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Consolidated Financial Results for the First Six-Month Period of the Fiscal Year Ending March 31, 2024 (under IFRS)

November 7, 2023

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, 2023
 Scheduled date to commence dividend payments: December 11, 2023
 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, 2024 (from April 1, 2023 to September 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	
Six-month period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	8,870	(24.9)	764	(70.1)	519	(70.5)	533	(69.9)
September 30, 2022	11,805	(9.5)	2,557	(23.0)	1,762	(22.9)	1,770	(22.8)

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six-month period ended	Millions of yen	%	Yen	Yen
September 30, 2023	519	(70.5)	15.00	14.96
September 30, 2022	1,762	(22.9)	50.06	49.87

(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, 2023	138,332	32,411	32,456	23.5
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	—	20.00			
Fiscal year ending March 31, 2024 (Forecast)			—	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	%	
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 September 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 September 30, 2023	466,060 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 six-month period ended September 30, 2023	35,583,191 shares
For the six-month period ended September 30, 2022	35,371,943 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

Operating revenue for the six-month period ended September 30, 2023 decreased 24.9% year on year to ¥8,870 million. Despite the increase in the number of variable interest rate loans executed such as bank agency products, the ARUHI Super 40, and the newly launched ARUHI Housing loan (MG Hosho), loan execution revenue decreased 34.6% 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. In tandem with loan execution operations, finance revenue decreased 38.7% year on year. On the other hand, recurring revenue from loan management and collection operations and insurance-related operations increased year on year by 2.4% and 9.3%, respectively. Operating expenses were ¥8,120 million (-11.8% year on year) due to efforts to restrain fixed costs by trimming outsourced operations, despite recording certain expenses related to making SBI Estate Finance Co., Ltd. a wholly-owned subsidiary. As a result, income before tax was ¥764 million (-70.1% year on year), net income was ¥519 million (-70.5% year on year), and net income attributable to owners of the parent was ¥533 million (-69.9% 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 September 30, 2023, total assets were ¥138,332 million, a decrease of ¥10,284 million compared with March 31, 2023. This was primarily due to decreases of ¥2,680 million in cash and cash equivalents and ¥7,244 million in operating loans receivable.

As of September 30, 2023, total liabilities were ¥105,921 million, a decrease of ¥9,959 million compared with March 31, 2023. This was primarily due to decreases of ¥3,373 million in deposits received and ¥7,453 million in borrowings.

As of September 30, 2023, total equity was ¥32,411 million, a decrease of ¥324 million compared with March 31, 2023. This was primarily due to the recording of net income of ¥519 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.

(4) Explanation of plans to make SBI Estate Finance Co., Ltd. a wholly-owned subsidiary

The Company resolved at its board of directors meeting held on September 13, 2023 to implement a share exchange with SBI Estate Finance Co., Ltd. (“SBI Estate Finance”) with the effective date of December 1, 2023, as a result of which the Company will be the wholly-owning parent company and SBI Estate Finance will be a wholly-owned subsidiary (the “Share Exchange”), and executed a share exchange agreement on the same day (the “Share Exchange Agreement”). The Share Exchange is subject to obtaining the approval of the Share Exchange Agreement at the extraordinary shareholders meetings to be held on November 10, 2023.

For details, please refer to the “Notice Regarding Execution of Share Exchange Agreement to Make SBI Estate Finance Co., Ltd. a Wholly-Owned Subsidiary through Share Exchange, and Change in Subsidiaries” announced on September 13, 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 September 30, 2023
Assets		
Cash and cash equivalents	17,169	14,489
Trade receivables	829	778
Operating loans receivable	68,709	61,465
Beneficiary rights	30,848	31,478
Deposits paid	142	149
Accounts receivable	26	64
Other financial assets	1,100	1,101
Other assets	1,415	790
Property, plant and equipment	1,209	1,001
Goodwill	24,464	24,464
Intangible assets	2,701	2,548
Deferred tax assets	0	0
Total assets	148,616	138,332
Liabilities		
Deposits received	7,407	4,033
Lease liabilities	830	657
Borrowings	62,730	55,277
Provisions	209	195
Income taxes payable	7	259
Other financial liabilities	43,094	44,023
Other liabilities	1,228	1,102
Deferred tax liabilities	372	372
Total liabilities	115,881	105,921
Equity		
Share capital	3,471	3,471
Share premium	8,684	8,641
Treasury shares	(838)	(750)
Retained earnings	21,448	21,093
Equity attributable to owners of the parent	32,765	32,456
Non-controlling interests	(30)	(44)
Total equity	32,735	32,411
Total liabilities and equity	148,616	138,332

(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, 2023

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023
Operating revenue	11,805	8,870
Operating expenses		
Finance costs	(1,820)	(1,816)
Selling, general and administrative expenses	(6,935)	(5,915)
Other expenses	(448)	(388)
Total operating expenses	(9,205)	(8,120)
Other income and expenses		
Other income	45	76
Other expenses	(87)	(61)
Total other income and expenses	(42)	14
Income before tax	2,557	764
Income tax expenses	(794)	(245)
Net income	1,762	519
Net income attributable to:		
Owners of the parent	1,770	533
Non-controlling interests	(7)	(14)
Net income	1,762	519
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	50.06	15.00
Diluted earnings per share (Yen)	49.87	14.96

