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# Earnings Release Conference

*1st Half of Fiscal Year Ending March 2004*

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**ACOM CO., LTD.**

**<http://ir.acom.co.jp/>**

# *Conference Schedule*

1. Opening
2. Financial Results and Outlook
3. Business Environment
4. Business Plans for Second Half
5. Report on Financial Results
6. Questions & Answer Session
7. Closing

The figures contained in this presentation 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 belief in light of the information currently available to it and involve risks and uncertainties and actual results may differ from those in the forward-looking statements as a results of various facts. 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 the ACOM's debt and legal limits on interest rates charged by ACOM.

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## 2. Financial Results and Outlook

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Shigeyoshi Kinoshita  
President & Chief Executive Officer

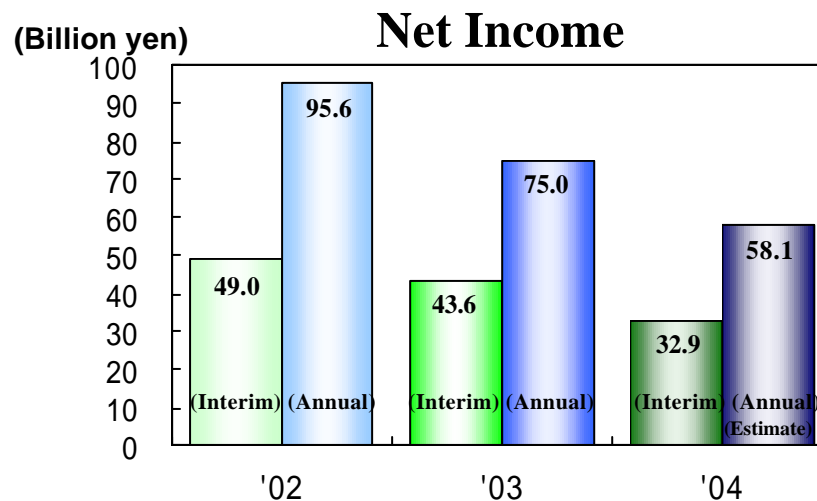
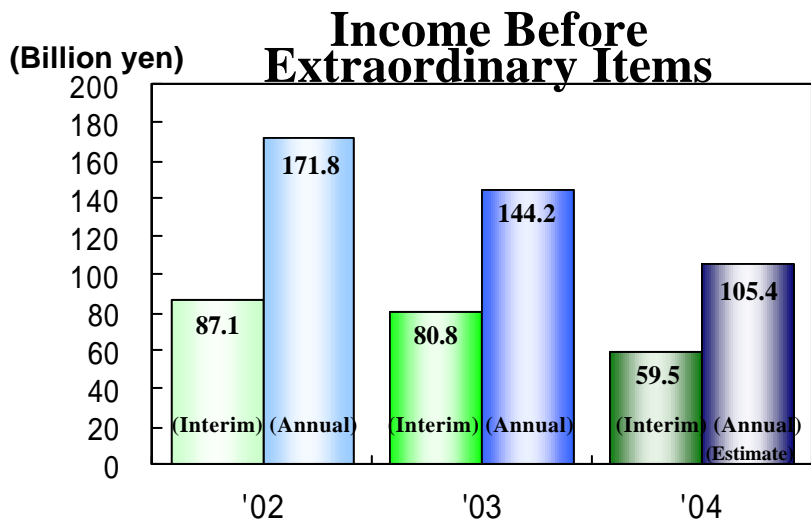
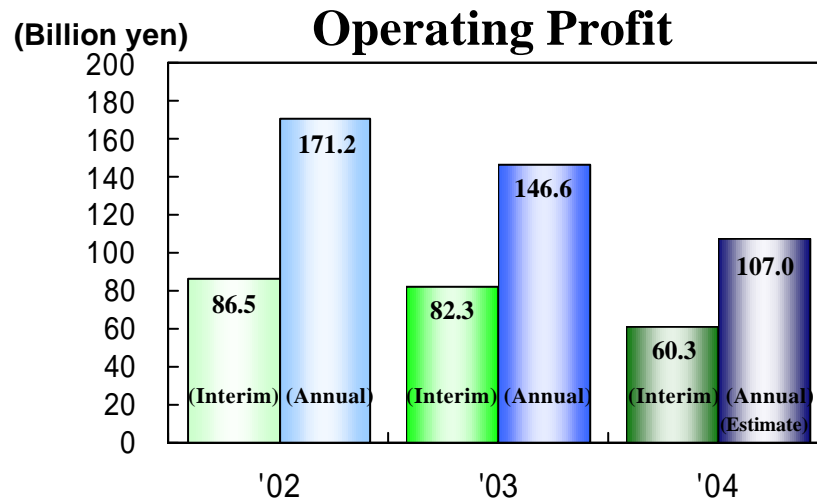
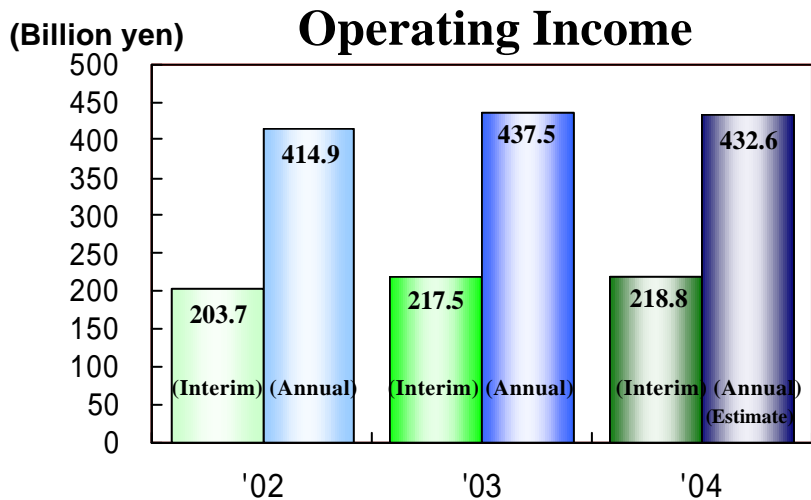
## *Consolidated Interim Financial Results*

	<b>Actual</b>	<b>yoy change</b>	
	(Billions of yen)	(Billions of yen)	
◆ <b>Operating Income</b>	<b>218.8</b>	<b>1.3</b>	<b>0.6%</b>
◆ <b>Operating Profit</b>	<b>60.3</b>	<b>-22.0</b>	<b>-26.7%</b>
◆ <b>Income Before Extraordinary Items</b>	<b>59.5</b>	<b>-21.3</b>	<b>-26.4%</b>
◆ <b>Net Income</b>	<b>32.9</b>	<b>-10.6</b>	<b>-24.5%</b>

## *Consolidated Financial Outlook*

	<b>Estimate</b>	<b>yoy change</b>	
	(Billions of yen)	(Billions of yen)	
◆ <b>Operating Income</b>	<b>432.6</b>	<b>-4.9</b>	<b>-1.1%</b>
◆ <b>Operating Profit</b>	<b>107.0</b>	<b>-39.6</b>	<b>-27.0%</b>
◆ <b>Income Before Extraordinary Items</b>	<b>105.4</b>	<b>-38.7</b>	<b>-26.9%</b>
◆ <b>Net Income</b>	<b>58.1</b>	<b>-16.9</b>	<b>-22.6%</b>

# Consolidated Financial Summary (Actual Results & Outlook)



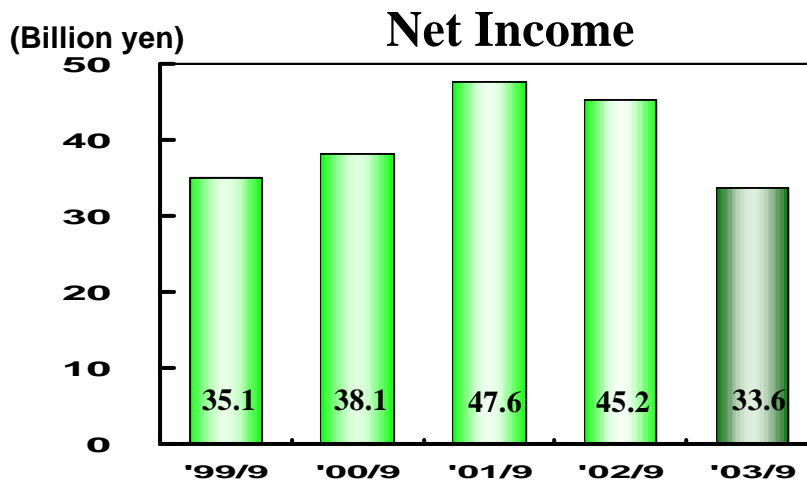
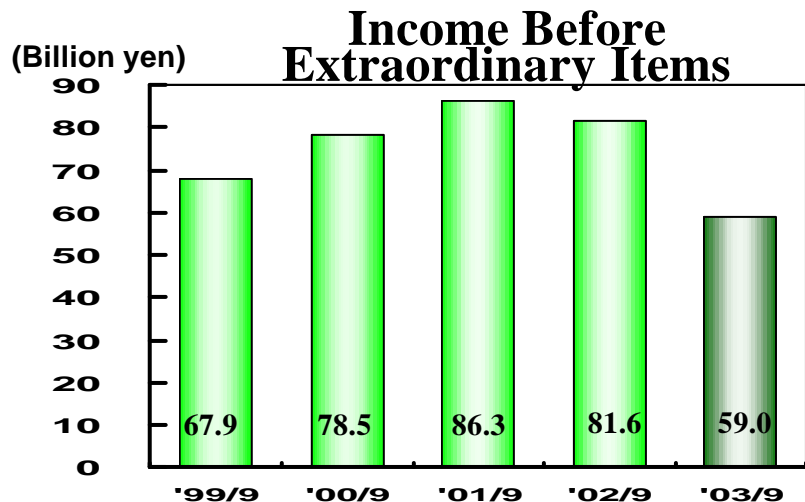
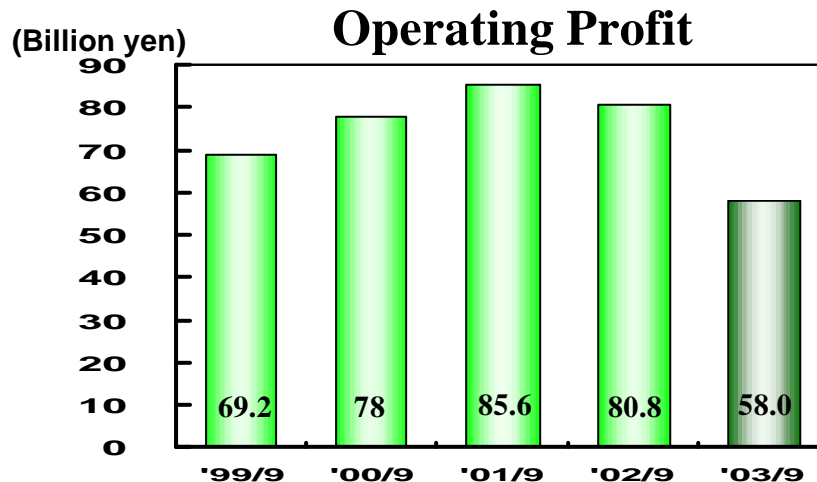
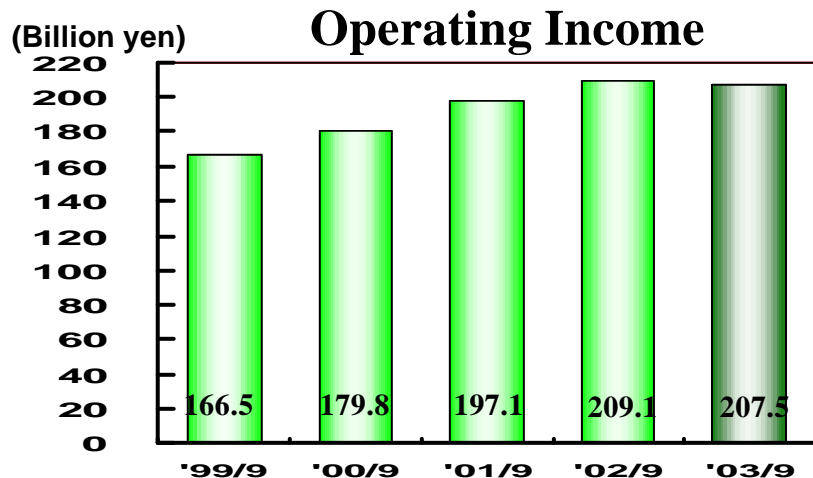
## ***Non-consolidated Interim Financial Results***

	<b>Actual</b>	<b>yoy change</b>	
	(Billions of yen)	(Billions of yen)	
◆ <b>Operating Income</b>	<b>207.5</b>	<b>-1.6</b>	<b>-0.8%</b>
◆ <b>Operating Profit</b>	<b>58</b>	<b>-22.7</b>	<b>-28.2%</b>
◆ <b>Income Before Extraordinary Items</b>	<b>59</b>	<b>-22.6</b>	<b>-27.8%</b>
◆ <b>Net Income</b>	<b>33.6</b>	<b>-11.6</b>	<b>-25.7%</b>

