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Consolidated Financial Results for the First Six-Month Period of the Fiscal Year Ending March 31, 2021 (under IFRS)

November 5, 2020

Company name: ARUHI Corporation (the "Company")
Listing: Tokyo Stock Exchange
Securities code: 7198
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Scheduled date to file interim securities report: November 13, 2020
Scheduled date to commence dividend payments: December 10, 2020
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, 2021 (from April 1, 2020 to September 30, 2020)

(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	
Six-month period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2020	13,274	3.1	3,981	(4.9)	2,698	(6.1)	2,698	(6.1)
September 30, 2019	12,869	13.9	4,187	32.2	2,873	30.9	2,873	30.9

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six-month period ended	Millions of yen	%	Yen	Yen
September 30, 2020	2,698	(6.1)	76.60	75.71
September 30, 2019	2,873	30.9	81.84	80.21

(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	%
September 30, 2020	142,480	28,379	28,379	19.9
March 31, 2020	132,585	26,634	26,634	20.1

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, 2020	–	25.00	–	26.00	51.00
Fiscal year ending March 31, 2021	–	25.00			
Fiscal year ending March 31, 2021 (Forecast)			–	26.00	51.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	27,300	4.2	7,110	(2.8)	4,800	(3.5)	4,800	(3.5)	136.26

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 period as of September 30, 2020.

*** 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, 2020	36,080,600 shares
As of March 31, 2020	36,080,600 shares

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

As of September 30, 2020	698,521 shares
As of March 31, 2020	886,891 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, 2020	35,227,608 shares
For the six-month period ended September 30, 2019	35,116,476 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 six-month period

(1) Explanation of operating results

In the six-month period ended September 30, 2020, business conditions were difficult for the business environment affecting the Company with the impact of the spread of the novel coronavirus disease (COVID-19) and the number of new housing starts being at a lower level year on year. On the other hand, although the number of contracts signed for preowned condominiums and preowned houses were weaker year on year for the current six-month period, a gradual recovery has been observed since the state of emergency was lifted and demand is returning to the same level as a year ago when there was a rush in demand before the consumption tax hike. Amid this period when new lifestyles are being proposed and much attention is being focused on "comfortable living environments" in response to the increased time spent at home, there are expectations in our outlook that the market will proceed at a comparatively solid level. Nevertheless, it is not known when the spread of COVID-19 will be brought under control and the situation remains uncertain and unpredictable.

Given this situation, the Company aims to meet the various needs of customers by continuing to operate sales at each store nationwide with a central focus on franchise stores and utilizing online channels, while continuing proactive efforts to improve customer value through measures such as speeding up housing loan procedures even during the COVID-19 pandemic by utilizing employees working from home. Adding to the Company's proprietary all-time fixed rate product series ARUHI Super Flat, the Company launched a new four-product lineup in September 2020 as part of efforts to further diversify products on offer.

While continuing to uphold our existing customer-first stance and compliance-first initiatives, we hired a new Special Advisor with the purpose of further promoting those priorities, and we are working to strengthen all aspects of risk management.

As a result of our efforts, in the six-month period ended September 30, 2020, we limited the decline of number of new loan originations for the Company to 5.4% year on year and minimized the effects of the comparative lull following the previous fiscal year's rush in demand before the consumption tax hike and the decline in the number of applications on housing loans received during the state of emergency that resulted from the spread of COVID-19.

On the operating revenues front, revenue from loan execution operations increased 0.1% year on year, which was largely steady compared with the corresponding period of the previous fiscal year due to the trend of increasing amounts per loan, despite a decline in the number of loans executed. Furthermore, although the financing operations saw an 3.0% decrease year on year, stock-type revenue related to housing loans executed in the past showed solid growth, as insurance related revenue and revenue from loan management and collection operations each increased 38.9% and 18.0% year on year, respectively. As a result, operating revenue for the six-month period ended September 30, 2020 increased 3.1% year on year to ¥13,274 million. On the other hand, due to rises in strategic costs for medium- to long-term growth such as the cost for increased headcount in the previous fiscal year and investments to utilize technology, income before tax decreased 4.9% year on year to ¥3,981 million. Net income and net income attributable to owners of the parent were ¥2,698 million, a decrease of 6.1% year on year.

