Interim Report 2007

Six months ended September 30, 2006

ACOM CO., LTD.

Corporate Philosophy

**Based on our twin mottos of
"respecting other people" and "putting the customer first,"
we will continue to
pursue an innovative and creative style of
corporate management aimed at
helping our customers realize happier and
more fulfilling personal lives.**

In 1936, ACOM was founded on the ideal of "extending the feeling of confidence from people to people." Since then, we have always sought to develop our business by establishing an unshakable mutual trust between us and our customers.

ACOM is an acronym created from the following three words:

Affection

We constantly attempt to have heart-warming relations with our customers that are based on their interests.

Confidence

We strive to establish an unshakable mutual trust between us and our customers.

Moderation

We are hard-working and humble as we carry out our business of helping our customers achieve satisfying lives.

Contents

Notes:

1. ***Forward-Looking Statements***
   The figures contained in this interim report with respect to 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 management and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors. Potential risks and uncertainties include, without limitation, 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 level of interest rates paid on ACOM's debt and legal limits on interest rates charged by ACOM.
2. *All amounts are truncated to the nearest expressed unit.*
3. *Percentage figures are a result of rounding.*

At a Glance

From a consumer finance company to a comprehensive financial services provider

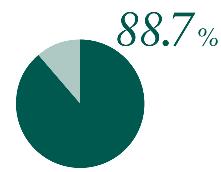
Segment Overview and Market Position

Composition of Operating Income
(Six months ended September 30, 2006)

Loan Business

The loan business, centering on unsecured loans for consumers, is the ACOM Group's core business, accounting for 88.7% of consolidated operating income in the interim period ended September 30, 2006. ACOM has established an advanced credit screening model based on data from the 8 million customers it has served in the past. We are utilizing this expertise to provide customer-oriented services through various channels, including our outlets, MUJINKUN automatic contract machines and QUICK MUJIN automatic loan application machines, the Internet, and mobile phones. Meanwhile, two subsidiaries in this business continue to steadily increase their balances of loan receivables outstanding: DC Cash One Ltd., which benefits from the brand power of the Mitsubishi UFJ Financial Group, and EASY BUY Public Company Limited, our subsidiary in Thailand. In addition to lending, the Group offers financial products to suit the various life stages of customers, and its financial counselors provide advice on financial products and household budgeting.

According to the 2006 edition of Consumer Credit Statistics of Japan (published by the Japan Consumer Credit Industry Association), the domestic consumer loan market is currently worth ¥10 trillion in terms of loan receivables outstanding. With a share of around 16%, ACOM is one of the leading players in this market.



Diversified Financial Services

Credit Card Business

In 1998, ACOM acquired principal membership of MasterCard International and entered the credit card business in the following year with the issue of the ACOM MasterCard®.

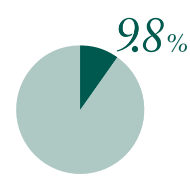
In this business, we also issue credit cards in alliance with large-scale retail chains and other companies. We have used such alliance cards to attract high-quality customers not served by the ACOM brand in the past. Due to sluggish transaction volume and intensifying competition, however, the cost of attracting cardholders has ballooned, which has affected profitability in this segment. In response, we are working to enhance productivity and efficiency of alliance credit cards through targeted sales and promotion, as well as reforms of our sales systems. With respect to ACOM MasterCard®, to date we have sought to attract customers from our loan business by emphasizing our high-value-added credit card services. Going forward, we will complement this policy by stepping up shopping-related promotions in order to raise profitability.

According to Consumer Credit Statistics of Japan, the Japanese credit card market is worth around ¥29.1 trillion in terms of total credit extended. Our share of the market is estimated at around 0.2%.

Installment Sales Finance Business

In this segment, the ACOM Group specializes in installment sales finance services to facilitate the purchase of individual items. Under our system, we have agreements with affiliated retailers. When a customer wishes to purchase a high-priced item, we pay the merchant in advance, and the customer reimburses us in subsequent installments. Continuing from the previous fiscal year, we have sought to reinforce sales promotion for existing alliance partners. We have also strengthened our alliance with JCK CREDIT CO., LTD., a wholly owned subsidiary, while forming agreements with new partners and further raising operating efficiency.

According to Consumer Credit Statistics of Japan, the Japanese market is estimated to be worth around ¥10 trillion, and the ACOM Group's share is a little less than 1%. In Asia, where there is significant growth potential, we are expanding our hire purchase business through EASY BUY Public Company Limited, our subsidiary in Thailand.



