Interim Report 2006

Six months ended September 30, 2005

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 person to person." Since then, we have always sought to develop our business by establishing an unshakable mutual trust between us and our customers.

acom

ACOM is an acronym created from the following three words:

Moderation

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

Confidence

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

Affection

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

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Notes:

1. Forward-Looking Statements

   The figures contained in this interim annual 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. These are based on management's assumptions and beliefs in light of information currently available to management 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, 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

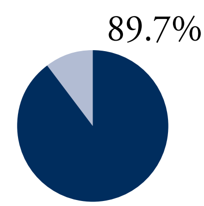
Segment Overview and Market Position

Composition of Operating Income
(Six months ended September 30, 2005)

Loan Business

Our loan business, centering on unsecured loans for consumers, accounted for 89.7% of the ACOM Group's consolidated operating income in the interim period ended September 30, 2005. ACOM has amassed advanced credit screening know-how, based on data on more than 8 million customers it has served in the past. It is utilizing this know-how through various channels, including branch offices, automatic contract machines, the Internet, and mobile phone. We are also expanding our network of more compact QUICK MUJIN automatic loan application machines and extending the operating hours of our branch offices, in order to further improve services for our customers. In addition, consolidated subsidiary DC Cash One Ltd. and Thai subsidiary EASY BUY Public Company Limited continue to steadily expand their operations.

According to the 2005 edition of Consumer Credit Statistics of Japan (published by the Japan Consumer Credit Industry Association), the domestic consumer finance market is currently worth ¥10 trillion in terms of loan receivables outstanding. With a share of around 16%, the ACOM Group 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®.

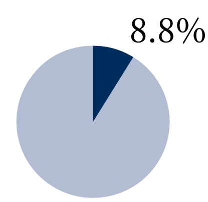
In this business, we are promoting credit card issuance via immediate card-issuing machines linked to our network of MUJINKUN automatic contract machines. We are also focusing on credit card alliances with large-scale retail chains and other companies with strong customer-attraction power. At September 30, 2005, we had 29 affiliated cards with 29 partners and an alliance cardholder base in excess of 0.6 million, equivalent to around half of total cardholders of 1.22 million.

According to the Consumer Credit Statistics of Japan, the Japanese credit card market is worth around ¥26.5 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, ACOM 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 retailer in advance, and the customer reimburses us in subsequent installments.

According to the Consumer Credit Statistics of Japan, the Japanese market is estimated to be worth around ¥10 trillion, and the ACOM Group's share is just over 1%. In Asia, where there is significant growth potential, we are expanding our hire purchase business through EASY BUY, our consolidated 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 brand power and sales channels offered by banks with ACOM's credit screening and collection know-how related to unsecured consumer loans, we are able to provide guarantee arrangements tailored to the needs of alliance partners, covering everything from product planning to loan collection. At September 30, 2005, we had tie-ups with 12 banks and one corporation, and our balance of guaranteed loans receivable continues to increase.

Loan Servicing Business

ACOM entered the loan servicing business by taking an equity stake in IR Loan Servicing, Inc. In this segment, we are developing a comprehensive range of offerings, centering on loan purchase services and loan collection agency services, and also including clerical agency services, outplacement services, and corporate restructuring support services. Our total principal of consigned and purchased receivables surpassed ¥2 trillion after only three years and two months in the business. With such remarkable growth, we are now cementing our presence as a mainstay player in the industry. Our plan is to merge IR Loan Servicing with DC Servicer company., Ltd., which recently became a subsidiary. By bringing together the know-how and capabilities of those two companies, we can look forward to further progress in the future. According to the Ministry of Justice, the national balance of receivables in this business at the end of fiscal 2003 was ¥102 trillion.

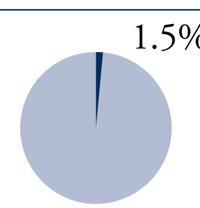
Other Businesses

Rental Business

This business involves renting out leisure equipment and goods used in daily life. We also provide support for event planning.

Other Businesses

Other activities of the ACOM Group include provision of advertising agency services, insurance agency services, and real-estate-related services.



