

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 Three-Month Period of the Fiscal Year Ending March 31, 2024 (under IFRS)

August 3, 2023

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: Nobuhiko Hanada, Corporate Officer, CFO
 TEL: +81-3-6229-0777
 Scheduled date to file interim securities report: August 10, 2023
 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, 2024 (from April 1, 2023 to June 30, 2023)

(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, 2023	4,604	(22.4)	449	(63.1)	304	(63.7)	310	(63.1)
June 30, 2022	5,937	(13.4)	1,217	(33.4)	839	(33.3)	841	(33.3)

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
Three-month period ended				
June 30, 2023	304	(63.7)	8.74	8.72
June 30, 2022	839	(33.3)	23.82	23.73

(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				
June 30, 2023	142,645	32,189	32,225	22.6
March 31, 2023	148,616	32,735	32,765	22.0

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, 2023	–	30.00	–	25.00	55.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		20.00	–	20.00	40.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	21,000	(7.1)	3,000	(27.2)	2,050	(26.8)	2,050	(27.3)	57.87

- 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 fiscal year ended March 31, 2023.

* **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, 2023	36,080,600 shares
As of March 31, 2023	36,080,600 shares

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

As of June 30, 2023	513,860 shares
As of March 31, 2023	520,860 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, 2023	35,564,037 shares
For the three-month period ended June 30, 2022	35,333,602 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 three-month period	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position	2
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	2
2. Condensed interim consolidated financial statements and significant notes thereto	3
(1) Condensed interim consolidated statement of financial position	3
(2) Condensed interim consolidated statement of net income and condensed interim consolidated statement of comprehensive income	4
(3) Condensed interim consolidated statement of changes in equity	5
(4) Condensed interim consolidated statement of cash flows	6
(5) Notes to condensed interim consolidated financial statements	7
(Note on assumption of going concern)	7
(Changes in accounting policies)	7
(Changes in presentation).....	7
(Segment information)	8

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

(1) Explanation of operating results

Operating revenue for the three-month period ended June 30, 2023 decreased 22.4% year on year to ¥4,604 million. Despite the increase in the number of products from banks and other variable interest rate loans executed, loan execution revenue decreased 37.9% year on year due to continued weakness in the “Flat 35” loan market against the backdrop of the gap between fixed and variable interest rates. Finance revenue declined 25.8% year on year due to a decrease in revenue related to securitization of loans receivable, which is linked to loan execution revenue, offset by the increase in the fair value of beneficiary rights. On the other hand, recurring revenue from loan servicing and insurance businesses increased year on year by 2.5% and 7.0%, respectively. Operating expenses were ¥4,185 million (-11.9% year on year) due to efforts to restrain fixed costs by trimming outsourced operations, as well as a decrease in expenses linked to loan execution revenue. As a result of the above, income before tax was ¥449 million (-63.1% year on year), net income was ¥304 million (-63.7% year on year), and net income attributable to owners of the parent was ¥310 million (-63.1% year on year).

Segment information has been omitted as the ARUHI Group (the “Group”) operates in a single segment, namely, the housing loan business.

(2) Explanation of financial position

As of June 30, 2023, assets were ¥142,645 million, a decrease of ¥5,970 million compared with March 31, 2023. This was primarily due to operating loans receivable decreasing ¥7,464 million, despite cash and cash equivalents increasing ¥1,366 million.

As of June 30, 2023, liabilities were ¥110,456 million, a decrease of ¥5,424 million compared with March 31, 2023. This was primarily due to decreases of ¥1,947 million in deposits received and ¥3,978 million in borrowings.

As of June 30, 2023, equity was ¥32,189 million, a decrease of ¥546 million compared with March 31, 2023. This was primarily due to the recording of net income of ¥304 million, which was offset by a decrease of ¥888 million in retained earnings due to dividend payments.

(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, 2024 announced on “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (under IFRS)” released on May 11, 2023.

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, 2023	As of June 30, 2023
Assets		
Cash and cash equivalents	17,169	18,535
Trade receivables	829	765
Operating loans receivable	68,709	61,245
Beneficiary rights	30,848	31,481
Deposits paid	142	149
Accounts receivable	26	77
Other financial assets	1,100	1,112
Other assets	1,415	1,145
Property, plant and equipment	1,209	1,045
Goodwill	24,464	24,464
Intangible assets	2,701	2,621
Deferred tax assets	0	0
Total assets	148,616	142,645
Liabilities		
Deposits received	7,407	5,459
Lease liabilities	830	684
Borrowings	62,730	58,751
Provisions	209	204
Income taxes payable	7	139
Other financial liabilities	43,094	43,590
Other liabilities	1,228	1,252
Deferred tax liabilities	372	372
Total liabilities	115,881	110,456
Equity		
Share capital	3,471	3,471
Share premium	8,684	8,711
Treasury shares	(838)	(827)
Retained earnings	21,448	20,870
Equity attributable to owners of the parent	32,765	32,225
Non-controlling interests	(30)	(36)
Total equity	32,735	32,189
Total liabilities and equity	148,616	142,645

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

Condensed interim consolidated statement of net income

Three-month period ended June 30, 2023

(Millions of yen)

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Operating revenue	5,937	4,604
Operating expenses		
Finance costs	(938)	(911)
Selling, general and administrative expenses	(3,515)	(3,002)
Other expenses	(297)	(271)
Total operating expenses	(4,750)	(4,185)
Other income and expenses		
Other income	74	59
Other expenses	(43)	(29)
Total other income and expenses	30	30
Income before tax	1,217	449
Income tax expenses	(378)	(144)
Net income	839	304
Net income attributable to:		
Owners of the parent	841	310
Non-controlling interests	(2)	(6)
Net income	839	304
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	23.82	8.74
Diluted earnings per share (Yen)	23.73	8.72

