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Brief Statement of the First Quarter Financial Results for the Fiscal Year Ending March 2019 [Japanese GAAP (Consolidated)]

July 27, 2018

Forward-looking Statement

The statements and figures contained in this Brief Statement of the First Quarter Financial Results for the fiscal year ending March 2019 (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:	August 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 previous first quarter.

1. Consolidated Business Results for the First Quarter Accounting Period (from April 1, 2018, to June 30, 2018)

(1) Consolidated Business Results (Accumulated)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent (First Quarter)	
	(Millions of yen)	yoy%	(Millions of yen)	yoy%	(Millions of yen)	yoy%	(Millions of yen)	yoy%
1Q for FY March 2019	68,049	7.2	23,060	27.9	23,215	26.3	18,965	16.0
1Q for FY March 2018	63,457	6.0	18,036	-2.5	18,386	-1.0	16,353	-5.0

[Note] Comprehensive income

1Q for FY March 2019: 18,318 million yen [7.5%]

1Q for FY March 2018: 17,044 million yen [8.3%]

	Basic Earnings per Share (First Quarter)	Diluted Earnings per Share (First Quarter)
	(Yen)	(Yen)
1Q for FY March 2019	12.11	–
1Q for FY March 2018	10.44	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Shareholders' Equity
	(Millions of yen)	(Millions of yen)	%
1Q for FY March 2019	1,263,519	360,744	26.8
FY March 2018 (Annual)	1,275,957	344,437	25.3

<Reference> Shareholders' Equity:

1Q for FY March 2019: 339,008 million yen FY March 2018: 322,916 million yen

<Note>

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended June 30, 2018. Accordingly, the figures in the current financial position are compared and analyzed with the figures in the prior fiscal year to which the above accounting standard, etc. has been retrospectively applied.

2. Dividend Status

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
FY March 2018	—	0.00	—	1.00	1.00
FY March 2019	—				
FY March 2019 (Forecast)		1.00	—	1.00	2.00

<Note> Amendment to dividend forecast: None

3. Forecasts for the Fiscal Year Ending March 2019 (from April 1, 2018, to March 31, 2019)

(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)
First Half	134,500	4.3	38,300	-0.2	38,600	-0.6	31,900	-7.4	20.36
Annual	269,900	2.4	77,200	-4.6	77,700	-4.9	63,600	-9.9	40.60

<Note> Amendment to business results forecast: None

(Note)

(1) Change in Important Subsidiaries in the Three Months ended June 30, 2018: 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)

First Quarter of FY March 2019:	1,596,282,800 shares	FY March 2018:	1,596,282,800 shares

B) Number of treasury stock at the end of period

First Quarter of FY March 2019:	29,668,592 shares	FY March 2018:	29,668,592 shares

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

First Quarter of FY March 2019:	1,566,614,208 shares	First Quarter of FY March 2018:	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 3 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 the first quarter financial results conference (conference call for domestic institutional investors and financial analysts) on July 27, 2018. The materials for the conference call will be available at ACOM's website 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 three months ended June 30, 2018, the Japanese economy showed improvements in corporate earnings as well as the employment and income environment, combined with a recovery trend 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 its market scale and shares in the consumer loan market, while making efforts to contribute to sound growth of the market.

Consolidated operating revenue for the three months ended June 30, 2018, increased to 68,049 million yen (up 7.2% year-on-year) primarily due to increases in interest on operating loans and revenue from credit guarantee. Operating expenses decreased to 44,988 million yen (down 1.0% year-on-year) mainly due to decreases in financial expenses and other operating expenses. As a result, operating profit increased to 23,060 million yen (up 27.9% year-on-year), ordinary profit increased to 23,215 million yen (up 26.3% year-on-year), and profit attributable to owners of parent increased to 18,965 million yen (up 16.0% year-on-year).

(2) Qualitative Information on Financial Position

Compared with the end of the prior fiscal year, total assets decreased by 12,437 million yen whereas net assets increased by 16,306 million yen as of June 30, 2018. Details of changes in assets, liabilities and net assets are as follows:

(Assets)

Current assets decreased by 11,183 million yen and noncurrent assets decreased by 1,254 million yen. Consequently, total assets decreased by 12,437 million yen. The breakdown of major changes in current assets is as follows: cash and deposits (down 15,459 million yen), loans receivable of banking business (down 2,759 million yen), accounts receivable - installment (up 2,909 million yen) and accounts receivable - operating loans (up 2,379 million yen). The breakdown of major decreases in noncurrent assets is as follows: software (down 363 million yen) and deferred tax assets (down 263 million yen).

(Liabilities)

With regard to the liabilities account, changes in current and noncurrent liabilities were an increase of 17,080 million yen and a decrease of 45,824 million yen, respectively, resulting in a decrease of 28,744 million yen in total liabilities. The breakdown of major decreases in liabilities include: loans and bonds payable (down 13,866 million yen) and provision for loss on interest repayment (down 9,844 million yen).