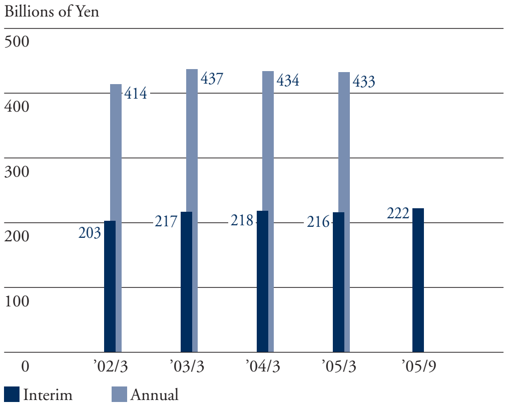
Financial Highlights

ACOM CO., LTD. and Subsidiaries

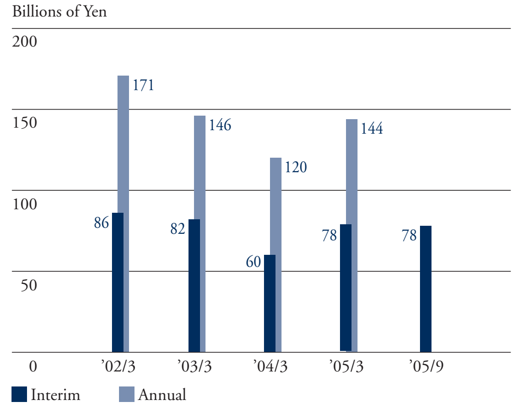
	Millions of Yen				
	2002/3	2003/3	2004/3	2005/3	**2005/9 Interim**
Profit and loss related					
Operating income	414,918	437,572	434,968	433,965	**222,182**
Operating expenses	243,669	290,877	314,577	289,604	**143,390**
Bad-debt-related expenses *1	72,047	115,671	140,505	108,453	**50,851**
Operating expenses excluding bad-debt-related expenses	171,622	175,206	174,072	181,151	**92,539**
Operating profit	171,248	146,695	120,391	144,361	**78,792**
Net income	95,637	75,096	70,319	81,533	**46,351**
Cash flow related					
Net cash provided by (used in) operating activities	(46,554)	47,550	164,158	141,014	**41,548**
Net cash provided by (used in) investing activities	(5,590)	(8,191)	(5,398)	(17,350)	**(43,678)**
Net cash provided by (used in) financing activities	67,639	7,906	(166,105)	(136,508)	**(51,375)**
Free cash flow	(52,144)	39,359	158,760	123,664	**(2,130)**
Balance sheet related					
Total assets	2,166,865	2,183,414	2,075,389	2,077,334	**2,081,360**
Receivables outstanding *2	1,888,265	1,940,055	1,851,454	1,856,962	**1,856,041**
Total amount of bad debts	44,516	60,791	80,259	83,961	**94,815**
Allowance for bad debts	81,064	112,549	135,350	130,532	**125,477**
Total shareholders' equity	582,737	644,431	697,166	863,760	**905,547**
	Yen				
Per share					
Net income, basic	653.18	513.08	487.77	516.23	**294.29**
Total shareholders' equity	3,983.61	4,405.08	4,855.98	5,456.39	**5,762.61**
Cash dividends	80	80	80	100	**70**
Financial ratios					
Profitability					
Operating profit margin	41.3%	33.5%	27.7%	33.3%	
ROE *4	17.6%	12.2%	10.5%	10.4%	
Efficiency					
Operating efficiency *3	9.5%	9.2%	9.2%	9.8%	
ROA1 (net income to total assets) *4	4.7%	3.5%	3.3%	3.9%	
ROA2 (net income to receivables outstanding) *4	5.3%	3.9%	3.7%	4.4%	
Stability (non-consolidated)					
Bad debt ratio (gross basis) *5	2.7%	3.7%	4.9%	5.1%	
Bad debt coverage ratio *6	177.8%	178.0%	162.2%	150.7%	

Notes: 1. The amount of bad-debt-related expenses is the sum of bad debt write-offs, additional allowance for bad debts, and additional allowance for loss on debt guarantees.
2. Receivables outstanding indicates the sum of receivables outstanding of loan business, credit card business, and installment sales finance business.
3. Operating efficiency = Operating expenses excluding bad-debt-related expenses / Average of beginning and end of term receivables outstanding
4. ROE and ROA are calculated using the simple average of beginning and end of term balance sheet figures.
5. Bad debt ratio (gross basis) = Total amount of bad debts / (Receivables outstanding + Loans to borrowers in bankruptcy or under reorganization)
6. Bad debt coverage ratio = Allowance for bad debts / Total amount of bad debts