## *Non-consolidated Financial Outlook*

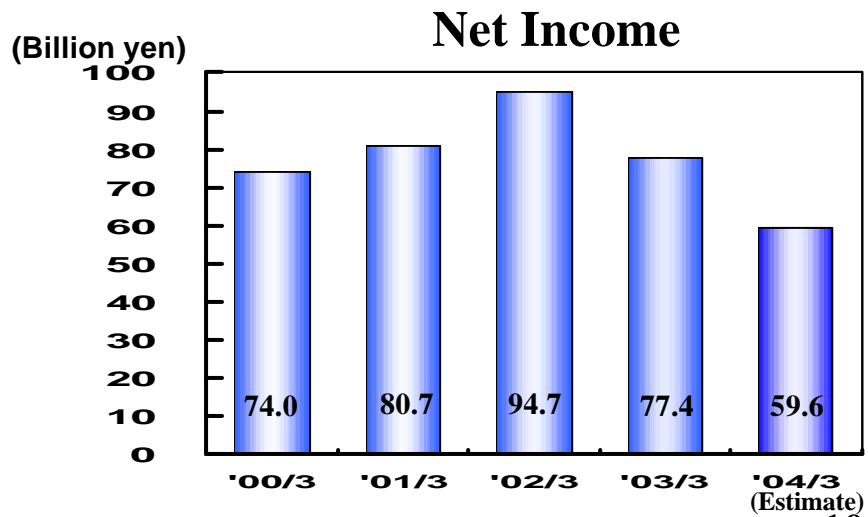
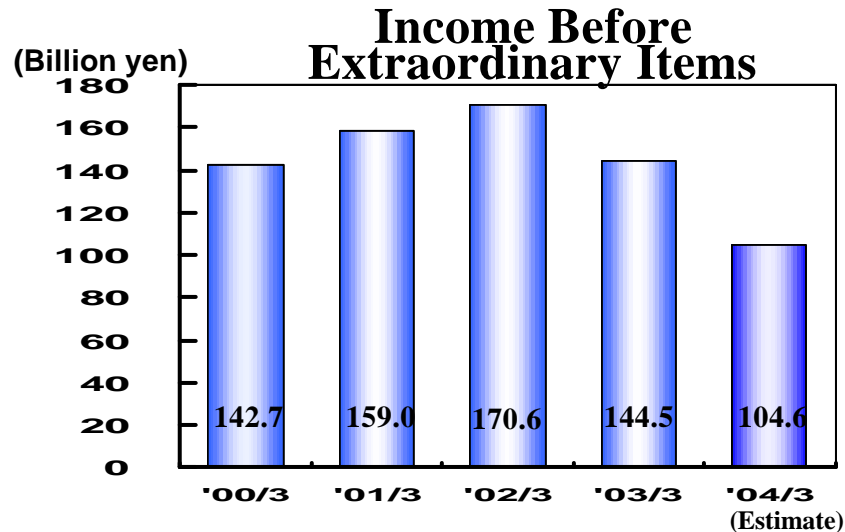
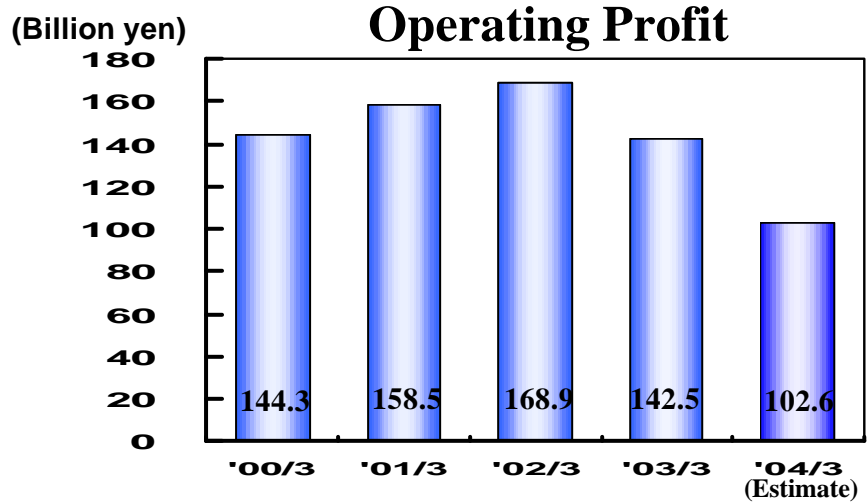
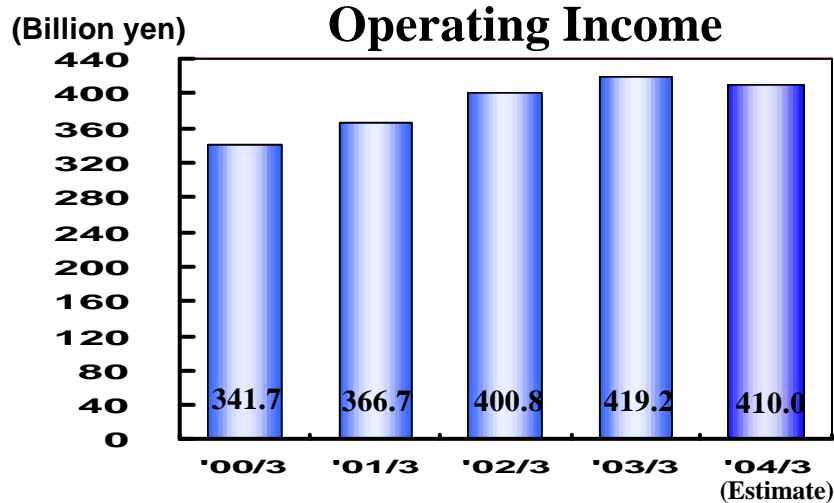
	<b>Estimate</b>	<b>yoy change</b>	
	(Billions of yen)	(Billions of yen)	
◆ <b>Operating Income</b>	<b>410</b>	<b>-9.2</b>	<b>-2.2%</b>
◆ <b>Operating Profit</b>	<b>102.6</b>	<b>-39.9</b>	<b>-28.0%</b>
◆ <b>Income Before Extraordinary Items</b>	<b>104.6</b>	<b>-39.9</b>	<b>-27.6%</b>
◆ <b>Net Income</b>	<b>59.6</b>	<b>-17.8</b>	<b>-23.1%</b>
◆ <b>Dividend</b>	<b>80 yen</b>		

# *Non-consolidated Interim Financial Summary*



# Non-consolidated Financial Summary

## (Annual Results & Estimate)



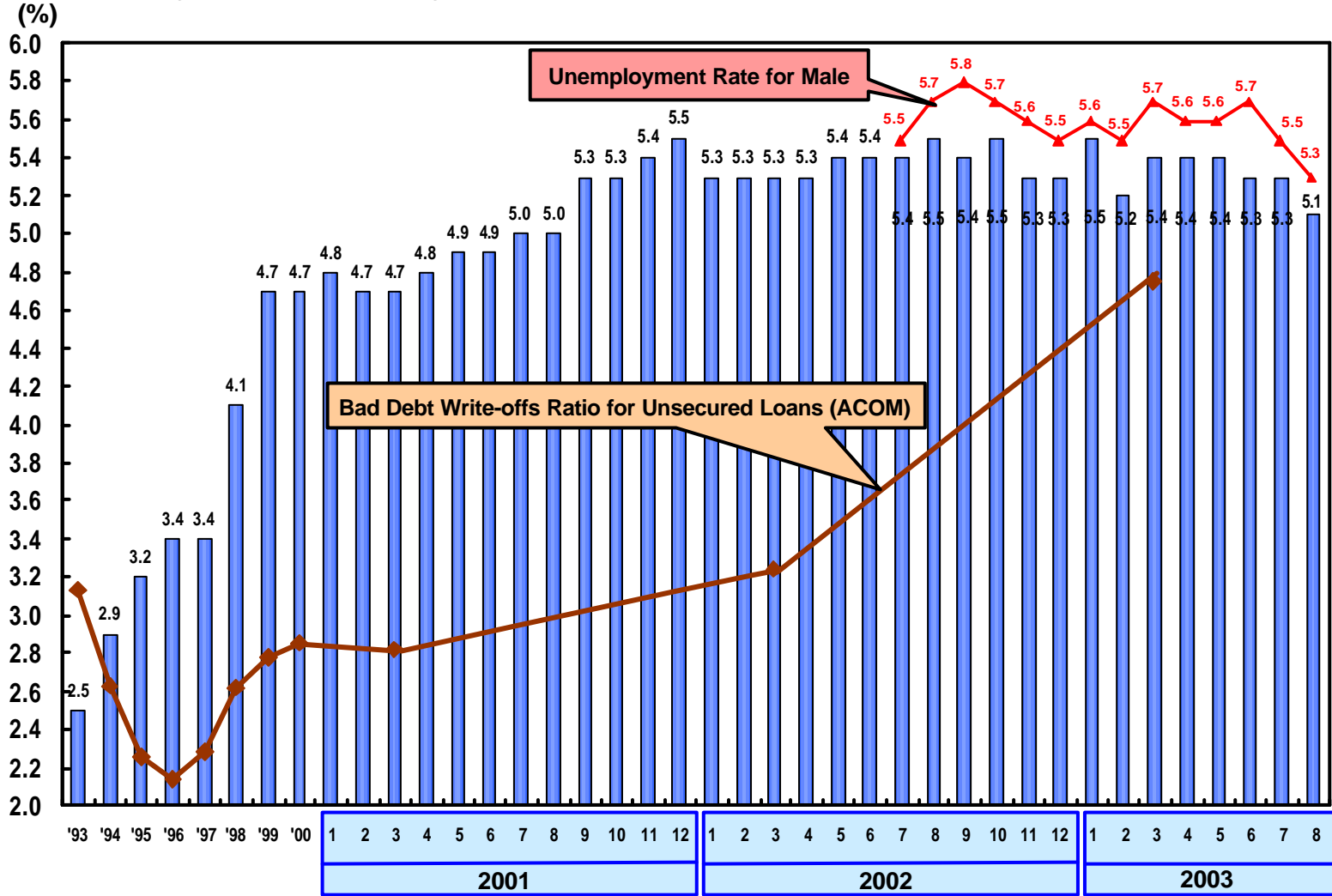
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## 3. Business Environment

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# Business Environment

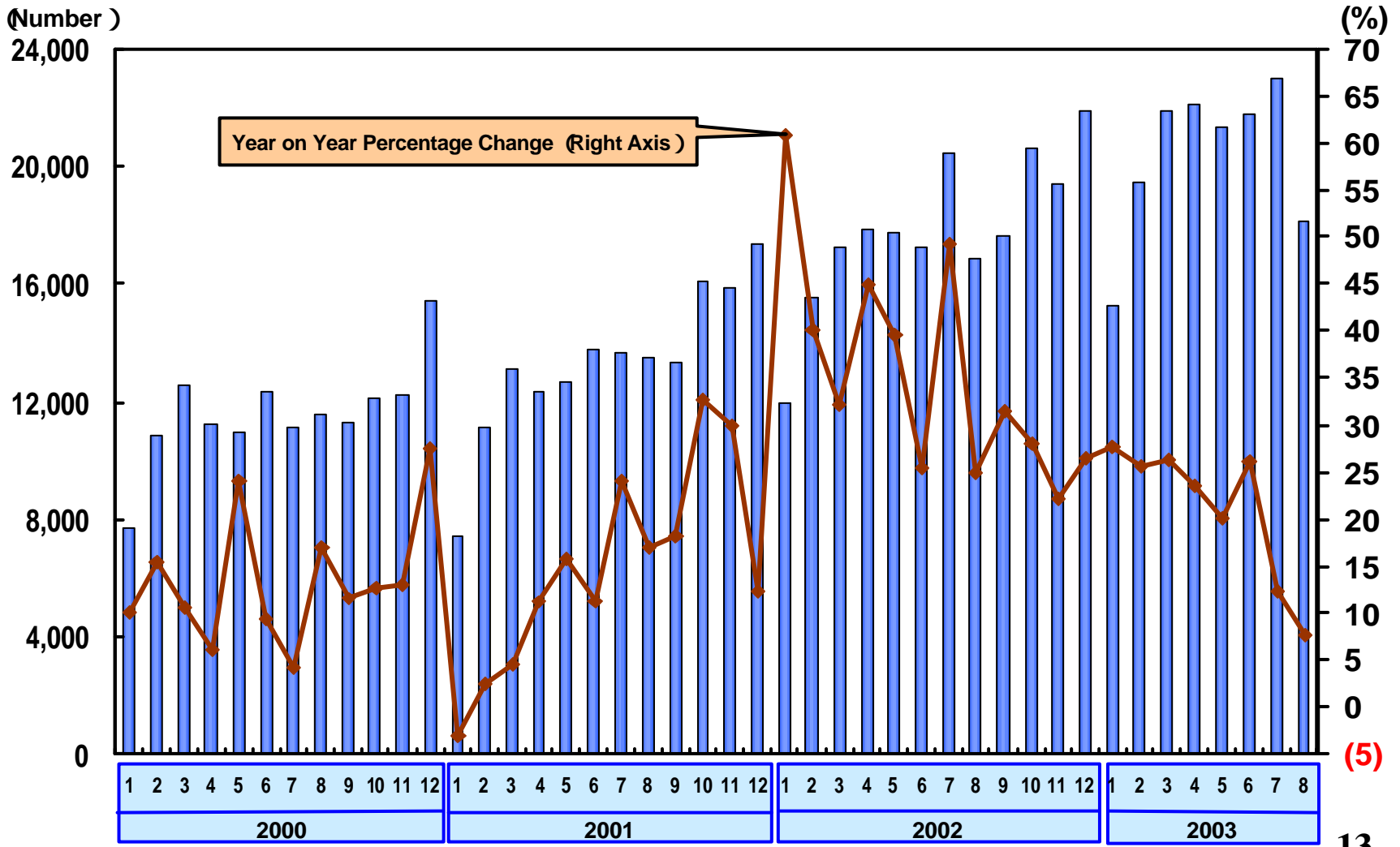
## ◆ Monthly Unemployment Rate in Japan



Source: Statistics Bureau

# Business Environment

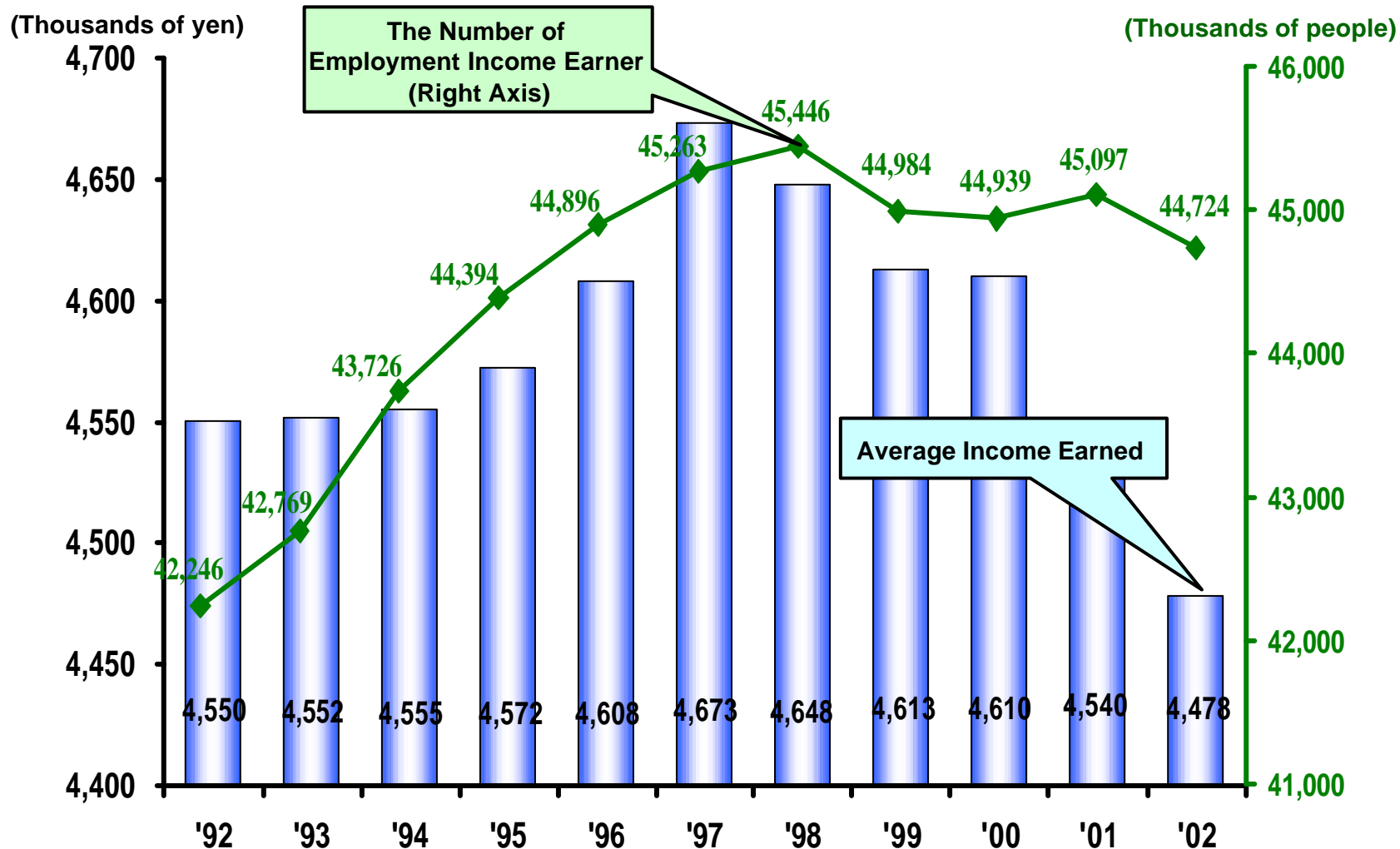
## ◆ Monthly Number of Application for Personal Bankruptcy



