

ACOM CO., LTD.



Annual Report 2019

Year ended March 31, 2019



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Annual Report 2019

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Consolidated Financial Highlights

| | 2015/3 | 2016/3 | 2017/3 | 2018/3 | 2019/3 |
|---|---------|---------|----------|---------|----------------|
| Profit and Loss Related: (Millions of Yen) | | | | | |
| Operating Revenue | 219,289 | 237,683 | 245,148 | 263,453 | 277,069 |
| Operating Profit (loss) | 14,073 | 15,516 | (70,166) | 80,942 | 57,607 |
| Profit (loss) Attributable to Owners of Parent | 12,864 | 14,598 | (72,187) | 70,572 | 37,781 |

| | (Millions of Yen) | | | | |
|---|-------------------|-----------|-----------|-----------|------------------|
| Balance Sheet Related¹: | | | | | |
| Total Assets | 1,190,368 | 1,175,063 | 1,228,930 | 1,275,957 | 1,301,908 |
| Interest-bearing Debt ² | 646,854 | 648,568 | 705,874 | 734,516 | 725,142 |
| Net Assets | 328,315 | 338,132 | 267,226 | 344,437 | 381,501 |

| | (Yen) | | | | |
|--------------------------|--------|--------|---------|--------|---------------|
| Per Share: | | | | | |
| Net Income (Loss), Basic | 8.21 | 9.32 | (46.08) | 45.05 | 24.12 |
| Net Assets | 199.53 | 206.42 | 159.58 | 206.12 | 227.35 |
| Cash Dividends | 0 | 0 | 0 | 1 | 2 |

| | (%) | | | | |
|---|------|------|--------|------|-------------|
| Financial Ratios: | | | | | |
| ROE | 4.2 | 4.6 | (25.2) | 24.6 | 11.1 |
| ROA | 1.1 | 1.2 | (6.0) | 5.6 | 2.9 |
| Shareholders' Equity Ratio | 26.3 | 27.5 | 20.3 | 25.3 | 27.4 |
| Shareholders' Equity Ratio (shareholders' equity ratio computed using the sum of total assets and guaranteed receivables) | 15.2 | 15.0 | 10.6 | 13.0 | 14.2 |

Notes: 1. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 2019. Accordingly, balance sheet for the fiscal year ended March 2018 are stated in figures to which the above accounting standard has been retrospectively applied.

2. Interest-bearing Debt = Short-term loans payable + Commercial papers + Current portion of long-term loans payable + Current portion of bonds + Bonds payable + Long-term loans payable

Notes:

1. Forward-Looking Statements

The figures contained in this 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 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 result may differ from those in the forward-looking statements as a result 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 fluctuations in number of cases of claims from and the amount paid to customers who claim us to reimburse the portion of interest in excess of the interest ceiling as specified in the Interest Rate Restriction Law, the level of interest rates paid on the ACOM's debt and legal limits on interest rates charged by ACOM.

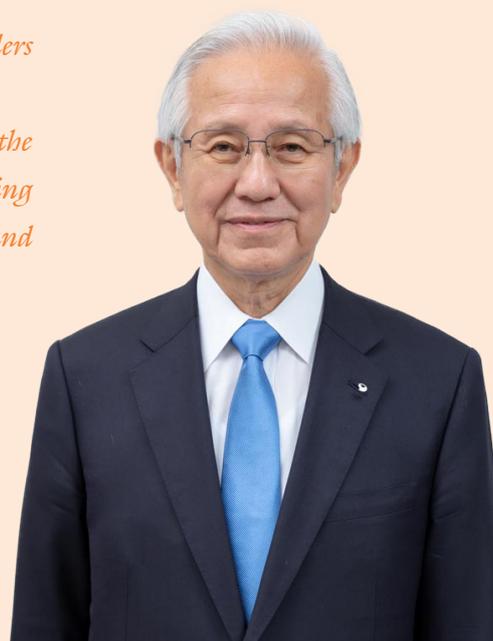
2. All amounts are truncated to the nearest expressed unit.

3. Percentage figures are a result of rounding.

Letter to Shareholders

I would like to express my sincere gratitude to all ACOM stakeholders for your continuous patronage to the Group.

