Earnings Release Presentation

The Second Quarter Financial Results for the Fiscal Year Ending March 2015

ACOM CO., LTD.

http://www.acom.co.jp/corp/english/ir_index.html

November 7, 2014

Disclaimer

The figures contained in this presentation material 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 due to various factors. Potential risks and uncertainties include, but not limited to: general economic conditions in ACOM's market and changes in the size of the overall market for consumer loans, the rate of default by customers, the fluctuations in number of cases of claims from and the amount paid to customers who claim us to reimburse the portion of interest in excess of the interest ceiling as specified in the Interest-Rate Restriction Law, the level of interest rates paid on the ACOM's debt and legal limits on interest rates charged by ACOM.

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Financial Results Highlight

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Business Environment

Macro Environement

◇ **There is trend for gradual recovery in overall Japanese economy owing to implementation of economic policies and growth strategies by government.**

- **Gradual recovery in corporate earnings;**
- **Improvement in employment environment.**

◇ **However, outlook remains unclear as some concerns for economic slowdown still exists.**

- **Tapering in the United States of America;**
- **Deceleration in economic growths in emerging nations;**
- **Prolongation of sluggish spending due to raise in consumption tax.**

Competitive and Market Environment

◇ **Although there are signs for recovery in market environment, some adversity such as requests for interest repayment still remains.**

- **Domestic card loan market has expanded since the end of previous fiscal year;**
- **The impacts of full enforcement of Money Lending Business Act has become less significant for nonbank market; the amount of lending and number of new applications have improved;**
- **The number of requests for interest repayment has stayed at a high level.**

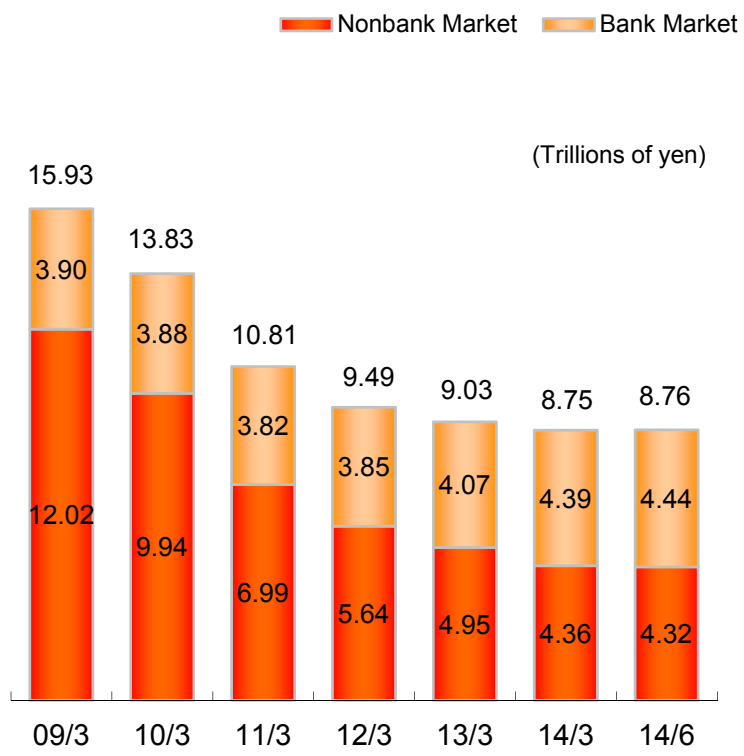
◇ **There are changes in nature of competitive environment**

- **Emphasis on personal loan business, particularly by major banks;**
- **Major consumer lenders have reinforced equipment investments.**

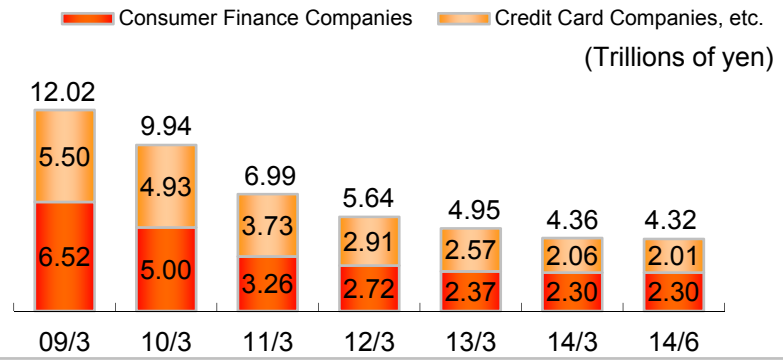
Trend of Market Volume of Domestic Card Loans

- **Domestic Card Loan Market** : Made a turn for growth in June 2014 owing to growth in the bank market
- **Nonbank Market** : Still in decreasing trend. However, consumer finance companies have bottomed out in June 2014.
- **Bank Market** : Increased owing to banks' proactive marketing measures, combined with major nonbanks' further emphasis on guarantee business.

