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Brief Statement of the Third Quarter Financial Results for the Fiscal Year Ending March 2018 [Japanese GAAP (Consolidated)]

January 31, 2018

Forward-looking Statement

The statements and figures contained in this Brief Statement of the Third Quarter Financial Results for the fiscal year ending March 2018 (the "Brief Statement") with respect to ACOM CO., LTD. ("ACOM")'s plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of ACOM which are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. Potential risks and uncertainties include, but not limited to, general economic conditions in ACOM's market and changes in the size of the overall market for consumer loans, the rate of default by customers, the fluctuations in number of cases of claims from and the amount paid to customers who claim us to reimburse the portion of interest in excess of the interest ceiling as specified in the Interest Rate Restriction Act, the level of interest rates paid on ACOM's debt, and legal limits on interest rates charged by ACOM.

Name of the company:	ACOM CO., LTD. ("ACOM" or "the Company")
Stock market:	First Section of Tokyo Stock Exchange
Code Number:	8572
Location of the head office:	Tokyo
URL:	https://www.acom.co.jp/corp/english/ir/
Position of the representative:	Chairman, President & Chief Executive Officer
Name:	Shigeyoshi Kinoshita
Position of the person in charge:	Chief PR & IR Officer
Name:	Takashi Okamoto
Telephone Number:	(03) 5533-0861
Registration date of quarterly securities report:	February 14, 2018
Commencement date of dividend payment:	–
Quarterly material to supplement the financial results:	Applicable
Quarterly financial results conference:	Applicable (For domestic institutional investors and financial analysts)

Note: 1. All amounts under minimum units appearing in each of the tables have been disregarded throughout this brief statement and the annexed materials.
Note: 2. The figures in percentages show the year-on-year change from prior third quarter.

1. Consolidated Business Results for the Third Quarter Accounting Period (from April 1, 2017, to December 31, 2017)

(1) Consolidated Business Results (Accumulated)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent (Third Quarter)	
	(Millions of yen)	yoy%	(Millions of yen)	yoy%	(Millions of yen)	yoy%	(Millions of yen)	yoy%
3Q for FY March 2018	195,951	7.4	60,652	40.4	61,278	40.5	54,023	36.3
3Q for FY March 2017	182,516	2.6	43,194	5.5	43,621	5.1	39,629	11.5

[Note] Comprehensive income

3Q for FY March 2018: 58,398 million yen [66.1%]

3Q for FY March 2017: 35,167 million yen [5.1%]

	Basic Earnings per Share (Third Quarter)	Diluted Earnings per Share (Third Quarter)
	(Yen)	(Yen)
3Q for FY March 2018	34.48	–
3Q for FY March 2017	25.30	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Shareholders' Equity
	(Millions of yen)	(Millions of yen)	%
3Q for FY March 2018	1,252,635	325,374	24.4
FY March 2017 (Annual)	1,228,930	267,226	20.3

<Reference> Shareholders' Equity:

3Q for FY March 2018: 305,317 million yen

FY March 2017: 250,006 million yen

2. Dividend Status

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
FY March 2017	—	0.00	—	0.00	0.00
FY March 2018	—	0.00	—		
FY March 2018 (Forecast)				—	—

<Note> Amendment to dividend forecast: None

Dividend for fourth quarter of FY March 2018 is undecided at this point.

3. Forecasts for the Fiscal Year Ending March 2018 (from April 1, 2017, to March 31, 2018)

(The figures in percentage show year-on-year change from the same prior periods.)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Annual	257,000	4.8	71,300	—	71,800	—	64,200	—	40.98

<Note> Amendment to business results forecast: None

(Note)

(1) Change in Important Subsidiaries in the Nine Months ended December 31, 2017: None
(Change in scope of consolidation)

(2) Adoption of Accounting Methods Used Specifically for Quarterly Consolidated Financial Statements: None

(3) Changes in Accounting Policy, Accounting Estimates and Restatement

A) Change in accounting policy due to revision of accounting standards, etc.: None
B) Changes other than A): None
C) Change in accounting estimates: None
D) Restatement: None

(4) Outstanding shares (common shares)

A) Number of shares outstanding (including treasury stock)

Third Quarter of FY March 2018:	1,596,282,800 shares	FY March 2017:	1,596,282,800 shares

B) Number of treasury stock at the end of period

Third Quarter of FY March 2018:	29,668,592 shares	FY March 2017:	29,668,592 shares

C) Number of average shares outstanding (accumulated quarterly consolidated period)

Third Quarter of FY March 2018:	1,566,614,208 shares	Third Quarter of FY March 2017:	1,566,614,208 shares

(Note) Brief Statement of Quarterly financial results is not subject to quarterly review procedures.

