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Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (under IFRS)

May 11, 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
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TEL: +81-3-6229-0777
Scheduled date of annual general meeting of shareholders: June 24, 2021
Scheduled date to commence dividend payments: June 25, 2021
Scheduled date to file annual securities report: June 24, 2021
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Income before tax		Net income		Net income attributable to owners of the parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	26,821	2.4	7,745	5.9	5,177	4.1	5,177	4.1
March 31, 2020	26,202	9.9	7,315	16.8	4,972	15.3	4,972	15.3

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Yen	Yen
March 31, 2021	5,177	4.1	146.58	145.11
March 31, 2020	4,972	15.3	141.45	138.65

(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	Equity attributable to owners of the parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2021	164,762	30,093	30,093	18.3	847.67
March 31, 2020	132,585	26,634	26,634	20.1	756.79

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	4,750	(777)	18,620	37,404
March 31, 2020	7,407	(2,018)	(4,057)	14,811

2. Cash dividends

	Annual dividends per share					Total amount of dividends (total)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2020	–	25.00	–	26.00	51.00	1,794	36.1	7.1
Fiscal year ended March 31, 2021	–	25.00	–	30.00	55.00	1,949	37.5	6.9
Fiscal year ending March 31, 2022 (Forecast)	–	30.00	–	30.00	60.00		37.2	

Note: The fiscal year-end dividend per share for the fiscal year ended March 31, 2021 was changed from ¥26.00 to ¥30.00. For details, refer to "Notice of Payment of Dividends (Dividend Increase)" released today (May 11, 2021).

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	29,500	10.0	8,520	10.0	5,700	10.1	5,700	10.1	161.38

Notes: 1. As the Company manages its business performance on an annual basis, consolidated earnings forecasts for the second quarter (cumulative) are omitted. For details, please see "(4) Future outlook" in "1. Overview of operating results, etc." in the attached materials on page 2.

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, 2021.

*** 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 consolidated financial statements" in "3. Consolidated financial statements and significant notes thereto" in the attached materials on page 9.

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2021	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 March 31, 2021	578,760 shares
As of March 31, 2020	886,891 shares

c. Weighted-average number of shares during the period

For the fiscal year ended March 31, 2021	35,319,831 shares
For the fiscal year ended March 31, 2020	35,151,421 shares

(Reference) Summary of Non-consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	26,501	2.7	6,855	5.3	6,813	6.6	4,309	9.3
March 31, 2020	25,794	14.4	6,512	17.1	6,388	20.7	3,944	21.2

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2021	122.02	120.80
March 31, 2020	112.20	109.98

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2021	121,637	21,492	17.4	594.72
March 31, 2020	92,547	18,830	20.0	525.62

(Reference) Equity capital: As of March 31, 2021 ¥21,113 million
As of March 31, 2020 ¥18,498 million

* Financial results reports are exempt from audit 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.
For details on the earnings forecasts, please see “(4) Future outlook” in “1. Overview of operating results, etc.” in the attached materials on page 2.

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1. Overview of operating results, etc.

(1) Overview of operating results for the current fiscal year

In the fiscal year ended March 31, 2021, the business environment affecting the residential housing related industry, to which the Company belongs, encountered severe circumstances at the beginning of the fiscal year with the impact of the novel coronavirus disease (COVID-19). However, movements of recovery have been observed with the number of new housing starts and the number of contracts signed for preowned condominiums/preowned houses, both of which are generally on a recovery trend from August. Although the situation remains unpredictable with uncertainties on when the spread of COVID-19 will be brought under control, we are seeing stronger focus on "comfortable living environments" responding to factors such as the increased time spent at home due to the widespread adoption of teleworking. Along with a positive effect from tax reductions on housing loans, we expect the market will keep proceeding at a comparatively solid level.

Given this situation, the Company set forth "Now is the time to Grow MORE!" as one of its major priorities for the fiscal year ended March 31, 2021. While giving utmost priority to the safety of our customers, business partners and employees by taking measures to prevent the spread of COVID-19, we continued active initiatives to strengthen our products, services, etc., to improve corporate value. Specifically, in addition to the expansion of a new product lineup to the Company's proprietary all-time fixed rate product series "ARUHI Super Flat," and the launch of insurance products with a special contract on all illness coverage, the Company entered into a business partnership agreement with the Hokuto Bank, Ltd., and the Company's products have started to be introduced to customers inquiring about housing loans at the Hokuto Bank, Ltd. In conducting our business, while continuing to uphold our customer-first stance and compliance-first initiatives, we have been taking measures to further strengthen risk management, adding to "ARUHI Hawkeye 1.0," our AI-enhanced risk management system, with the introduction of "ARUHI Hawkeye 2.0," which determines appropriateness of a price from real estate transaction data. In addition, we launched our second headquarters at the Kashiwanoha-campus, Chiba Prefecture. While holding such aims as proposing a diverse range of working styles to meet the lifestyles of employees and contributing to the local community, we are also working to strengthen our responses to the risk of occurrence of unpredictable incidents such as disasters.