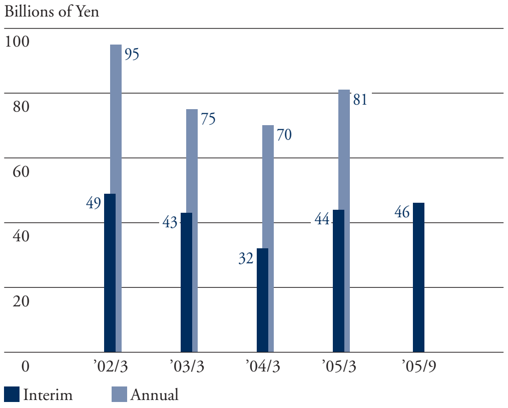
Operating Income



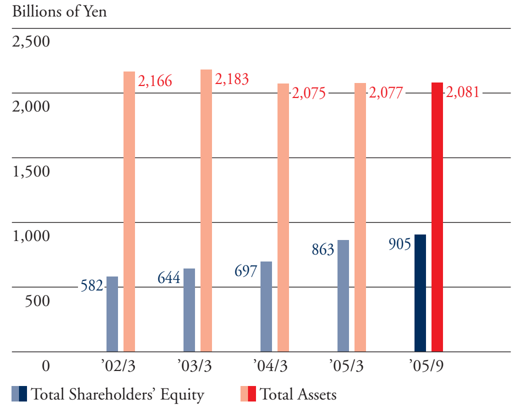
Operating Profit



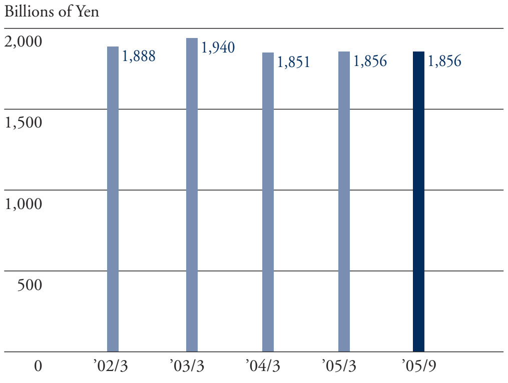
Net Income



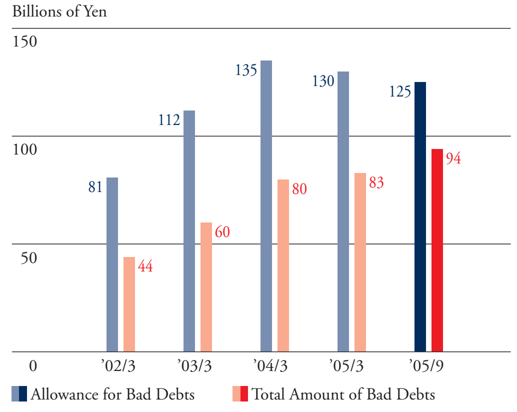
Total Shareholders' Equity and Total Assets



Receivables Outstanding



Allowance for Bad Debts and Total Amount of Bad Debts



Message from the Management

Fiscal 2005 Interim Period in Review

Intensified Competition Despite Macroeconomic Upturn

In the interim period under review—the six months ended September 30, 2005—the general recovery trend in the Japanese economy strengthened, highlighted by an improved employment environment amid high corporate earnings. However, the effects of this improvement have not yet fully benefited household budgets, and the propensity of individuals to use credit to "bring forward future earnings to enrich today's lifestyle" has not taken hold.

On the other hand, the environment surrounding the consumer finance market is characterized by diversification of consumer needs, the aging of society with fewer children being born, and the proactive development of consumer finance services by financial institutions. In addition, companies from the IT and other sectors are entering the industry, further intensifying competition.

In response, ACOM expedited efforts to reinforce its management in the loan and installment sales finance businesses, and sought to expand its diversified financial services, in order to make ACOM a true winner in the retail finance market.

Both Revenue and Earnings Higher for First Time Since Fiscal 2001

In the interim term, consolidated operating income amounted to ¥222.1 billion, up 2.6% from the previous corresponding period. Operating profit edged up 0.2%, to ¥78.7 billion, and net income climbed 3.9%, to ¥46.3 billion. It was the first time since fiscal 2001 that ACOM has reported year-on-year increases in both income and profit. Moreover, these results exceeded our initial forecasts, albeit slightly.