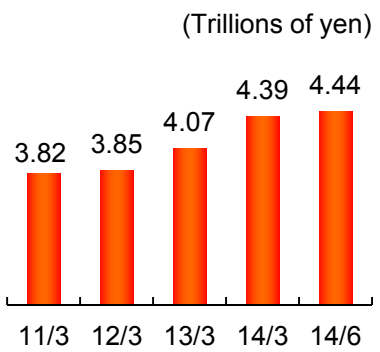
Domestic Card Loan Market



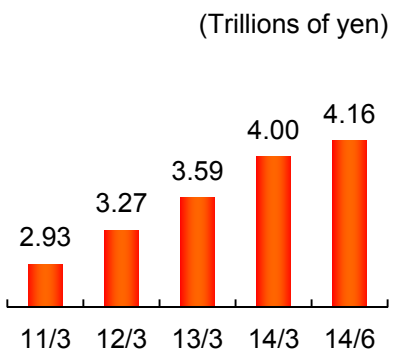
Nonbank Market



Bank Market



(Reference) Nonbanks' Guaranteed Receivables



* Nonbank market (statistics by Japan Financial Services Association, "JFSA") refers to the receivables outstanding of nonbanks registered to JFSA (exclude housing loans).
* Bank market (statistics by Bank of Japan) refers to the volume of consumer card loans provided by domestic banks and credit unions.
* Nonbanks' guaranteed receivables (statistics by JFSA) refer to the amount of guarantee offered to loans of financial institutions by nonbanks registered to JFSA.
* Figures provided by JFSA for 2014/6 are preliminary figures.

Financial Results Summary

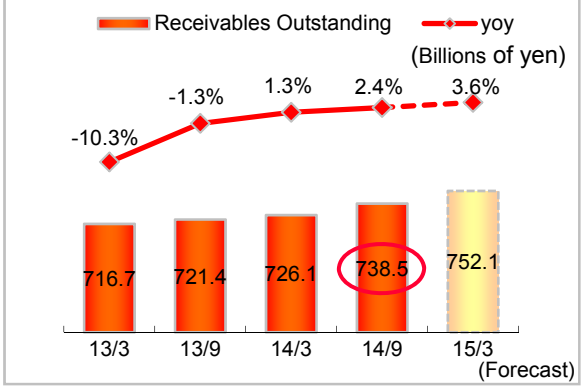
(Millions of yen, %)

	Consolidated					Non-consolidated				
	2014/9		2015/3			2014/9		2015/3		
	Results	yoy	Forecasts	yoy	Progress	Results	yoy	Forecasts	yoy	Progress
Receivables Outstanding	1,740,103	12.6	1,779,300	6.7	-	1,486,977	8.6	1,513,500	6.4	-
Loan Business	738,506	2.4	752,100	3.6	-	738,506	2.4	752,100	3.6	-
Guarantee Business	808,352	28.0	818,500	8.8	-	729,343	15.5	742,800	9.4	-
Overseas Financial Business	165,318	-0.4	180,400	10.4	-	-	-	-	-	-
Operating Revenue	106,738	7.0	208,800	3.2	51.1	80,220	4.0	156,800	0.7	51.2
Loan Business	62,696	0.7	121,900	-1.5	51.4	62,696	0.7	121,900	-1.5	51.4
Guarantee Business	19,056	40.3	38,200	28.6	49.9	15,964	17.6	32,200	10.2	49.6
Overseas Financial Business	20,265	6.2	39,900	1.5	50.8	-	-	-	-	-
Operating Expenses	76,518	11.7	156,600	-16.7	48.9	56,061	9.7	116,800	-22.6	48.0
Financial Expenses	9,892	-10.1	19,900	-6.8	49.7	5,307	-26.1	11,500	-13.0	46.1
Provision for Bad Debts	26,448	37.8	50,100	19.4	52.8	20,065	42.1	37,900	21.5	52.9
Provision for Loss on Interest Repayment	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	40,178	4.9	86,600	9.5	46.4	30,688	2.9	67,400	10.5	45.5
Operating Income	30,219	-3.3	52,200	264.2	57.9	24,158	-7.2	40,000	736.8	60.4
Ordinary Income	30,506	-4.0	52,100	234.7	58.6	26,835	-5.5	42,500	418.8	63.1
Net Income	28,090	-2.1	45,000	323.3	62.4	27,718	-1.6	42,200	408.6	65.7

