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

November 1, 2018

Forward-looking Statement

The statements and figures contained in this Brief Statement of the Second 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:	November 14, 2018
Commencement date of dividend payment:	December 6, 2018
Quarterly material to supplement the financial results:	Applicable
Quarterly financial results conference:	Applicable (For domestic and foreign 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 second quarter.

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

(1) Consolidated Business Results (Accumulated)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent (Second Quarter)	
	(Millions of yen)	yoy%	(Millions of yen)	yoy%	(Millions of yen)	yoy%	(Millions of yen)	yoy%
2Q for FY March 2019	137,323	6.5	47,956	24.9	48,207	24.2	39,839	15.7
2Q for FY March 2018	128,986	6.6	38,383	0.3	38,828	0.9	34,442	-4.1

[Note] Comprehensive income

2Q for FY March 2019: 38,833 million yen [6.8%]

2Q for FY March 2018: 36,358 million yen [16.4%]

	Basic Earnings per Share (Second Quarter)	Diluted Earnings per Share (Second Quarter)
	(Yen)	(Yen)
2Q for FY March 2019	25.43	–
2Q for FY March 2018	21.99	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Shareholders' Equity
	(Millions of yen)	(Millions of yen)	%
2Q for FY March 2019	1,291,495	381,258	27.8
FY March 2018 (Annual)	1,275,957	344,437	25.3

<Reference> Shareholders' Equity:

2Q for FY March 2019: 358,807 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 consolidated financial position for the fiscal year ended March 2018 are stated in figures to which the above accounting standards, 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	—	1.00			
FY March 2019 (Forecast)			—	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)
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 Six Months ended September 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)
Second 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
Second 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)
Second Quarter of FY March 2019:1,566,614,208 shares Second Quarter of FY March 2018: 1,566,614,208shares

(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 an earnings release conference for domestic institutional investors and financial analysts, and a conference call for foreign institutional investors and financial analysts regarding the second quarter financial results for the year ending March 2019 on November 2, 2018. The materials used at the conference will be listed promptly after disclosure of financial results. The archive of the conference will be listed promptly at the website after the conference is held.

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1. Quarterly Qualitative Information on Business Results

(1) Qualitative Information on Business Results

During the six months ended September 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, uncertainty in overseas economies, the impact of fluctuations in the financial and capital markets, and the influences of successive natural disasters on the economy need to be closely monitored, though economic recovery is expected to continue in the future.

In the domestic market for personal card loans, 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 expand its scope of business and its shares in the market for personal card loans, while making efforts to contribute to sound growth of the market.

Consolidated operating revenue for the six months ended September 30, 2018, increased to 137,323 million yen (up 6.5% year-on-year) primarily due to increases in interest on operating loans and revenue from credit guarantee. Operating expenses decreased to 89,367 million yen (down 1.4% year-on-year) mainly due to decreases in financial expenses and other operating expenses. As a result, operating profit increased to 47,956 million yen (up 24.9% year-on-year), ordinary profit increased to 48,207 million yen (up 24.2% year-on-year), and profit attributable to owners of parent increased to 39,839 million yen (up 15.7% year-on-year).

(2) Qualitative Information on Financial Position

Compared with the end of the prior fiscal year, total assets increased by 15,538 million yen and net assets increased by 36,821 million yen as of September 30, 2018. Details of changes in assets, liabilities and net assets are as follows:

(Assets)

Current assets increased by 19,108 million yen while noncurrent assets decreased by 3,570 million yen. Consequently, total assets increased by 15,538 million yen. The breakdown of major changes in current assets is as follows: cash and deposits (up 7,202 million yen), accounts receivable - installment (up 5,291 million yen), accounts receivable - operating loans (up 5,065 million yen), and loans receivable of banking business (down 2,229 million yen). The breakdown of major decreases in noncurrent assets includes software (down 925 million yen).

(Liabilities)

With regard to the liabilities account, changes in current and noncurrent liabilities were a decrease of 2,735 million yen and a decrease of 18,548 million yen, respectively, resulting in a decrease of 21,283 million yen in total liabilities. The breakdown of major changes in liabilities includes: provision for loss on interest repayment (down 20,875 million yen) and the outstanding balance of funds procured mainly in the form of loans and bonds payable (up 4,594 million yen).