(Note) Explanation regarding proper use of the business forecast and other notes

(Notes to Forward-looking Statement)

The statements about the future performance of ACOM are based on management's assumptions and beliefs in light of the information currently available to it. Actual results may differ from those in the forward-looking statements as a result of various factors. Please refer to "(3) Qualitative Information on the Forecasts for the Consolidated Business Results" of "1. Quarterly Qualitative Information on Business Results" on page 2 for conditions which are basis of forecasts and notes for using the forecast.

(Accessing financial results materials and archive of financial results conference)

ACOM plans to hold a conference call for domestic institutional investors and financial analysts regarding the third quarter financial results for the year ending March 2018 on January 31, 2018. The materials used at the conference call will be listed promptly after disclosure of financial results.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the nine months ended December 31, 2017, the Japanese economy showed signs of gradual improvement in corporate earnings as well as the employment and income environment, combined with moderate recovery in consumer spending, chiefly due to the effects of various economic policies implemented by the government. However, the possibility of an economic downturn remained in Japan due to uncertainty in overseas economies and the impact of fluctuations in the financial and capital markets, though economic recovery is expected to continue in the future.

In the consumer finance industry, the market is gradually expanding while requests for interest repayment have steadily decreased. However, future trends need to be closely monitored on an ongoing basis, as requests for interest repayment are susceptible to the impacts of changes in the external environment.

In such an environment, under its management vision of “strive to become the leading company in personal loan market which provides prime satisfaction to the utmost number of customers and win their trust in return,” the Company Group has positioned its loan and credit card business, guarantee business and overseas financial business as the three core business categories and has strived to increase market shares in the consumer loan market, while making efforts to contribute to sound growth of the market.

Consolidated operating revenue for the nine months ended December 31, 2017, increased to 195,951 million yen (up 7.4% year-on-year) primarily due to increases in interest on operating loans and revenue from credit guarantee. Operating expenses decreased to 135,298 million yen (down 2.9% year-on-year), despite an increase in provision of allowance for doubtful accounts. This is attributable to the fact that the Company did not make addition to provision for loss on interest repayment in current third quarter (corresponding amount for prior third quarter was 14,400 million yen). As a result, operating profit increased to 60,652 million yen (up 40.4% year-on-year), ordinary profit increased to 61,278 million yen (up 40.5% year-on-year), and profit attributable to owners of parent increased to 54,023 million yen (up 36.3% year-on-year).

(2) Qualitative Information on Financial Position

Compared with the end of the prior fiscal year, total assets increased by 23,705 million yen and net assets increased by 58,148 million yen as of December 31, 2017. Details of changes in assets, liabilities and net assets are as follows:

(Assets)

Current assets increased by 22,290 million yen and noncurrent assets increased by 1,414 million yen. Consequently, total assets increased by 23,705 million yen. The breakdown of major changes in current assets is as follows: accounts receivable - operating loans (up 28,053 million yen), accounts receivable - installment (up 11,066 million yen), cash and deposits (down 23,288 million yen), and trading account securities (down 2,319 million yen). The breakdown of major changes in noncurrent assets is as follows: software (up 2,049 million yen), lease assets (up 1,160 million yen), investment securities (down 1,073 million yen), and goodwill (down 738 million yen). Meanwhile, allowance for doubtful accounts recorded under current assets and noncurrent assets increased by 7,671 million yen in total.

(Liabilities)

With regard to the liabilities account, changes in current and noncurrent liabilities were an increase of 60,980 million yen and a decrease of 95,423 million yen, respectively, resulting in a decrease of 34,443 million yen in total liabilities. The breakdown of major increases and decreases in liabilities include: provision for loss on interest repayment (down 47,139 million yen) and loans and bonds payable (up 7,776 million yen).

(Net Assets)

In terms of net assets, shareholders’ equity increased by 54,023 million yen mainly due to an increase in retained earnings, accumulated other comprehensive income increased by 1,287 million yen, and non-controlling interests increased by 2,837 million yen. As a result, total net assets increased by 58,148 million yen, and the shareholders’ equity ratio increased by 4.1 percentage points to 24.4%.

(3) Qualitative Information on the Forecasts for the Consolidated Business Results

As the Company has announced on May 10, 2017, it expects consolidated business results as follows: 257.0 billion yen of operating revenue; 71.8 billion yen of ordinary profit; and 64.2 billion yen of profit attributable to owners of parent.

Outlook above is forecast based on information available at the date of announcement of this brief statement. However, there are some potential risk factors in the Group’s business management. The trend of requests for interest repayment in particular is highly uncertain, due to its sensitivity to changes in the external environment. The Group may have to make additional provision for loss on interest repayment.