Reasons for the increase in operating income included the transformation of DC Cash One Ltd. (hereinafter DC Cash One) into a consolidated subsidiary in January 2005 (adding ¥5.3 billion to operating income); a solid performance by our consolidated subsidiary in Thailand, EASY BUY Public Company Limited (hereinafter EASY BUY), which continues to generate high growth (¥3.7 billion); and improved income posted by IR Loan Servicing, Inc. (¥1.2 billion). We believe that our performance reflects the success of our "Group management" approach—focusing on our megabank alliance, development of business in Asia, and expansion of diversified financial services.

Two factors boosting operating profit was ¥1.2 billion fall in financial expenses and a ¥600 million decline in bad-debt-related expenses, which resulted from our emphasis on improving the quality of credit, as well as the low-interest-rate fund-procurement environment.

On a non-consolidated basis, operating income edged down 0.9%, to ¥200.3 billion, due to depressed conditions in our core loan business. However, operating profit remained mostly unchanged, at ¥76.1 billion, due to our focus on raising the quality of credit. Interim net income grew 1.4%.

Initial Forecasts and Results for FY2005 Interim Period

	Billions of Yen							
	Consolidated				Non-Consolidated			
	Initial Forecasts	Actual	Difference	YoY %	Initial Forecasts	Actual	Difference	YoY %
Operating income . . .	219.9	222.1	+2.2	2.6	199.2	200.3	+1.1	-0.9
Operating profit	74.0	78.7	+4.7	0.2	72.7	76.1	+3.4	0.0
Net income	44.2	46.3	+2.1	3.9	43.8	45.7	+1.9	1.4

Results, Strategies, and Full-Year Forecasts, by Segment

Loan Business (Non-Consolidated): Carve Future Path While Reinforcing Current Position

In the finance business, where product differentiation is difficult to achieve, the key to winning lies in our ability to build a robust cost structure and a high level of creditworthiness. Recognizing this fact, the parent company is working to further solidify its management base through qualitative improvements in both the structure and credit of its loan business.

In the interim period under review, we continued striving to raise the quality of credit and create an efficient operating framework. With respect to upgrading credit quality, we achieved a 4.8% year-on-year reduction in bad-debt-related expenses by enhancing and more rigorously controlling our loan portfolio through improved credit screening. At the same time, we undertook high-precision customer segment analysis to reinforce our credit screening capabilities. We also used our data analysis capabilities, which make full use of IT, to expand credit to preferred customers. As a result, the average balance of unsecured loans for consumers at interim term-end was ¥4 thousand higher than the previous fiscal year-end. Moreover, the balance of loan receivables outstanding was 0.3% higher—representing a turnaround, albeit slight, and an end of declines since the year to March 2003. ACOM already boasts a top-class level of credit quality in the industry. Going forward, we will further improve credit quality in order to solidify our competitive edge and raise creditworthiness. In doing so, we will fortify our revenue base by increasing the number of new loan customers and stabilizing interest rates at low levels for fund-procurement purposes.

On the operating side, we are continuing to strengthen our service capabilities and pursue low-cost operations. During the interim period, we actively introduced QUICK MUJIN machines—more compact versions of our MUJINKUN automatic contract machines—which require only 6–7% of the cost of setting up a staffed outlet. We also extended the operating hours of our unstaffed outlets. While the number of new loan customers for the period was somewhat low vis-à-vis our full-year projection, we are confident of achieving our initial forecast through our efforts to upgrade outlets and otherwise reinforce our service channels.

Loan Business (Affiliates): Target Two Brand Strategies and Cultivate Growth Markets

In Japan, ACOM dispatched personnel and fully utilized its know-how in other areas to help expand DC Cash One's service channels. As a result, DC Cash One's balance of loan receivables outstanding at interim term-end stood at ¥68.1 billion, up 37.8% from a year earlier, and the average balance of unsecured loans for consumers was ¥416 thousand, up 10.1%. In the second half of the current fiscal year, we will further expand DC Cash One's channels, including through reciprocal agency arrangements with the parent company. By taking full advantage of our two brands (ACOM and DC Cash One), we will seek to improve services to customers and secure greater demand for unsecured loans, with the aim of increasing the loan receivables outstanding of the entire ACOM Group.