Please let me give following reports on outline of financial results for the fiscal year ended March 2019, the current environment surrounding the Group, annual forecasts for the fiscal year ending March 2020 and new medium-term management plan.



Shigeyoshi Kinoshita

Chairman, President & Chief Executive Officer

The Outline of Financial Results for the Fiscal Year Ended March 2019

Guaranteed receivables fell below target value as banks in alliance took voluntary measures following “Mutual Agreements” announced by Japanese Bankers Association. Nonetheless, loan and credit card business and overseas financial business were generally in line with the targets. With regard to business performance, consolidated operating revenue increased by 5.2% year-on-year to 277.0 billion yen. However, consolidated operating expenses increased by 20.2% year-on-year to 219.4 billion yen due to addition made to provision for loss on interest repayment. The Company Group recorded following results: operating profit of 57.6 billion yen, ordinary profit of 58.2 billion yen, and profit attributable to owners of parent of 37.7 billion yen.

Although the Group’s three core businesses are growing steadily, addition made to provision for loss on interest repayment led consolidated shareholders’ equity ratio, computed using the sum

of total assets and guaranteed receivables, to drop to 14.2% and remain below our target value 20%.

Under current circumstances, we plan 1 yen year-end dividend for the year ended March 2019 as initially planned.

The Group will endeavor for stable and continuous profit distribution for the year ending March 2020. Specifically, we expect increased annual dividend of 4 yen, comprising of 2 yen at both interim and year-end.

We will endeavor to meet stakeholders’ expectations, maximize corporate value through sustainable growth, and become a corporate group that contributes to society as we keep close cooperation with MUFG Group.

I humbly ask for your ongoing support as we embrace the challenges for the future.

Current Environment Surrounding ACOM Group

During the fiscal year ended March 2019, moderate economic recovery is expected to continue in the Japanese economy amid ongoing recovery in consumer spending and improvement in the employment and income environment due partly to the effects of various economic policies implemented by the government. However, we need to keep eye on it as the government downgraded assessment of indexes of business conditions to “worsening” in March. Moreover, the possibility of an economic downturn remained in Japan due to uncertainty in overseas economies and the impact of fluctuations in the financial and capital markets.

In the nonbank business sector, the market is gradually expanding while requests for interest repayment have steadily

decreased. However, future trends need to be closely monitored on an ongoing basis, as requests for interest repayment are susceptible to the impacts of changes in the external environment.

In such an environment, under its management vision of “strive to become the leading company in personal loan market which provides prime satisfaction to the utmost number of customers and win their trust in return,” the Company Group has positioned its loan and credit card business, guarantee business and overseas financial business as the three core business categories and has strived to increase market shares in the personal loan market, while making efforts to contribute to sound growth of the market.

ACOM Group’s Vision

Under management vision of “becoming the ‘leading company’ which provides prime satisfactions to utmost number of customers and win their trust in return,” and in close cooperation with MUFG Group, ACOM Group is going to promote optimum distribution

of resources for stable management basis and future growth while bringing continuous growth in loan & credit card business and guarantee business. The Group will also strive to further promote overseas business.

3 components emphasized in the management vision

| | | |
|---|---|---|
| 1. Customers first, which is the basis of our business and a constituent of our corporate philosophy. This also reflects each and every member of ACOM's intention to provide prime satisfactions to as many customers as possible. | 2. Concentrate our management resources to “personal loan market” regardless of the nature of business segment. | 3. Establish a solid brand image of “leading company which win trust from the market” by further strengthening the brand of “safety and trust.” |
|---|---|---|

Annual Forecasts for the Fiscal Year Ending March 2020

While we anticipate the market served by nonbanks will continue to grow moderately during the year ending March 2020, our operating environment is still changing both at home and abroad as our partner banks took voluntary measures to respond to the new policy issued by the Japanese Bankers’ Association and as new lending regulations were introduced in Thailand with some possible implications.

In this changing operating environment, we expect guaranteed receivables to continue to grow moderately while the growth of receivables at EASY BUY continues to slow down in the year ending March 2020.

As for our projections for receivables on a consolidated basis, receivables in the loan and credit card business will grow by 3.7% while receivables in the guarantee business will increase by 1.8%. Receivables outside Japan will decrease by 18.9% mainly due to implications from new lending regulations in Thailand and deconsolidation of Bank BNP. We are projecting total receivable growth of 0.5% to 2 trillion and 345.4 billion yen.