Guarantee Business

ACOM provides guarantees on unsecured personal loans via alliances with financial institutions, centering on prominent regional banks. By combining the loyalty and sales channels offered by banks with ACOM's credit screening and collection expertise related to unsecured consumer loans, we are able to provide guarantee arrangements tailored to the needs of alliance partners. Here, our offerings cover everything from product planning to loan collection. At September 30, 2006, the ACOM Group, including DC Cash One, had tie-ups with 14 banks, and its guaranteed receivables continue to increase.

Loan Servicing Business

ACOM entered the loan servicing business by taking an equity stake in IR Loan Servicing, Inc.(hereinafter IR Loan Servicing) In addition to the purchase of loans and debt collection services, IR Loan Servicing is developing a comprehensive loan servicing business, loan-servicing-related clerical work outsourcing services, temporary staffing services, and corporate revitalization services. We are now cementing a presence as a mainstay player in the industry. At September 30, 2006, our total principal of consigned and purchased receivables exceeded ¥2.4 trillion. According to the Ministry of Justice, the balance of receivables in the market at the end of December 2005 was ¥164 trillion.

Other Financial Businesses

In addition, the ACOM Group provides call center services on behalf of banks and other institution. We also seek to identify, invest in, and nurture promising venture companies.

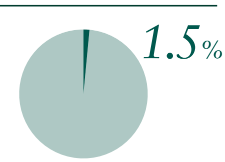
Other Businesses

Rental Business

ACOM Group operates a business renting out goods used in daily life and leisure equipment, and also provides support for event planning.

Other

ACOM Group also conducts business activities in other areas, including advertising agency services, life and non-life insurance agency services, and real-estate-related activities.



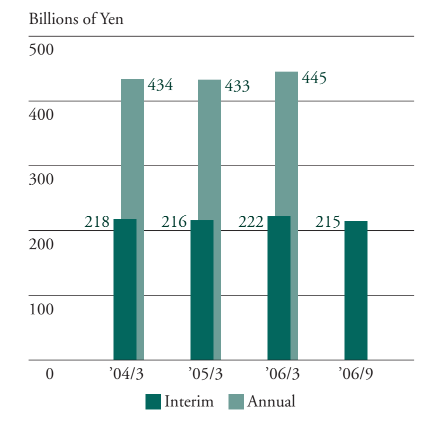
Financial Highlights

ACOM CO., LTD. and Subsidiaries

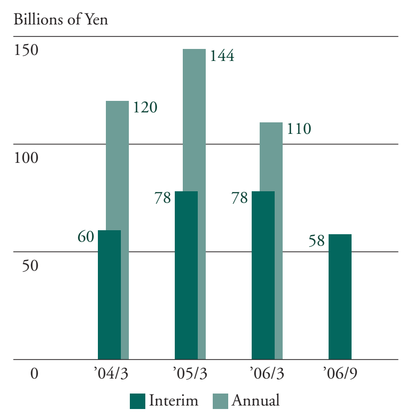
	Millions of Yen				
	2004/3	2005/3	2005/9	**2006/3**	**2006/9**
Profit and Loss Related:					
Operating Income	¥ 434,968	¥ 433,965	¥ 222,182	**¥ 445,431**	**¥ 215,880**
Operating Expenses	314,577	289,604	143,390	**335,039**	**157,668**
Bad-debt-related Expenses [*1]	140,505	108,453	50,851	**117,125**	**56,551**
Interest-repayment-related Expenses [*2]	—	—	—	**37,228**	**13,155**
Other Operating Expenses	174,072	181,151	92,539	**180,685**	**87,962**
Operating Profit	120,391	144,361	78,792	**110,392**	**58,211**
Net Income (Loss)	70,319	81,533	46,351	**65,595**	**(282,140)** [*3]
Cash Flow Related:					
Net Cash Provided by Operating Activities	164,158	141,014	41,548	**100,226**	**51,812**
Net Cash Provided by (Used in) Investing Activities	(5,398)	(17,350)	(43,678)	**(44,973)**	**353**
Net Cash Used in Financing Activities	(166,105)	(136,508)	(51,375)	**(104,389)**	**(54,330)**
Free Cash Flow	158,760	123,664	(2,130)	**55,253**	**52,165**
Balance Sheet Related:					
Total Assets	2,075,389	2,077,334	2,081,360	**2,106,681**	**2,065,535**
Receivables Outstanding [*4]	1,851,454	1,856,962	1,856,041	**1,834,628**	**1,806,460**
Total Amount of Bad Debts	80,259	83,961	94,815	**114,371**	**137,112**
Allowance for Bad Debts	135,350	130,532	125,477	**131,620**	**106,042**
Allowance for loss on interest repayments	—	—	—	**—**	**357,500**
Total Shareholders' Equity [*5]	697,166	863,760	905,547	**927,722**	**614,660**
	Yen				
Per Share:					
Net Income (Loss), Basic	¥ 487.77	¥ 516.23	¥ 294.29	**¥ 416.69**	**¥ (1,794.86)**
Total Shareholders' Equity [*5]	4,855.98	5,456.39	5,762.60	**5,901.69**	**3,910.19**
Cash Dividends	80 [*9]	100 [*9]	70	**140** [*9]	**70**
	%				
Financial Ratios:					
Profitability					
Operating Profit Margin	27.7	33.3	—	**24.8**	—
ROE [*6]	10.5	10.4	—	**7.3**	—
Efficiency					
ROA1(Net Income to Total Assets) [*6]	3.3	3.9	—	**3.1**	—
ROA2(Net Income to Receivables Outstanding) [*6]	3.7	4.4	—	**3.6**	—
Stability (Non-consolidated)					
Ratio of Shareholders' Equity	33.6	41.6	—	**44.0**	—
Bad Debt Ratio (Gross Basis)[Non-consolidated] [*7]	4.9	5.1	—	**6.9**	—
Bad Debt Coverage Ratio[Non-consolidated] [*8]	162.2	150.7	—	**112.0**	—