Actual results may differ from forecast values due to various risk factors, but not limited to those mentioned above.

2. Quarterly Consolidated Financial Statements and Major Notes
(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Prior fiscal year (As of March 31, 2017)	Current third quarter (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	104,939	81,650
Accounts receivable - operating loans	930,292	958,346
Loans receivable of banking business	45,872	43,915
Accounts receivable - installment	38,648	49,714
Purchased receivables	11,334	10,370
Securities	260	907
Trading account securities	4,391	2,072
Raw materials and supplies	79	63
Deferred tax assets	39,106	41,254
Other	69,575	86,063
Allowance for doubtful accounts	-66,685	-74,253
Total current assets	1,177,815	1,200,105
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,289	4,905
Equipment, net	10,681	10,408
Land	6,233	6,229
Other, net	535	1,695
Total property, plant and equipment	22,739	23,238
Intangible assets		
Goodwill	5,474	4,736
Software	5,082	7,132
Other	42	42
Total intangible assets	10,600	11,911
Investments and other assets		
Investment securities	5,341	4,268
Net defined benefit asset	4,074	4,516
Deferred tax assets	66	216
Guarantee deposits	5,504	5,395
Other	3,550	3,848
Allowance for doubtful accounts	-762	-865
Total investments and other assets	17,775	17,379
Total noncurrent assets	51,115	52,530
Total assets	1,228,930	1,252,635

(Millions of yen)

	Prior fiscal year (As of March 31, 2017)	Current third quarter (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	413	556
Short-term loans payable	17,627	15,958
Commercial papers	14,997	44,997
Current portion of long-term loans payable	117,907	128,666
Current portion of bonds	25,000	45,140
Deposits of banking business	55,427	55,683
Income taxes payable	3,543	2,518
Provision for loss on guarantees	8,722	9,713
Asset retirement obligations	18	153
Deferred installment income	66	57
Other	13,409	14,669
Total current liabilities	257,134	318,114
Noncurrent liabilities		
Bonds payable	216,838	181,912
Long-term loans payable	313,505	296,977
Deferred tax liabilities	4,037	4,726
Provision for directors' retirement benefits	27	21
Provision for loss on interest repayment	164,900	117,760
Net defined benefit liability	272	311
Asset retirement obligations	4,480	4,300
Other	507	3,135
Total noncurrent liabilities	704,570	609,146
Total liabilities	961,704	927,261
Net assets		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	73,578	73,578
Retained earnings	131,837	185,860
Treasury stock	-19,794	-19,794
Total shareholders' equity	249,453	303,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	0
Foreign currency translation adjustment	1,128	2,478
Remeasurements of defined benefit plans	-579	-639
Total accumulated other comprehensive income	552	1,840
Non-controlling interests	17,219	20,057
Total net assets	267,226	325,374
Total liabilities and net assets	1,228,930	1,252,635

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

Nine months ended December 31

(Millions of yen)

	For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	For the nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Operating revenue		
Interest on operating loans	114,655	120,557
Interest on loans of banking business	4,944	4,498
Credit card revenue	3,215	4,474
Per-item revenue	49	56
Revenue from credit guarantee	37,241	43,347
Collection from purchased receivable	4,393	4,074
Other financial revenue	601	599
Other operating revenue	17,415	18,343
Total operating revenue	182,516	195,951
Operating expenses		
Financial expenses	10,267	9,292
Cost of purchased receivable	1,930	1,837
Other operating expenses	127,124	124,168
Total operating expenses	139,322	135,298
Operating profit	43,194	60,652
Non-operating income		
Interest income	209	193
Dividend income	7	13
Equity in earnings of affiliates	14	9
House rent income	208	209
Settlement received	-	199
Other	75	152
Total non-operating income	515	778
Non-operating expenses		
Interest expenses	9	19
Foreign exchange losses	26	33
Other	51	99
Total non-operating expenses	88	152
Ordinary profit	43,621	61,278

(Millions of yen)

	For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	For the nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Extraordinary income		
Gain on sales of noncurrent assets	9	4
Gain on sales of investment securities	-	25
Total extraordinary income	9	30
Extraordinary loss		
Loss on sales of noncurrent assets	2	3
Loss on retirement of noncurrent assets	86	94
Loss on valuation of investment securities	-	0
Other	0	0
Total extraordinary loss	89	98
Profit before income taxes	43,542	61,210
Income taxes-current	4,225	6,102
Income taxes-deferred	-2,604	-1,473
Total income taxes	1,620	4,628
Profit	41,921	56,581
Profit attributable to non-controlling interests	2,291	2,558
Profit attributable to owners of parent	39,629	54,023

