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Consolidated Financial Results for the First Three-Month Period of the Fiscal Year Ending March 31, 2023 (under IFRS)

August 9, 2022

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 Listing: Tokyo Stock Exchange
 Securities code: 7198
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 Scheduled date to file interim securities report: August 12, 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 three-month period of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(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, 2022	5,937	(13.4)	1,217	(33.4)	839	(33.3)	841	(33.3)
June 30, 2021	6,854	5.7	1,828	(8.6)	1,258	(8.3)	1,261	(8.1)

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Three-month period ended				
June 30, 2022	839	(33.3)	23.82	23.73
June 30, 2021	1,258	(8.3)	35.50	35.16

(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				
As of June 30, 2022	148,117	31,707	31,721	21.4
As of March 31, 2022	150,713	31,877	31,889	21.2

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, 2022	—	30.00	—	30.00	60.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (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, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	27,700	10.0	6,300	2.4	4,300	1.8	4,300	1.4	121.48

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, 2022.

*** 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: 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, 2022	36,080,600	shares	As of March 31, 2022	36,080,600	shares
b. Number of treasury shares at the end of the period	As of June 30, 2022	728,860	shares	As of March 31, 2022	769,460	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, 2022	35,333,602	shares	For the three-month period ended June 30, 2021	35,517,924	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 housing-related industry during the first three-month period ended June 30, 2022, the number of brokered contracts decreased year-on-year and the number of new houses constructed remained at about the same level with the previous year since the trend of rising housing prices remained due to the COVID-19 pandemic and the situation in Ukraine. In the mortgage market, variable-interest rate loans continued to dominate against the fixed rate loans due to a widening gap between them and competition in reducing interest rates among banks getting harsher. In the Flat 35 market, the number of executions fell 16.5% year-on-year because customers mainly among the younger generation with little increase in income decided to postpone purchasing a home.

Under such circumstances in ARUHI Group's housing loan business, we have established branch offices to promote community-based sales activities, and strived to strengthen our sales capability to sell variable interest rate loan products by launching "ARUHI Super 40" (a variable interest rate loan with 40 years repayment period at a maximum) and expanding directly managed stores that sell bank agency products. In addition, we have strengthened our business platform to lead customers thinking of relocation to town/home search, purchasing home and mortgage in order to evolve into a "Homebuying Company". In terms of new businesses, ARUHI Homebuying Concierge Corporation (a company providing consulting services for mortgages, buying/selling of properties and relocation) have strengthened its marketing activities in the Tokyo Metropolitan area, and ARUHI Real Estate Technologies Corporation (a company engaged in the buying/selling of properties) have handed over properties.

Operating revenue for the first three-month period ended June 30, 2022 was ¥5,937 million, a decrease of ¥917 million (-13.4% YoY). To breakdown, the loan servicing business increased 11.0% year on year, insurance-related operations increased 13.9% YoY, and other business such as new business increased 368.8% year on year. On the other hand, the number of housing loans executed (including refinancing) decreased by 30.3%, which led to a decrease in the loan execution amount by 28.2% and in finance by 19.8% year on year respectively. This is attributable to the facts that the competition in the preowned property market where we have an advantage and in the market in three major metropolitan areas got harsher and customers tended to suspend purchasing a home because of soaring house prices. Operating expenses only decreased by 4.2% year on year while variable expenses decreased but strategically strengthening recruitment to promote the sale of bank agency products, which we have competitive advantage. At the result, income before tax decreased by ¥611 million year on year to ¥1,217 million (-33.4% YoY), income for the first three-month period ended June 30, 2022 was ¥839 million (-33.3% YoY), and net income attributable to owners of the parent was ¥841 million (-33.3% YoY).

As we operates within the single segment of housing loan business, segment description is omitted.

(2) Explanation of financial position

(Assets)

As of June 30, 2022, assets decreased by ¥2,595 million year on year to ¥148,117 million. This was primarily due to cash and cash equivalents and operating loans receivable decreasing ¥365 million and ¥2,838 million, respectively, and other financial assets increasing ¥896 million.

(Liabilities)

As of June 30, 2022, liabilities decreased by ¥2,425 million year on year to ¥116,410 million. This was primarily due to deposits received and borrowings decreasing ¥2,444 million and ¥471 million, respectively, and other financial liabilities increasing ¥746 million.

(Equity)

As of June 30, 2022, equity decreased by ¥170 million year on year to ¥31,707 million. This was primarily due to the recording of net income of ¥839 million, despite dividends of surplus of ¥1,059 million.