Notes: 1. The amount of bad-debt-related expenses is the sum of bad debt write-offs, increase or decrease in allowance for bad debts, and increase or decrease in allowance for loss on debt guarantees.
2. Interest-repayment-related expenses indicates the sum of interest repayments and bad debt write-offs carried by ACOM's voluntary waiver of repayments, and increase or decrease in allowance for loss on interest repayments.
3. Special provision for loss on interest repayments was posted ¥317,061 million.
4. Receivables outstanding indicates the sum of receivables outstanding of the loan business, credit card business, and installment sales finance business.
5. Total Shareholders' Equity includes the valuation and translation adjustments.
6. ROE and ROA are calculated using the simple average of beginning and end of term balance sheet figures.
7. Bad debt ratio (Gross basis) = Total amount of bad debts / Receivables outstanding plus Loans to borrowers in bankruptcy or under reorganization
8. Bad debt coverage ratio = Allowance for bad debts / Total amount of bad debts
9. Annual cash dividends per share

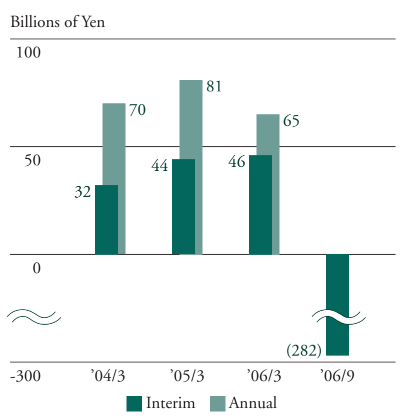
Operating Income



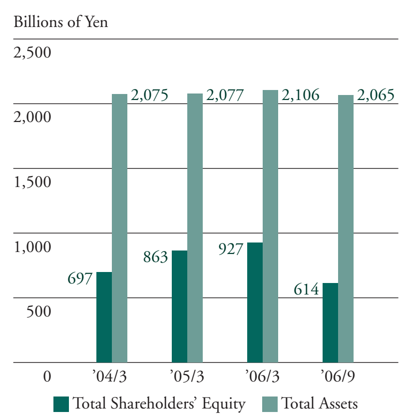
Operating Profit



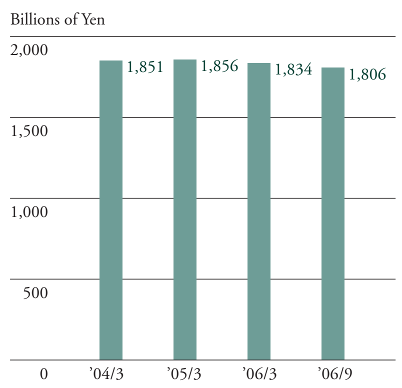
Net Income (Loss)