Quarterly Consolidted Statement of Comprehensive Income
Nine months ended December 31

(Millions of yen)

	For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	For the nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Profit	41,921	56,581
Other comprehensive income		
Valuation difference on available-for-sale securities	-2	-3
Foreign currency translation adjustment	-6,610	1,872
Remeasurements of defined benefit plans, net of tax	-140	-51
Total other comprehensive income	-6,753	1,817
Comprehensive income	35,167	58,398
Comprehensive income attributable to:		
Owners of parent	34,852	55,310
Non-controlling interests	314	3,088

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going-concern Assumption)

Not applicable

(Notes in Case of any Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Notes to Consolidated Statement of Income)

The Company posted settlement regarding discontinued system development as "Settlement received" under Non-operating income.

3. [Reference] Quarterly Non-consolidated Financial Statements

Quarterly financial statements are prepared in accordance with the "Regulations of Quarterly Financial Statements on Terms, Forms and Preparation Method" (Cabinet Office Ordinance No. 63, 2007).

(1) [Reference] Quarterly Non-consolidated Balance Sheet

(Millions of yen)

	Prior fiscal year (As of March 31, 2017)	Current third quarter (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	90,802	69,307
Accounts receivable - operating loans	784,806	795,370
Accounts receivable - installment	38,109	49,129
Securities	-	58
Raw materials and supplies	26	32
Deferred tax assets	36,506	37,636
Right to reimbursement	38,525	46,521
Other	20,207	20,933
Allowance for doubtful accounts	-50,750	-56,360
Total current assets	958,234	962,630
Noncurrent assets		
Property, plant and equipment	21,319	21,928
Intangible assets	9,004	10,692
Investments and other assets		
Prepaid pension cost	4,711	5,179
Other	29,407	29,684
Allowance for doubtful accounts	-750	-840
Total investments and other assets	33,369	34,023
Total noncurrent assets	63,693	66,644
Total assets	1,021,927	1,029,275
Liabilities		
Current liabilities		
Accounts payable-trade	402	551
Short-term loans payable	6,000	-
Commercial papers	14,997	44,997
Current portion of long-term loans payable	99,666	116,567
Current portion of bonds	25,000	35,000
Income taxes payable	1,679	1,274
Provision for loss on guarantees	8,100	9,040
Asset retirement obligations	17	149
Other	10,294	11,686
Total current liabilities	166,158	219,266
Noncurrent liabilities		
Bonds payable	176,000	141,000
Long-term loans payable	287,890	272,276
Deferred tax liabilities	1,457	1,599
Provision for loss on interest repayment	164,900	117,760
Asset retirement obligations	4,229	4,037
Other	474	3,102
Total noncurrent liabilities	634,952	539,776
Total liabilities	801,110	759,042
Net assets		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	76,010	76,010
Retained earnings	100,763	150,182
Treasury stock	-19,794	-19,794
Total shareholders' equity	220,812	270,231
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4	0
Total valuation and translation adjustments	4	0
Total net assets	220,816	270,232
Total liabilities and net assets	1,021,927	1,029,275

(2) [Reference] Quarterly Non-consolidated Statement of Income
Nine months ended December 31

(Millions of yen)

	For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	For the nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Operating revenue		
Interest on operating loans	88,608	90,553
Credit card revenue	3,215	4,474
Revenue from credit guarantee	31,196	36,277
Other financial revenue	0	6
Other operating revenue	14,388	14,725
Total operating revenue	137,409	146,036
Operating expenses		
Financial expenses	5,362	4,807
Other operating expenses	100,873	94,474
Total operating expenses	106,236	99,282
Operating profit	31,173	46,754
Non-operating income		
Interest income	61	54
Dividend income	871	3,167
Other	312	551
Total non-operating income	1,244	3,773
Non-operating expenses		
Interest expenses	9	19
Foreign exchange losses	-	24
Other	8	95
Total non-operating expenses	18	139
Ordinary profit	32,400	50,388
Extraordinary income		
Gain on sales of noncurrent assets	8	-
Gain on sales of investment securities	-	25
Gain on sales of shares of subsidiaries and affiliates	0	-
Total extraordinary income	8	25
Extraordinary loss		
Loss on sales of noncurrent assets	1	0
Loss on retirement of noncurrent assets	67	84
Loss on valuation of investment securities	-	0
Other	0	0
Total extraordinary loss	68	85
Profit before income taxes	32,340	50,328
Income taxes-current	696	1,896
Income taxes-deferred	-2,057	-987
Total income taxes	-1,361	909
Profit	33,701	49,418