

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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

November 14, 2022

Company name: ARUHI Corporation (the “Company”)
 Listing: Tokyo Stock Exchange
 Securities code: 7198
 URL: <https://www.aruhi-group.co.jp/english>
 Representative: Toshihiko Katsuya, Representative Director, President, CEO and COO
 Inquiries: Yasuko Matsumoto, Executive Vice President and CFO
 TEL: +81-3-6229-0777
 Scheduled date to file interim securities report: November 14, 2022
 Scheduled date to commence dividend payments: December 16, 2022
 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 six-month period of the fiscal year ending March 31, 2023 (from April 1, 2022 to September 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	%
Six-month period ended								
September 30, 2022	11,805	(9.5)	2,557	(23.0)	1,762	(22.9)	1,770	(22.8)
September 30, 2021	13,037	(1.8)	3,322	(16.5)	2,286	(15.3)	2,293	(15.0)

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Six-month period ended				
September 30, 2022	1,762	(22.9)	50.06	49.87
September 30, 2021	2,286	(15.3)	64.64	64.16

(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				
September 30, 2022	149,650	32,670	32,690	21.8
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	–	30.00			
Fiscal year ending March 31, 2023 (Forecast)			–	25.00	55.00

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	24,500	(2.7)	4,500	(26.8)	3,100	(26.6)	3,100	(26.9)	87.64

- 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 six-month period ended September 30, 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: 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 September 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 September 30, 2022	611,460 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 six-month period ended September 30, 2022	35,371,943 shares
For the six-month period ended September 30, 2021	35,485,027 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.

Table of Contents of Appendix

1. Qualitative information regarding results for the first six-month period	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position	3
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	3
2. Condensed interim consolidated financial statements and significant notes thereto.....	4
(1) Condensed interim consolidated statement of financial position	4
(2) Condensed interim consolidated statement of net income and condensed interim consolidated statement of comprehensive income	5
(3) Condensed interim consolidated statement of changes in equity	8
(4) Condensed interim consolidated statement of cash flows	9
(5) Notes to condensed interim consolidated financial statements	10
(Note on assumption of going concern)	10
(Changes in accounting policies)	10
(Segment information)	10
(Significant events after reporting period)	10

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

(1) Explanation of operating results

In the six-month period ended September 30, 2022, the housing-related industry was affected by a sustained uptrend in housing prices stemming from soaring construction material prices driven by the sharp depreciation of the yen amid the global trend of inflation since 2022, and by year-on-year declines in new housing starts and in the number of brokered contracts. In the housing loan market, an even more persistent trend to choose variable interest rate loans was continuing due to a further uptick in demand for loans with lower monthly repayments, a widening gap between fixed and variable interest rates, and intensifying competition among banks to lower interest rates in tandem with growth in deposits. In the “Flat 35” market, the number of loans executed fell 19.2% year on year as a result of the aforementioned trends and the deferred home purchases prompted by the surge in housing prices.

Under these circumstances, the ARUHI Group began offering “ARUHI Super 40” (a variable interest rate loan with a maximum repayment period of 40 years) and “Flat 50” (a fixed interest loan with a maximum repayment period of 50 years) in its housing loan business to support home purchases for a broad range of customers and meet demand for lower monthly loan repayments. In addition, with the aim of strengthening our sales capacity for housing loan products, we established eight branch offices across Japan by September 2022, pursued sales activities centered on regional communities, expanded the number of directly operated sales offices that offer products from banks to increase sales of variable interest rate housing loans, and undertook other initiatives.

Furthermore, as part of our transformation into a “homebuying company,” we are building structure to guide prospective homebuyers through the process of searching for an area and property, purchasing a home, and applying for a housing loan. In new businesses, we are working to stimulate demand for relocation among customers by improving the convenience of—and adding content to—our online service TownU, which provides suggestions on the “most livable towns” suited to the lifestyle and values of individual customers. ARUHI Homebuying Concierge Corporation, a company that provides consulting services to prospective homebuyers (on topics such as housing loans and the purchasing and selling of properties), steadily attracted more customers through initiatives such as stepping up marketing in collaboration with TownU. ARUHI Real Estate Technologies Corporation, a company that engages in the purchasing and reselling of properties including pre-owned condos, made headway with deliveries of sold properties.