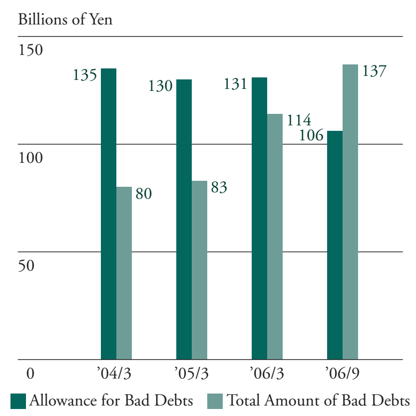
Total Shareholders' Equity and Total Assets



Receivables Outstanding



Allowance for Bad Debts and Total Amount of Bad Debts



Message from the Management

Shigeyoshi Kinoshita President & CEO

Interim Period in Review and Full-Year Outlook

Pursuing a Two-Brand Sales Strategy

In the interim period under review—the six months ended September 30, 2006—the Japanese economy continued to show steady recovery. Strong corporate earnings, buoyed by growing exports and capital expenditures, helped improve employment conditions and worker incomes, while personal consumption also firmed.

In response, the ACOM Group pursued a two-brand sales strategy in its core loan business, centering on ACOM and DC Cash One, the latter spearheaded by DC Cash One Ltd., which draws on the brand power of the Mitsubishi UFJ Financial Group, Inc. (hereinafter MUFG). At the same time, we sought to expand our guarantee and loan servicing businesses while identifying new opportunities in growing Asian markets.

Major Provision for Allowance for Loss on Interest Repayments

Despite these efforts, the interim term-end balance of receivables outstanding in the Group's core unsecured consumer business slipped ¥32.3 billion, or 2.1%, compared with the previous corresponding period. The decline stemmed mainly from a substantial fall in the average yield on unsecured consumer loans provided by the parent company. Against this background was a reduction in the maximum interest rate on loans and increasing debate about placing limitations on lending amounts amid a growing problem of multiple debtors. Although earnings from our guarantee and loan servicing businesses increased steadily, these benefits failed to compensate for a decline in the loan interest rate and lower income from our installment sales finance business. Consequently, consolidated operating income amounted to ¥215.8 billion, down ¥6.3 billion, or 2.8%, from the previous corresponding period. Moreover, we reported an increase in loss on interest repayments and an associated rise in waivers of loan principal. This led to a 10.0% increase in total operating expenses, resulting in a 26.1% fall in consolidated operating profit, to ¥58.2 billion.

Following an announcement by the Japanese Institute of Certified Public Accountants (JICPA), the parent company provided a ¥357.5 billion allowance for loss on interest repayments and a ¥317.0 billion special provision for loss on interest repayments (included under other expenses). As a result, the Group recorded a consolidated interim net loss of ¥282.1 billion. Due to the provision of such large reserves, the shareholders' equity ratio fell from 44.0% to 29.8%.

Full-Year Forecast: Lower Revenue and Earnings

Given ongoing difficulties in the operating environment, we have made the following consolidated forecasts for fiscal 2006, ending March 31, 2007: operating income of ¥425.0 billion (down 4.6% year-on-year), operating profit of ¥94.2 billion (down 14.7%), and a net loss of ¥257.3 billion. However, we have made ample provision for loss on interest repayments based on risk assessments for the next five years, the average period for repayments of unsecured loans to consumers. For the time being, therefore, we believe that future interest repayments and loan principal waivers will be covered by such reserves.

Full-Year Forecasts for FY2006

	Billions of Yen			
	Consolidated		Non-Consolidated	
	Forecast	YoY Change (%)	Forecast	YoY Change (%)
Operating income	¥ 425.0	-4.6	¥ 370.0	-6.7
Operating profit	94.2	-14.7	90.0	-15.2
Net loss	257.3	—	258.7	—

Our Views on the Market Environment

Era of Dramatic Change for Consumer Finance Industry

The Japanese consumer finance industry is confronted with significant structural problems, such as a declining overall population stemming from the low-birthrate, graying trend, as well as a widening income gap. In this environment, there have been growing calls to introduce legislation aimed at reducing the maximum legal interest rate to below 20% and limiting loan amounts to one-third of the borrower's annual income.

Over the long term, such legal amendments may help reduce multiple debtors. In the short term, however, the weaker players among Japanese small and medium-sized consumer finance companies will face attrition and contractual conditions will become more stringent. This will cause an increase in bankruptcies among people unable to access their needed capital, as well as a higher risk of default throughout the consumer loan market. With the income gap expected to widen further, moreover, consumer finance companies will face stiff competition to attract customers with even lower risk profiles than in the past.

