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 Nine-Month Period of the Fiscal Year Ending March 31, 2021 (under IFRS)

February 4, 2021

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, President, Representative Director, CEO and COO
Inquiries: Yasuko Matsumoto, Executive Corporate Officer, CFO
TEL: +81-3-6229-0777

Scheduled date to file interim securities report: February 12, 2021
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, 2021 (from April 1, 2020 to December 31, 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	
Nine-month period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2020	20,302	3.8	5,962	(3.1)	4,047	(4.2)	4,047	(4.2)
December 31, 2019	19,562	10.5	6,154	25.1	4,223	23.9	4,223	23.9

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
Nine-month period ended	Millions of yen	%	Yen	Yen
December 31, 2020	4,047	(4.2)	114.71	113.35
December 31, 2019	4,223	23.9	120.19	117.74

(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	%
December 31, 2020	153,664	28,884	28,884	18.8
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	26,800	2.3	7,320	0.1	4,980	0.2	4,980	0.2	141.14

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, 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 December 31, 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 December 31, 2020	679,337 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 nine-month period ended December 31, 2020	35,282,954 shares
For the nine-month period ended December 31, 2019	35,139,270 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 nine-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 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) 11

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

(1) Explanation of operating results

In the nine-month period ended December 31, 2020, the business environment affecting the residential housing related industry, to which the Company belongs, has been recovering as a result of a gradual resumption of business activities, despite the ongoing difficult situation regarding the impact of the spread of the novel coronavirus disease (COVID-19). The number of new housing starts and the number of contracts signed for preowned condominiums and preowned houses have been showing signs of gradual recovery. Considering the stronger focus on "comfortable living environments" in response to the increased time spent at home, together with the effect of tax reductions on housing loans, 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 has set forth "Now is the time to Grow MORE!" as one of its major priorities for the fiscal year ending March 31, 2021. While giving utmost priority to the safety of our customers and employees by taking measures to prevent the spread of COVID-19, we have been strengthening our products and services, and also continuing to actively work on improving corporate value. We have launched insurance products with a special contract on all illness coverage and a variable rate product named "ARUHI Variable Tsunagi" which is a supplementary product to ARUHI Variable S. Additionally, our directly managed stores have started initiatives to provide explanatory videos relating to housing loan contracts and other matters to further enhance convenience for our customers.

As a result, the Company's number of new loan originations has followed a trend of recovery since hitting bottom in the first quarter, growing 3.1% year on year for the third quarter and falling 2.6% year on year for the nine-month period.

On the operating revenues front, loan execution operations saw an increase of 2.0% year on year for origination fee sales due to the trend of increasing amounts per loan, despite a decline in the number of loans executed. Furthermore, although the financing operations saw a 4.1% decrease year on year, insurance-related revenue and revenue from loan management and collection operations, which are stock-type revenue related to housing loans executed in the past, showed solid growth. Insurance-related revenue grew 35.8% year on year partly due to the commencement, as of April 2020, of an all illness coverage product with enhanced protections compared with the preexisting insurance product, amid the rising interest in life insurance that offers protections against reductions in personal income due to the spread of COVID-19. Revenue from loan management and collection operations rose 14.7% year on year, mainly due to taking on the servicing assets from other companies and gradually growing the balance of servicing assets under management. As a result, operating revenue for the nine-month period ended December 31, 2020 increased 3.8% year on year to ¥20,302 million. On the other hand, despite efforts to ensure financial soundness through constraining fixed costs and other measures, 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 3.1% year on year to ¥5,962 million. Net income and net income attributable to owners of the parent were ¥4,047 million, a decrease of 4.2% 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 December 31, 2020, assets were ¥153,664 million, an increase of ¥21,078 million compared with March 31, 2020. This was primarily due to cash and cash equivalents, operating loans receivable and other financial assets increasing ¥7,142 million, ¥10,962 million and ¥3,379 million, respectively.

(Liabilities)

As of December 31, 2020, liabilities were ¥124,779 million, an increase of ¥18,828 million compared with March 31, 2020. This was primarily due to borrowings and other financial liabilities increasing ¥14,478 million and ¥2,856 million, respectively.

(Equity)

As of December 31, 2020, equity was ¥28,884 million, an increase of ¥2,250 million compared with March 31, 2020. This was primarily due to the recording of net income of ¥4,047 million, despite dividends of surplus of ¥1,799 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 November 5, 2020, taking into account the business results for the nine-month period ended December 31, 2020 and future outlook. For details, please refer to the "Notice Regarding Revisions to Earnings Forecasts" announced today (February 4, 2021).

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 December 31, 2020
Assets		
Cash and cash equivalents	14,811	21,953
Trade receivables	671	912
Operating loans receivable	66,098	77,061
Deposits paid	149	135
Accounts receivable	159	59
Other financial assets	20,318	23,697
Other assets	515	233
Property, plant and equipment	1,025	1,158
Goodwill	24,464	24,464
Intangible assets	3,952	3,567
Deferred tax assets	418	418
Total assets	132,585	153,664
Liabilities		
Deposits received	10,378	13,176
Lease liabilities	1,198	1,212
Borrowings	59,166	73,645
Provisions	157	149
Income taxes payable	1,694	889
Other financial liabilities	31,167	34,024
Other liabilities	2,186	1,682
Total liabilities	105,950	124,779
Equity		
Share capital	3,471	3,471
Share premium	9,590	9,164
Treasury shares	(1,685)	(1,257)
Retained earnings	15,257	17,505
Equity attributable to owners of the parent	26,634	28,884
Total equity	26,634	28,884
Total liabilities and equity	132,585	153,664