Three-month period ended September 30, 2023

(Millions of yen)

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2023
Operating revenue	5,867	4,266
Operating expenses		
Finance costs	(882)	(904)
Selling, general and administrative expenses	(3,420)	(2,912)
Other expenses	(151)	(117)
Total operating expenses	(4,454)	(3,934)
Other income and expenses		
Other income	10	16
Other expenses	(83)	(31)
Total other income and expenses	(73)	(15)
Income before tax	1,340	315
Income tax expenses	(416)	(101)
Net income	923	214
Net income attributable to:		
Owners of the parent	928	222
Non-controlling interests	(5)	(8)
Net income	923	214
Earnings per share (Attributable to owners of the parent)		
Basic earnings per share (Yen)	26.23	6.26
Diluted earnings per share (Yen)	26.12	6.25

Condensed interim consolidated statement of comprehensive income

Six-month period ended September 30, 2023

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023
Net income	1,762	519
Comprehensive income	1,762	519
Comprehensive income attributable to:		
Owners of the parent	1,770	533
Non-controlling interests	(7)	(14)
Comprehensive income	1,762	519

Three-month period ended September 30, 2023

(Millions of yen)

	Three-month period ended September 30, 2022	Three-month period ended September 30, 2023
Net income	923	214
Comprehensive income	923	214
Comprehensive income attributable to:		
Owners of the parent	928	222
Non-controlling interests	(5)	(8)
Comprehensive income	923	214

(3) Condensed interim consolidated statement of changes in equity

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

Six-month period ended September 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	—	—	—	533	533	(14)	519
Total comprehensive income	—	—	—	533	533	(14)	519
Disposal of treasury shares	—	(15)	25	—	9	—	9
Dividends	—	—	—	(888)	(888)	—	(888)
Share acquisition rights	—	(10)	—	—	(10)	—	(10)
Restricted share-based remuneration	—	(16)	62	—	45	—	45
Total transactions with owners	—	(42)	87	(888)	(843)	—	(843)
Balance as of September 30, 2023	3,471	8,641	(750)	21,093	32,456	(44)	32,411

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023
Cash flows from operating activities		
Income before tax	2,557	764
Depreciation and amortization expenses	611	602
Amortization expenses of servicing assets	153	139
Interest income	(115)	(97)
Net gain or loss (gain) arising on financial instruments as at FVTPL	(911)	(573)
Interest expenses	283	223
Revenue related to liquidation of loans receivable	(2,413)	(1,515)
Decrease (increase) in trade receivables	102	50
Decrease (increase) in operating loans receivable	8,860	8,121
Decrease (increase) in beneficiary rights	716	1,181
Decrease (increase) in deposits paid	9	(6)
Decrease (increase) in accounts receivable	(19)	(38)
Decrease (increase) in other financial assets	(12)	16
Decrease (increase) in other assets	215	620
Increase (decrease) in deposits received	(4,580)	(3,373)
Increase (decrease) in provisions	(0)	(0)
Increase (decrease) in other financial liabilities	(91)	22
Increase (decrease) in other liabilities	(190)	(125)
Other	2	183
Subtotal	5,177	6,199
Interest received	469	357
Interest paid	(217)	(176)
Income taxes refund (paid)	(537)	5
Net cash provided by operating activities	4,892	6,385
Cash flows from investing activities		
Purchase of intangible assets	(308)	(384)
Other	(75)	(5)
Net cash used in investing activities	(383)	(389)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,900)	2,000
Increase (decrease) in borrowings accompanying the liquidation	(0)	(0)
Proceeds from non-current borrowings	6,500	6,500
Repayments of non-current borrowings	(800)	(16,000)
Repayments of lease liabilities	(339)	(297)
Proceeds from exercise of share options	73	9
Dividends paid	(1,059)	(888)
Net cash used in financing activities	(526)	(8,676)
Increase (decrease) in cash and cash equivalents	3,982	(2,680)
Cash and cash equivalents at beginning of period	22,232	17,169
Cash and cash equivalents at end of period	26,215	14,489

(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 six-month period ended September 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 six-month period ended September 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 six-month period ended September 30, 2022 have been reclassified.

As a result, in the condensed interim consolidated statement of cash flows for the six-month period ended September 30, 2022, the amount of ¥704 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 ¥716 million and "Decrease (increase) in other financial assets" of ¥(12) 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)	
	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023
Loan execution operations	4,718	3,085
Financing operations	3,574	2,189
Loan management and collection operations	1,526	1,562
Insurance-related operations	1,351	1,476
Other operations	634	556
Total operating revenue	11,805	8,870

(Significant events after reporting period)

Not applicable.