Source: Supreme Court

# Business Environment

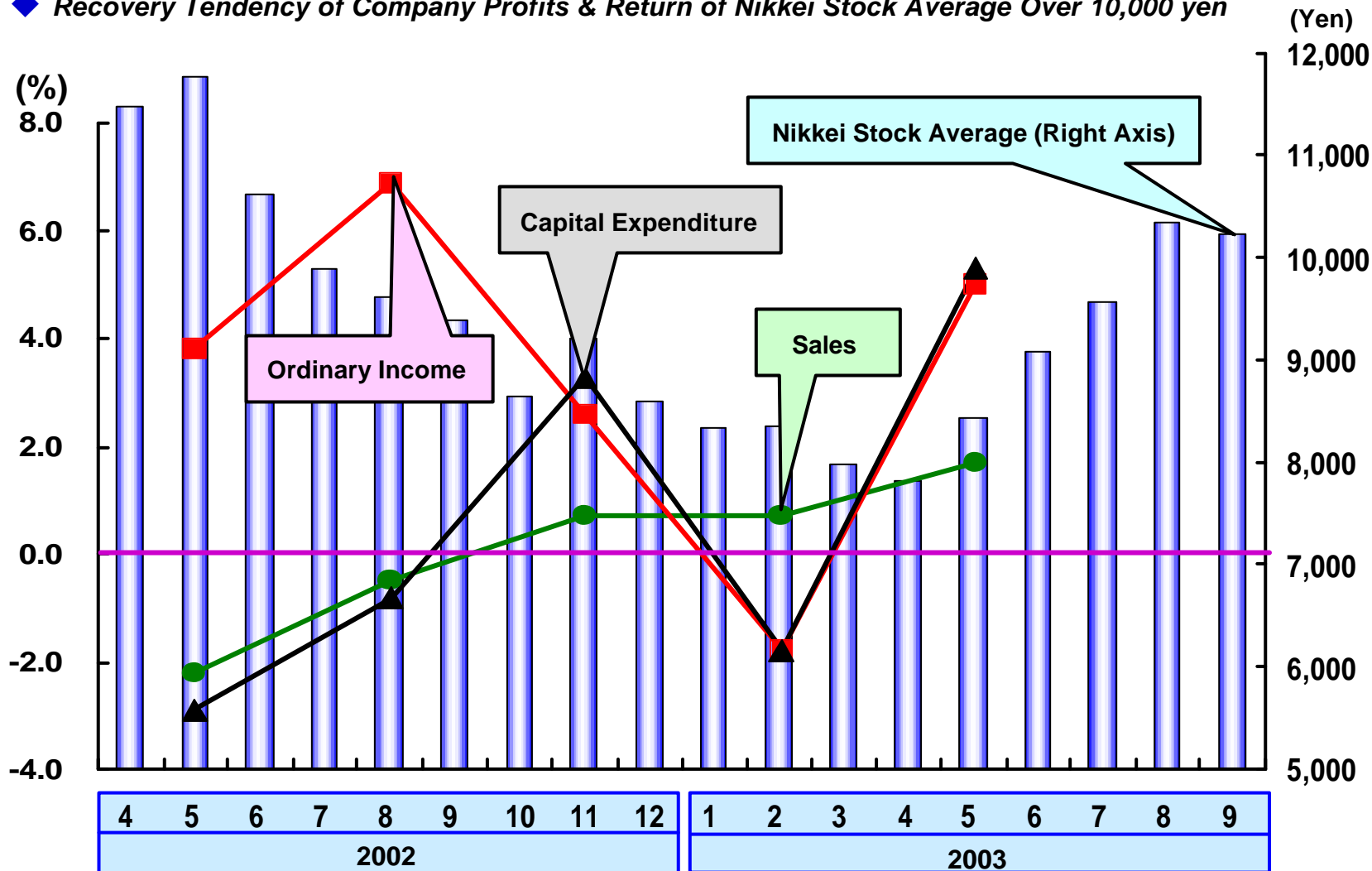
## Average Income Earned of Private Companies



Source: National Tax Administration Agency

# Business Environment

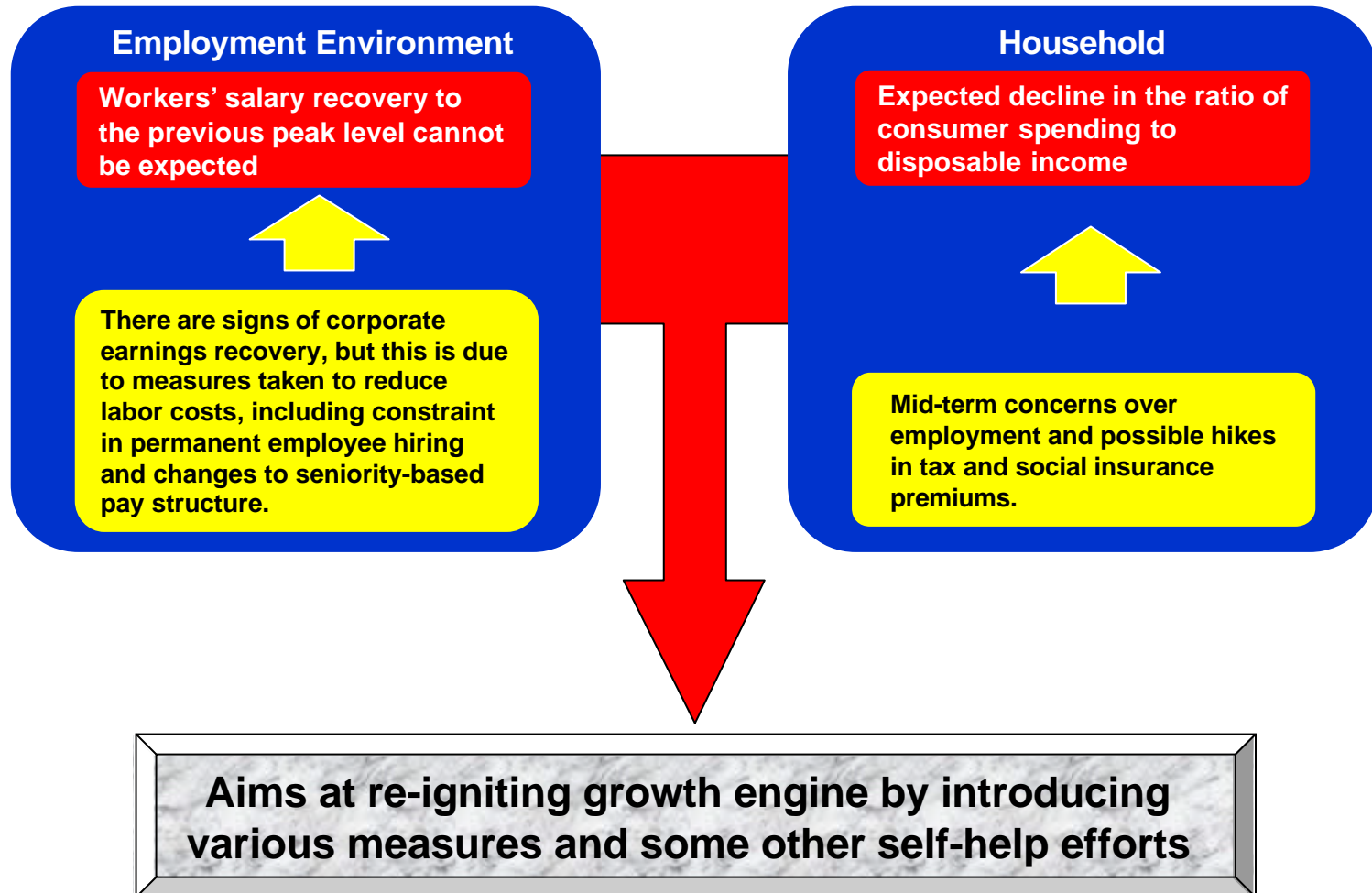
◆ Recovery Tendency of Company Profits & Return of Nikkei Stock Average Over 10,000 yen



(Note) The Numbers of Sales, Capital Expenditure and Ordinary Income indicate Quarterly based Year on Year Percentage Point Source: Ministry of Finance Japan

# *Business Environment*

## ◆ *ACOM's Major Clients Still Remain Worse Off*



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## 4. Business Plans for the Second Half

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# ***Business Plans for the Second Half***

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## **◆ Two Strategies**

### **Strengthen operations**

**Pursue “enhanced loan quality” and “an unsecured loan business model based on rigorous low-cost operations” rather than trying to expand near-term loan volume and be ready for loan growth opportunities with competitive advantages when the economy recovers**

### **Expand peripheral financial services**

**Expand peripheral financial services while maintaining profits in the core loan business as a way of returning to consolidated group growth even with flat loan value**

# ***Business Plans for the Second Half***

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## **◆ Modification of Loan Business Model**

**Establishment of New Sales System**

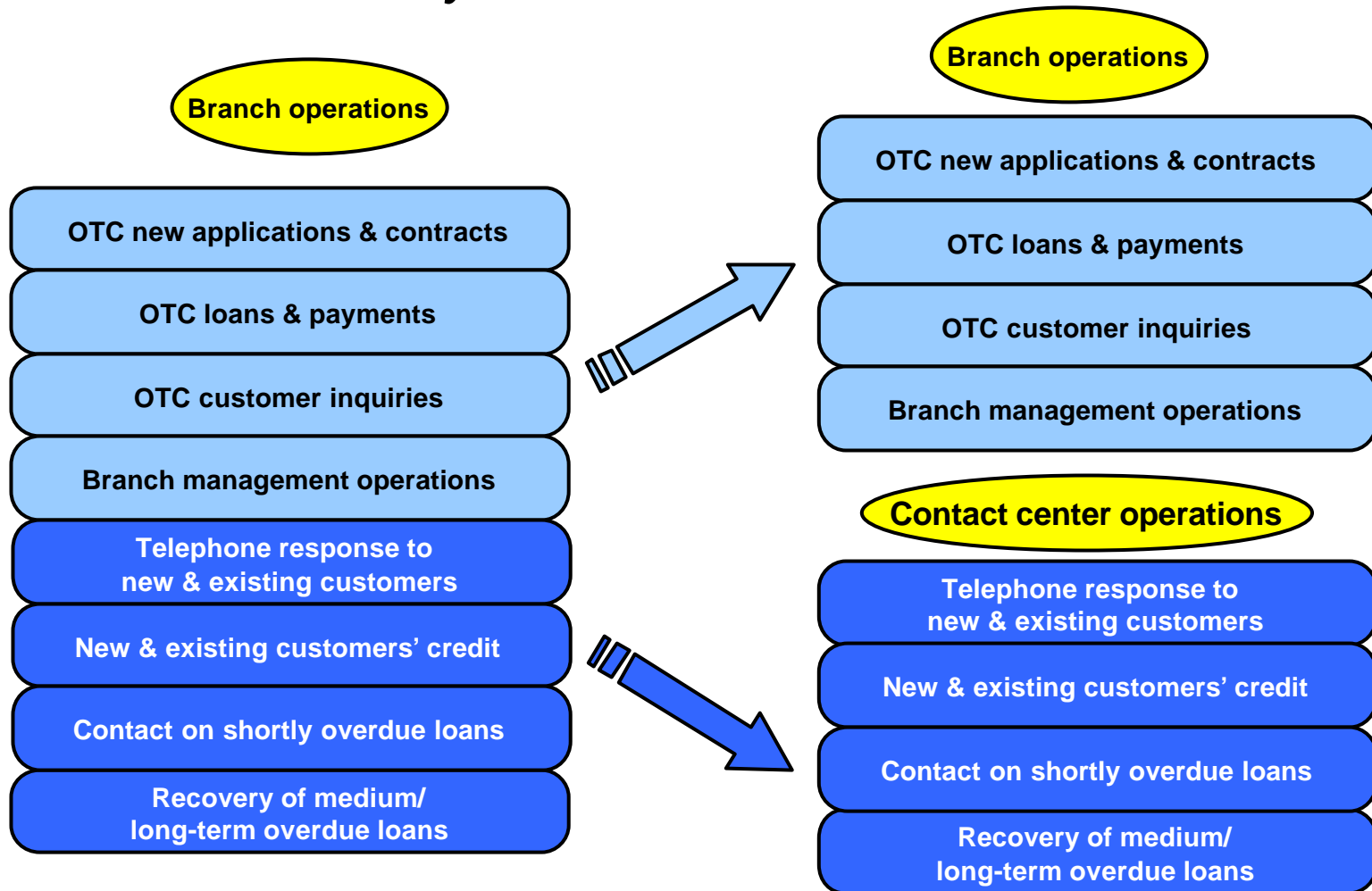
**Asset Quality Improvement**

**Full Implementation of Low Cost Operation**

# Business Plans for the Second Half

## ◆ Establishment of New Sales System

❖ Provide satisfactory service and increase in sales force



# *Business Plans for the Second Half*

## ◆ *Establishment of New Sales System*

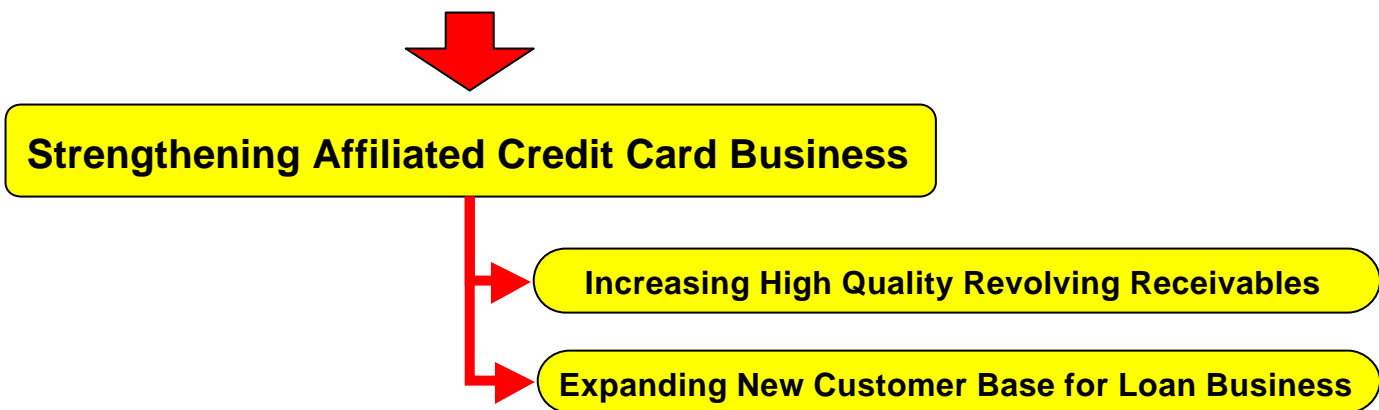
### ❖ *Restructuring of outlet network (scrap and rebuild)*