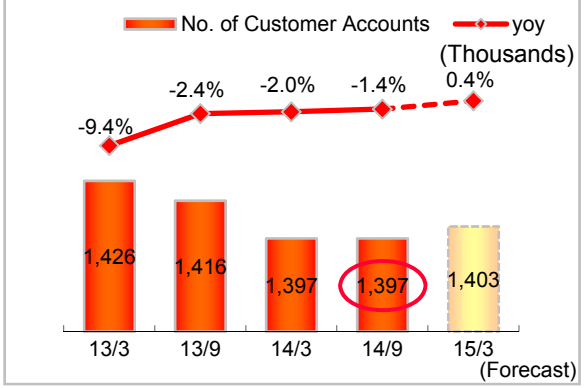
Loan Business (ACOM)

- Receivables Outstanding : Increased by 2.4% yoy to 738.5 billion yen, making a smooth progress to the forecasts.
- No. of New Customers : Increased by 12.1% yoy to 106 thousands, but in a pace slower than the forecasts.
- Operating Revenue : Increased by 0.7% yoy to 62.6 billion yen, in a pace exceeding the forecasts.

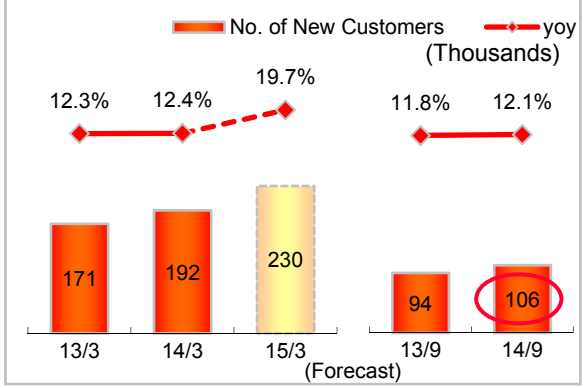
Receivables Outstanding



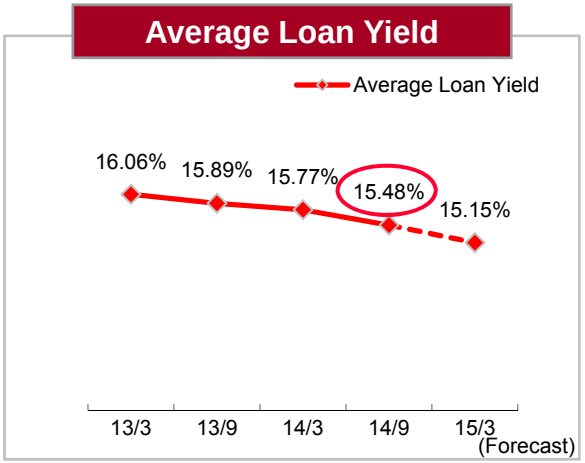
No. of Customer Accounts



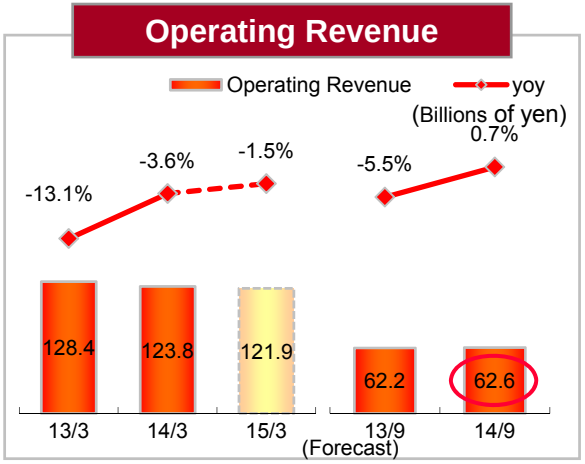
No. of New Customers



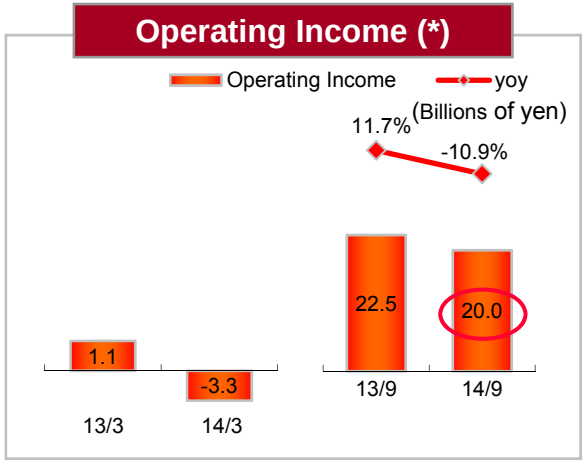
Average Loan Yield