As a result, the Company's number of new loan originations in the fiscal year ended March 31, 2021 decreased by 3.6% year on year, partly influenced by the effect of delays regarding the timing of housing handovers at the end of the fiscal year, but the number of received loans was almost at the same level year on year, minimizing the impact of COVID-19.

On the operating revenues front, despite a decrease in the number of loans executed in the loan execution operations, origination fee sales increased 1.4% year on year due to an increase in the ratio of custom-made properties with high unit prices, as well as an increase in amounts per loan. Furthermore, although the financing operations saw a 6.3% decrease year on year, insurance-related operations and loan management and collection operations, which are stock-type revenue related to housing loans executed in the past, showed solid growth. Insurance-related operations grew 33.6% year on year partly due to the commencement, as of April 2020, of an all illness coverage product with enhanced protections, amid the rising interest in life insurance that offers protections against reductions in personal income due to the spread of COVID-19. Loan management and collection operations rose 13.5% year on year. In addition to receivables related to housing loans executed in the past, this was also 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 fiscal year ended March 31, 2021 increased 2.4% year on year to come to ¥26,821 million, exceeding the previous fiscal year in spite of the difficult market environment. As a result of achieving effective cost control, income before tax rose 5.9% year on year to ¥7,745 million, exceeding the previous fiscal year as well, and net income and net income attributable to owners of the parent were ¥5,177 million, an increase of 4.1% year on year.

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

(2) Overview of financial position for the current fiscal year

(Assets)

As of March 31, 2021, assets were ¥164,762 million, an increase of ¥32,176 million compared with March 31, 2020. This was primarily due to cash and cash equivalents, operating loans receivable and other financial assets increasing ¥22,592 million, ¥5,550 million and ¥4,278 million, respectively.

(Liabilities)
As of March 31, 2021, liabilities were ¥134,668 million, an increase of ¥28,717 million compared with March 31, 2020. This was primarily due to borrowings increasing ¥21,390 million and other financial liabilities increasing ¥4,204 million following the increases of operating loans receivable and other financial assets.
(Equity)
As of March 31, 2021, equity was ¥30,093 million, an increase of ¥3,459 million compared with March 31, 2020. This was primarily due to the recording of net income of ¥5,177 million, despite dividends of surplus of ¥1,799 million.

(3) Overview of cash flows for the current fiscal year

As of March 31, 2021, cash and cash equivalents (hereinafter referred to as "cash") were ¥37,404 million, an increase of ¥22,592 million compared with March 31, 2020.
The respective cash flow positions for the fiscal year ended March 31, 2021 and the factors thereof are as follows.
(Cash flows from operating activities)
Net cash provided by operating activities was ¥4,750 million, compared with ¥7,407 million provided in the fiscal year ended March 31, 2020. This was primarily due to factors for cash increase including income before tax of ¥7,745 million and an increase in deposits received of ¥4,139 million, despite factors for cash decrease including ¥3,795 million of revenue related to liquidation of loans receivable that was not recovered as cash during the fiscal year ended March 31, 2021, and ¥2,712 million in income taxes paid.
(Cash flows from investing activities)
Net cash used in investing activities was ¥777 million, compared with ¥2,018 million used in the fiscal year ended March 31, 2020. This was primarily due to purchase of intangible assets of ¥526 million.
(Cash flows from financing activities)
Net cash provided by financing activities was ¥18,620 million, compared with ¥4,057 million used in the fiscal year ended March 31, 2020. This was primarily due to factors for cash increase including proceeds from non-current borrowings of ¥15,700 million and an increase in short-term borrowings of ¥10,700 million.