Number of outlets	3/2003			9/2003			3/2004 (Estimate)		
	Staffed	Unstaffed	Total	Staffed	Unstaffed	Total	Staffed	Unstaffed	Total
Beginning of FY	521	1,240	1,761	468	1,248	1,716	468	1,248	1,716
New	1	42	43	0	22	22	1	41	42
Close	(11)	(77)	(88)	0	(8)	(8)	0	(53)	(53)
Change	(43)	43	0	(58)	58	0	(83)	83	0
End of FY	468	1,248	1,716	410	1,320	1,730	386	1,319	1,705
Increase(Decrease)	(53)	8	(45)	(58)	72	14	(82)	71	(11)

### ❖ *Aggressive expansion of affiliated credit cards*

#### ➤ *Establish Credit Card & Installment Business Department (June 27th, 2003)*

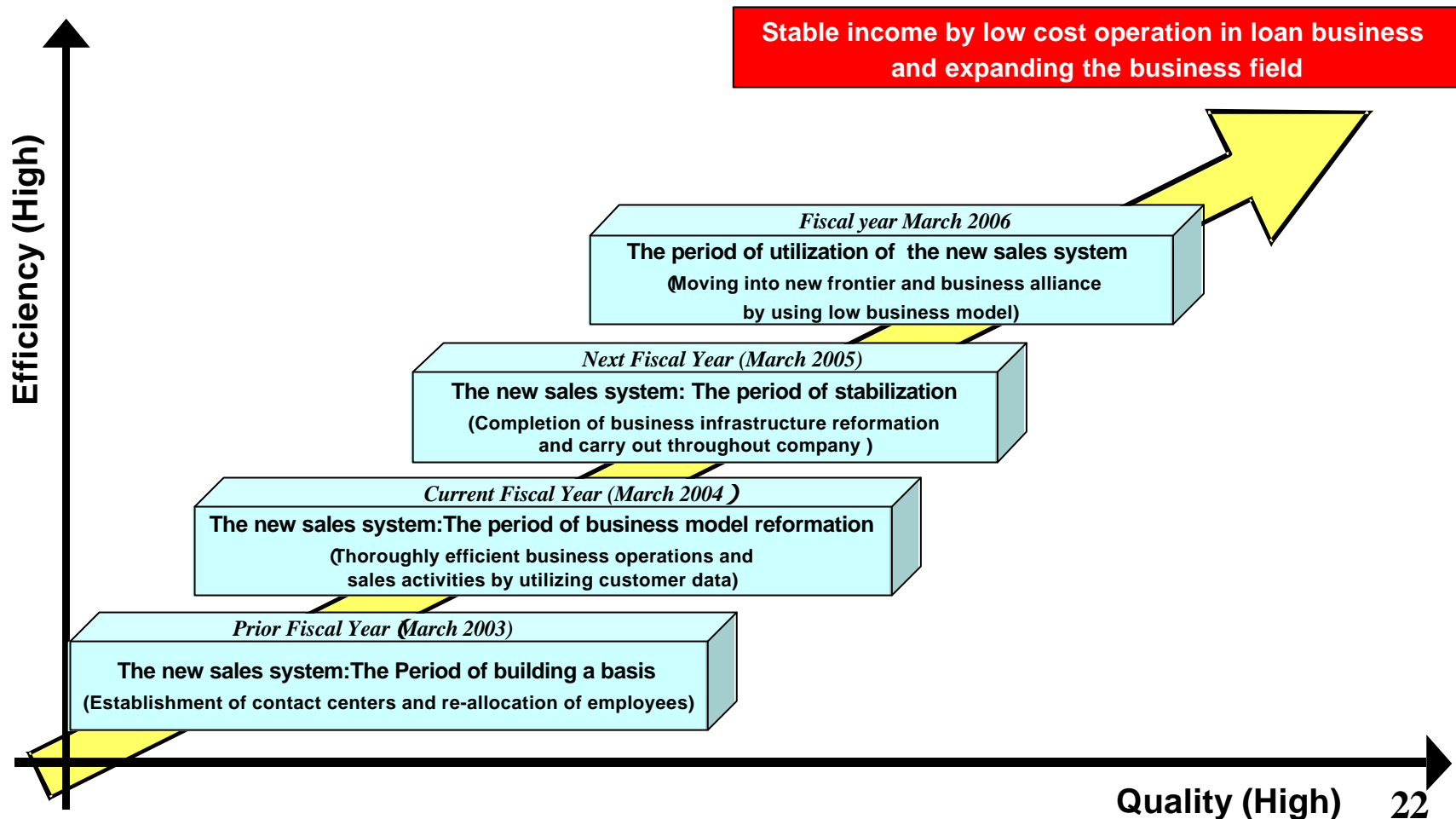
**(Integration of Credit Card and Installment Sales Finance )**



# *Business Plans for the Second Half*

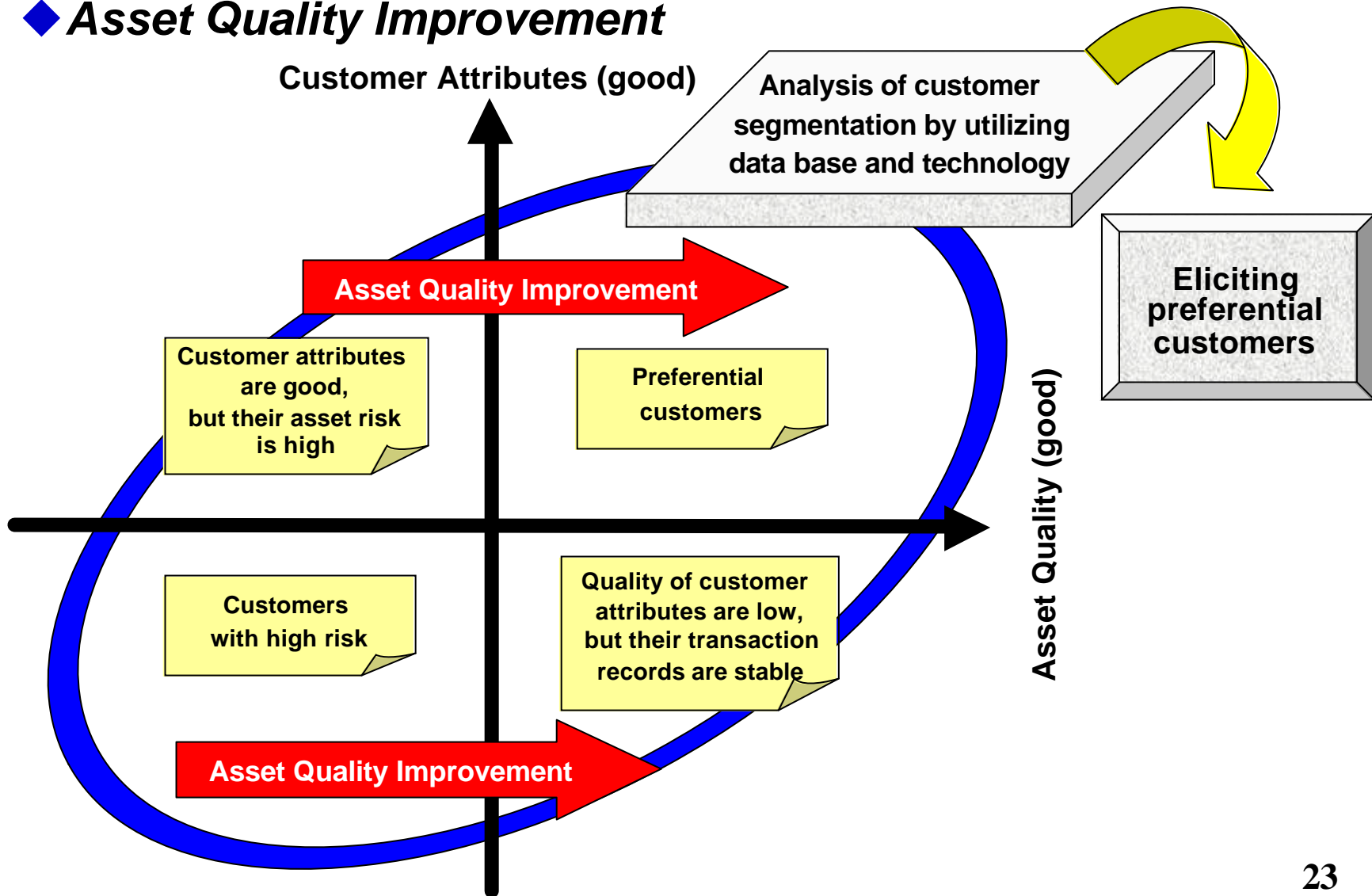
## ◆ Establishment of New Sales System

### ❖ Progress situation and direction hereafter



# *Business Plans for the Second Half*

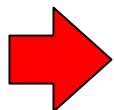
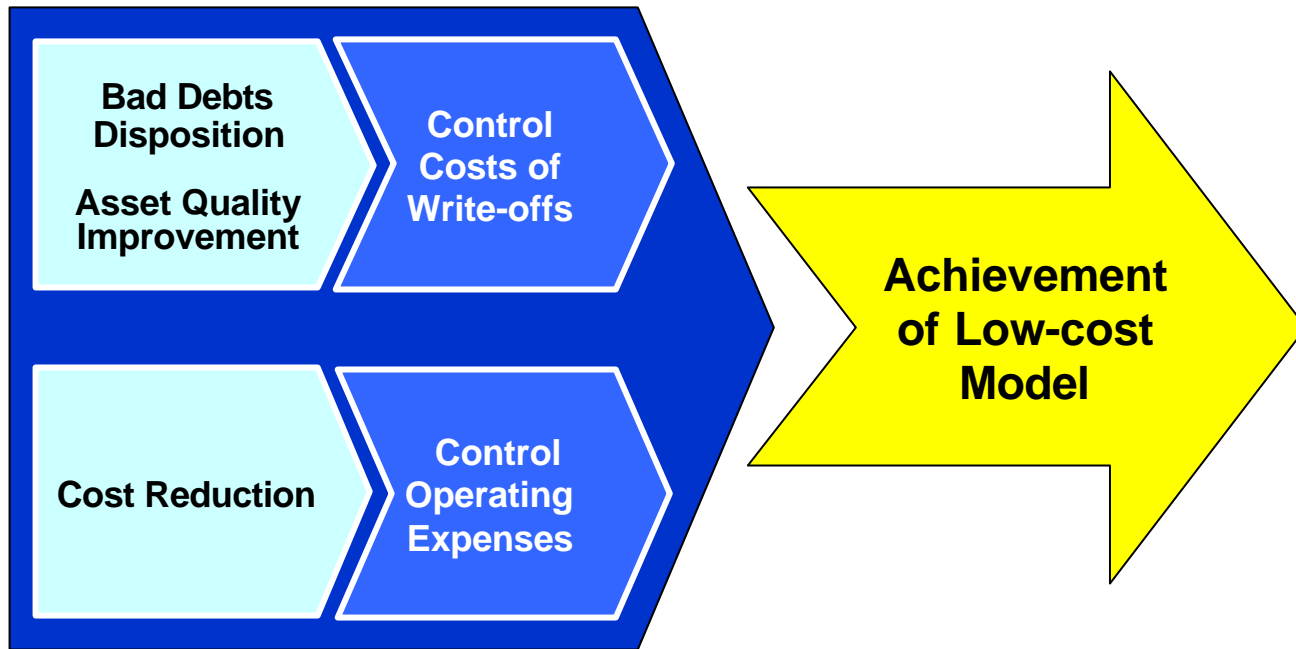
## ◆ Asset Quality Improvement



# ***Business Plans for the Second Half***

## **◆ Full Implementation of Low Cost Operations**

### **❖ Aggressive cost cutting**



**Cost reduction project team has been aggressively cutting operating costs this fiscal year**

## ***Expanding Peripheral Financial Services***

### **◆ Aims at Re-igniting Growth**

#### **● Guarantee Business**

##### **❖ New fee business utilizing risk assessing capability**

- Operating Income: Guarantee fees 6% - 8%
- Partnership: Hokkaido Bank, Hiroshima Bank, Suruga Bank, Juroku Bank, Aomori Bank, Hachijuni Bank, Fukuoka City Bank, Bank of Nagasaki, Nanto Bank, Hokuriku Bank, Tokyo-Mitsubishi Cash One (10 banks & 1 corporate) [as of October 29, 2003]
- Loan Guarantee receivables: 79 billions of yen (as of September 30, 2003)
- Future Strategy: Planning to tie-up with first tier regional banks continuously

