 6.1% year on year. Despite efforts to restrain fixed costs, due to an increase in strategic expenses for medium- to long-term growth such as advertising expenses, staff recruitment and investment for use of technology, income before tax decreased 9.9% year on year to ¥5,375 million. Net income decreased 8.6% year on year to ¥3,698 million, and net income attributable to owners of the parent decreased 8.3% year on year to ¥3,710 million.

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

(2) Explanation of financial position

(Assets)

As of December 31, 2021, assets were ¥155,769 million, a decrease of ¥8,992 million compared with March 31, 2021. This was primarily due to cash and cash equivalents decreasing ¥4,168 million, and operating loans receivable decreasing ¥7,625 million.

(Liabilities)

As of December 31, 2021, liabilities were ¥124,438 million, a decrease of ¥10,229 million compared with March 31, 2021. This was primarily due to borrowings decreasing ¥8,068 million and deposits received decreasing ¥3,220 million.

(Equity)

As of December 31, 2021, equity was ¥31,330 million, an increase of ¥1,237 million compared with March 31, 2021. This was primarily due to the recording of net income of ¥3,698 million, despite dividends of surplus of ¥2,124 million.

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

Taking into account the business results for the nine-month period ended December 31, 2021 and market outlook, the Company revised the earnings forecasts for the fiscal year ending March 31, 2022. For details, please refer to the “Notice Regarding Revisions to Earnings Forecasts” announced today (February 7, 2022).

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 December 31, 2021
Assets		
Cash and cash equivalents	37,404	33,235
Trade receivables	957	1,008
Operating loans receivable	71,649	64,023
Deposits paid	126	159
Accounts receivable	128	10
Other financial assets	24,596	27,946
Other assets	614	774
Property, plant and equipment	1,222	883
Goodwill	24,464	24,464
Intangible assets	3,310	2,973
Deferred tax assets	287	287
Total assets	164,762	155,769
Liabilities		
Deposits received	14,517	11,297
Lease liabilities	1,191	694
Borrowings	80,556	72,487
Provisions	183	191
Income taxes payable	1,420	414
Other financial liabilities	35,371	38,016
Other liabilities	1,425	1,335
Total liabilities	134,668	124,438
Equity		
Share capital	3,471	3,471
Share premium	9,057	8,886
Treasury shares	(1,070)	(1,239)
Retained earnings	18,635	20,221
Equity attributable to owners of the parent	30,093	31,339
Non-controlling interests	–	(8)
Total equity	30,093	31,330
Total liabilities and equity	164,762	155,769

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

Condensed interim consolidated statement of net income

Nine-month period ended December 31, 2021

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021
Operating revenue	20,302	19,734
Operating expenses		
Finance costs	(2,337)	(2,643)
Selling, general and administrative expenses	(11,684)	(11,242)
Other expenses	(36)	(278)
Total operating expenses	(14,057)	(14,163)
Other income and expenses		
Other income	12	42
Other expenses	(295)	(238)
Total other income and expenses	(282)	(196)
Income before tax	5,962	5,375
Income tax expenses	(1,915)	(1,676)
Net income	4,047	3,698
Net income attributable to:		
Owners of the parent	4,047	3,710
Non-controlling interests	–	(11)
Net income	4,047	3,698
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	114.71	104.74
Diluted earnings per share (Yen)	113.35	104.02

Three-month period ended December 31, 2021

(Millions of yen)

	Three-month period ended December 31, 2020	Three-month period ended December 31, 2021
Operating revenue	7,028	6,697
Operating expenses		
Finance costs	(818)	(901)
Selling, general and administrative expenses	(4,116)	(3,595)
Other expenses	(15)	(76)
Total operating expenses	(4,949)	(4,573)
Other income and expenses		
Other income	4	8
Other expenses	(101)	(79)
Total other income and expenses	(96)	(70)
Income before tax	1,981	2,052
Income tax expenses	(632)	(640)
Net income	1,349	1,412
Net income attributable to:		
Owners of the parent	1,349	1,416
Non-controlling interests	–	(3)
Net income	1,349	1,412
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	38.12	40.12
Diluted earnings per share (Yen)	37.62	39.89