Operating Revenue



Operating Income (*)

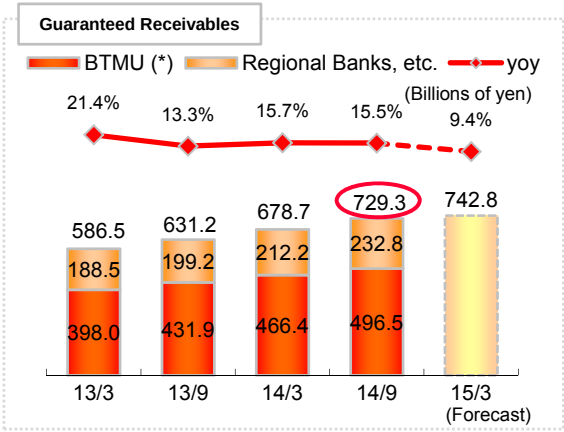


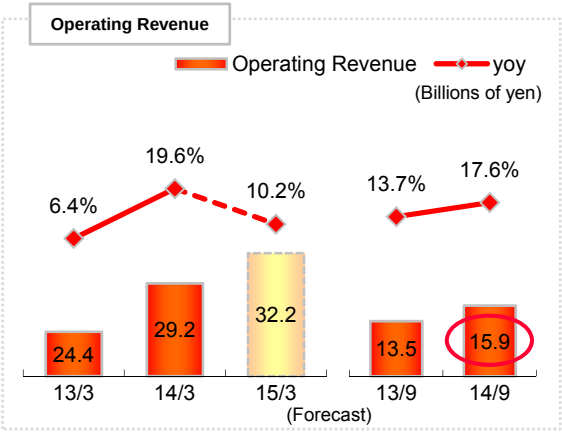
* Operating income consist of loan and credit card businesses.

Guarantee Business (ACOM and MU Credit Guarantee)

ACOM

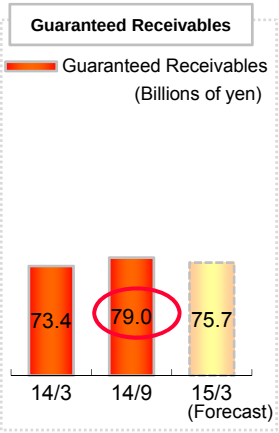
- Guaranteed Receivables : increased by 15.5% yoy to 729.3 billion yen, in a pace drastically exceeding the forecasts.
- Operating Revenue : Increased by 17.6% yoy to 15.9 billion yen primarily owing to business expansion, in a pace exceeding the forecasts.

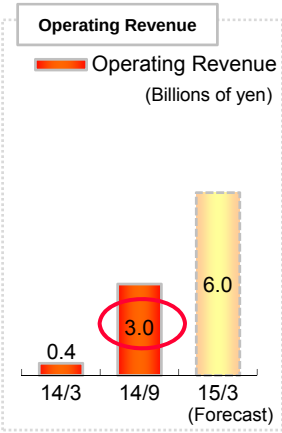




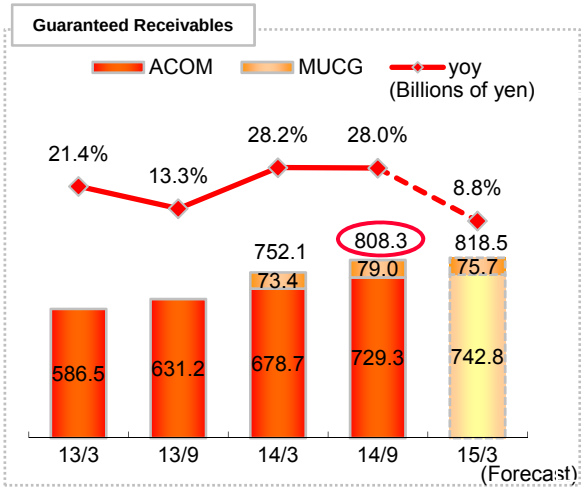
MU Credit Guarantee (MUCG)