Overseas, EASY BUY, our consolidated subsidiary in Thailand, continues to expand its business. In the three-year period to March 2005, the balance of EASY BUY's loan receivables outstanding surged 11.5-fold, benefiting from a favorable economy, as well as a broad channel network, ACOM's advanced know-how related to credit screening, and excellent fund-procurement capabilities, with guarantees provided by ACOM. EASY BUY's growth continued unabated in the interim period, with the term-end balance of loan receivables outstanding surging 47.9% year-on-year, to ¥20.5 billion. We look forward to further growth in the future.

Diversified Financial Services: Focus on Cultivating New Customer Segments

By deploying the skills and expertise we have amassed in the unsecured loan business, we can target more diverse income opportunities in our related businesses, such as credit cards, installment sales finance, and guarantees. Equally important, we can approach new customer segments not possible with our consumer finance brand.

Shigeyoshi Kinoshita
President & Chief Executive Officer

In the credit card business, we will endeavor to strengthen credit card tie-ups with large-scale retail chains and other companies with strong customer-attraction power. We already have around 600,000 holders of affiliated cards, representing a 30.8% increase compared with the previous interim period.

In the guarantee business, we have alliances with regional banks and one corporation. Through this alliance strategy, we are reinforcing our base of preferred customers. For example, the number of loans guaranteed by the ACOM Group at the end of the interim period was 367 thousand, up 16.8% from a year earlier.

In the installment sales finance business, we are seeking to attract new alliance partners, focusing on large retailers, and canceling contracts with partners whose profits have declined significantly.

In the rapidly growing loan servicing business, in October 2005 ACOM purchased a 100% stake in DC Servicer company., Ltd., a wholly owned subsidiary of DC Card Co., Ltd., an equity-method affiliate. Going forward, we will merge DC Servicer with our existing wholly owned subsidiary, IR Loan Servicing, Inc., as we target further significant progress in the loan servicing business.

Full-Year Forecast Generally Reflects Initial Projection

Based on the aforementioned operating conditions and the progress of our business strategies, we have set the following targets for the year to March 2006: consolidated operating income of ¥442.1 billion (up 1.9% year-on-year), operating profit of ¥144.5 billion (up 0.1%), and net income of ¥86.3 billion (up 5.8%). We expect to achieve these targets, which mostly reflect our initial forecasts, made at the beginning of the current fiscal year.

Revised Targets for FY2005

	Billions of Yen					
	Consolidated			Non-Consolidated		
	Initial Forecasts	Revised Targets	Difference	Initial Forecasts	Revised Targets	Difference
Operating income	440.9	442.1	+1.2	397.0	397.0	0.0
Operating expenses	295.9	297.6	+1.7	256.2	256.4	+0.2
Operating profit	145.0	144.5	-0.5	140.8	140.6	-0.2
Net income	86.3	86.3	0.0	84.7	84.8	+0.1

Future Growth Strategies

ACOM to Play a Central Role in Consumer Finance Business of MUFG

Since forming a business and capital alliance with the former Mitsubishi Tokyo Financial Group, Inc. (hereinafter MTFG) in March 2004, ACOM has sought to realize a strategic partnership that takes full advantage of its own skills and know-how related to the consumer loan business, together with MTFG's formidable brand power.

In October 2005, MTFG merged with UFJ Holdings, Inc., to form Mitsubishi UFJ Financial Group, Inc. (hereinafter MUFG), one of the world's largest financial groups. While the benefits of the aforementioned alliance will become most evident in the next fiscal year and beyond, ACOM's central role as the consumer finance arm of MUFG remains unchanged. Indeed, we now believe that the potential of our alliance partnership will become even greater compared with March 2004, when we first tied up with MTFG. Moreover, we look forward to building a close-knit relationship with MUFG. For the time being, we will concentrate on addressing opportunities as they arise, with the intention of generating earnings in the near future.

Ongoing Emphasis on Business Development in Asia

As mentioned earlier, both the loan and hire purchase businesses of EASY BUY are growing solidly. Given that real GDP in Thailand has grown more than 6% for two consecutive years, we expect EASY BUY'S business to continue growing in the future. The ACOM Group has continued its own research into the potential of using EASY BUY as a springboard for expansion into surrounding Asian markets. Going forward, we will take advantage of the respective strengths of ACOM and MUFG as we consider strategies for broadening our consumer finance business in Asia.