(Net Assets)

In terms of net assets, shareholders’ equity increased by 17,369 million yen mainly due to an increase in retained earnings, accumulated other comprehensive income decreased by 1,277 million yen due to a decrease in foreign currency translation adjustment, and non-controlling interests increased by 214 million yen. As a result, total net assets increased by 16,306 million yen, and the shareholders’ equity ratio increased by 1.5 percentage points to 26.8%.

ACOM has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended June 30, 2018. Accordingly, the figures in the current financial position are compared and analyzed with the figures in the prior fiscal year to which the above accounting standard, etc. has been retrospectively applied.

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

As the Company has announced on May 10, 2018, it expects consolidated business results as follows: 269.9 billion yen of operating revenue; 77.7 billion yen of ordinary profit; and 63.6 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 external environmental changes. 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, 2018)	Current first quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	91,884	76,425
Accounts receivable - operating loans	975,116	977,496
Loans receivable of banking business	48,808	46,048
Accounts receivable - installment	53,034	55,943
Purchased receivables	10,603	10,050
Securities	904	712
Trading account securities	1,651	770
Raw materials and supplies	60	58
Other	81,342	85,461
Allowance for doubtful accounts	-75,686	-76,429
Total current assets	1,187,721	1,176,538
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,844	4,748
Equipment, net	10,195	10,035
Land	6,203	6,193
Other, net	1,557	1,424
Total property, plant and equipment	22,800	22,402
Intangible assets		
Goodwill	4,063	3,860
Software	7,103	6,739
Other	42	42
Total intangible assets	11,210	10,642
Investments and other assets		
Investment securities	4,261	4,526
Net defined benefit asset	4,559	4,442
Deferred tax assets	36,850	36,586
Guarantee deposits	5,259	5,244
Other	4,194	4,080
Allowance for doubtful accounts	-899	-945
Total investments and other assets	54,224	53,935
Total noncurrent assets	88,235	86,981
Total assets	1,275,957	1,263,519

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current first quarter (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	500	480
Short-term loans payable	10,873	10,707
Commercial papers	29,998	39,997
Current portion of long-term loans payable	160,244	170,526
Current portion of bonds	45,350	46,900
Deposits of banking business	53,074	52,352
Income taxes payable	5,112	4,999
Provision for loss on guarantees	10,061	9,777
Asset retirement obligations	89	126
Deferred installment income	53	46
Other	16,636	13,162
Total current liabilities	331,995	349,076
Noncurrent liabilities		
Bonds payable	211,210	193,754
Long-term loans payable	276,841	258,765
Deferred tax liabilities	0	-
Provision for directors' retirement benefits	22	23
Provision for loss on interest repayment	104,068	94,224
Net defined benefit liability	334	340
Asset retirement obligations	4,320	4,258
Other	2,724	2,332
Total noncurrent liabilities	599,523	553,698
Total liabilities	931,519	902,775
Net assets		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	73,578	73,549
Retained earnings	202,410	219,808
Treasury stock	-19,794	-19,794
Total shareholders' equity	320,026	337,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	3,412	2,150
Remeasurements of defined benefit plans	-523	-538
Total accumulated other comprehensive income	2,889	1,612
Non-controlling interests	21,521	21,735
Total net assets	344,437	360,744
Total liabilities and net assets	1,275,957	1,263,519

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

Quarterly Consolidated Statement of Income

Three months ended June 30

(Millions of yen)

	For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Operating revenue		
Interest on operating loans	39,440	41,749
Interest on loans of banking business	1,518	1,474
Credit card revenue	1,351	1,825
Per-item revenue	18	18
Revenue from credit guarantee	13,936	15,140
Collection from purchased receivable	1,096	1,097
Other financial revenue	174	221
Other operating revenue	5,920	6,522
Total operating revenue	63,457	68,049
Operating expenses		
Financial expenses	3,127	2,942
Cost of purchased receivable	460	412
Other operating expenses	41,834	41,633
Total operating expenses	45,421	44,988
Operating profit	18,036	23,060
Non-operating income		
Interest income	66	54
Dividend income	12	15
Equity in earnings of affiliates	3	3
House rent income	69	70
Settlement received	199	-
Other	66	77
Total non-operating income	418	221
Non-operating expenses		
Interest expenses	2	8
Foreign exchange losses	-	57
Other	66	1
Total non-operating expenses	68	67
Ordinary profit	18,386	23,215

(Millions of yen)

	For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Extraordinary income		
Gain on sales of noncurrent assets	4	13
Gain on sales of investment securities	25	-
Total extraordinary income	29	13
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	18	15
Loss on valuation of investment securities	-	6
Other	0	1
Total extraordinary loss	19	23
Profit before income taxes	18,397	23,205
Income taxes-current	2,096	2,849
Income taxes-deferred	-836	218
Total income taxes	1,259	3,068
Profit	17,137	20,137
Profit attributable to non-controlling interests	783	1,172
Profit attributable to owners of parent	16,353	18,965