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

There is no revision to the consolidated earnings forecasts for the fiscal year ending March 31, 2023 announced on "Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (under IFRS)" released on May 10, 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, 2022	As of June 30, 2022
Assets		
Cash and cash equivalents	22,232	21,867
Trade receivables	1,007	902
Operating loans receivable	68,703	65,864
Deposits paid	149	152
Accounts receivable	24	55
Other financial assets	28,274	29,170
Other assets	1,205	1,128
Property, plant and equipment	1,563	1,541
Goodwill	24,464	24,464
Intangible assets	2,930	2,812
Deferred tax assets	157	157
Total assets	150,713	148,117
Liabilities		
Deposits received	11,162	8,718
Lease liabilities	1,249	1,171
Borrowings	65,780	65,309
Provisions	197	205
Income taxes payable	543	385
Other financial liabilities	38,564	39,311
Other liabilities	1,336	1,309
Total liabilities	118,835	116,410
Equity		
Share capital	3,471	3,471
Share premium	8,903	8,888
Treasury shares	(1,236)	(1,171)
Retained earnings	20,750	20,533
Equity attributable to owners of the parent	31,889	31,721
Non-controlling interests	(11)	(14)
Total equity	31,877	31,707
Total liabilities and equity	150,713	148,117

(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, 2021	Three-month period ended June 30, 2022
Operating revenue	6,854	5,937
Operating expenses		
Finance costs	(887)	(938)
Selling, general and administrative expenses	(4,049)	(3,515)
Other expenses	(19)	(297)
Total operating expenses	(4,956)	(4,750)
Other income and expenses		
Other income	9	74
Other expenses	(78)	(43)
Total other income and expenses	(69)	30
Income before tax	1,828	1,217
Income tax expenses	(570)	(378)
Net income	1,258	839
Comprehensive income attributable to:		
Owners of the parent	1,261	841
Non-controlling interests	(2)	(2)
Net income	1,258	839
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	35.50	23.82
Diluted earnings per share (Yen)	35.16	23.73

Condensed interim consolidated statement of comprehensive income

(Millions of yen)

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022
Net income	1,258	839
Comprehensive income	1,258	839
Comprehensive income attributable to:		
Owners of the parent	1,261	841
Non-controlling interests	(2)	(2)
Comprehensive income	1,258	839

(3) Condensed interim consolidated statement of changes in equity

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

Three-month period ended June 30, 2022

(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, 2022	3,471	8,903	(1,236)	20,750	31,889	(11)	31,877
Net income	–	–	–	841	841	(2)	839
Total comprehensive income	–	–	–	841	841	(2)	839
Disposal of treasury shares	–	(34)	65	–	30	–	30
Dividends	–	–	–	(1,059)	(1,059)	–	(1,059)
Share acquisition rights	–	9	–	–	9	–	9
Restricted share-based remuneration	–	10	–	–	10	–	10
Total transactions with owners	–	(15)	65	(1,059)	(1,009)	–	(1,009)
Balance as of June 30, 2022	3,471	8,888	(1,171)	20,533	31,721	(14)	31,707

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022
Cash flows from operating activities		
Income before tax	1,828	1,217
Depreciation and amortization expenses	277	300
Amortization expenses of servicing assets	83	77
Impairment loss	4	–
Interest income	(78)	(62)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(200)	(232)
Interest expenses	168	143
Revenue related to liquidation of loans receivable	(1,258)	(1,197)
Decrease (increase) in trade receivables	19	104
Decrease (increase) in operating loans receivable	9,517	3,843
Decrease (increase) in deposits paid	(8)	(2)
Decrease (increase) in accounts receivable	76	(30)
Decrease (increase) in other financial assets	(78)	302
Decrease (increase) in other assets	56	73
Increase (decrease) in deposits received	(4,422)	(2,444)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(278)	(110)
Increase (decrease) in other liabilities	167	(27)
Other	(158)	33
Subtotal	5,716	1,988
Interest received	278	256
Interest paid	(103)	(104)
Income taxes paid	(1,434)	(537)
Cash flows from operating activities	4,458	1,603
Net cash used in investing activities		
Purchase of intangible assets	(184)	(194)
Other	(25)	(103)
Net cash used in investing activities	(209)	(297)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	(9,000)	(4,000)
Increase (decrease) in borrowings accompanying the liquidation	(0)	(0)
Proceeds from non-current borrowings	1,000	3,500
Repayments of lease liabilities	(180)	(171)
Proceeds from exercise of share options	13	30
Dividends paid	(1,054)	(1,029)
Other	3	–
Net cash provided by (used in) financing activities	(9,218)	(1,670)
Increase (decrease) in cash and cash equivalents	(4,970)	(365)
Cash and cash equivalents at beginning of period	37,404	22,232
Cash and cash equivalents at end of period	32,433	21,867

(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, 2022, were calculated based on the estimated annual effective tax rate.

IFRS		Outline of new standards and amendments
IAS 16	Property, plant and equipment	It is prohibited to deduct income prior to intended use from the acquisition cost of property, plant & equipment
IAS 37	Provisions, contingent liabilities, and contingent assets	Prescribes which costs should be included by a company when assessing whether a contract is loss-making
IFRS 3	Business Combinations	Updated references to the “Conceptual Framework for Financial Reporting” in IFRS 3
IFRS 9	Financial Instruments	Clarified the fees to be included in the 10% test for discontinued recognition of financial liabilities

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. Since there are no separable operating segments, the Company has a single reportable segment.

(2) Information about services

(Millions of yen)

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2022
Loan execution operations	3,485	2,503
Financing operations	2,024	1,624
Loan management and collection operations	674	748
Insurance-related operations	586	667
Other operations	83	392
Total operating revenue	6,854	5,937