The consumer finance industry has distinguished itself from conventional financial institutions, which have a heavy dependence on collateral. Extending unsecured loans to consumers requires detailed and advanced levels of data analysis. This has enables consumer finance companies to amass specialized knowledge and build a business model capable of generating premium interest income while assuming commensurate levels of risk. In the future, however, we recognize the crucial need to effectively utilize our accumulated knowledge and formulate strategies enabling us to compete by delivering high-quality services in lower interest rate.

Future Strategies

Foster Brand Image for Offering "Relief", "Confidence", and "Low-price"

The ACOM Group intends to swiftly address potential legislative amendments while placing utmost priority on legal and ethical compliance. To this end, we will move quickly to build a low-cost business model and foster ACOM's image as a brand that offers "relief", "confidence", and "low-price". At the same time, we will create a structure capable of consistently generating annual operating profit of ¥50 billion or more.

Reinforce Compliance System through Outside Monitoring

Recently, the Group reorganized its Business Ethics Committee, changing its name to the Compliance Committee. Previously positioned under the Executive Officers' Meeting, the new committee now reports directly to the Board of Directors. More than half of its members, including the chairman, are professionals from outside the Group. This enables us to entrench compliance practices based on an impartial monitoring system.

Reduce Other Operating Expenses While Maintaining Optimal Operations

The Group will act to cut more than ¥40 billion in operating expenses, except for financial expenses and bad-debt-related expenses, while maintaining optimal overall operations. To achieve this goal, we will reconstruct our loan business model, reorganize Group businesses and functions, and institute other reforms targeting businesses and organizations throughout the Group. Specific measures are described below.

Reconstruct Our Loan Business Model

For some time, we have pursued a plan to transform staffed outlets into unstaffed ones. Going forward, we will accelerate implementation of this plan while undertaking a strategic reorganization centering on unstaffed outlets. At present, we have four call centers and 12 service centers throughout Japan. Our plan is to concentrate our call center and service center operations into two locations each. In addition, we will reduce advertising expenses to below ¥9 billion, down from ¥16 billion in fiscal 2005, by reassessing our television advertising approach.

To hold down bad-debt-related expenses in preparation for new regulations, we will enhance the quality of our loan portfolio by revamping our standards for extending loans to new and existing customers. To prevent situations from occurring in which sound existing customers have trouble accessing their needed capital, we will institute more stringent screening standards in an incremental step while keeping abreast of market conditions.

Loan Business Sales Channels (Parent Company)

	No. of outlets					
	March 2006	Changed to Unstaffed	Closed	Newly Opened	YoY Change	March 2007 (estimated)
Staffed Outlets	277	-131	-5	+1	-135	142
Unstaffed Outlets	1,726	+131	-191	+60	0	1,726

Cross-Lateral Reforms of Diversified Financial Services

We will integrate the installment sales finance business of the parent company with JCK CREDIT CO., LTD., a subsidiary specializing in that business, in order to eliminate duplication and strengthen our sales capabilities. In the credit card business, we will consolidate our credit screening, card issuance, call center, and staffing functions—currently handled in two locations—into a single facility. In addition, we will examine the viability of continuing our alliance card strategy. This is because we have found it difficult to generate profits due to sluggish transaction volume and intense competition, which has increased the cost of attracting new cardholders. By contrast, we will step up sales of ACOM MasterCard® with the aim of improving profitability. In the guarantee business, we will adopt a flexible approach, giving ACOM and DC Cash One access to each other's back office operations while strengthening cooperation with RELATES CO., LTD., a subsidiary that provides call center services for financial institutions. In the loan servicing business, we will comprehensively examine our optimal business model for future. This will include ensuring that the loan servicing function is efficiently separated from the invoicing-related processes of the Group's other operations, notably its loan, installment sales finance, credit card, and guarantee businesses.

Enhance Efficiency of Personnel

As a matter of urgency, the ACOM Group is working to minimize fixed costs by expediting its shift from staffed to unstaffed outlets, streamlining indirectly related operations, and eliminating duplication. By March 31, 2007, we hope to attract 700 voluntary retirees and thus reduce personnel expenses by around ¥8 billion in the following fiscal year and thereafter. (At September 30, 2006, the Group had 3,767 employees and 407 employees temporarily transferred to the affiliated companies). This may lead to an extraordinary loss of around ¥16 billion at the end of the current fiscal year, due to outplacement costs and special retirement benefits.