#### **● Tokyo-Mitsubishi Cash One Ltd.**

##### **❖ Develop a larger customer base by combining ACOM's screening and industry know-how with banks' brand**

- Loans Receivables Outstanding : 28.7 billions of yen (as of September 30, 2003)

#### **● IR Loan Servicing, Inc.**

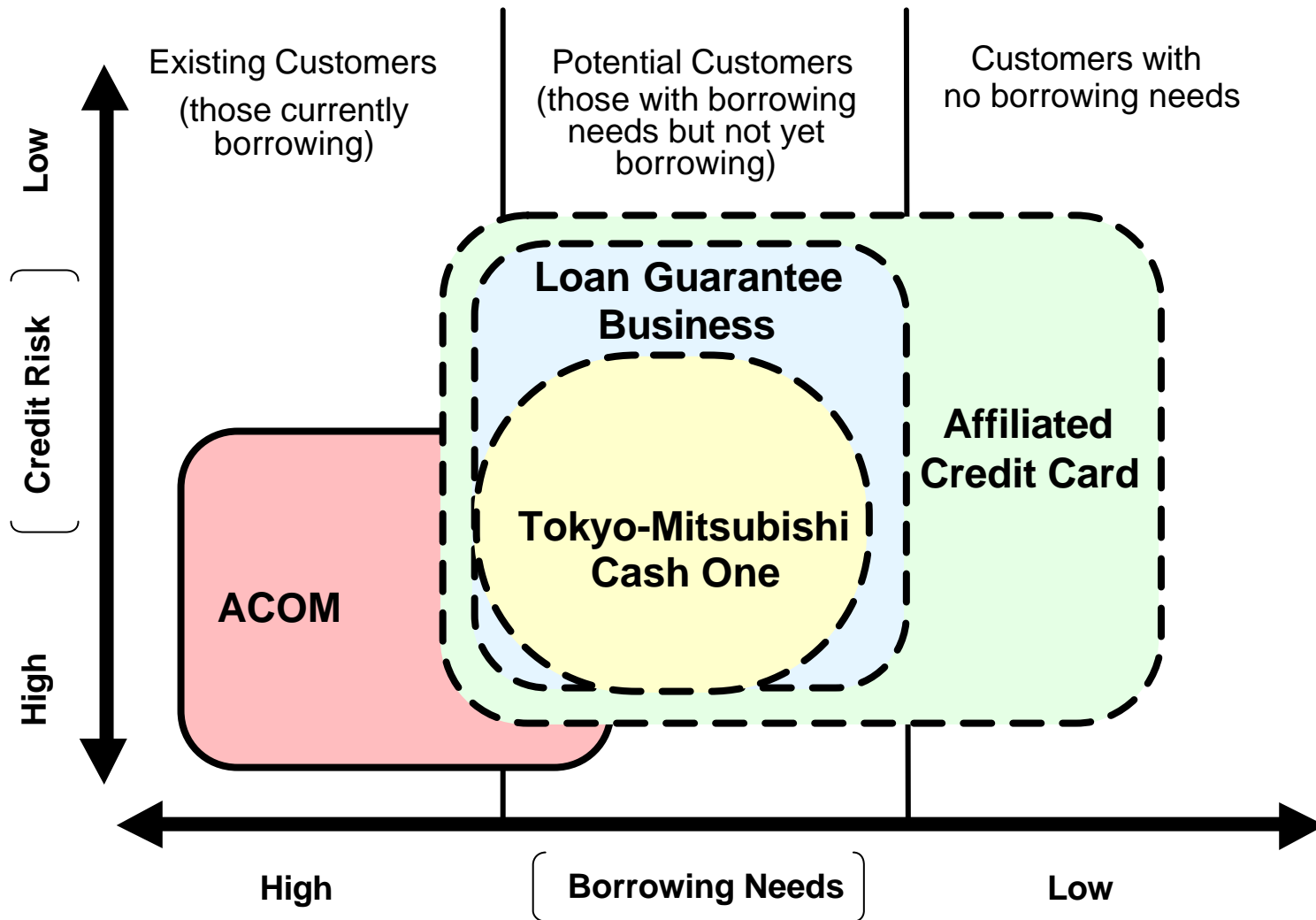
##### **❖ New business utilizing know-how on the management of credit**

- The Amount of Total Principal of Consigned and Purchased Receivables: 1.488 trillions of yen (as of September 30, 2003)

Black in 2 years after commencement of business

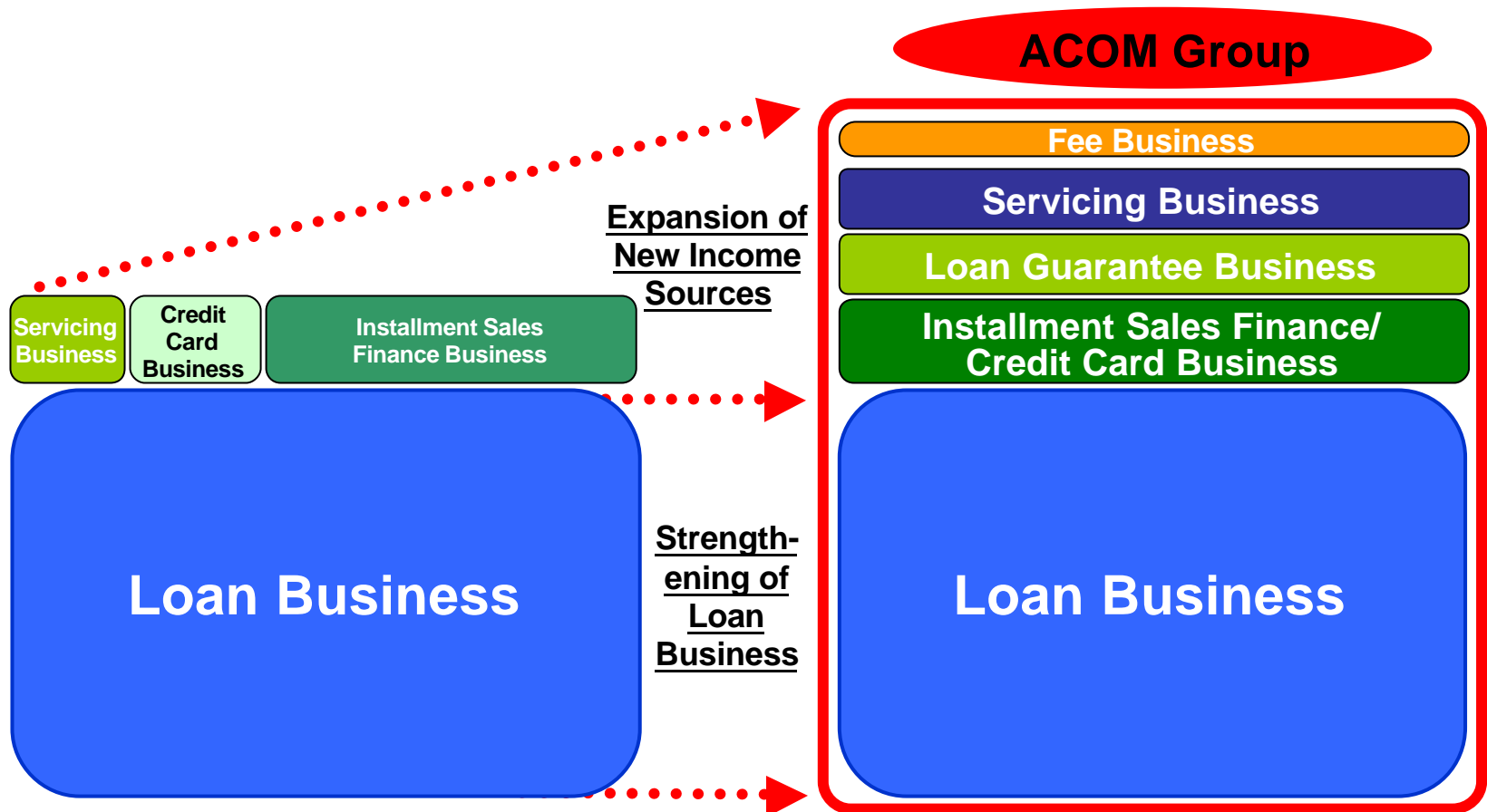
# Cultivation of New Customers

## ◆ Market Position of Consumer Loans and Affiliated Credit Cards



# *Expansion of Financial Services Business*

## ◆ Mid-term Business Portfolio





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# 5. Report on Financial Results

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Yoshinori Matsubara  
General Manager  
Corporate Planning Department

# Key Financial Data

	2003/9 (Actual)		2004/3(Estimate)	
	Consolidated (Millions of yen)	ACOM (Millions of yen)	Consolidated (Millions of yen)	ACOM (Millions of yen)
◆ Operating Income	218,875	207,507	432,600	410,000
◆ Operating Profit	60,325	58,004	107,000	102,600
● <i>Non-operating income</i>	732	1,130	1,100	2,100
● <i>Non-operating expenses</i>	1,524	114	2,700	100
◆ Income Before Extraordinary Items	59,533	59,020	105,400	104,600
◆ Net Income	32,918	33,663	58,100	59,600

# Key Financial Data (ACOM)

	2003/9 (Actual)	2004/3(Estimate)
	(Millions of yen)	(Millions of yen)
◆ <b>Non-operating Income</b>	<b>1,130</b>	<b>2,100</b>
◆ <b>Non-operating Expenses</b>	<b>114</b>	<b>100</b>
◆ <b>Extraordinary Income</b>	<b>183</b>	<b>300</b>
◆ <b>Extraordinary Losses</b>	<b>725</b>	<b>1,400</b>
● <i>Loss on sales of fixed assets</i>	<i>6</i>	<i>460</i>
● <i>Loss on disposal of fixed assets</i>	<i>268</i>	<i>440</i>
● <i>Loss on revaluation of investment in marketable securities</i>	<i>166</i>	<i>160</i>

# Operating Income (ACOM)

	2003/9 (Actual)		2004/3(Estimate)	
	(Millions of yen)		(Millions of yen)	
		yoy change		yoy change
◆ Interest on Loans Receivable	191,358	-1.4%	377,600	-2.8%
◆ Fees from Credit Card Business	2,812	19.4%	5,800	16.3%
◆ Fees from Installment Sales Financing	7,335	-10.4%	13,700	-14.9%
◆ Fees from Credit Guarantees	2,165	291.9%	4,800	158.7%
◆ Collection of Bad Debts Deducted	3, 224	-2.6%	6,900	7.4%

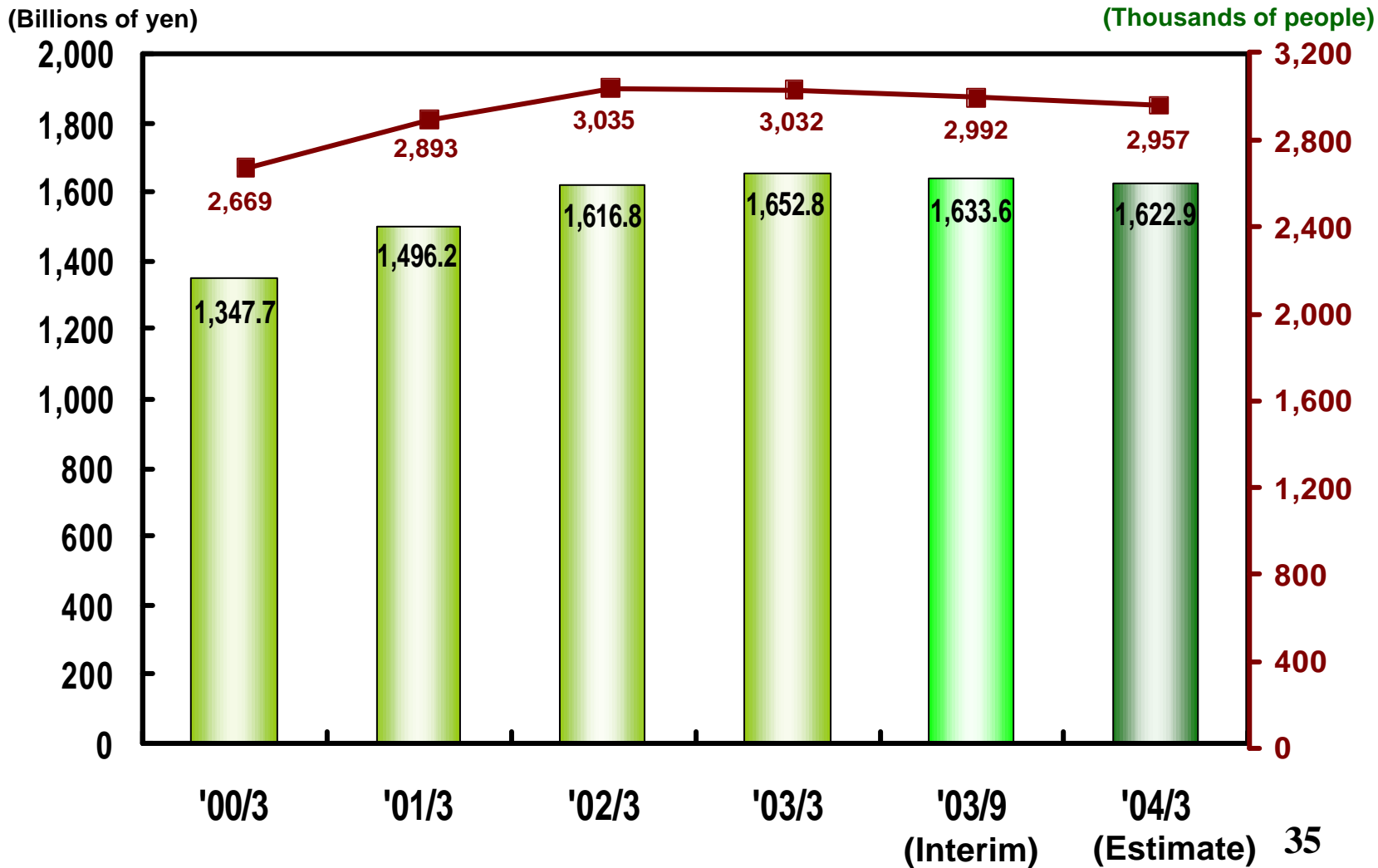
# Operating Expenses (ACOM)

Other Operating Expenses	2003/9 (Actual)		2004/3(Estimate)	
	(Millions of yen) yoy change		(Millions of yen) yoy change	
◆ Personnel Costs	19,085	2.3%	37,600	2.0%
◆ Advertising and Promotional Expenses	6,337	-21.8%	13,800	-13.0%
◆ Administrative Expenses	7,582	-3.8%	15,300	-3.5%
◆ Expenses for Computer Operation & Development	9,716	-7.7%	21,500	-7.8%
◆ Fees	6,535	7.0%	14,000	15.5%