As for our projections for consolidated operating revenue, revenue in the loan and credit card business will grow by 1.8%. We expect revenue in the guarantee business to come down by 1.2%. This is because while we expect guaranteed receivables to grow moderately, we assume guarantee fee rates will decrease. Revenue from international operations will drop by 4.9%. We are projecting 0.6% negative growth to 275.5 billion yen for the total operating revenue.

As for consolidated operating expenses, financial expenses will drop by 24.8% due to a favorable funding environment for ACOM, etc. Provision for bad debt and other operating expenses will increase by 9.0% and 4.2% respectively. As we assume no addition to provision for loss on interest repayment, we are projecting the total operating expenses to decrease by 14.4% to 187.9 billion yen.

As a result, we are projecting 87.6 billion for operating profit, 87.9 billion yen for ordinary profit and 75.5 billion yen for profit attributable to owners of the parent company.

Evaluation on Previous Medium-term Management Plan (2017/3 - 2019/3)

As the previous medium-term management plan came to its conclusion in the fiscal year ended March 2019, new medium-term management plan made its start from this fiscal year.

In the loan and credit card business, we introduced optimized website display to suit customer needs and added MasterCard issuing machines. These initiatives helped to achieve the receivable target and gain more new customers than we initially targeted.

In the guarantee business, we looked for and added new partners in Yamanashi, Fukui and Okinawa where we used to have no partners. However, we also came to a realization that the business faces some challenges. Guaranteed receivables, for instance, came short of the original target due to the new policy announced by the

Japanese Bankers' Association.

In international operation, EASY BUY has effectively responded to new lending regulations and started using mobile application to facilitate both borrowings and repayments. With these efforts in place, the company has recorded revenue and profit growth for three consecutive years with increasing contribution to consolidated earnings. In the Republic of Philippines, we have started consumer loan business with 5 outlets at the moment.

Owing to abovementioned measures, while we undershot the target in the guarantee business due to changes in an external environment, we basically achieved the original targets in the loan and credit card business and overseas financial business.

Overview of the New Medium-term Management Plan (2020/3 - 2022/3)

The Company has revised its medium-term management policy to “with expeditious reactions to environmental changes, ACOM will strive for sustainable growth and increasing corporate value, while creating services which exceed customers' expectations.”

The key quantitative receivables targets for the fiscal year ending March 2022 consist of following: 1.0 trillion yen for loan and credit card business; 1 trillion and 305.4 billion yen for guarantee business; 191.4 billion yen for overseas financial business; thus, 2.5 trillion yen for all businesses combined.

The target values for operating revenue are as follows: 154.1 billion yen for loan and credit card business; 71.0 billion yen for guarantee business; 53.6 billion yen for overseas financial business; thus, 284.2 billion yen for all businesses combined. Target operating income consists of 48.7 billion yen from loan and credit

card business, 20.9 billion yen from guarantee business and 21.1 billion yen from overseas financial business. Thus, 91.0 billion yen from all businesses combined.

With regard to target management indices, we aim to achieve consolidated ROE no less than 12%, and shareholders' equity ratio of 20%, computed using the sum of consolidated total assets and guaranteed receivables.

As for capital policy, we will aim to enhance our earnings through improved capital efficiency and increase shareholder return while giving the highest priority to the effort to bring shareholders' equity to an appropriate level. As for the year ending March 2020, we expect to increase dividend and pay 2 yen per share for each half to ensure stable and sustainable shareholder return, bringing the total dividend per share to 4 yen annually.

I humbly ask for your ongoing support as we embrace the challenges for the future.



Shigeyoshi Kinoshita

Chairman, President & Chief Executive Officer

Issue of Interest Repayment

The number of requests for interest repayment decreased by 21.0% to 27,100 in the fiscal year ended March 2019.

During the fiscal year ended March 2019, we took out a total of 41.2 billion yen, the breakdown of which is 36.5 billion yen in cash out and 4.6 billion yen in principal write-offs associated with interest repayment, from a reserve of 104.0 billion yen from the end of the fiscal year before.

ACOM made additional provision of 39.4 billion yen to provision for loss on interest repayment upon reassessing validity and sufficiency of remaining provision. The remaining amount of provision at the end of fiscal year ended March 2019 is 102.3 billion yen.