Meanwhile, we will endeavor to enhance the efficiency of business processes, centering on management of contractual documents. Here, we will take advantage of IBM Japan, Ltd.'s Business Transformation Outsourcing (BTO) services. Also, we are targeting a 30% (¥6 billion) or more reduction in maintenance and development costs for existing computer systems, and we are exploring specific ways to achieve this objective. In addition, we plan to integrate the operations of Group companies involved in office and signboard construction, real estate management, and building maintenance.

Reassess Our Growth Strategies

In our core loan business, we have devised a number of growth strategies for the future. These include attracting new types of customers by moving quickly to nurture the ACOM name as a brand that offers "relief", "confidence", and "low-price". At the same time, we will broaden the scope of our operations by strengthening cooperation with MUFG and taking advantages of our strengths in other areas, such as the guarantee business. Meanwhile, we will consider business and capital alliances, including M&As, as a way to secure managerial resources to maximize synergies with various Group businesses.

In addition to Japan, the ACOM Group is tapping consumer credit markets in Asia, where economic growth is strong. EASY BUY Public Company Limited, our subsidiary in Thailand, continues to attract customers and expand the balance of receivables in the loan business. Targeting further inroads into Asian market, we established the PKU-ACOM Financial Information Research Center in collaboration with Peking University in September 2005. Since then, we have opened representative offices in Beijing and Ho Chi Minh, Vietnam, to conduct proactive market research and collect information aimed at developing businesses outside of Thailand. In a joint initiative with The Bank of Tokyo-Mitsubishi UFJ, Ltd., we are currently negotiating with existing shareholders of PT. BANK NUSANTARA PARAHYANGAN Tbk., a medium-sized bank in Indonesia, with the aim of acquiring a majority equity stake.

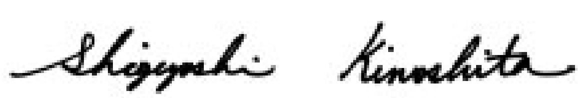
In Conclusion

A New Chapter in Our History

In this era of dramatic change in the consumer finance industry, we believe that only companies that rise to the challenge and earn the respect of society will be able to secure solid market shares and achieve new levels of growth. As a top executive, I take very seriously the fact that we have posted major bottom-line losses. At the same time, I am committed to reforms that will contribute to the sound development of consumer finance markets. We will achieve this by providing more consumer protection than before, building a corporate group with a deep social awareness, and offering financial services that offer relief and confidence at lower prices.

As originally forecast, we have declared an interim dividend of ¥70.00 per share. Reflecting our belief that upgrading our capital base is the best way to enhance value for shareholders, however, we plan to lower the year-end dividend to ¥30.00 per share. This will bring total annual dividends to ¥100.00 per share, down ¥40.00 from the previous fiscal year.

With unyielding resolve, I am committed to establishing a rejuvenated ACOM by creating a new chapter in our history. I look forward to the ongoing understanding and support of all stakeholders in this endeavor.



Shigeyoshi Kinoshita
President & Chief Executive Officer

Review and Analysis of Consolidated Results

Overall Performance

In the first half of fiscal 2006—the six months ended September 30, 2006—consolidated operating income amounted to ¥215.8 billion, down ¥6.3 billion, or 2.8%, from the previous corresponding period. The decline stemmed from two main factors. First, the average yield on unsecured consumer loans provided by the parent company fell 88 basis points compared with the previous corresponding period. Second, the balance of receivables outstanding at interim term-end slipped ¥32.3 billion, or 2.1%, to ¥1,519.2 billion. Other reasons included a decline in operating income of EASY BUY Public Company Limited (hereinafter EASY BUY), our consolidated subsidiary in Thailand, due to the introduction of restrictions on maximum interest rates by the Bank of Thailand. ACOM also posted income declines in its installment sales finance business, where it continued reviewing existing arrangements with affiliated merchants, and its credit card business, due to a fall in average transaction per purchase. By contrast, we generated increased revenue from DC Cash One Ltd. (hereinafter DC Cash One), reflecting the success of our two-brand strategy—focusing on the ACOM and DC Cash One brands—and from IR Loan Servicing, Inc., which reported a solid performance from collection of purchased loans.

On the operating expenses side, financial expenses fell 3.2%, to ¥10.1 billion. In our loan business, however, we reported an increase in loss on interest repayments, as well as a rise in bad debt write-offs, centering on waiver of loan principal due to the demand for interest repayments. As a result, total operating expenses grew 10.0%, to ¥157.6 billion. Consequently, operating profit fell 26.1%, to ¥58.2 billion.