# *Operating Expenses (ACOM)*

<b>Other Operating Expenses</b>	<b>2003/9 (Actual)</b>		<b>2004/3(Estimate)</b>	
	(Millions of yen)		(Millions of yen)	
		yoy change		yoy change
◆ Insurance Expenses	4,615	11.0%	9,500	8.2%
◆ Depreciation Expenses	1,455	-13.4%	3,100	-9.6%
◆ Taxes and Other Public Charges	3,193	-9.1%	6,400	-3.4%
◆ Market Development Expenses	-	-	1,300	-
◆ Others	7,581	28.6%	14,550	20.9%

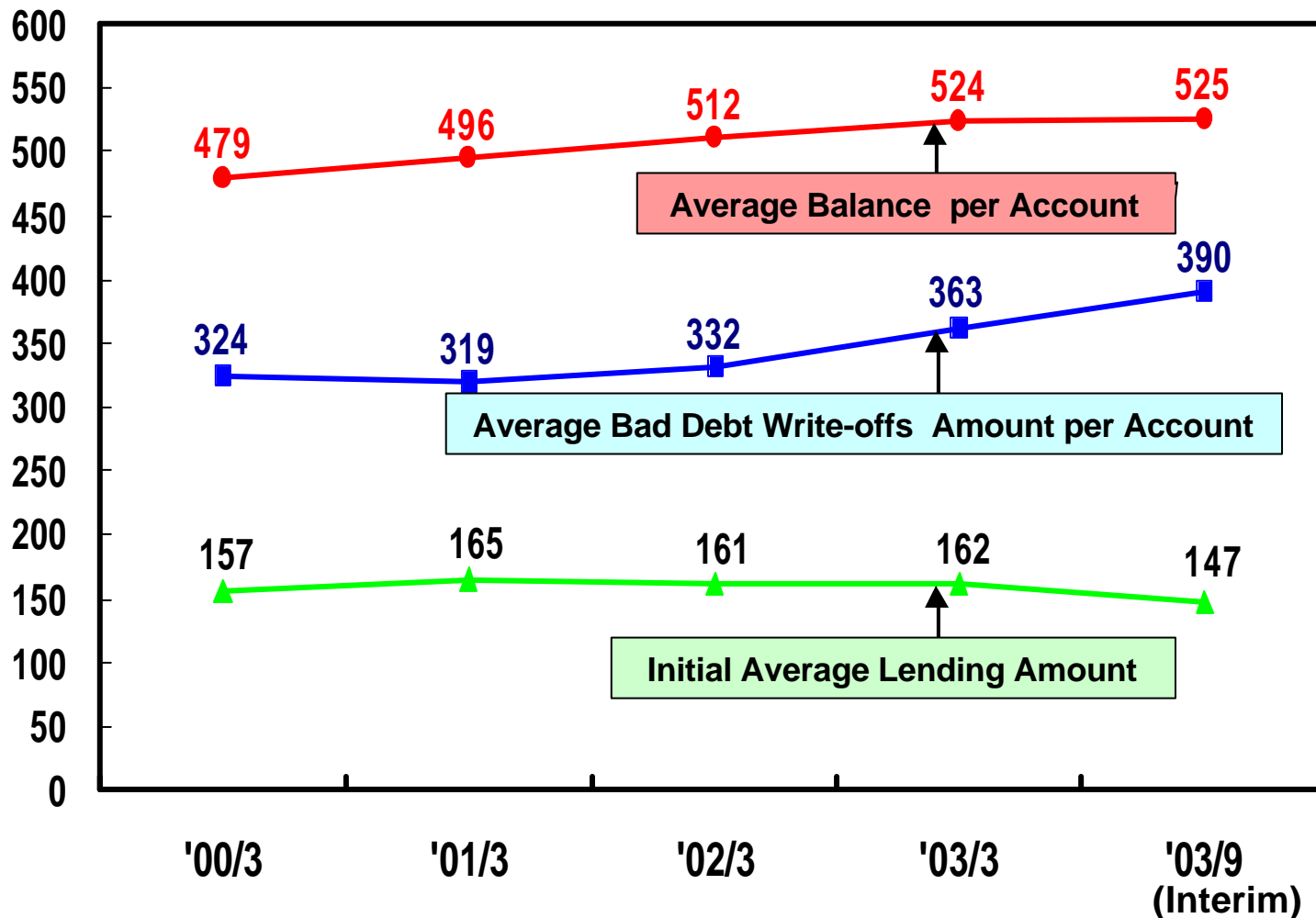
## ◆ Loan Business



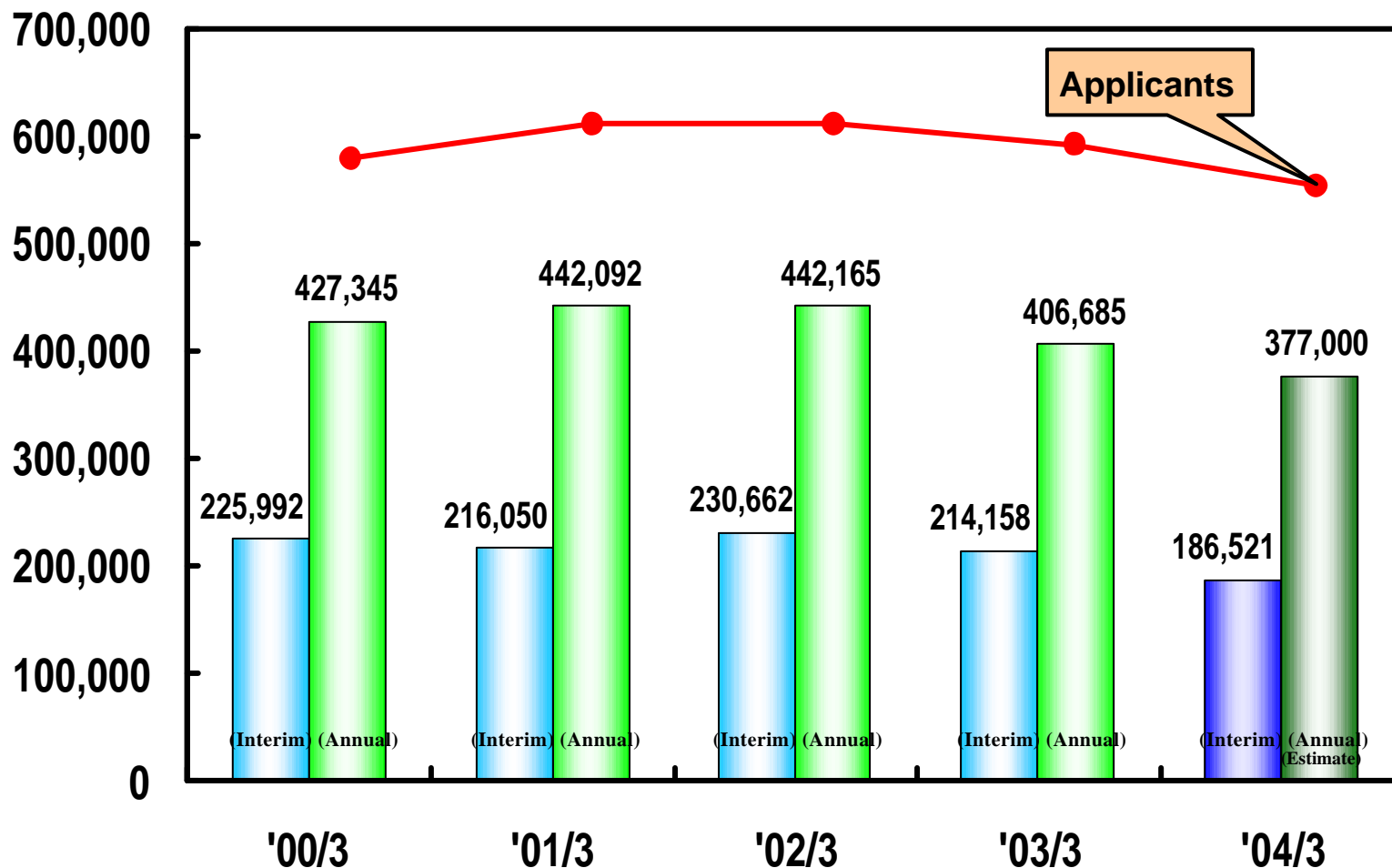
# Average Balance per Accounts (ACOM)

## ◆ Unsecured Consumer Loan Business

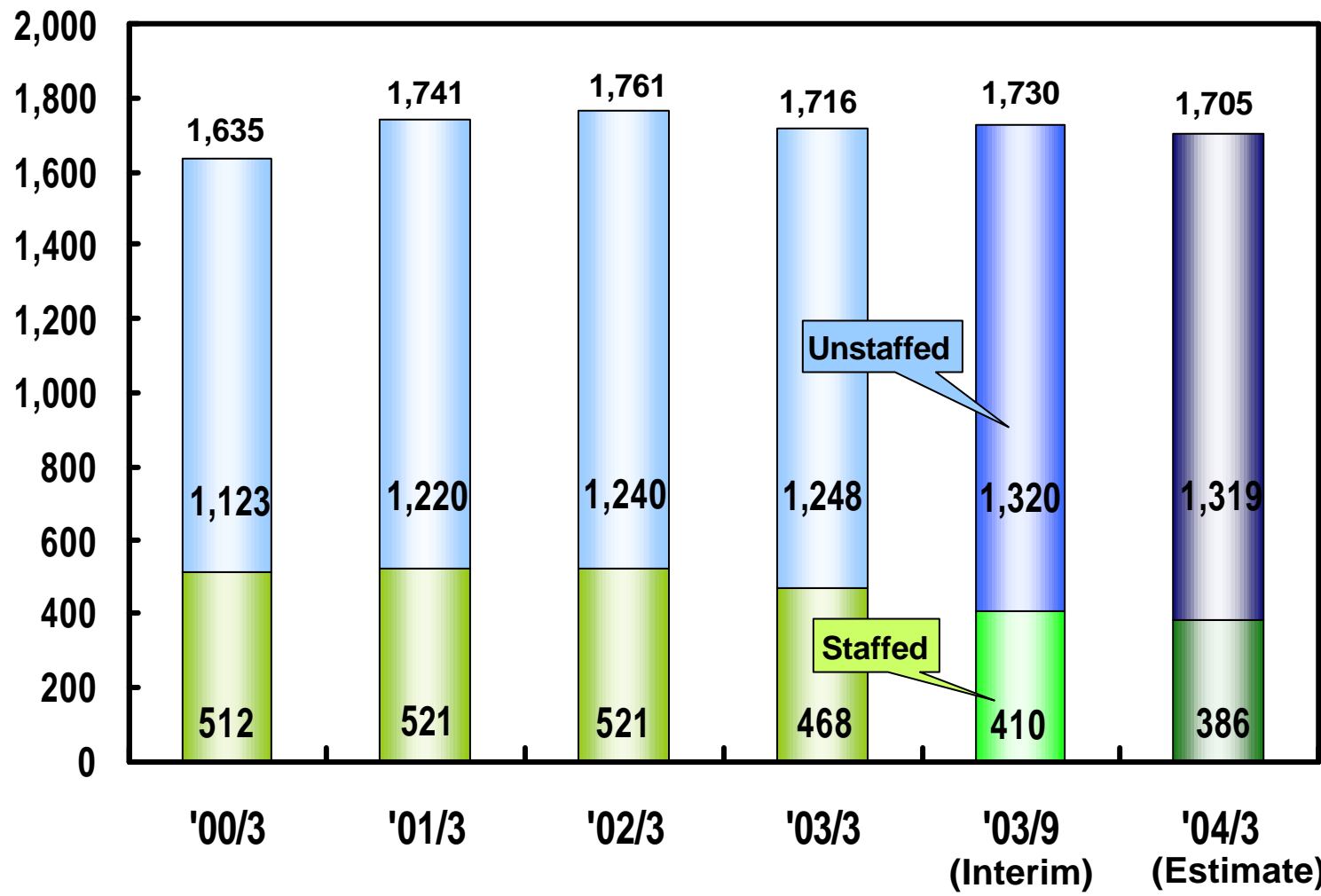
(Thousands of yen)