(Net Assets)

In terms of net assets, shareholders’ equity increased by 38,243 million yen mainly due to an increase in retained earnings, accumulated other comprehensive income decreased by 2,353 million yen due to a decrease in foreign currency translation adjustment, and non-controlling interests increased by 930 million yen. As a result, total net assets increased by 36,821 million yen, and the shareholders’ equity ratio increased by 2.5 percentage points to 27.8%.

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.

(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 second quarter (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	91,884	99,087
Accounts receivable - operating loans	975,116	980,182
Loans receivable of banking business	48,808	46,578
Accounts receivable - installment	53,034	58,325
Purchased receivables	10,603	10,357
Securities	904	1,507
Trading account securities	1,651	383
Raw materials and supplies	60	79
Other	81,342	87,410
Allowance for doubtful accounts	-75,686	-77,083
Total current assets	1,187,721	1,206,830
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,844	4,656
Equipment, net	10,195	9,926
Land	6,203	6,189
Other, net	1,557	1,286
Total property, plant and equipment	22,800	22,059
Intangible assets		
Goodwill	4,063	3,656
Software	7,103	6,178
Other	42	48
Total intangible assets	11,210	9,883
Investments and other assets		
Investment securities	4,261	4,249
Net defined benefit asset	4,559	4,325
Deferred tax assets	36,850	36,509
Guarantee deposits	5,259	5,221
Other	4,194	3,362
Allowance for doubtful accounts	-899	-946
Total investments and other assets	54,224	52,722
Total noncurrent assets	88,235	84,665
Total assets	1,275,957	1,291,495

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current second quarter (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	500	699
Short-term loans payable	10,873	9,305
Commercial papers	29,998	39,997
Current portion of long-term loans payable	160,244	176,890
Current portion of bonds	45,350	21,655
Deposits of banking business	53,074	51,624
Income taxes payable	5,112	5,974
Provision for loss on guarantees	10,061	9,329
Asset retirement obligations	89	165
Deferred installment income	53	41
Other	16,636	13,577
Total current liabilities	331,995	329,260
Noncurrent liabilities		
Bonds payable	211,210	221,307
Long-term loans payable	276,841	269,958
Deferred tax liabilities	0	−
Provision for directors' retirement benefits	22	23
Provision for loss on interest repayment	104,068	83,193
Net defined benefit liability	334	343
Asset retirement obligations	4,320	4,213
Other	2,724	1,936
Total noncurrent liabilities	599,523	580,975
Total liabilities	931,519	910,236
Net assets		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	73,578	73,549
Retained earnings	202,410	240,683
Treasury stock	-19,794	-19,794
Total shareholders' equity	320,026	358,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	3,412	1,093
Remeasurements of defined benefit plans	-523	-557
Total accumulated other comprehensive income	2,889	536
Non-controlling interests	21,521	22,451
Total net assets	344,437	381,258
Total liabilities and net assets	1,275,957	1,291,495

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

Quarterly Consolidated Statement of Income

Six months ended September 30

(Millions of yen)

	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Operating revenue		
Interest on operating loans	79,469	83,942
Interest on loans of banking business	3,051	2,979
Credit card revenue	2,840	3,741
Per-item revenue	36	34
Revenue from credit guarantee	28,224	30,369
Collection from purchased receivable	2,645	2,276
Other financial revenue	389	457
Other operating revenue	12,327	13,523
Total operating revenue	128,986	137,323
Operating expenses		
Financial expenses	6,185	5,926
Cost of purchased receivable	1,243	914
Other operating expenses	83,172	82,527
Total operating expenses	90,602	89,367
Operating profit	38,383	47,956
Non-operating income		
Interest income	133	106
Dividend income	13	15
Equity in earnings of affiliates	5	6
House rent income	139	142
Settlement received	199	－
Other	98	91
Total non-operating income	589	363
Non-operating expenses		
Interest expenses	9	16
Foreign exchange losses	38	41
Insurance cancellation losses	16	48
Other	80	5
Total non-operating expenses	145	113
Ordinary profit	38,828	48,207

(Millions of yen)