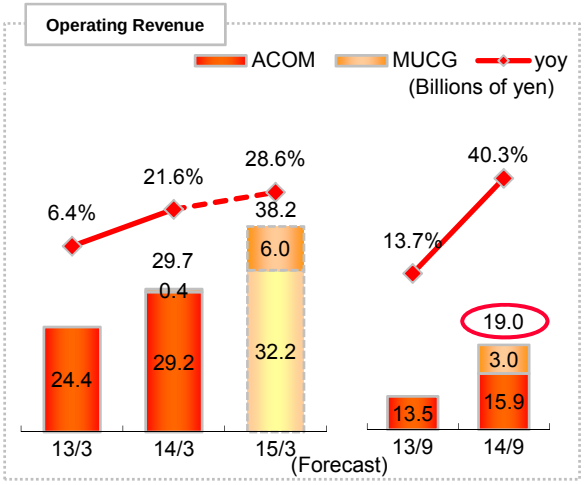
- Receivables : 79.0 billion yen, achieving forecasts in advance.
- Revenue : 3.0 billion yen, in a pace exceeding the forecasts.

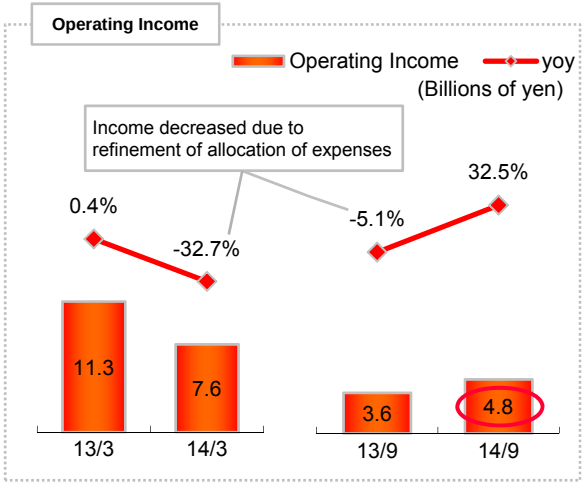




Guarantee Business Combined





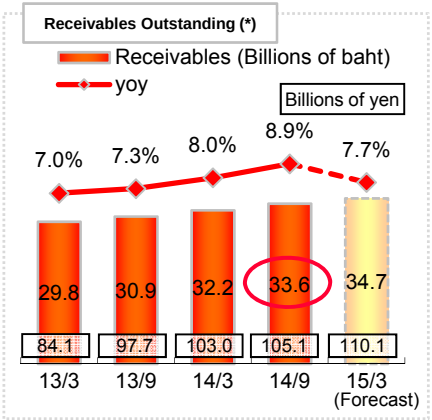


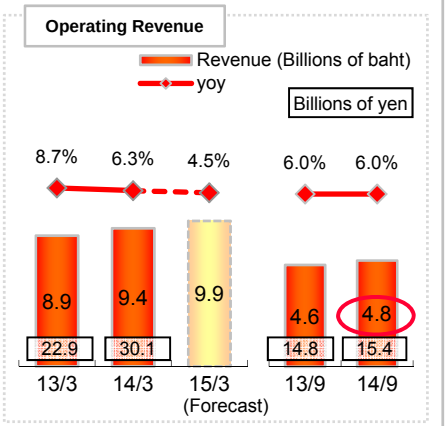
* "BTMU" stands for The Bank of Tokyo-Mitsubishi UFJ

Overseas Financial Business (EASY BUY and Bank BNP)

EASY BUY (EB) [Kingdom of Thailand]

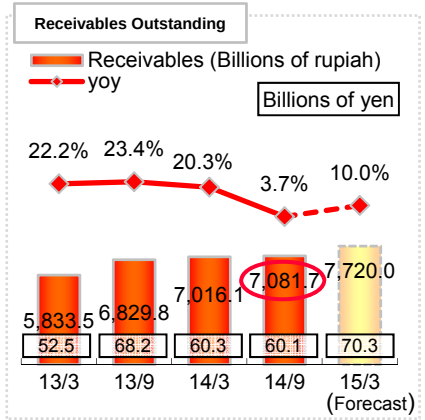
- Receivables Outstanding : Increased by 8.9% yoy, in a pace exceeding the forecasts.
- Operating Revenue : Increased by 6.0% yoy; making a smooth progress primarily owing to business expansion.