Since requests for interest repayment are susceptible to changes in an external environment, we will continue to examine the difference between our initial projections and actual claims every quarter to see if we have a reasonable and sufficient level of reserve sitting on our balance sheet.

TV Commercial: Starting New Commercials Appealing Our Services and User-friendliness

Actor Atsuro Watabe and TV personality Miki Sato are our new celebrity promoters on commercials from August 2018. We began airing new commercial series which has “Welcoming Ceremony” motif and matches season. These new commercial episodes highlight our capability to “Instant Issuance of Credit Cards within the day” and “Respond to customer needs around-the-clock, even on weekends.”



“Memorial Day Episode (Appealing Credit Card Issuance within the Day)”

General Manager Watabe sneaks into the welcoming ceremony and asks new employee on next seat, “It’s your memorial day today, isn’t it?”

It is a comical commercial appealing benefit of ACOM credit cards on the day to remember, “Welcoming Ceremony” where youngsters make their entrance as members of society.



“Love Talk Day Episode (Appealing Credit Card Issuance within the Day)”

General Manager Watabe tells fellow new employee about his “instant” episode at Welcoming Ceremony. The episode links his memory and instant issuance of credit cards at ACOM, emphasizing ACOM benefit.



“Holiday Work Episode (Appealing Around-the-clock response including weekends)”

General Manager Watabe comes to office on holiday by mistake.

His subordinate Ms. Sato kindly reminds him that “It’s ACOM that responds to customer needs around-the-clock and on weekends.”

Business Highlights

The ACOM Group has garnered highly sophisticated expertise in credit screening and loan collection from loan & credit card business. Fully utilizing such expertise, the Group also operates guarantee business, overseas financial business and loan servicing business.

Loan and Credit Card Business

In the domestic loan business, we made efforts to gather and acquire new customers, improve product/service functions, and maintain the soundness of loan portfolio.

As for the gathering and acquiring of new customers, we began featuring Atsuro Watabe and Miki Sato as celebrity promoters from August 2018 to publicize the sound logo of “Hajimete-no (First time at) ACOM” and products/services, while placing advertisements on the Internet video site YouTube. Through these efforts, we strove to expand recognition and earn favorable public image for targets.

As for the improvement of product/service functions, we made system changes to accommodate to all-day borrowing by bank transfer in order to further enhance convenience for customers. Further, we made continuous efforts to enhance the quality of customer-reception in digital channels such as our website.

In addition to these marketing activities, we have endeavored to maintain the soundness of our loan portfolio and improve the customer-reception quality of our employees by reinforcing the

development of human resources through training for credit control, and customer reception including the improvement of the accuracy of credit screenings. As a result, accounts receivable - operating loans at the end of the current fiscal year increased to 821.9 billion yen (up 2.3% year-on-year). In the domestic credit card business, our credit cards (AC MasterCard) were modified to IC transaction types effective from October 2018. We also made it possible to issue IC cards at instant issue credit card machines installed at automatic contract machine corners nationwide. Through these sales promotional and utilization boosting efforts, accounts receivable - installment increased to 63.1 billion yen (up 20.4% year-on-year).

As a result, the business segment's operating revenue was 144.8 billion yen (up 3.6% year-on-year) mainly due to increases in interest on operating loans and revenue from credit card business. However, operating profit was 11.8 billion yen (down 74.8% year-on-year) due to the posting of provision for loss on interest repayment.

Guarantee Business

In the guarantee business, we continued to work on reasonable communication with existing partners as a credit guarantee company.

To enhance partnerships with existing partners, the Company continued appropriate screening, provided various figures based on analyses on loan portfolio and effectiveness of advertisement measures, etc. and provided various support for existing partners with a view to enhancing their business results and stabilizing their growth.

As a result, the total balance of guaranteed receivables in the guarantee operation of the Company and MU Credit Guarantee Co., LTD. was 1,212.2 billion yen (up 1.1% year-on-year). The business segment's operating revenue was 69.3 billion yen (up 6.2% year-on-year) mainly due to an increase in revenue from credit guarantee, and operating profit was 25.2 billion yen (up 41.7% year-on-year) due primarily to a decrease in provision of allowance for doubtful accounts under operating expenses.