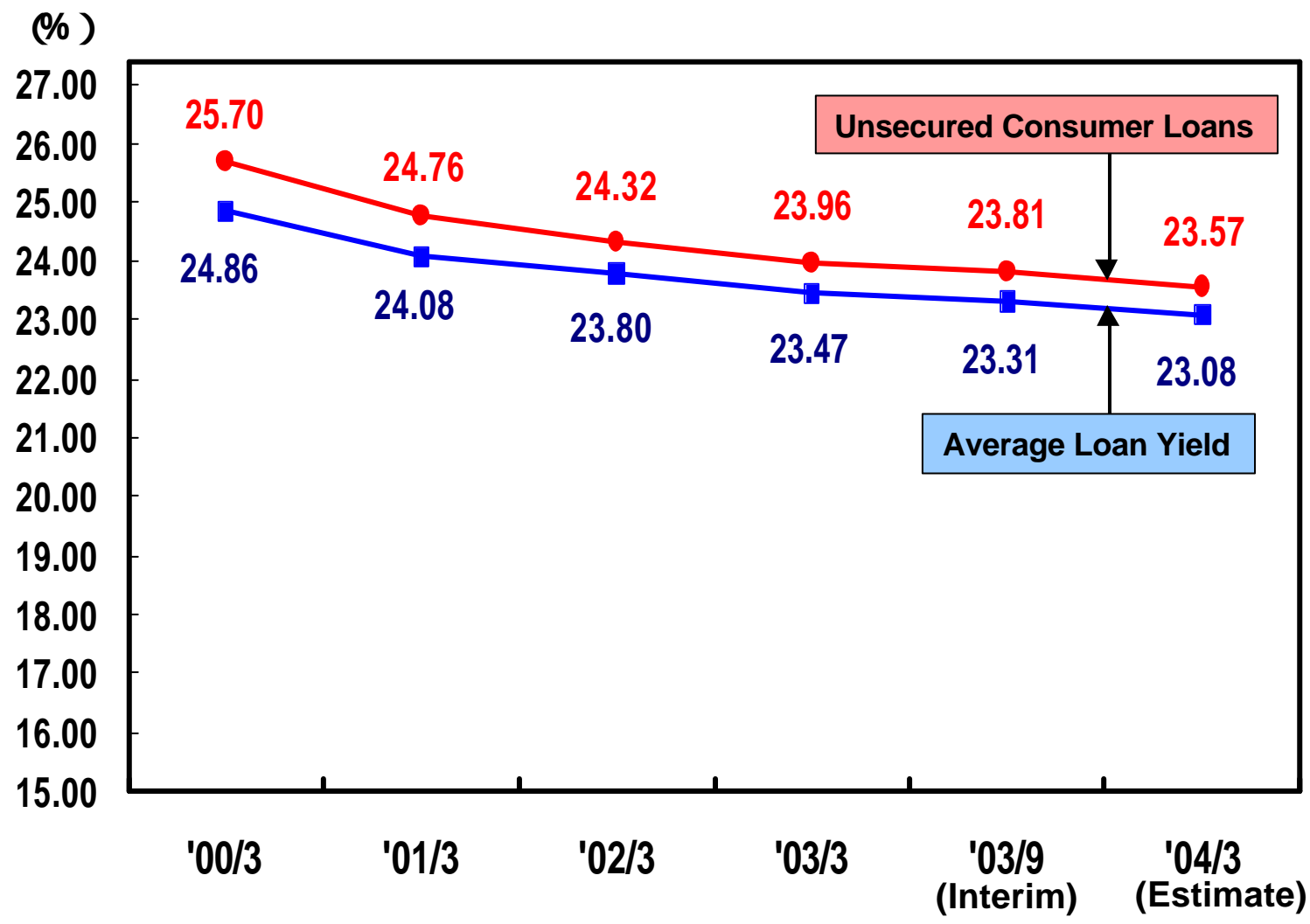
**◆ Unsecured Consumer Loan Business**



# Number of Loan Business Outlets (ACOM)

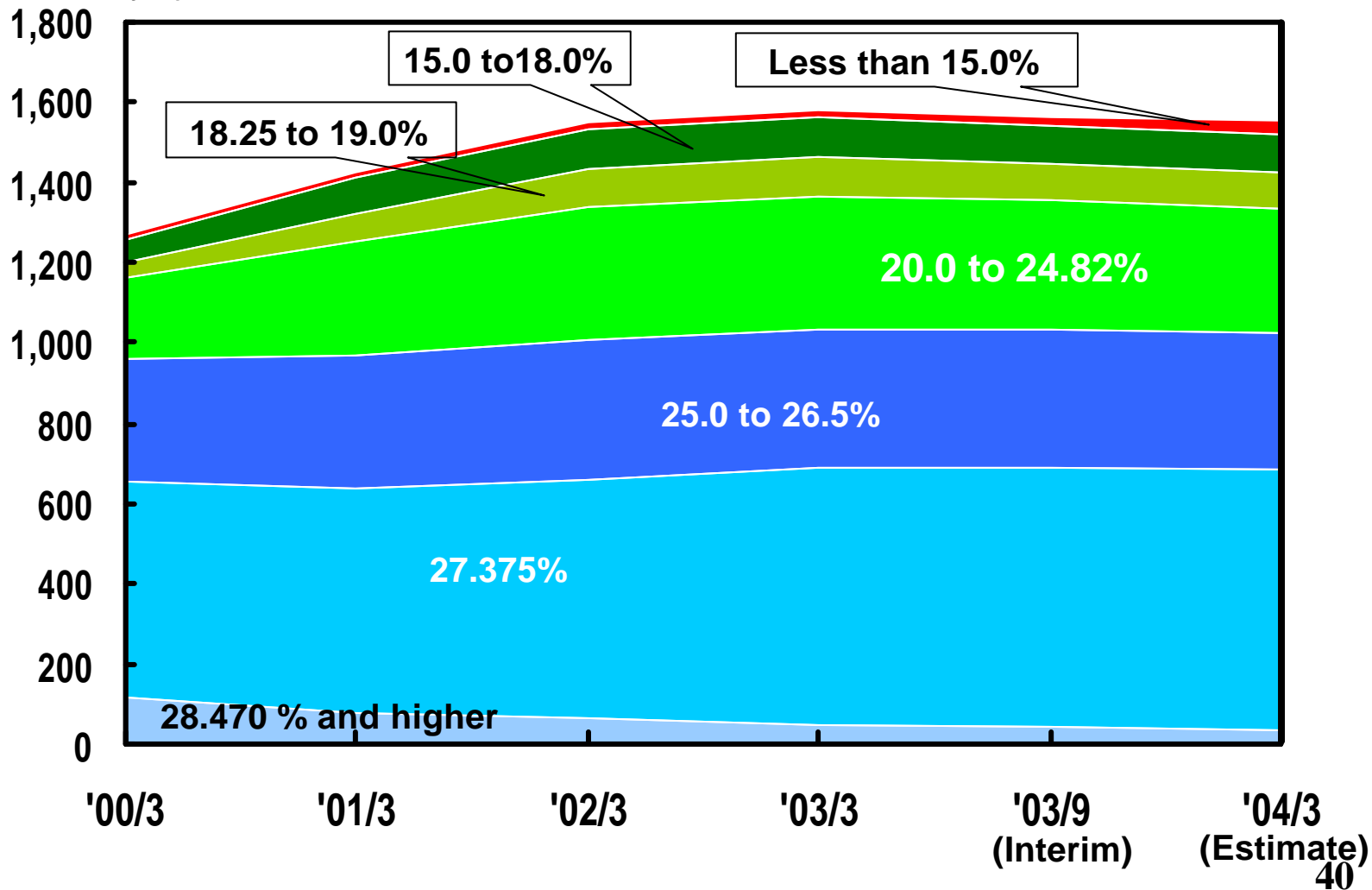


# Average Loan Yield (ACOM)



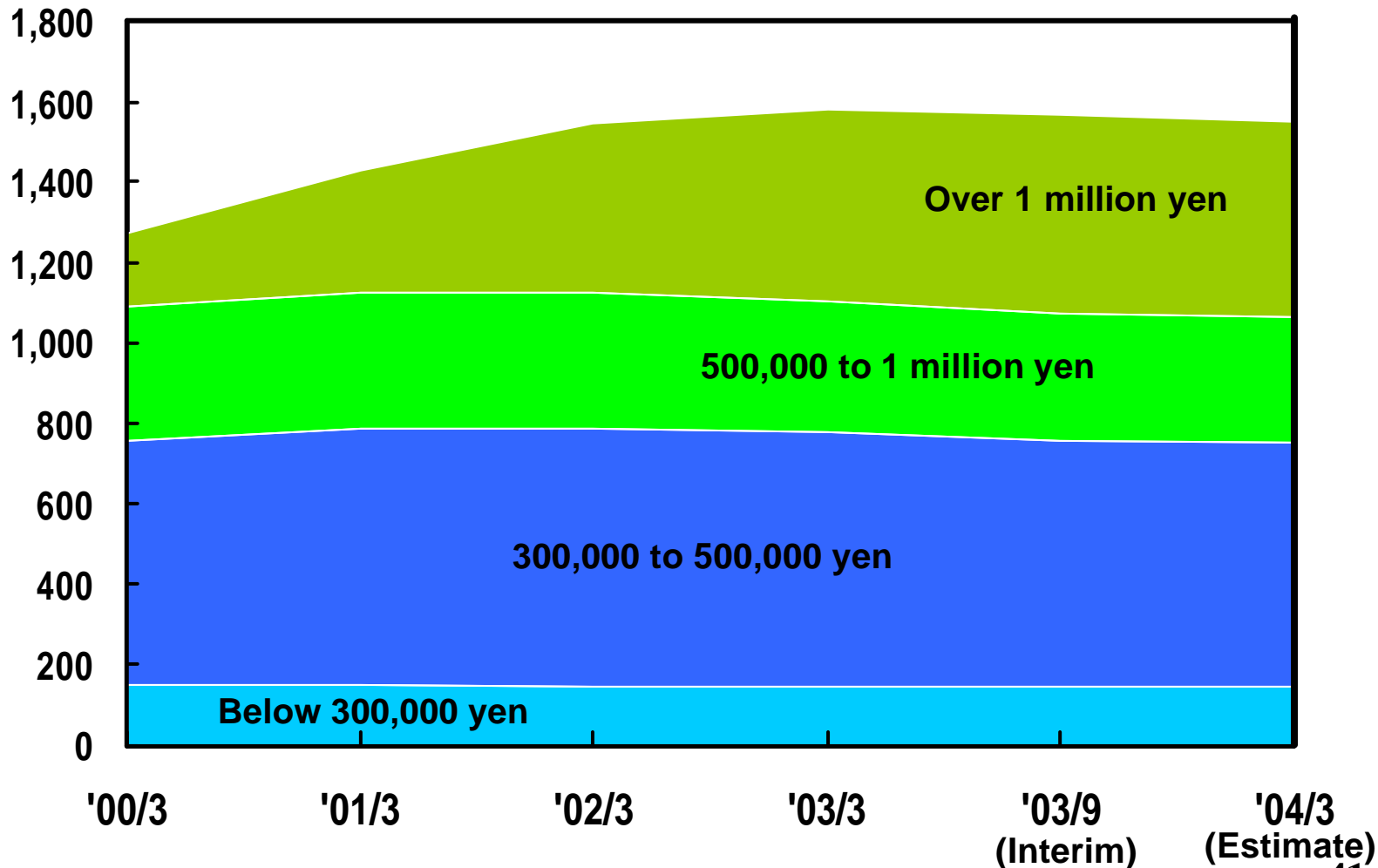
**◆ Unsecured Consumer Loan Business**

(Billions of yen)



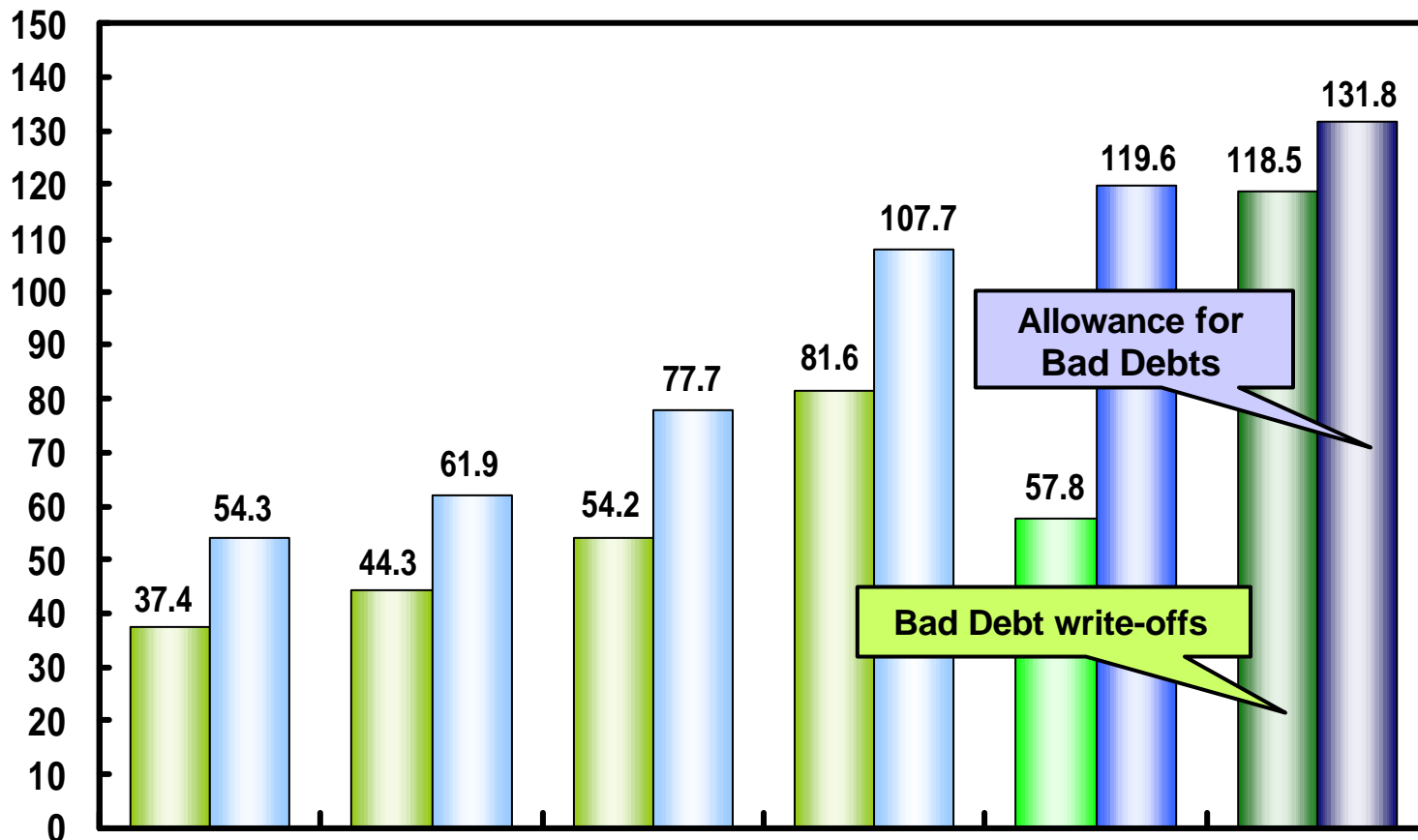
## ◆ Unsecured Consumer Loan Business

(Billions of yen)



# Bad Debt Write-offs & Allowance (ACOM)

(Billions of yen)



'00/3      '01/3      '02/3      '03/3      '03/9 (Interim)      '04/3 (Estimate)