In addition, the Japanese Institute of Certified Public Accountants (JICPA) announced its "Audit Guidelines on Consumer Finance Companies' Provisions for Loss on Interest Repayments." Based on this guideline, ACOM provided an allowance for loss on interest repayments amounting to ¥357.5 billion (included under long-term liabilities) and a special provision for loss on interest repayments of ¥317.0 billion (included under other expenses). As a result, the Company recorded an interim net loss of ¥282.1 billion.

Results by Segment

Operating Income and Receivables Outstanding

Loan Business

Operating income from our core loan business declined 3.9% year-on-year, to ¥191.5 billion. Receivables outstanding at interim term-end amounted to ¥1,692.4 billion, down 0.3% from a year earlier. Meanwhile, non-consolidated operating income from ACOM's loan business fell 4.7%, to ¥180.0 billion, due to a decline in loan yield and a 2.2% fall in receivables outstanding, to ¥1,571.3 billion. During the period, ACOM placed high priority on upgrading the quality of credit, reinforcing customer-drawing power, and enhancing efficiency through administrative reforms.

With respect to upgrading the quality of credit, the Company sought to raise its counseling skills through its ACOM-Certified Counselor training system, designed to help customers improve their cash flow balances. We also revamped methods for operating our automated dial-up call system in an effort to boost the efficiency and effectiveness of our counseling activities.

To reinforce our customer-drawing power, we opened new facilities featuring MUJINKUN and QUICK MUJIN, and we began offering agency services for DC Cash One through all of our staffed branch offices. As a result, the number of customer accounts of DC Cash One grew 9.8%, to 179,646, and its loan receivables outstanding rose 17.6%, to ¥80.0 billion. In addition, EASY BUY commenced full-scale sales of a revolving-type loan product in August 2006. Despite a decline in yield due to regulation of interest rates, the number of EASY BUY's customer accounts increased 21.7%, to 466,293, and its loan receivables outstanding jumped 79.7%, to ¥36.8 billion.

Improving efficiency by streamlining operations, we continued centralizing our service centers, which undertake concentrated operation of automatic contract machines—an initiative began in the previous fiscal year.

Credit Card Business

In the credit card business, operating income declined 4.3%, to ¥3.1 billion, and receivables outstanding were down 4.1%, to ¥47.1 billion year-on-year. This was due to a ¥3.4 billion year-on-year decrease in credit card transaction volume stemming from a fall in average transaction per purchase. As a sales strategy, we heavily promoted ACOM MasterCard®. We also emphasized a card alliance strategy aimed at enhancing productivity and efficiency. This strategy centers on sales and promotion aimed at targeted customers and reformation of sales systems. Consequently, the number of cardholders grew 5.3% during the six-month period, to 1,291,331.

Installment Sales Finance Business

In the installment sales finance business, we stepped up efforts to cultivate new membership and promote further improvement in managerial efficiency, and pursued profitability by strengthening coordination with JCK CREDIT CO., LTD., a wholly-owned subsidiary. We also boosted marketing aimed at existing member stores, an initiative continued from the past. Nevertheless, operating income declined 33.2%, to ¥5.1 billion, and receivables outstanding fell 38.6%, to ¥66.9 billion.

Guarantee Business

In the guarantee business, we solidified our alliance with RELATES CO., LTD., while stepping up support for our guarantee business alliance partners and forming alliances with new partners. At interim term-end, we had tie-ups with 14 banks, and the balance of guaranteed receivables stood at ¥98.7 billion, up 18.2% year-on-year. For the period, fees from credit guarantees rose 14.8%, to ¥2.9 billion, while operating income in the guarantee business (including entrusted fees for guarantees) surged 42.4%, to ¥4.2 billion.

Loan Servicing Business

In the loan servicing business, operating income jumped 35.8%, to ¥7.2 billion. This was mainly due to solid growth in collections of purchased loans, which increased 41.3%, to ¥6.9 billion. The balance of purchased loans grew 31.2%, to ¥20.8 billion.

Other Businesses

In the rental business, operating income rose 2.3%, to ¥2.1 billion. Operating income from other business soared 72.6%, to ¥2.3 billion.