(4) Future outlook

In the fiscal year ending March 31, 2022, the first year of the Mid-term Strategic Plan 2021, we will treat it as the year to start activities to evolve from a housing loan company to a "One-stop Homebuying Service Company" by launching new services aimed at customers considering moving to a new home. We are also working to reorganize our sales structure to realize resurgent growth in the housing loan business.
Although the impact of COVID-19 remains, we are anticipating a gradual recovery in the housing market.
Our current earnings forecasts for the fiscal year ending March 31, 2022 are as follows.
Based on our expectation that the number of new loan originations from our ARUHI Flat 35 and variable rate products sold through our bank agency services to continue robustly, we are forecasting consolidated operating revenue to increase 10.0% year on year to ¥29,500 million. We also expect profit to increase along with the solid growth in operating revenue. On the other hand, we expect an increase in costs due to the launch of new services and investment related to the establishment of the second headquarters. Therefore, we are forecasting income before tax to rise 10.0% year on year to ¥8,520 million, and net income attributable to owners of the parent to rise 10.1% year on year to ¥5,700 million.
The above earnings forecasts were formulated based on information available as of this document's publication date. Actual earnings may differ from the forecasts as a result of various future factors, such as the trends regarding the spread of COVID-19.

(5) Basic policy on profit distribution and dividends for the current fiscal year and the next fiscal year

The Company recognizes that both distribution of profits to shareholders and sustained corporate growth are top management priorities. Based on this perception, our basic policy is to allocate retained earnings for investment in future growth in order to further boost corporate value and surplus funds for actively paying dividends of surplus while comprehensively considering ROE levels and the status of financial leverage. Furthermore, for profit distribution in the next fiscal year onward, under the new Mid-term Strategic Plan, we will raise the current payout ratio of 30-40% to 35-40% in order to provide stable shareholder return over the medium to long term.

For the fiscal year ended March 31, 2021, in addition to an interim dividend of ¥25.00 per share already paid, we plan to pay a fiscal year-end dividend of ¥30.00 per share, ¥4.00 higher than previously forecasted. As a result, annual dividends will amount to ¥55.00 per share.
For the next fiscal year, we plan to pay an annual dividend of ¥60.00 per share, consisting of an interim dividend of ¥30.00 per share and a fiscal year-end dividend of ¥30.00 per share.

2. Basic concept regarding selection of accounting standard

The Company has adopted International Financial Reporting Standards to enhance the international comparability and convenience of its financial reporting in capital markets.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Cash and cash equivalents	14,811	37,404
Trade receivables	671	957
Operating loans receivable	66,098	71,649
Deposits paid	149	126
Accounts receivable	159	128
Other financial assets	20,318	24,596
Other assets	515	614
Property, plant and equipment	1,025	1,222
Goodwill	24,464	24,464
Intangible assets	3,952	3,310
Deferred tax assets	418	287
Total assets	132,585	164,762
Liabilities		
Deposits received	10,378	14,517
Lease liabilities	1,198	1,191
Borrowings	59,166	80,556
Provisions	157	183
Income taxes payable	1,694	1,420
Other financial liabilities	31,167	35,371
Other liabilities	2,186	1,425
Total liabilities	105,950	134,668
Equity		
Share capital	3,471	3,471
Share premium	9,590	9,057
Treasury shares	(1,685)	(1,070)
Retained earnings	15,257	18,635
Equity attributable to owners of the parent	26,634	30,093
Total equity	26,634	30,093
Total liabilities and equity	132,585	164,762

(2) Consolidated statement of net income and consolidated statement of comprehensive income

Consolidated statement of net income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Operating revenue	26,202	26,821
Operating expenses		
Finance costs	(2,617)	(3,162)
Selling, general and administrative expenses	(15,787)	(15,306)
Other expenses	(46)	(268)
Total operating expenses	(18,451)	(18,737)
Other income and expenses		
Other income	19	49
Other expenses	(454)	(387)
Total other income and expenses	(435)	(337)
Income before tax	7,315	7,745
Income tax expenses	(2,343)	(2,568)
Net income	4,972	5,177
Net income attributable to:		
Owners of the parent	4,972	5,177
Net income	4,972	5,177
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	141.45	146.58
Diluted earnings per share (Yen)	138.65	145.11

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income	4,972	5,177
Comprehensive income	4,972	5,177
Comprehensive income attributable to:		
Owners of the parent	4,972	5,177
Comprehensive income	4,972	5,177

(3) Consolidated statement of changes in equity

For the fiscal year ended March 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, 2019	3,471	9,908	(1,469)	11,942	23,853	23,853
Net income	–	–	–	4,972	4,972	4,972
Total comprehensive income	–	–	–	4,972	4,972	4,972
Purchase of treasury shares	–	(1)	(800)	–	(801)	(801)
Disposal of treasury shares	–	(430)	583	–	153	153
Dividends	–	–	–	(1,656)	(1,656)	(1,656)
Share acquisition rights	–	113	–	–	113	113
Total transactions with owners	–	(318)	(216)	(1,656)	(2,191)	(2,191)
Balance as of March 31, 2020	3,471	9,590	(1,685)	15,257	26,634	26,634