Meanwhile, we are promoting our consulting services in conjunction with the unsecured card loan business of the Taiwanese "megabank" Chinatrust Commercial Bank. In September 2005, we established the PKU-ACOM Financial Information Research Center in a joint collaboration with Peking University. The aim of the Center is to conduct research into consumer credit and financial information systems in the Chinese market. These actions reflect our belief that the potential for growth in Asia will continue to increase.

Capital Strategy and Shareholder Return Policy

Capital Strategy: Maintain Shareholders' Equity Ratio above 40% for Time Being

Owing to our stable and growing earnings and increased capital in conjunction with the MTFG alliance, the consolidated shareholders' equity ratio for the interim period under review was 43.5%.

Going forward, our basic policy is to maintain the shareholders' equity ratio (including guaranteed loans receivable) at above 30%, based on consideration of our operating stability and capital efficiency. In the nearer term, however, we will endeavor to keep the figure at a higher level, above 40%, given our capital requirements to fund future growth strategies.

Shareholder Return Policy: Maintain Shareholder Return Ratio Above 30%

Based on the aforementioned capital strategy, we have set a dividend policy that targets a shareholder return ratio of 30% or higher on a non-consolidated basis. ("Shareholder return ratio" refers to the sum of dividends paid and share buybacks as a percentage of net income.)

For the fiscal year ending March 2006, we plan to raise return to shareholders even further than the previous fiscal year. For the interim period under review, we have declared a dividend of ¥70.0 per share, because we achieved practically all of our performance targets. Since we also expect to reach our full-year targets, we plan to pay a similar year-end dividend of ¥70.0, resulting in full-year dividends of ¥140.0 per share, up ¥40.0 from the previous year.

In June 2005, the Company outlaid ¥9.2 billion to buy back 1,312,460 shares of treasury stock. Therefore, we forecast a shareholder return ratio of 36.8% for the current fiscal year.

The ACOM Group will pursue three key strategies as it proceeds on a clear path to sustained top-line growth. First, we will use our two-brand strategy focusing on an increasingly sophisticated credit screening model and customer attraction power to promote our core loan business. Second, we will expand diversified financial services. Third, we will strengthen the alliance between MUFG and companies in the ACOM Group.

We look forward to your ongoing understanding and support in these endeavors.

Shigeyoshi Kinoshita

Shigeyoshi Kinoshita
President & Chief Executive Officer
ACOM CO., LTD.

Review and Analysis of Consolidated Results

Overall Performance

In the first half of fiscal 2005—the six months ended September 30, 2005—consolidated operating income amounted to ¥222.1 billion, up 2.6% from the previous corresponding period. Factors for this increase included (1) the inclusion of DC Cash One Ltd. (hereinafter DC Cash One) into the scope of consolidation from the current fiscal year (adding ¥5.3 billion to operating income); (2) sharp growth in the business of EASY BUY Public Company Limited (hereinafter EASY BUY), a consolidated subsidiary in Thailand (¥3.7 billion); and (3) improved income posted by IR Loan Servicing, Inc. (¥1.2 billion). Clearly, the ACOM Group's top-line growth strategy—focusing on the business alliance with the former Mitsubishi Tokyo Financial Group, Inc. (now Mitsubishi UFJ Financial Group, Inc.), cultivation of Asian markets, and expansion of diversified financial services outside of unsecured loans—is beginning to generate tangible results.

Operating profit for the period showed slight growth, edging up 0.2%, to ¥78.7 billion, but interim net income rose 3.9%, to ¥46.3 billion. In the previous interim period, when DC Cash One was an equity-method affiliate, the Group posted a net loss in affiliates by the equity method. In the period under review, however, DC Cash One became a consolidated subsidiary and did not post a net loss. This was a major reason for the difference in the growth rates for operating profit and net income. The growth in net income (3.9%) exceeded that of operating income (2.6%). This was due to declines in financial expenses and bad-debt-related expenses (both part of operating expenses), as well as the absence of two items incurred in the previous interim period (stock issuance expenses and impairment loss, both included in other expenses).

Results by Segment

Operating Income and Receivables Outstanding

Operating income from our core loan business increased 2.9% year-on-year, to ¥199.3 billion. Receivables outstanding at interim term-end amounted to ¥1,697.9 billion, up 4.3% from a year earlier. However, non-consolidated operating income from ACOM's loan business edged down 0.7%, to ¥188.8 billion, and receivables outstanding dipped 0.5%, to ¥1,606.7 billion. This was mainly because of ACOM's strong priority on improving the quality of its credit, as well as a year-on-year reduction in average loan yield on unsecured consumer loans of 10 basis points, due to the Company's adoption of interest incentives for preferred customers.