Operating Income by Segment

	Millions of Yen			
	FY2006 (Interim)	YoY Change (%)	FY2005	FY2005 (Interim)
Loan Business	**¥ 191,567**	**-3.9**	¥ 396,485	¥ 199,358
Credit Card Business	**3,125**	**-4.3**	6,462	3,265
Installment Sales Finance Business	**5,185**	**-33.2**	14,839	7,759
Guarantee Business	**4,289**	**42.4**	6,651	3,013
Loan Servicing Business	**7,226**	**35.8**	14,117	5,323
Rental Business	**2,167**	**2.3**	4,318	2,119
Other Businesses	**2,318**	**72.6**	2,557	1,343

Receivables Outstanding by Segment

	Millions of Yen			
	FY2006 (Interim)	YoY Change (%)	FY2005	FY2005 (Interim)
Loan Business	**¥ 1,692,422**	**-0.3**	¥ 1,703,172	¥ 1,697,962
Credit Card Business	**47,111**	**-4.1**	48,120	49,129
Installment Sales Finance Business	**66,926**	**-38.6**	83,335	108,949
Loan Servicing Business	**20,898**	**31.2**	17,423	15,930

Operating Expenses

In the interim period under review, total operating expenses reached ¥157.6 billion, up ¥14.2 billion (10.0%) from the previous corresponding period. This was mainly due to an increase in loss on interest repayments in the core loan business, as well as a rise in bad debt write-offs, centering on waivers of loan principal due to the demand for interest repayments.

Other Income (Expenses)

Total other income (expenses), net, amounted to ¥315.4 billion. As mentioned earlier, this was due to a special provision for loss on interest repayments of ¥317.0 billion.

Financial Position

Balance Sheets

At September 30, 2006, consolidated total assets stood at ¥2,065.5 billion, down ¥41.1 billion from March 31, 2006. During the interim period, net assets declined ¥310.6 billion, and the shareholders' equity ratio fell 14.2 points, to 29.8%. Details about assets, liabilities, and net assets are given below.

In the assets column, total current assets declined ¥5.6 billion. Within current assets, loans receivable declined ¥10.7 billion, and notes and accounts receivable were down ¥17.5 billion. The allowance for bad debts fell ¥25.2 billion. Investments and other assets fell ¥34.2 billion. Property and equipment remained mostly unchanged, at ¥98.0 billion, while property and equipment, net (including depreciation), slipped ¥1.2 billion.

On the liabilities side, current liabilities fell ¥59.0 billion, while long-term liabilities grew ¥328.4 billion. Consequently, total liabilities increased ¥269.4 billion. The decrease in current liabilities stemmed from declines in a number of interest-bearing liability items, notably current portion of long-term debt (down ¥36.1 billion). The rise in long-term liabilities was mainly due to provision of a ¥357.5 billion allowance for loss on interest repayments.

The net assets section included an interim net loss of ¥282.1 billion and cash dividends of ¥11.0 billion. Net unrealized gains on other securities declined ¥19.8 billion. Although minority interest in consolidated subsidiaries rose ¥2.4 billion, total net assets declined ¥310.6 billion.

Cash Flows

At September 30, 2006, cash and cash equivalents stood at ¥96.6 billion, down ¥0.7 billion from March 31, 2006.

For the interim period, net cash provided by operating activities amounted to ¥51.8 billion, up ¥10.2 billion from the previous corresponding period. Major items holding down cash flows included a ¥257.2 billion loss before income taxes and a ¥25.8 billion decrease in allowance for bad debts. However, these were outweighed by factors boosting cash flows, namely a ¥333.8 billion increase in allowance for interest repayments, a ¥12.2 billion decrease in loans receivable, and an ¥18.5 billion decrease in notes and accounts receivable.

Net cash provided by investing activities totaled ¥0.3 billion, compared with ¥43.6 billion used in such activities in the previous corresponding period. Major items boosting cash flows included a ¥0.5 billion decrease in time deposits and marketable securities and ¥0.9 billion in proceeds from maturity or sale of investments in securities. Major outflows included ¥0.2 billion in purchases of investments in securities and ¥1.1 billion in purchases of property and equipment.

Net cash used in financing activities was ¥54.3 billion, up ¥2.9 billion from the previous corresponding period. This was largely because payment of principal long-term debt (amounting to ¥138.2 billion) exceeded proceeds from long-term debt (¥90.5 billion).

Cash Flows

	Millions of Yen			
	FY2006 (Interim)	YoY Change	FY2005	FY2005 (Interim)
Net Cash Provided by Operating Activities	**¥ 51,812**	**¥ 10,264**	¥ 100,226	¥ 41,548
Net Cash Provided by (Used in) Investing Activities	**353**	**44,031**	(44,973)	(43,678)
Net Cash Used in Financing Activities	**(54,330)**	**(2,955)**	(104,389)	(51,375)