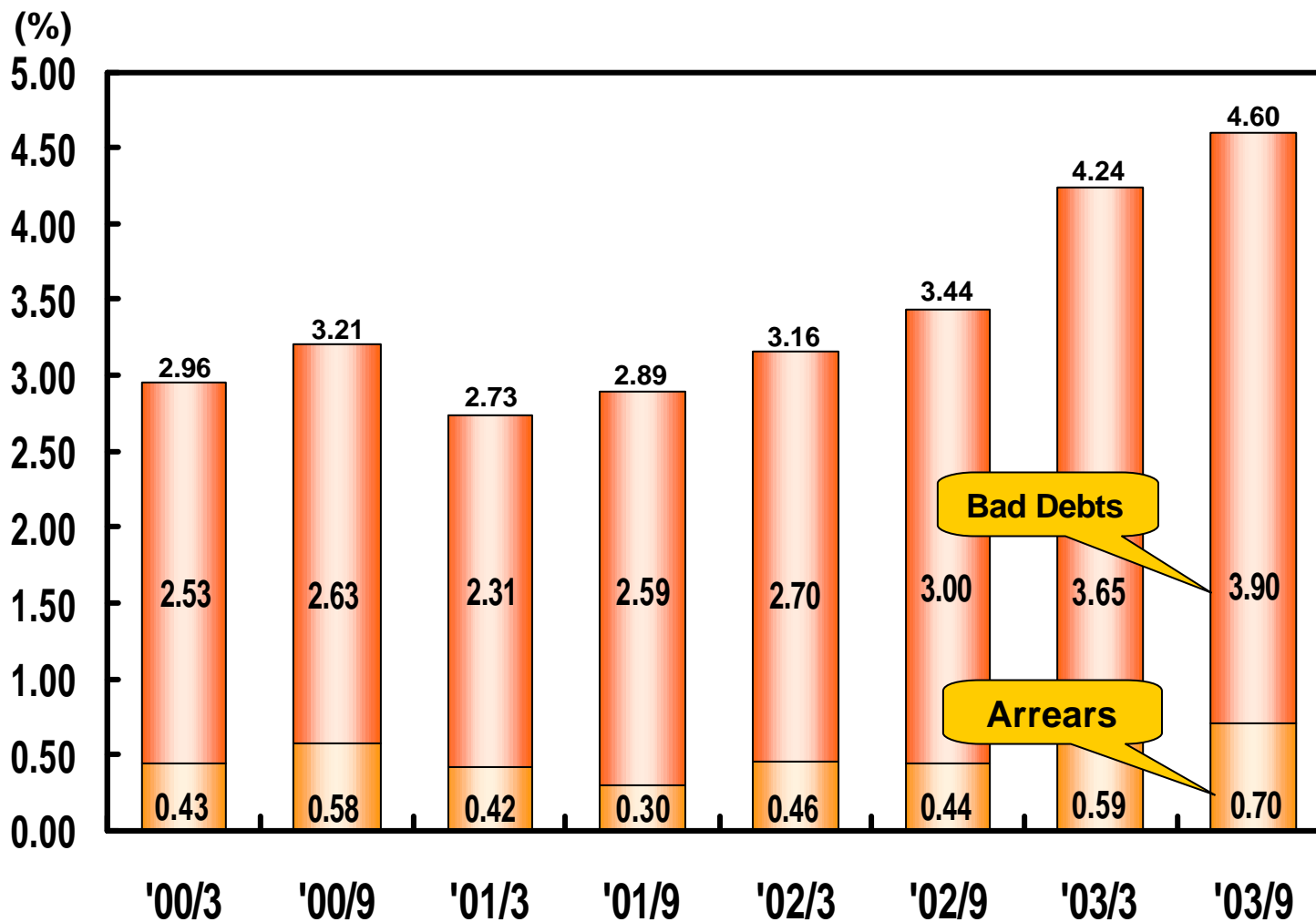
Write-offs Ratio  
(Loan Business)

2.72%	2.86%	3.15%	4.56%	3.26%	6.67%
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Allowance Ratio

3.73%	3.78%	4.36%	5.91%	6.67%	7.43%
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# Bad Debts & Loans in Arrears (ACOM)

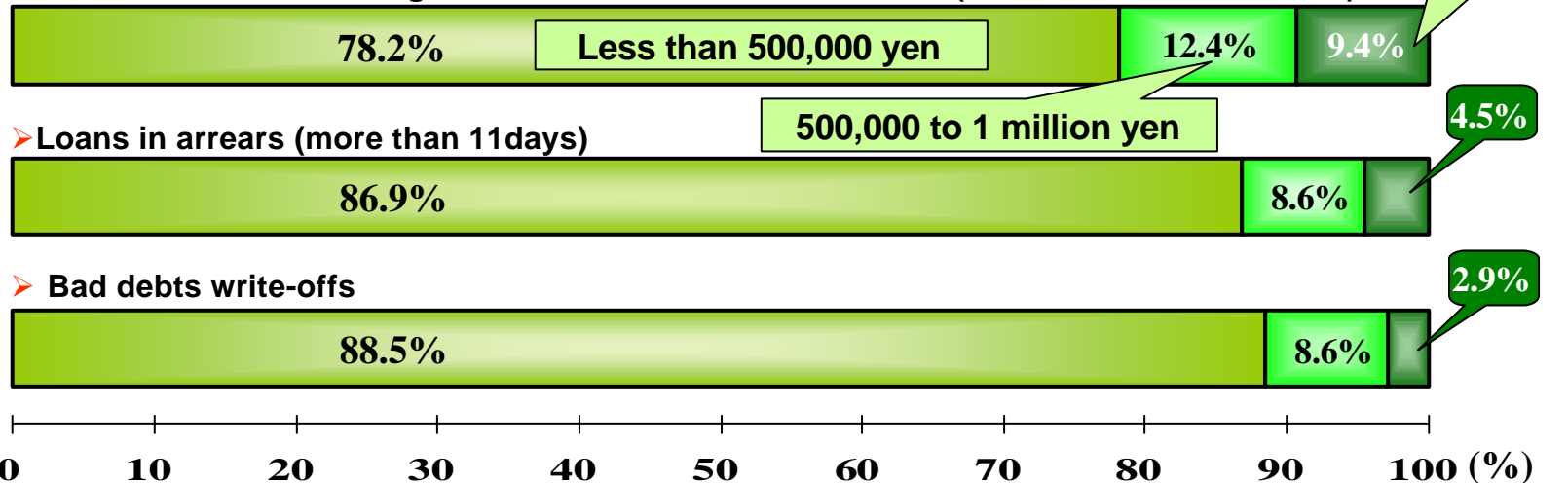


Note: Loans in arrears refers to loans past due for more than 31 days and less than 3 months, excluding balance held by headquarters' collection department.

# Loans in Arrears & Bad Debt Write-offs Classified Receivables Outstanding (ACOM)

## ◆ Customer Accounts Comparison (2003/9)

➤ Receivables outstanding of unsecured loans for consumer (loans in arrears included)



➤ Loans in arrears (more than 11days)

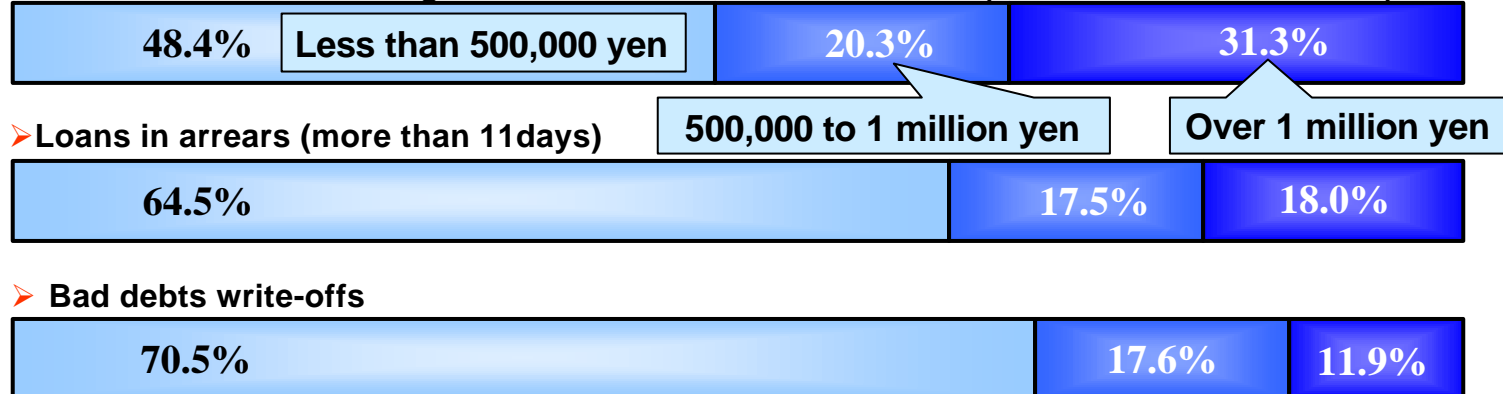


➤ Bad debts write-offs

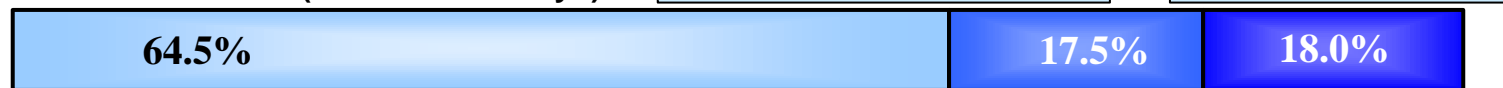


## ◆ Receivables Outstanding Comparison (2003/9)

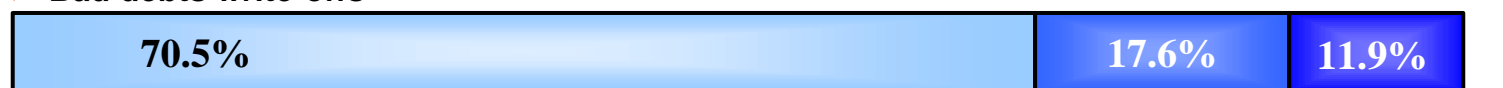
➤ Receivables outstanding of unsecured loans for consumer (loans in arrears included)



➤ Loans in arrears (more than 11days)

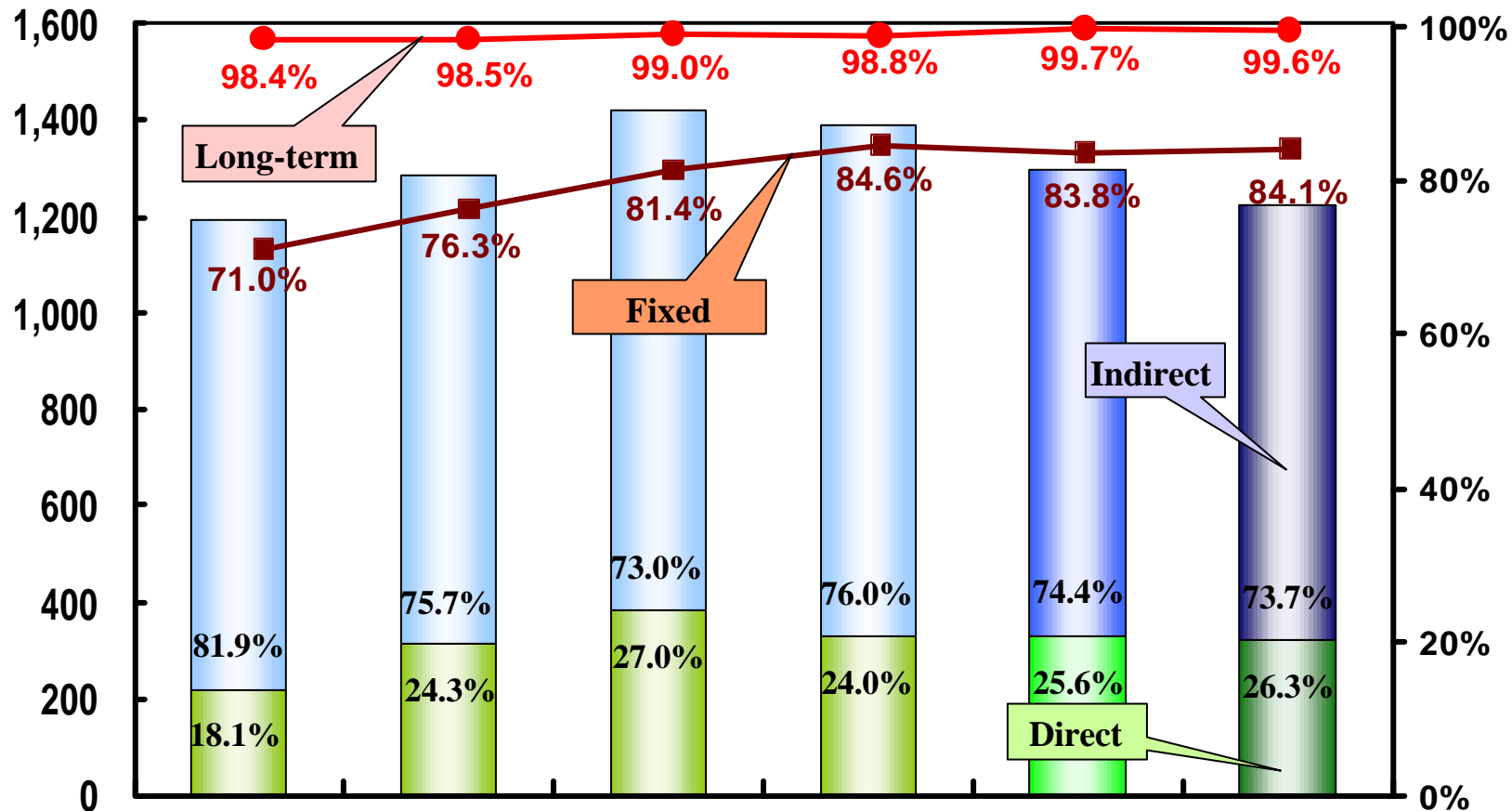


➤ Bad debts write-offs



# Funds Procurement (ACOM)

(Billions of yen)



Average nominal interest rate during the FY

'00/3	'01/3	'02/3	'03/3	'03/9 (Interim)	'04/3 (Estimate)
2.25%	2.17%	1.88%	1.85%	1.64%	1.70%

	<b>2003/3</b>	<b>2003/9</b>	<b>2004/3</b>
		<b>(Actual)</b>	<b>(Estimate)</b>
<b>◆ Cardholders</b>	<b>1,014,845</b>	<b>975,865</b>	<b>1,068,300</b>
<b>◆ Card Shopping Receivables</b> (Millions of yen)	<b>41,114</b>	<b>44,087</b>	<b>46,450</b>
<b>◆ Revolving Receivables</b> (Millions of yen)	<b>36,885</b>	<b>39,625</b>	<b>40,700</b>
<b>◆ Operating Income</b> (Millions of yen)	<b>4,952</b>	<b>2,783</b>	<b>5,750</b>

	2003/3	2003/9	2004/3
		(Actual)	(Estimate)
◆ <b>Number of Customer Accounts</b>	479,182	436,798	394,000
◆ <b>Installment Receivables</b> (Millions of yen)	153,203	137,182	125,600
◆ <b>Adjusted Receivables</b> (Millions of yen)	127,820	115,211	105,200
◆ <b>Operating Income</b> (Millions of yen)	16,166	7,335	13,700

	2003/3	2003/9	2004/3
		(Actual)	(Estimate)
◆ Number of Accounts	156,256	215,321	258,800
◆ Loan Guarantee Receivables (Millions of yen)	57,926	79,040	103, 000
◆ Operating Income (Millions of yen)	1,866	2,156	4,800

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## 6. Questions & Answer

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# Earnings Release Conference

*1st Half of Fiscal Year Ending March 2004*

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