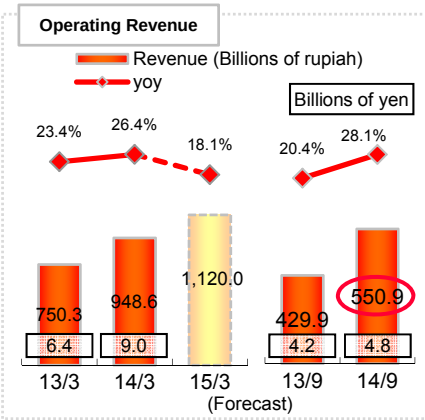




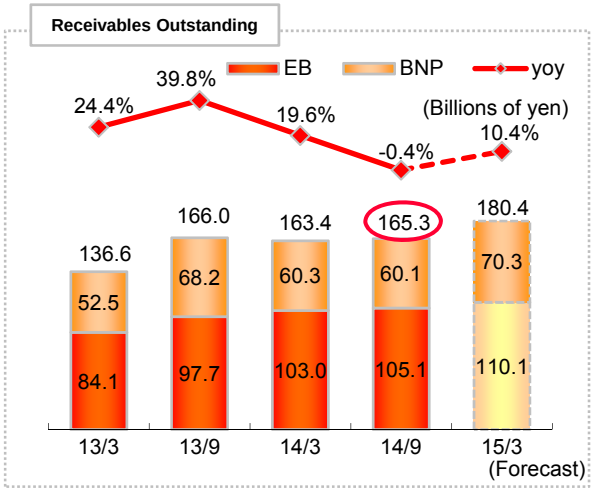
Bank BNP (BNP) [Republic of Indonesia]

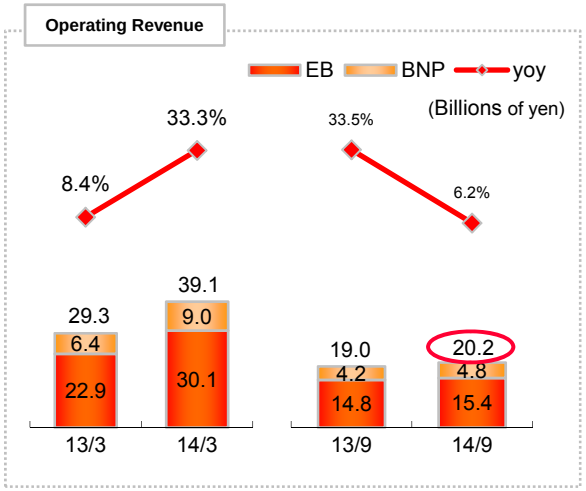
- Receivables of Banking Business : Made a slight increase of 3.7% yoy due to slowing economy and impact of monetary policies.
- Operating Revenue : Made a substantial increase of 28.1% yoy owing to raise in lending interest rates.

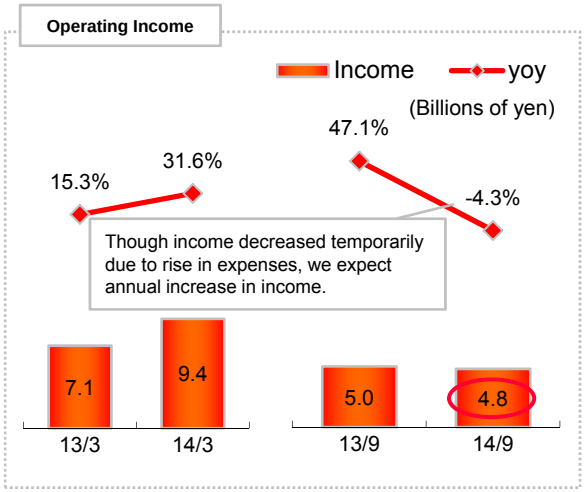




Overseas Business Combined







* This receivables outstanding is the sum of accounts receivable-operating loans and accounts receivable-installment.
* Exchange rates for EASY BUY: B/S: ¥2.49 (2012/9), ¥3.16 (2013/9), ¥3.12 (2014/9) P/L: ¥2.56 (2012/9), ¥3.21 (2013/9), ¥3.15 (2014/9)
* Exchange rates for Bank BNP: B/S: ¥0.0085(2012/9), ¥0.0100 (2013/9), ¥0.0085 (2014/9) P/L: ¥0.0088 (2012/9), ¥0.0099 (2013/9), ¥0.0088 (2014/9)

Summary of Segment Income

- **Loan Business** : Despite increase in operating revenue, segment income decreased mainly due to increase in operating expenses attributable to business expansion.
- **Guarantee Business** : Consolidation of MUCG and business expansion led to substantial increases in both operating revenue and segment income.
- **Overseas Financial Business** : Although operating revenue increased following business expansion, segment income decreased mainly due to increases in financial expenses and provision for bad debts.