For the fiscal year ended March 31, 2021

(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	–	–	–	5,177	5,177	5,177
Total comprehensive income	–	–	–	5,177	5,177	5,177
Purchase of treasury shares	–	(1)	(300)	–	(301)	(301)
Disposal of treasury shares	–	(635)	914	–	279	279
Dividends	–	–	–	(1,799)	(1,799)	(1,799)
Share acquisition rights	–	85	–	–	85	85
Restricted share-based remuneration	–	18	–	–	18	18
Total transactions with owners	–	(532)	614	(1,799)	(1,717)	(1,717)
Balance as of March 31, 2021	3,471	9,057	(1,070)	18,635	30,093	30,093

(4) Condensed statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Income before tax	7,315	7,745
Depreciation and amortization expenses	1,021	1,141
Amortization expenses of servicing assets	316	351
Impairment loss	35	205
Interest income	(372)	(335)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(1,132)	(1,515)
Interest expenses	691	707
Revenue related to liquidation of loans receivable	(4,676)	(3,795)
Decrease (increase) in trade receivables	(124)	(285)
Decrease (increase) in operating loans receivable	5,748	(1,542)
Decrease (increase) in deposits paid	5	22
Decrease (increase) in accounts receivable	(143)	44
Decrease (increase) in other financial assets	(1,005)	(127)
Decrease (increase) in other assets	(135)	(131)
Increase (decrease) in deposits received	30	4,139
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	61	305
Increase (decrease) in other liabilities	388	(761)
Other	(208)	64
Subtotal	7,816	6,233
Interest received	1,747	1,667
Interest paid	(344)	(439)
Income taxes paid	(1,811)	(2,712)
Net cash provided by operating activities	7,407	4,750
Cash flows from investing activities		
Purchase of intangible assets	(1,868)	(526)
Other	(150)	(250)
Net cash used in investing activities	(2,018)	(777)
Cash flows from financing activities		
Payments for purchase of treasury shares	(801)	(301)
Net increase (decrease) in short-term borrowings	3,300	10,700
Increase (decrease) in borrowings accompanying the liquidation	(778)	(1,754)
Proceeds from non-current borrowings	–	15,700
Repayments of non-current borrowings	(3,500)	(3,500)
Repayments of lease liabilities	(776)	(703)
Proceeds from exercise of share options	153	279
Dividends paid	(1,654)	(1,799)
Net cash provided by (used in) financing activities	(4,057)	18,620
Increase (decrease) in cash and cash equivalents	1,331	22,592
Cash and cash equivalents at beginning of period	13,479	14,811
Cash and cash equivalents at end of period	14,811	37,404

(5) Notes to consolidated financial statements

(Note on assumption of going concern)
Not applicable.

(Changes in accounting policies)
Effective from the fiscal year ended March 31, 2021, the Company has applied the following standards.

IFRS		Outline of new standards and amendments
IAS 1	Presentation of Financial Statements	Revision on definition of "material"
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
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 consolidated financial statements of the Company.

(Changes in accounting estimates)
Not applicable.

(Segment information, etc.)

(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)

	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Loan execution operations	14,061	53.6	14,261	53.2
Loan management and collection operations	2,196	8.4	2,492	9.3
Insurance-related operations	1,700	6.5	2,271	8.5
Financing operations	7,859	30.0	7,364	27.4
Other operations	384	1.5	430	1.6
Total	26,202	100.0	26,821	100.0

(3) Regional information

Disclosure of regional information is omitted since the Company's operating revenue consists of domestic operating revenue from external customers.

(4) Information on major customers

Information on major customers is omitted because no single external customer (or group) accounts for 10% or more of the operating revenue from external customers reported on the consolidated statement of net income.

(Per share information)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income attributable to ordinary shareholders of the parent (Millions of yen)	4,972	5,177
Net income not attributable to ordinary shareholders of the parent (Millions of yen)	–	–
Net income attributable to ordinary shareholders used to calculate basic earnings per share (Millions of yen)	4,972	5,177
Net income adjustment (Millions of yen)	–	–
Net income attributable to ordinary shareholders used to calculate diluted earnings per share (Millions of yen)	4,972	5,177
Basic weighted average number of ordinary shares during the period (Shares)	35,151,421	35,319,831
Increase in the number of ordinary shares used to calculate diluted earnings per share (Shares)		
Share options (Shares)	710,736	357,291
Weighted average number of ordinary shares during the period used to calculate diluted earnings per share (Shares)	35,862,157	35,677,122
Basic earnings per share (Yen)	141.45	146.58
Diluted earnings per share (Yen)	138.65	145.11

(Significant events after reporting period)
Not applicable.