Condensed interim consolidated statement of comprehensive income

Nine-month period ended December 31, 2021

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021
Net income	4,047	3,698
Comprehensive income	4,047	3,698
Comprehensive income attributable to:		
Owners of the parent	4,047	3,710
Non-controlling interests	–	(11)
Comprehensive income	4,047	3,698

Three-month period ended December 31, 2021

(Millions of yen)

	Three-month period ended December 31, 2020	Three-month period ended December 31, 2021
Net income	1,349	1,412
Comprehensive income	1,349	1,412
Comprehensive income attributable to:		
Owners of the parent	1,349	1,416
Non-controlling interests	–	(3)
Comprehensive income	1,349	1,412

(3) Condensed interim consolidated statement of changes in equity

Nine-month period ended December 31, 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	–	–	–	4,047	4,047	4,047
Total comprehensive income	–	–	–	4,047	4,047	4,047
Purchase of treasury shares	–	(1)	(300)	–	(301)	(301)
Disposal of treasury shares	–	(504)	728	–	224	224
Dividends	–	–	–	(1,799)	(1,799)	(1,799)
Share acquisition rights	–	67	–	–	67	67
Restricted share-based remuneration	–	11	–	–	11	11
Total transactions with owners	–	(426)	428	(1,799)	(1,797)	(1,797)
Balance as of December 31, 2020	3,471	9,164	(1,257)	17,505	28,884	28,884

Nine-month period ended December 31, 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	–	–	–	3,710	3,710	(11)	3,698
Total comprehensive income	–	–	–	3,710	3,710	(11)	3,698
Purchase of treasury shares	–	(2)	(453)	–	(456)	–	(456)
Disposal of treasury shares	–	(213)	284	–	70	–	70
Dividends	–	–	–	(2,124)	(2,124)	–	(2,124)
Share acquisition rights	–	5	–	–	5	–	5
Restricted share-based remuneration	–	39	–	–	39	–	39
Changes in ownership interest in subsidiaries	–	–	–	–	–	3	3
Total transactions with owners	–	(171)	(168)	(2,124)	(2,464)	3	(2,461)
Balance as of December 31, 2021	3,471	8,886	(1,239)	20,221	31,339	(8)	31,330

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021
Cash flows from operating activities		
Income before tax	5,962	5,375
Depreciation and amortization expenses	871	851
Amortization expenses of servicing assets	264	248
Impairment loss	–	4
Interest income	(254)	(217)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(1,282)	(817)
Interest expenses	522	492
Revenue related to liquidation of loans receivable	(2,860)	(3,108)
Decrease (increase) in trade receivables	(241)	(51)
Decrease (increase) in operating loans receivable	(7,759)	10,786
Decrease (increase) in deposits paid	13	(33)
Decrease (increase) in accounts receivable	111	122
Decrease (increase) in other financial assets	(328)	248
Decrease (increase) in other assets	251	(162)
Increase (decrease) in deposits received	2,798	(3,220)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	87	(330)
Increase (decrease) in other liabilities	(503)	(90)
Other	(53)	(274)
Subtotal	(2,399)	9,822
Interest received	1,342	801
Interest paid	(303)	(448)
Income taxes paid	(2,720)	(2,682)
Net cash provided by (used in) operating activities	(4,081)	7,492
Cash flows from investing activities		
Purchase of intangible assets	(432)	(415)
Other	(243)	(100)
Net cash used in investing activities	(676)	(516)
Cash flows from financing activities		
Payments for purchase of treasury shares	(301)	(449)
Net increase (decrease) in short-term borrowings	1,700	(21,300)
Increase (decrease) in borrowings accompanying the liquidation	(296)	(0)
Proceeds from non-current borrowings	13,700	14,000
Repayments of non-current borrowings	(800)	(800)
Repayments of lease liabilities	(529)	(545)
Proceeds from exercise of share options	224	67
Dividends paid	(1,797)	(2,120)
Other	–	3
Net cash provided by (used in) financing activities	11,899	(11,145)
Increase (decrease) in cash and cash equivalents	7,142	(4,168)
Cash and cash equivalents at beginning of period	14,811	37,404
Cash and cash equivalents at end of period	21,953	33,235

(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 nine-month period ended December 31, 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)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021
Loan execution operations	10,710	9,539
Financing operations	5,710	5,359
Loan management and collection operations	1,823	2,095
Insurance-related operations	1,733	2,192
Other operations	324	548
Total operating revenue	20,302	19,734