(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, 2020

(Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020
Operating revenue	19,562	20,302
Operating expenses		
Finance costs	(1,892)	(2,337)
Selling, general and administrative expenses	(11,180)	(11,684)
Other expenses	(7)	(36)
Total operating expenses	(13,080)	(14,057)
Other income and expenses		
Other income	17	12
Other expenses	(345)	(295)
Total other income and expenses	(328)	(282)
Income before tax	6,154	5,962
Income tax expenses	(1,930)	(1,915)
Net income	4,223	4,047
Net income attributable to:		
Owners of the parent	4,223	4,047
Net income	4,223	4,047
Earnings per share		
(Attributable to owners of the parent)		
Basic earnings per share (Yen)	120.19	114.71
Diluted earnings per share (Yen)	117.74	113.35

Three-month period ended December 31, 2020

(Millions of yen)

	Three-month period ended December 31, 2019	Three-month period ended December 31, 2020
Operating revenue	6,692	7,028
Operating expenses		
Finance costs	(684)	(818)
Selling, general and administrative expenses	(3,924)	(4,116)
Other expenses	(5)	(15)
Total operating expenses	(4,613)	(4,949)
Other income and expenses		
Other income	3	4
Other expenses	(116)	(101)
Total other income and expenses	(112)	(96)
Income before tax	1,966	1,981
Income tax expenses	(616)	(632)
Net income	1,349	1,349
Net income attributable to:		
Owners of the parent	1,349	1,349
Net income	1,349	1,349
Earnings per share		
(Attributable to owners of the parent)		
Basic earnings per share (Yen)	38.36	38.12
Diluted earnings per share (Yen)	37.58	37.62

Condensed interim consolidated statement of comprehensive income

Nine-month period ended December 31, 2020

(Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020
Net income	4,223	4,047
Comprehensive income	4,223	4,047
Comprehensive income attributable to:		
Owners of the parent	4,223	4,047
Comprehensive income	4,223	4,047

Three-month period ended December 31, 2020

(Millions of yen)

	Three-month period ended December 31, 2019	Three-month period ended December 31, 2020
Net income	1,349	1,349
Comprehensive income	1,349	1,349
Comprehensive income attributable to:		
Owners of the parent	1,349	1,349
Comprehensive income	1,349	1,349

(3) Condensed interim consolidated statement of changes in equity

Nine-month period ended December 31, 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	–	–	–	4,223	4,223	4,223
Total comprehensive income	–	–	–	4,223	4,223	4,223
Purchase of treasury shares	–	(1)	(800)	–	(801)	(801)
Disposal of treasury shares	–	(417)	566	–	148	148
Dividends	–	–	–	(1,656)	(1,656)	(1,656)
Share acquisition rights	–	83	–	–	83	83
Total transactions with owners	–	(335)	(233)	(1,656)	(2,225)	(2,225)
Balance as of December 31, 2019	3,471	9,573	(1,703)	14,508	25,851	25,851

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

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020
Cash flows from operating activities		
Income before tax	6,154	5,962
Depreciation and amortization expenses	748	871
Amortization expenses of servicing assets	229	264
Interest income	(278)	(254)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(725)	(1,282)
Interest expenses	518	522
Revenue related to liquidation of loans receivable	(3,665)	(2,860)
Decrease (increase) in trade receivables	(72)	(241)
Decrease (increase) in operating loans receivable	8,205	(7,759)
Decrease (increase) in deposits paid	2	13
Decrease (increase) in accounts receivable	8	111
Decrease (increase) in other financial assets	(793)	(328)
Decrease (increase) in other assets	(53)	251
Increase (decrease) in deposits received	(90)	2,798
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(6)	87
Increase (decrease) in other liabilities	(165)	(503)
Other	(266)	(53)
Subtotal	9,749	(2,399)
Interest received	1,272	1,342
Interest paid	(218)	(303)
Income taxes paid	(1,844)	(2,720)
Net cash provided by (used in) operating activities	8,959	(4,081)
Cash flows from investing activities		
Purchase of intangible assets	(1,617)	(432)
Other	(100)	(243)
Net cash used in investing activities	(1,718)	(676)
Cash flows from financing activities		
Payments for purchase of treasury shares	(801)	(301)
Proceeds from exercise of share options	148	224
Net increase (decrease) in short-term borrowings	(4,200)	1,700
Increase (decrease) in borrowings accompanying the liquidation	(573)	(296)
Proceeds from non-current borrowings	–	13,700
Repayments of non-current borrowings	(800)	(800)
Repayments of lease liabilities	(604)	(529)
Dividends paid	(1,652)	(1,797)
Net cash provided by (used in) financing activities	(8,484)	11,899
Increase (decrease) in cash and cash equivalents	(1,243)	7,142
Cash and cash equivalents at beginning of period	13,479	14,811
Cash and cash equivalents at end of period	12,236	21,953

(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 nine-month period ended December 31, 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)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020
Loan execution operations	10,499	10,710
Loan management and collection operations	1,590	1,823
Insurance-related operations	1,275	1,733
Financing operations	5,953	5,710
Other operations	242	324
Total operating revenue	19,562	20,302