Overseas Financial Businesses

In the overseas financial business, we proactively carried out business operations in the pursuit of further expanding the relevant businesses.

The loan business of EASY BUY Public Company Limited in the Kingdom of Thailand actively conducted marketing activities of the Umay+ brand with the aim of enhancing the brand image and gathering and acquiring new customers amid an environment of tightened new loan regulations including new loan standards implemented by the Bank of Thailand in September 2017. As a result, the number of new contracts and accounts receivable - operating loans have increased steadily, thereby building the top-brand position in the Kingdom of Thailand.

PT. Bank Nusantara Parahyangan, Tbk. – the Company's banking subsidiary in Indonesia – resolved to merge with PT Bank Danamon

Indonesia, Tbk., another leading Indonesian bank whose shares are strategically held by MUFG Bank, Ltd. The purpose of merger is to establish a foundation of retail commercial business as MUFG Group.

In the Republic of the Philippines, ACOM CONSUMER FINANCE CORPORATION launched a full-fledged loan business in July 2018 and proactively promoted marketing activities. We will strive to steadily make our business profitable in the Republic of the Philippines amidst the country's rapid economic growth by taking advantage of the experience we have nurtured in the personal loan business and overseas financial business development in Japan, the Kingdom of Thailand, and the Republic of Indonesia.

The Company also continues with necessary surveys in other Asian countries to explore the feasibility of business development.

As a result, the business segment's operating revenue amounted to 56.9 billion yen (up 9.8% year-on-year), due primarily to an increase in interest on operating loans in accordance with our business

expansion, and operating profit was 19.8 billion yen (up 27.9% year-on-year).

Loan Servicing Business

In the loan servicing business, IR Loan Servicing, Inc. has endeavored to acquire new business partners and increase profitability amid intensified competition in the market.

As a result, the business segment's operating revenue was 5.8

billion yen (down 10.2% year-on-year), mainly due to a decrease in amount of collection from purchased receivables, and operating profit was 0.3 billion yen (down 36.5% year-on-year).

CSR Activities

CSR at ACOM

We define our CSR as fulfilling our corporate social responsibilities and missions as well as contributing to materialization of a sustainable society through business and other activities based on Corporate Philosophy.

We promote CSR activities with emphasises on “Striving for the Maximum Customer Satisfaction” and “Contributing to Society and Environment”.

Striving for the Maximum Customer Satisfaction

CS Philosophy

We provide better services in more comfortable and pleasant manners.

Promoting CS Oriented Management

● CS Oriented Management Promotion Meetings

ACOM does not regard its customers as a group, but pays specific attention to each and every customer, instead. To discuss measures and structures necessary to promote CS Management that provides supreme and authentic customer satisfaction, ACOM regularly holds CS Management Promotion Meetings, chaired by the president.



● CS Award Ceremonies

ACOM holds “CS Award Ceremonies.” These ceremonies are held to: foster a corporate culture in which each employee engages in and improves CS oriented communications through “realization;” to earn trust of and satisfy customers; and to further proliferate “The Spirit of Foundation” and “Corporate Philosophy.” Employees representing each department share their daily CS experiences by presenting “Proposals for CS Improvement,” and “First-hand CS Experiences” in addition to “CS Communication Role Playing Exercises.”

● Soliciting Customer Feedback and Improvements

ACOM regularly conducts internet-based customer satisfaction surveys to gain valuable feedback on service delivery by ACOM and its competitors. The findings are used to drive further improvement in our services. Moreover, when our employees realize items open to improvement and enhancement in our product and services, they can submit proposals via “Proposal Card on CS Improvements” and/or “CS Experience Cards”. All these proposals are reviewed by relevant departments to incorporate them into our service improvement.

Contributing to Society and Environment

Social Contribution Policy

ACOM is dedicated to helping to boost quality of life by expanding the circle of confidence in line with the outlook of our original founders, as part of our basic business philosophy. This informs our desire to build strong relationships with the local community through a variety of welfare and local-based programs, to get closer to our customers so that we exist in harmony with society.

Culture and Arts

Barrier-free Concerts Enjoyable by Everyone Regardless of Age and Handicaps Helping with Smiles, “ACOM ‘Miru’ Concert Monogatari” We are proud to announce we welcomed more than 220 thousand audiences!