However, total non-consolidated receivables outstanding grew ¥5.0 billion, from ¥1,601.7 billion. We believe this reflects the success of measures to expand credit to preferred customers. Meanwhile, EASY BUY, a consolidated subsidiary in Thailand, continues to report strong growth in its unsecured loan business. In the interim period under review, that company posted a 45.1% increase in operating income, to ¥5.0 billion, and a 47.9% jump in receivables outstanding, to ¥20.5 billion.

In the credit card business, operating income rose 4.5%, to ¥3.2 billion, and receivables outstanding edged up 0.3%, to ¥49.1 billion. The number of cardholders grew 2.5% during the six-month period, to 1,226 thousand, owing to our promotion of ACOM MasterCard®, provided by immediate card-issuing machines linked to our MUJINKUN automatic contract machines. This segment also benefited from our focus on credit card alliances with large-scale retail chains and other companies with strong customer-attraction power.

In the installment sales finance business, operating income declined 12.6%, to ¥7.7 billion, and receivables outstanding fell 25.3%, to ¥108.9 billion. These results reflected the priority we placed on improving the quality of credit by carefully screening potential alliance partners and canceling contracts with those deemed to be high-risk.

In the guarantee business, operating income declined 14.2%, to ¥3.0 billion. This decline was mainly due to the elimination of consolidated transactions between DC Cash One and the parent company (including offsetting of the parent company's loan guarantee income with DC Cash One's loan guarantee expenses) from the statements of income, stemming from DC Cash One's inclusion in the scope of consolidation. In reality, however, our guarantee business, in which ACOM utilizes its formidable credit screening capabilities, is on an expansion path. As evidence of this trend, non-consolidated operating income from the guarantee business jumped 30.1%, to ¥4.5 billion, in the interim period under review.

In the loan servicing business, operating income climbed 32.0%, to ¥5.3 billion, and receivables outstanding surged 119.5%, to ¥15.9 billion. Collections of purchased receivables also showed solid growth, rising 33.4%, to ¥4.9 billion.

In the rental business, operating income rose 23.4%, to ¥2.1 billion, benefiting from economic recovery. Operating income from other businesses fell 18.0%, to ¥1.3 billion.

Operating Income by Segment

	Millions of Yen			
	FY2005 (Interim)	YoY Change	FY2004	FY2003
Loan Business	**199,358**	**2.9%**	387,348	391,259
Credit Card Business	**3,265**	**4.5%**	6,311	5,876
Installment Sales Finance Business	**7,759**	**-12.6%**	16,622	22,738
Guarantee Business	**3,013**	**-14.2%**	7,627	5,037
Loan Servicing Business	**5,323**	**32.0%**	8,762	2,786
Rental Business	**2,119**	**23.4%**	3,781	3,527
Other Businesses	**1,343**	**-18.0%**	3,511	3,742

Receivables Outstanding by Segment

	Millions of Yen			
	FY2005 (Interim)	YoY Change	FY2004	FY2003
Loan Business	**1,697,962**	**4.3%**	1,680,184	1,623,154
Credit Card Business	**49,129**	**0.3%**	49,399	46,731
Installment Sales Finance Business	**108,949**	**-25.3%**	127,378	181,567
Loan Servicing Business	**15,930**	**119.5%**	12,723	6,082

Operating Expenses

In the interim period under review, total operating expenses amounted to ¥143.3 billion, up 3.9% from the previous corresponding period. The increase was due mainly to a ¥4.4 billion expense associated with the transformation of DC Cash One into a consolidated subsidiary. By contrast, financial expenses declined 10.9%, to ¥10.4 billion, and bad-debt-related expenses were down 1.3%, to ¥50.8 billion. The decline in financial expenses, while partly the result of the ongoing trend of low interest rates, underscored the success of two financial strategies: (1) reduce interest-bearing liabilities, centering on long-term debt, and (2) increase the proportion of direct borrowings, which constitute a low-cost, stable method of fund procurement.