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

(2) Explanation of financial position

(Assets)

As of September 30, 2020, assets were ¥142,480 million, an increase of ¥9,895 million compared with March 31, 2020. This was primarily due to cash and cash equivalents increasing ¥11,129 million, and operating loans receivable decreasing ¥2,637 million.

(Liabilities)

As of September 30, 2020, liabilities were ¥114,100 million, an increase of ¥8,149 million compared with March 31, 2020. This was primarily due to borrowings and other financial liabilities increasing ¥7,734 million and ¥1,789 million, respectively.

(Equity)

As of September 30, 2020, equity was ¥28,379 million, an increase of ¥1,745 million compared with March 31, 2020. This was primarily due to the recording of net income of ¥2,698 million, despite dividends of surplus of ¥915 million.

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

The Company revised the earnings forecasts for the fiscal year ending March 31, 2021, announced on August 3, 2020, taking into account the business results for the six-month period ended September 30, 2020 and future outlook. For details, please refer to the "Notice Regarding Revisions to Earnings Forecasts" announced today (November 5, 2020).

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, 2020	As of September 30, 2020
Assets		
Cash and cash equivalents	14,811	25,941
Trade receivables	671	818
Operating loans receivable	66,098	63,460
Deposits paid	149	109
Accounts receivable	159	53
Other financial assets	20,318	22,395
Other assets	515	361
Property, plant and equipment	1,025	762
Goodwill	24,464	24,464
Intangible assets	3,952	3,694
Deferred tax assets	418	418
Total assets	132,585	142,480
Liabilities		
Deposits received	10,378	10,255
Lease liabilities	1,198	853
Borrowings	59,166	66,901
Provisions	157	156
Income taxes payable	1,694	1,310
Other financial liabilities	31,167	32,956
Other liabilities	2,186	1,666
Total liabilities	105,950	114,100
Equity		
Share capital	3,471	3,471
Share premium	9,590	9,159
Treasury shares	(1,685)	(1,292)
Retained earnings	15,257	17,041
Equity attributable to owners of the parent	26,634	28,379
Total equity	26,634	28,379
Total liabilities and equity	132,585	142,480

(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, 2020

(Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020
Operating revenue	12,869	13,274
Operating expenses		
Finance costs	(1,207)	(1,519)
Selling, general and administrative expenses	(7,256)	(7,568)
Other expenses	(2)	(20)
Total operating expenses	(8,466)	(9,108)
Other income and expenses		
Other income	14	7
Other expenses	(229)	(193)
Total other income and expenses	(215)	(185)
Income before tax	4,187	3,981
Income tax expenses	(1,313)	(1,282)
Net income	2,873	2,698
Net income attributable to:		
Owners of the parent	2,873	2,698
Net income	2,873	2,698
Earnings per share		
(Attributable to owners of the parent)		
Basic earnings per share (Yen)	81.84	76.60
Diluted earnings per share (Yen)	80.21	75.71

Three-month period ended September 30, 2020

(Millions of yen)

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2020
Operating revenue	6,505	6,790
Operating expenses		
Finance costs	(594)	(782)
Selling, general and administrative expenses	(3,812)	(3,925)
Other expenses	(1)	(7)
Total operating expenses	(4,408)	(4,715)
Other income and expenses		
Other income	12	3
Other expenses	(115)	(97)
Total other income and expenses	(103)	(93)
Income before tax	1,993	1,980
Income tax expenses	(625)	(655)
Net income	1,368	1,325
Net income attributable to:		
Owners of the parent	1,368	1,325
Net income	1,368	1,325
Earnings per share		
(Attributable to owners of the parent)		
Basic earnings per share (Yen)	39.00	37.61
Diluted earnings per share (Yen)	38.22	37.17

Condensed interim consolidated statement of comprehensive income

Six-month period ended September 30, 2020

(Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020
Net income	2,873	2,698
Comprehensive income	2,873	2,698
Comprehensive income attributable to:		
Owners of the parent	2,873	2,698
Comprehensive income	2,873	2,698