Operating revenue for the six-month period ended September 30, 2022 fell ¥1,232 million year on year to ¥11,805 million (-9.5% year on year). This was attributable to a 28.0% year-on-year decline in loan execution revenue caused by a sluggish “Flat 35” market and fierce competition in the housing loan markets of the three major metropolitan areas of Tokyo, Osaka, and Nagoya. Meanwhile, loan servicing and insurance revenue held firm, climbing 10.0% and 12.9% year on year, respectively, while revenue from other services (including new businesses) rose 72.5% year on year. In addition, finance revenue rose 1.2% year on year as a year-on-year decrease in loan receivable securitization revenue (which is linked to loan execution revenue) was outweighed by a year-on-year increase in revenue relating to a fair value of financial products. Operating expenses declined only 4.0% year on year as a drop in variable expenses was offset by the impact of personnel increases to strategically enhance the sales capacity of directly operated sales offices, and by the recognition of a portion of the tender offer-related expenses. As a result, income before tax declined by ¥764 million year on year to ¥2,557 million (-23.0% year on year), net income was ¥1,762 million (-22.9% year on year), and net income attributable to owners of the parent was ¥1,770 million (-22.8% year on year). Segment information has been omitted as the ARUHI Group operates in a single segment, namely, the housing loan business.

The tender offer for the common shares of the Company launched on September 15, 2022 (the “Tender Offer”) was completed on November 11, 2022. The Tender Offer is expected to result in changes in the major shareholders of the Company effective from November 18, 2022 (the Tender Offer settlement commencement date), with SBI Holdings, Inc. becoming the parent company of the Company. The Company also entered into the business alliance agreement dated September 14, 2022, subject to the completion of settlement of the Tender Offer.

The Company aims to realize business synergies with the SBI Group (which also includes the Shinsei Bank Group) through close collaboration in terms of mutual and effective sharing of management resources, accelerate the achievement of its medium- to long-term vision of transforming into a “homebuying company,” expand its lineup of housing loans and other financial products, and further enhance its corporate value through collaboration in various businesses.

(2) Explanation of financial position

As of September 30, 2022, assets were ¥149,650 million, a decrease of ¥1,062 million compared with March 31, 2022. This was primarily due to operating loans receivable decreasing ¥6,435 million, despite cash and cash equivalents increasing ¥3,982 million.

As of September 30, 2022, liabilities were ¥116,979 million, a decrease of ¥1,855 million compared with March 31, 2022. This was primarily due to deposits received decreasing ¥4,580 million, despite borrowings increasing ¥866 million and other financial liabilities increasing ¥2,011 million.

As of September 30, 2022, equity was ¥32,670 million, an increase of ¥792 million compared with March 31, 2022. This was primarily due to the recording of net income of ¥1,762 million, despite retained earnings decreasing ¥1,059 million due to dividends.

(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 “Notice Regarding Revisions to Earnings Forecasts and Dividend Forecasts” released on October 27, 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 September 30, 2022
Assets		
Cash and cash equivalents	22,232	26,215
Trade receivables	1,007	904
Operating loans receivable	68,703	62,268
Deposits paid	149	140
Accounts receivable	24	43
Other financial assets	28,274	30,347
Other assets	1,205	986
Property, plant and equipment	1,563	1,396
Goodwill	24,464	24,464
Intangible assets	2,930	2,726
Deferred tax assets	157	157
Total assets	150,713	149,650
Liabilities		
Deposits received	11,162	6,581
Lease liabilities	1,249	1,020
Borrowings	65,780	66,646
Provisions	197	206
Income taxes payable	543	801
Other financial liabilities	38,564	40,576
Other liabilities	1,336	1,146
Total liabilities	118,835	116,979
Equity		
Share capital	3,471	3,471
Share premium	8,903	8,740
Treasury shares	(1,236)	(984)
Retained earnings	20,750	21,462
Equity attributable to owners of the parent	31,889	32,690
Non-controlling interests	(11)	(19)
Total equity	31,877	32,670
Total liabilities and equity	150,713	149,650

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

Condensed interim consolidated statement of net income

Six-month period ended September 30, 2022

(Millions of yen)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Operating revenue	13,037	11,805
Operating expenses		
Finance costs	(1,741)	(1,820)
Selling, general and administrative expenses	(7,647)	(6,935)
Other expenses	(201)	(448)
Total operating expenses	(9,589)	(9,205)
Other income and expenses		
Other income	34	45
Other expenses	(159)	(87)
Total other income and expenses	(125)	(42)
Income before tax	3,322	2,557
Income tax expenses	(1,036)	(794)
Net income	2,286	1,762
Net income attributable to:		
Owners of the parent	2,293	1,770
Non-controlling interests	(7)	(7)
Net income	2,286	1,762
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	64.64	50.06
Diluted earnings per share (Yen)	64.16	49.87

Three-month period ended September 30, 2022

(Millions of yen)

	Three-month period ended September 30, 2021	Three-month period ended September 30, 2022
Operating revenue	6,183	5,867
Operating expenses		
Finance costs	(853)	(882)
Selling, general and administrative expenses	(3,597)	(3,420)
Other expenses	(181)	(151)
Total operating expenses	(4,633)	(4,454)
Other income and expenses		
Other income	24	10
Other expenses	(80)	(83)
Total other income and expenses	(56)	(73)
Income before tax	1,493	1,340
Income tax expenses	(465)	(416)
Net income	1,027	923
Net income attributable to:		
Owners of the parent	1,032	928
Non-controlling interests	(4)	(5)
Net income	1,027	923
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	29.13	26.23
Diluted earnings per share (Yen)	28.94	26.12