Quarterly Consolidted Statement of Comprehensive Income
Three months ended June 30

(Millions of yen)

	For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Profit	17,137	20,137
Other comprehensive income		
Valuation difference on available-for-sale securities	-0	-0
Foreign currency translation adjustment	-77	-1,808
Remeasurements of defined benefit plans, net of tax	-15	-9
Total other comprehensive income	-93	-1,818
Comprehensive income	17,044	18,318
Comprehensive income attributable to:		
Owners of parent	16,298	17,687
Non-controlling interests	745	630

(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

(Additional Information)

<Changes in Presentation>

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended June 30, 2018. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under noncurrent liabilities.

Consequently, in the consolidated balance sheet for the prior fiscal year, “Deferred tax assets” under “Current assets” decreased by 41,307 million yen and “Deferred tax assets” under “Investments and other assets” increased by 36,413 million yen, while “Deferred tax liabilities” under “Current liabilities” decreased by 0 million yen and “Deferred tax liabilities” under “Noncurrent liabilities” decreased by 4,893 million yen.

Because “Deferred tax assets” and “Deferred tax liabilities” offset each other in the same taxable entity, total assets, total liabilities, and total liabilities and net assets decreased by 4,893 million yen, respectively.

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).

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended June 30, 2018. Accordingly, the figures in the current balance sheet are compared and analyzed with the figures in the prior fiscal year to which the above accounting standard, etc. has been retrospectively applied.

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

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current first quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	78,196	66,468
Accounts receivable - operating loans	803,365	809,664
Accounts receivable - installment	52,445	55,392
Securities	58	58
Raw materials and supplies	25	24
Right to reimbursement	47,852	49,934
Other	21,936	20,761
Allowance for doubtful accounts	-57,230	-58,190
Total current assets	946,651	944,113
Noncurrent assets		
Property, plant and equipment	21,563	21,215
Intangible assets	10,001	9,470
Investments and other assets		
Deferred tax assets	36,068	35,669
Prepaid pension cost	5,064	4,962
Other	29,869	30,918
Allowance for doubtful accounts	-870	-910
Total investments and other assets	70,132	70,640
Total noncurrent assets	101,697	101,326
Total assets	1,048,349	1,045,440
Liabilities		
Current liabilities		
Accounts payable-trade	489	472
Commercial papers	29,998	39,997
Current portion of long-term loans payable	150,572	154,755
Current portion of bonds	35,000	35,000
Income taxes payable	2,582	1,474
Provision for loss on guarantees	9,360	9,050
Asset retirement obligations	85	125
Other	13,298	10,397
Total current liabilities	241,385	251,273
Noncurrent liabilities		
Bonds payable	166,000	156,000
Long-term loans payable	246,150	236,181
Provision for loss on interest repayment	104,068	94,224
Asset retirement obligations	4,052	3,987
Other	2,693	2,298
Total noncurrent liabilities	522,965	492,690
Total liabilities	764,351	743,964
Net assets		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	76,010	76,010
Retained earnings	163,948	181,426
Treasury stock	-19,794	-19,794
Total shareholders' equity	283,997	301,475
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Total net assets	283,997	301,475
Total liabilities and net assets	1,048,349	1,045,440

(2) [Reference] Quarterly Non-consolidated Statement of Income
Three months ended June 30

(Millions of yen)

	For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Operating revenue		
Interest on operating loans	29,810	30,632
Credit card revenue	1,351	1,825
Revenue from credit guarantee	11,654	12,632
Other financial revenue	3	21
Other operating revenue	4,784	5,104
Total operating revenue	47,605	50,215
Operating expenses		
Financial expenses	1,658	1,452
Other operating expenses	32,212	31,576
Total operating expenses	33,870	33,028
Operating profit	13,735	17,187
Non-operating income		
Interest income	18	15
Dividend income	3,166	3,449
Other	339	142
Total non-operating income	3,524	3,607
Non-operating expenses		
Interest expenses	2	8
Foreign exchange losses	-	37
Other	62	0
Total non-operating expenses	65	46
Ordinary profit	17,194	20,747
Extraordinary income		
Gain on sales of noncurrent assets	-	0
Gain on sales of investment securities	25	-
Total extraordinary income	25	0
Extraordinary loss		
Loss on retirement of noncurrent assets	15	13
Loss on valuation of investment securities	-	6
Other	0	1
Total extraordinary loss	15	20
Profit before income taxes	17,204	20,726
Income taxes-current	718	1,284
Income taxes-deferred	-134	398
Total income taxes	584	1,682
Profit	16,619	19,044