Three-month period ended September 30, 2020

(Millions of yen)

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2020
Net income	1,368	1,325
Comprehensive income	1,368	1,325
Comprehensive income attributable to:		
Owners of the parent	1,368	1,325
Comprehensive income	1,368	1,325

(3) Condensed interim consolidated statement of changes in equity

Six-month period ended September 30, 2019

(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, 2019	3,471	9,908	(1,469)	11,942	23,853	23,853
Net income	—	—	—	2,873	2,873	2,873
Total comprehensive income	—	—	—	2,873	2,873	2,873
Purchase of treasury shares	—	(1)	(800)	—	(801)	(801)
Disposal of treasury shares	—	(417)	566	—	148	148
Dividends	—	—	—	(777)	(777)	(777)
Share acquisition rights	—	54	—	—	54	54
Total transactions with owners	—	(364)	(233)	(777)	(1,375)	(1,375)
Balance as of September 30, 2019	3,471	9,544	(1,703)	14,038	25,351	25,351

Six-month period ended September 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	—	—	—	2,698	2,698	2,698
Total comprehensive income	—	—	—	2,698	2,698	2,698
Purchase of treasury shares	—	(1)	(299)	—	(301)	(301)
Disposal of treasury shares	—	(481)	693	—	212	212
Dividends	—	—	—	(915)	(915)	(915)
Share acquisition rights	—	46	—	—	46	46
Restricted share-based remuneration	—	5	—	—	5	5
Total transactions with owners	—	(431)	393	(915)	(952)	(952)
Balance as of September 30, 2020	3,471	9,159	(1,292)	17,041	28,379	28,379

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020
Cash flows from operating activities		
Income before tax	4,187	3,981
Depreciation and amortization expenses	481	569
Amortization expenses of servicing assets	144	178
Interest income	(184)	(174)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(324)	(1,038)
Interest expenses	343	350
Revenue related to liquidation of loans receivable	(2,721)	(1,859)
Decrease (increase) in trade receivables	(27)	(146)
Decrease (increase) in operating loans receivable	5,041	4,938
Decrease (increase) in deposits paid	2	39
Decrease (increase) in accounts receivable	15	118
Decrease (increase) in other financial assets	(571)	(220)
Decrease (increase) in other assets	2	146
Increase (decrease) in deposits received	(1,946)	(122)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(113)	(95)
Increase (decrease) in other liabilities	(167)	(520)
Other	(500)	32
Subtotal	3,662	6,179
Interest received	822	968
Interest paid	(167)	(238)
Income taxes paid	(1,063)	(1,667)
Net cash provided by operating activities	3,254	5,242
Cash flows from investing activities		
Purchase of intangible assets	(341)	(346)
Other	(66)	(48)
Net cash used in investing activities	(407)	(394)
Cash flows from financing activities		
Payments for purchase of treasury shares	(801)	(301)
Proceeds from exercise of share options	148	212
Net increase (decrease) in short-term borrowings	(2,200)	(4,000)
Increase (decrease) in borrowings accompanying the liquidation	(393)	(267)
Proceeds from non-current borrowings	–	12,700
Repayments of non-current borrowings	(800)	(800)
Repayments of lease liabilities	(414)	(347)
Dividends paid	(774)	(914)
Net cash provided by (used in) financing activities	(5,235)	6,281
Increase (decrease) in cash and cash equivalents	(2,387)	11,129
Cash and cash equivalents at beginning of period	13,479	14,811
Cash and cash equivalents at end of period	11,092	25,941

(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 changes in accounting policies.
Income tax expenses for the six-month period ended September 30, 2020, were calculated based on the estimated annual effective tax rate.
Effective from the first quarter of this fiscal year, the Company has adopted the following standards.

Standards and interpretations		Outline of new standards and amendments
IAS 1 IAS 8	Presentation of Financial Statements Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to definition of "material"
IFRS 3	Business Combinations	Amendments to definition of business on business combinations

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)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020
Loan execution operations	6,920	6,926
Loan management and collection operations	1,024	1,208
Insurance-related operations	686	953
Financing operations	4,092	3,968
Other operations	145	217
Total operating revenue	12,869	13,274