Condensed interim consolidated statement of comprehensive income

Six-month period ended September 30, 2022

(Millions of yen)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Net income	2,286	1,762
Comprehensive income	2,286	1,762
Comprehensive income attributable to:		
Owners of the parent	2,293	1,770
Non-controlling interests	(7)	(7)
Comprehensive income	2,286	1,762

Three-month period ended September 30, 2022

(Millions of yen)

	Three-month period ended September 30, 2021	Three-month period ended September 30, 2022
Net income	1,027	923
Comprehensive income	1,027	923
Comprehensive income attributable to:		
Owners of the parent	1,032	928
Non-controlling interests	(4)	(5)
Comprehensive income	1,027	923

(3) Condensed interim consolidated statement of changes in equity

Six-month period ended September 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	–	–	–	2,293	2,293	(7)	2,286
Total comprehensive income	–	–	–	2,293	2,293	(7)	2,286
Purchase of treasury shares	–	(2)	(453)	–	(456)	–	(456)
Disposal of treasury shares	–	(213)	284	–	70	–	70
Dividends	–	–	–	(1,065)	(1,065)	–	(1,065)
Share acquisition rights	–	(2)	–	–	(2)	–	(2)
Restricted share-based remuneration	–	26	–	–	26	–	26
Changes in ownership interest in subsidiaries	–	–	–	–	–	3	3
Total transactions with owners	–	(191)	(168)	(1,065)	(1,425)	3	(1,422)
Balance as of September 30, 2021	3,471	8,866	(1,239)	19,864	30,962	(4)	30,957

Six-month period ended September 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	–	–	–	1,770	1,770	(7)	1,762
Total comprehensive income	–	–	–	1,770	1,770	(7)	1,762
Disposal of treasury shares	–	(94)	168	–	73	–	73
Dividends	–	–	–	(1,059)	(1,059)	–	(1,059)
Share acquisition rights	–	(3)	–	–	(3)	–	(3)
Restricted share-based remuneration	–	(65)	84	–	19	–	19
Total transactions with owners	–	(162)	252	(1,059)	(969)	–	(969)
Balance as of September 30, 2022	3,471	8,740	(984)	21,462	32,690	(19)	32,670

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Cash flows from operating activities		
Income before tax	3,322	2,557
Depreciation and amortization expenses	559	611
Amortization expenses of servicing assets	167	153
Impairment loss	4	–
Interest income	(152)	(115)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(220)	(911)
Interest expenses	327	283
Revenue related to liquidation of loans receivable	(2,281)	(2,413)
Decrease (increase) in trade receivables	(69)	102
Decrease (increase) in operating loans receivable	10,135	8,860
Decrease (increase) in deposits paid	(24)	9
Decrease (increase) in accounts receivable	68	(19)
Decrease (increase) in other financial assets	67	704
Decrease (increase) in other assets	63	215
Increase (decrease) in deposits received	(5,994)	(4,580)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(413)	(91)
Increase (decrease) in other liabilities	(105)	(190)
Other	(303)	2
Subtotal	5,151	5,177
Interest received	532	469
Interest paid	(242)	(217)
Income taxes paid	(1,435)	(537)
Net cash provided by operating activities	4,007	4,892
Cash flows from investing activities		
Purchase of intangible assets	(279)	(308)
Other	(78)	(75)
Net cash used in investing activities	(358)	(383)
Cash flows from financing activities		
Payments for purchase of treasury shares	(449)	–
Net increase (decrease) in short-term borrowings	(14,400)	(4,900)
Increase (decrease) in borrowings accompanying the liquidation	(0)	(0)
Proceeds from non-current borrowings	7,000	6,500
Repayments of non-current borrowings	(800)	(800)
Repayments of lease liabilities	(367)	(339)
Proceeds from exercise of share options	67	73
Dividends paid	(1,065)	(1,059)
Other	3	–
Net cash used in financing activities	(10,011)	(526)
Increase (decrease) in cash and cash equivalents	(6,363)	3,982
Cash and cash equivalents at beginning of period	37,404	22,232
Cash and cash equivalents at end of period	31,041	26,215

(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 six-month period ended September 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 and 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. As such, the Company has a single reportable segment since there are no separable operating segments.

(2) Information about services

(Millions of yen)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022
Loan execution operations	6,552	4,718
Financing operations	3,532	3,574
Loan management and collection operations	1,387	1,526
Insurance-related operations	1,197	1,351
Other operations	367	634
Total operating revenue	13,037	11,805

(Significant events after reporting period)

Not applicable.