Operating Revenue and Segment Income

(Millions of yen, %)

	Loan and Credit Card Business		Guarantee Business		Overseas Financial Business		Loan Servicing Business		Subtotal		Others	Total
		yoy		yoy		yoy		yoy		yoy		
Operating Revenue	64,113	0.9	19,056	40.3	20,272	6.2	3,218	-5.1	106,661	7.1	150	106,812
Revenue from External Customers	64,113	0.9	19,056	40.3	20,265	6.2	3,216	-5.0	106,652	7.1	85	106,738
Revenue from Transactions with Other Operating Segments	-	-	-	-	6	-53.8	2	-50.0	8	-52.9	65	74
Operating Expenses	44,021	7.4	14,230	43.2	15,453	9.9	2,876	-12.5	76,581	12.2	26	76,608
Segment Income	20,092	-10.9	4,826	32.5	4,819	-4.3	341	227.9	30,079	-4.0	124	30,204

Difference between Segment and Consolidated Operating Income

Income	Amount	yoy
Segment Income	30,079	-4.0
Income of "Others" Category	124	-
Elimination of Intersegment Transactions	107	-18.9
Adjustments due to Unification of Accounting Treatment between Parent Company and Subsidiary	-92	-
Consolidated Operating Income	30,219	-3.3

<Reference>

- Loan and Credit Card Business — ACOM CO., LTD.
- Guarantee Business — ACOM CO., LTD.; MU Credit Guarantee Co., LTD.
- Overseas Financial Business — EASY BUY Public Company Limited; PT. Bank Nusantara Parahyangan, Tbk.
- Loan Servicing Business — IR Loan Servicing, Inc.

Basic Policy and Forecasts on Dividends

Basic Policy on Profit Distribution

◇ Attempt stable and continuous profit distribution, taking the business environment surrounding the company, shareholders' equity and our own performance into consideration.

Forecasts on Dividends

◇ We plan to resume dividend payment as soon as we are certain that our mainstay three businesses (loan, guarantee and overseas financial businesses) are in stable growths and risks on shareholders' equity to be impaired due to requests for interest repayment are eliminated.

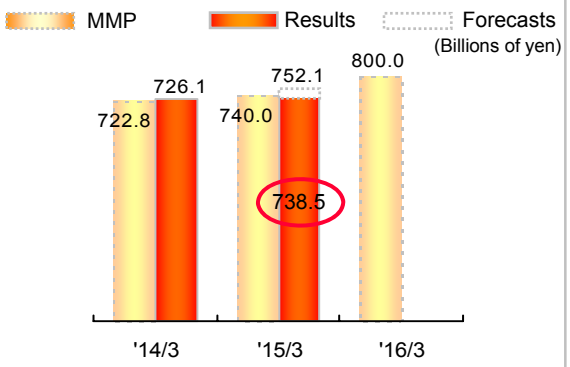
- Year-end dividend for the fiscal year ended March 2014 ・・・ "None"
- Dividend for the second quarter of fiscal year ending March 2015 ・・・ "None"
- Year-end dividend for the fiscal year ending March 2015 ・・・ "Undecided"

Progress of Mid-term Management Plan (2014/3-2016/3)

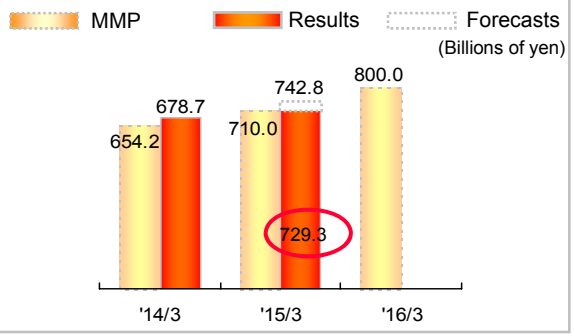
- **Receivables at ACOM** : Loans receivable for this fiscal year is the key to realization of mid-term management plan (MMP), while we expect guaranteed receivables to achieve its target in advance.
- **Receivables for Overseas Financial Business** : EASY BUY is making a progress above the target; whereas Bank BNP falls below it due to slowing economy, etc.
- **Operating Revenue** : Making progresses surpassing the target in both consolidated and non-consolidated bases