	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Extraordinary income		
Gain on sales of noncurrent assets	4	36
Gain on sales of investment securities	25	-
Total extraordinary income	29	36
Extraordinary loss		
Loss on sales of noncurrent assets	0	4
Loss on retirement of noncurrent assets	43	39
Loss on valuation of investment securities	-	6
Other	0	1
Total extraordinary loss	44	50
Profit before income taxes	38,814	48,192
Income taxes-current	4,127	5,780
Income taxes-deferred	-1,334	246
Total income taxes	2,793	6,027
Profit	36,020	42,165
Profit attributable to non-controlling interests	1,577	2,325
Profit attributable to owners of parent	34,442	39,839

Quarterly Consolidted Statement of Comprehensive Income
Six months ended September 30

(Millions of yen)

	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Profit	36,020	42,165
Other comprehensive income		
Valuation difference on available-for-sale securities	-1	-0
Foreign currency translation adjustment	372	-3,307
Remeasurements of defined benefit plans, net of tax	-33	-24
Total other comprehensive income	337	-3,331
Comprehensive income	36,358	38,833
Comprehensive income attributable to:		
Owners of parent	34,686	37,486
Non-controlling interests	1,671	1,347

(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 balance sheet for the prior fiscal year are stated in figures to which the above accounting standards, etc. has been retrospectively applied.

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

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current second quarter (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	78,196	87,297
Accounts receivable - operating loans	803,365	813,693
Accounts receivable - installment	52,445	57,794
Securities	58	58
Raw materials and supplies	25	36
Right to reimbursement	47,852	51,642
Other	21,936	21,183
Allowance for doubtful accounts	-57,230	-59,080
Total current assets	946,651	972,626
Noncurrent assets		
Property, plant and equipment	21,563	20,941
Intangible assets	10,001	8,867
Investments and other assets		
Deferred tax assets	36,068	36,070
Prepaid pension cost	5,064	4,859
Other	29,869	30,179
Allowance for doubtful accounts	-870	-920
Total investments and other assets	70,132	70,189
Total noncurrent assets	101,697	99,998
Total assets	1,048,349	1,072,625
Liabilities		
Current liabilities		
Accounts payable-trade	489	692
Commercial papers	29,998	39,997
Current portion of long-term loans payable	150,572	161,443
Current portion of bonds	35,000	10,000
Income taxes payable	2,582	3,897
Provision for loss on guarantees	9,360	8,620
Asset retirement obligations	85	161
Other	13,298	10,715
Total current liabilities	241,385	235,528
Noncurrent liabilities		
Bonds payable	166,000	181,000
Long-term loans payable	246,150	247,839
Provision for loss on interest repayment	104,068	83,193
Asset retirement obligations	4,052	3,950
Other	2,693	1,901
Total noncurrent liabilities	522,965	517,884
Total liabilities	764,351	753,413
Net assets		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	76,010	76,010
Retained earnings	163,948	199,162
Treasury stock	-19,794	-19,794
Total shareholders' equity	283,997	319,211
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	319,211
Total liabilities and net assets	1,048,349	1,072,625

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

(Millions of yen)

	For the six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Operating revenue		
Interest on operating loans	60,004	61,572
Credit card revenue	2,840	3,741
Revenue from credit guarantee	23,585	25,321
Other financial revenue	12	39
Other operating revenue	10,116	10,730
Total operating revenue	96,559	101,405
Operating expenses		
Financial expenses	3,231	2,989
Other operating expenses	63,147	62,123
Total operating expenses	66,378	65,112
Operating profit	30,180	36,293
Non-operating income		
Interest income	36	30
Dividend income	3,167	3,449
Other	430	226
Total non-operating income	3,634	3,706
Non-operating expenses		
Interest expenses	9	16
Foreign exchange losses	25	21
Insurance cancellation losses	16	48
Other	76	4
Total non-operating expenses	128	91
Ordinary profit	33,686	39,908
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 sales of noncurrent assets	0	3
Loss on retirement of noncurrent assets	34	37
Loss on valuation of investment securities	-	6
Other	0	1
Total extraordinary loss	34	48
Profit before income taxes	33,677	39,860
Income taxes-current	1,419	3,081
Income taxes-deferred	-588	-1
Total income taxes	831	3,079
Profit	32,845	36,780