On a non-consolidated basis, financial expenses declined 18.2%, to ¥9.2 billion, and bad-debt-related expenses decreased 4.8%, to ¥46.7 billion. Major factors in the decline in bad-debt-related expenses included a fall in the rate of generation of bad debt write-offs for unsecured consumer loans in the past year, resulting in a decline in general allowance for bad debts. These factors resulted from various measures taken, including establishment of a system in which our counselors follow up on customers with loans in arrears. By contrast, we reported an increase in advertising and promotional expenses of ¥0.6 billion, stemming from higher television commercial outlays, including a new series of commercials. Commissions to banks and other entities also rose ¥0.3 billion due to expanded transaction volume of our Cash Dispenser and ATM alliance network.

Other Income (Expenses)

Total other income, net, amounted to ¥780 million, representing a ¥2.9 billion improvement on the previous corresponding period. This was largely due to the absence of the net loss in affiliates by the equity method (¥1.0 billion in the previous interim term), due to the inclusion of DC Cash One in the scope of consolidation. Other factors included a net gain in affiliates by the equity method, owing to the inclusion of DC Card Co., Ltd. in the scope of equity-method application in the current fiscal year, as well as the absence of two items reported in the previous interim period: stock issuance expenses and impairment loss. In addition, in September 2005, the Company sold all of its stake in CHAILEASE ACOM FINANCE CO., LTD., an equity-method affiliate engaged in the hire purchase business in Taiwan, to CHAILEASE FINANCE CO., LTD., a joint venture partner.

Financial Position

Balance Sheets

At September 30, 2005, consolidated total assets stood at ¥2,081.3 billion, up ¥4.0 billion from March 31. During the interim period, total shareholders' equity rose ¥41.7 billion, to ¥905.5 billion, and the shareholders' equity ratio climbed 1.9 points, to 43.5%.

In the assets column, total current assets declined ¥55.6 billion, property and equipment, net, declined ¥1.7 billion, and total investments and other assets increased ¥61.4 billion. With respect to current assets, the Company posted a ¥17.7 billion increase in loans receivable, but also reported an ¥18.8 billion decline in notes and accounts receivable. Moreover, deferred tax assets were down ¥10.3 billion, due to a decline in the excessive amount of allowance for bad debts. Regarding investments and other assets, investments in securities rose ¥64.7 billion, due mainly to ACOM's acquisition of a 14.9% stake in OMC Card, Inc. (hereinafter OMC Card), in August and September 2005. The aim of this purchase is to create a more cooperative relationship with OMC Card.

On the liabilities side, total current liabilities rose ¥27.0 billion, while total long-term liabilities fell ¥64.8 billion. As a result, total liabilities declined ¥37.8 billion. With respect to current liabilities, the Company posted an increase of ¥48.4 billion in short-term loans and a decrease of ¥8.8 billion in current portion of long-term debt. In addition, accrued income taxes fell ¥5.8 billion. Regarding long-term liabilities, long-term debt declined ¥73.5 billion, but deferred tax liabilities rose ¥8.8 billion, owing largely to an increase in the market value of marketable securities held by the Company.

In the shareholders' equity section, retained earnings and net unrealized gains on other securities rose ¥37.6 billion and ¥12.2 billion, respectively. Due to share buybacks by the Company, treasury stock increased ¥8.0 billion.

Cash Flows

At September 30, 2005, cash and cash equivalents totaled ¥92.6 billion, down ¥53.2 billion from March 31.

For the interim period, net cash provided by operating activities amounted to ¥41.5 billion, down ¥26.6 billion from the previous corresponding period. The decline stemmed mainly from changes in two items—an increase in loans receivable and a decrease in notes and accounts receivable—which together led to a ¥27.0 billion year-on-year increase in cash outflow. This was despite income before income taxes of ¥79.5 billion (up ¥3.0 billion year-on-year).

Net cash used in investing activities totaled ¥43.6 billion, up ¥39.6 billion from the previous interim period. This was due mainly to an increase of ¥45.6 billion in purchase of investments in securities related to the aforementioned acquisition of a stake in OMC Card.

Net cash used in financing activities was ¥51.3 billion, down ¥21.5 billion. This change stemmed mainly from the Company's reduction of interest-bearing liabilities, centering on long-term debt.

Cash Flows

	Millions of Yen			
	FY2005 (Interim)	YoY Change	FY2004	FY2003
Net Cash Provided by Operating Activities	**41,548**	**(26,680)**	141,014	164,158
Net Cash Used in Investing Activities	**(43,678)**	**(39,627)**	(17,350)	(5,398)
Net Cash Used in Financing Activities	**(51,375)**	**21,589**	(136,508)	(166,105)