● “ACOM ‘Miru’ Concert Monogatari”

“ACOM ‘Miru’ Concert Monogatari” contains our three wishes to: “do something for others”, “see other people’s smiling faces” and “establish a harmonious relationship with society.”

“ACOM ‘Miru’ Concert Monogatari” is a creative form of art performance which creates a fantastic world by integrating “shadow pictures”

that give shapes to light, “harmony” made by live performance and “narration” that gives lives to shadow pictures. Performers and audiences can share emotions and feel heart-to-heart exchanges by enjoying the presence of handmade stages.

As a part of its social contribution activities, ACOM began to hold “ACOM ‘Miru’ Concert Monogatari” performances all over Japan since 1994. The first intended audiences were parents and their children. However, as we wished to extend the joy to more diverse audience, we made the performances barrier-free event through means of on-stage sign language interpretation, expanded reserved seats for wheelchair users, etc.

Since the first performance in 1994, we held over 230 performances, inviting over 220,000 audiences.



● Award of Excellence in Japan Mecenat Award 2018

ACOM “Miru” Concert Monogatari received award of excellence in “Japan Mecenat Award 2018” out of 152 nominees. The Association evaluated highly on how the performances provided: unified opportunity for both non-handicapped and handicapped to enjoy theatrical performances over many years; rich sophisticated cultural messages; and exchanges to and fro diverse communities over nation via self-managed programs.

Association for Corporate Support of the Arts, with supports of Agency of Cultural Affairs, grants awards to excellent corporate activities that significantly contributed to an affluent society by promoting arts and culture.



Community Welfare Programs

● ACOM Bluebird Fund

Since its foundation in 1984 from proposals by employees, the ACOM Bluebird Fund continues to operate today. This fund is raised via donation boxes placed at all workplaces and deduction from employees’ salaries. Collected funds are then donated to welfare groups and disaster relief programs.

We made roughly 10 million yen of donation over 78 occasions*.

* As of March 31, 2019

● Donation via Vending Machines

A part of sales made at vending machines placed in offices are donated to welfare organizations.

We made roughly 2.09 million yen of donation to following 5 organizations chosen by employees.

Consumer Awareness Money Management Programs

● Financial Education at Universities

Topics on these lectures include financial knowledge and management of household economy regarding “overview of consumer credit market” and “loan and credit in consumer lives.” We conduct consumer awareness activities as it is our wish to protect those students who bear the future from financial troubles by teaching them the importance of money before they join the working world. We held lectures at five universities to roughly 930 students in the year ended March 2019.

Environment Conservation Activities

● Reducing Electricity Consumption of ATMs and Illumination Signboards

As a part of initiatives to prevent global warming, energy saving models and/or modes are used at ATMs installed at outlets. Moreover, some of our illumination signboards have installed LED.

Therefore, we attempt to reduce CO2 emission and electricity consumption. Furthermore, we prioritize energy efficiency when we consider and implement replacement and/or introduction of air conditioners and office equipments.

● Shifting to Paperless Operations

Not only do we enhance customer convenience, but also reduce resource consumption by shifting issuance of some documents to customers in paperless (digitalized) format.

Furthermore, various operational procedures, distribution of pay slips and employee newsletters are digitalized to reduce paper usage in offices.

● Participating in Local Cleaning Projects

Employees participate in local cleanings projects of surrounding areas of bases to deepen communication with locals and keep towns clean.

Investor Information as of March 31, 2019

Stock Listing

First Section of Tokyo Stock Exchange

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

General Shareholders' Meeting

June 21, 2019

Authorized Shares: 5,321,974,000

Outstanding Shares: 1,596,282,800

Number of Shareholders: 12,026

ADR (American Depositary Receipts) Information

Type: Sponsored Level-1 Program

ADR Ratio: 2ADRs : 5 Ordinary Shares

Symbol: ACMUY

CUSIP: 004845202

Market: The U.S. Market for OTC (Over-the-Counter)

Depository Bank: The Bank of New York Mellon
240 Greenwich Street, New York, NY 10286, U.S.A .

Toll Free # for Domestic Calls: 1-888-BNY-ADRS

Number for International Calls: 201-680-6825

URL: <https://www.adrbnymellon.com/>

For further information, please contact:

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