Condensed interim consolidated statement of comprehensive income

(Millions of yen)

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Net income	839	304
Comprehensive income	839	304
Comprehensive income attributable to:		
Owners of the parent	841	310
Non-controlling interests	(2)	(6)
Comprehensive income	839	304

(3) Condensed interim consolidated statement of changes in equity

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

Three-month period ended June 30, 2023

(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, 2023	3,471	8,684	(838)	21,448	32,765	(30)	32,735
Net income	–	–	–	310	310	(6)	304
Total comprehensive income	–	–	–	310	310	(6)	304
Disposal of treasury shares	–	(9)	16	–	6	–	6
Dividends	–	–	–	(888)	(888)	–	(888)
Share acquisition rights	–	(4)	–	–	(4)	–	(4)
Restricted share-based remuneration	–	41	(5)	–	36	–	36
Total transactions with owners	–	27	10	(888)	(850)	–	(850)
Balance as of June 30, 2023	3,471	8,711	(827)	20,870	32,225	(36)	32,189

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Cash flows from operating activities		
Income before tax	1,217	449
Depreciation and amortization expenses	300	299
Amortization expenses of servicing assets	77	70
Interest income	(62)	(47)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(232)	(195)
Interest expenses	143	113
Revenue related to liquidation of loans receivable	(1,197)	(961)
Decrease (increase) in trade receivables	104	63
Decrease (increase) in operating loans receivable	3,843	8,067
Decrease (increase) in beneficiary rights	308	497
Decrease (increase) in deposits paid	(2)	(7)
Decrease (increase) in accounts receivable	(30)	(51)
Decrease (increase) in other financial assets	(5)	0
Decrease (increase) in other assets	73	269
Increase (decrease) in deposits received	(2,444)	(1,947)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(110)	(66)
Increase (decrease) in other liabilities	(27)	24
Other	33	(10)
Subtotal	1,988	6,567
Interest received	256	175
Interest paid	(104)	(85)
Income taxes paid	(537)	(12)
Net cash provided by operating activities	1,603	6,644
Cash flows from investing activities		
Purchase of intangible assets	(194)	(259)
Other	(103)	(3)
Net cash used in investing activities	(297)	(262)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,000)	(3,000)
Increase (decrease) in borrowings accompanying the liquidation	(0)	(0)
Proceeds from non-current borrowings	3,500	1,000
Repayments of non-current borrowings	–	(2,000)
Repayments of lease liabilities	(171)	(146)
Proceeds from exercise of share options	30	6
Dividends paid	(1,029)	(875)
Net cash used in financing activities	(1,670)	(5,015)
Increase (decrease) in cash and cash equivalents	(365)	1,366
Cash and cash equivalents at beginning of period	22,232	17,169
Cash and cash equivalents at end of period	21,867	18,535

(5) Notes to condensed interim consolidated financial statements

(Note on assumption of going concern)

Not applicable.

(Changes in accounting policies)

The material 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, 2023, were calculated based on the estimated annual effective tax rate.

IFRS		Outline of new standards and amendments
IAS 1	Presentation of Financial Statements	Amendments to require disclosure of material accounting policies rather than significant accounting policies
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Clarification of the distinction between accounting policies and accounting estimates
IAS 12	Income Taxes	Clarification of accounting treatment for deferred tax related to leases and disposal obligations Amendments to require disclosure of a company's exposure related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD)
IFRS 17	Insurance Contracts	Amendments to accounting treatment for insurance contracts Amendments relating to comparative information on initial adoption of IFRS 17 and IFRS 9

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

(Changes in presentation)

(Condensed interim consolidated statement of financial position)

"Beneficiary rights," which was included in "Other financial assets" in the previous fiscal year, is presented separately from the first quarter of this fiscal year due to its increased financial materiality and for the purpose of presenting the Group's financial position more clearly. To reflect this change in the method of presentation, the figures for the previous fiscal year shown in the consolidated financial statements have been restated.

As a result, ¥31,948 million presented in "Other financial assets" in the consolidated statement of financial position as of March 31, 2023, has been reclassified as "Beneficiary rights" of ¥30,848 million and "Other financial assets" of ¥1,100 million.

(Condensed interim consolidated statements of cash flows)

"Decrease (increase) in beneficiary rights," was included in "Decrease (increase) in other financial assets" in the "Cash flows from operating activities" section in the three-month period ended June 30, 2022. This is presented separately from the three-month period ended June 30, 2023 due to its increased financial materiality and for the purpose of presenting the Group's financial position more clearly. In order to reflect this change in presentation, the condensed interim consolidated financial statements for the three-month period ended June 30, 2022 have been reclassified.

As a result, in the condensed interim consolidated statement of cash flows for the three-month period ended June 30, 2022, the amount of ¥302 million that was presented in "Decrease (increase) in other financial assets" under "Cash flows from operating activities" has been reclassified into "Decrease (increase) in beneficiary rights" of ¥308 million and "Decrease (increase) in other financial assets" of ¥(5) million.

(Segment information)

(1) General information

The Group'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 Group 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, 2022	Three-month period ended June 30, 2023
Loan execution operations	2,503	1,553
Financing operations	1,624	1,205
Loan management and collection operations	748	767
Insurance-related operations	667	714
Other operations	392	362
Total operating revenue	<u>5,937</u>	<u>4,604</u>