Receivables at ACOM

Loans Receivable

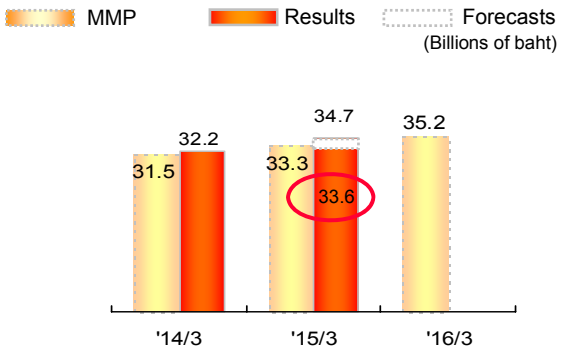


Guaranteed Receivables

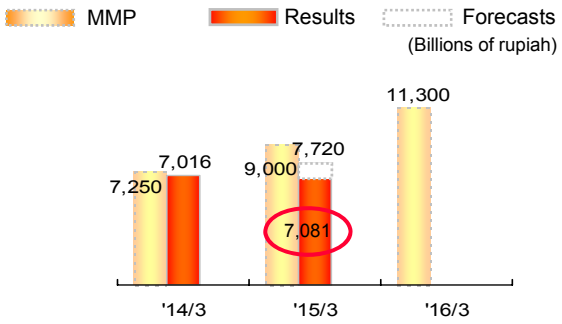


Receivables for Overseas Financial Business

Receivables Outstanding at EASY BUY (*)

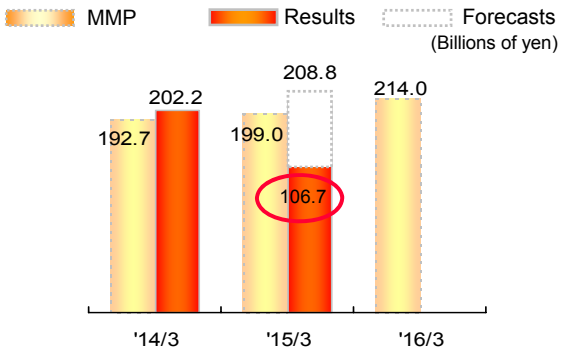


Receivables at Bank BNP

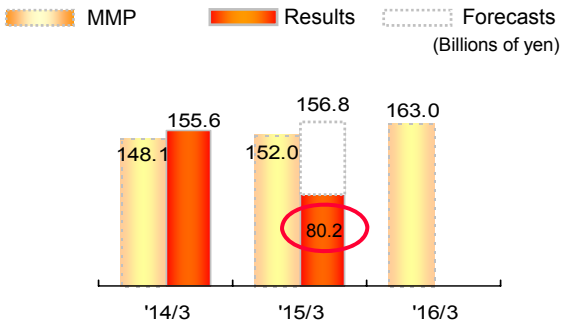


Operating Revenue

Consolidated Operating Revenue



Operating Revenue at ACOM



* This receivables outstanding is the sum of accounts receivable-operating loans and accounts receivable-installment.

Supplementary Explanation (ACOM)

The Second Quarter of the Fiscal Year Ending March 2015

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11. Trend of No. of New Customers in Loan Business
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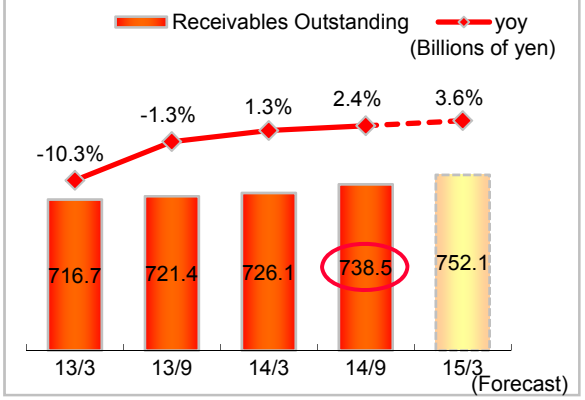
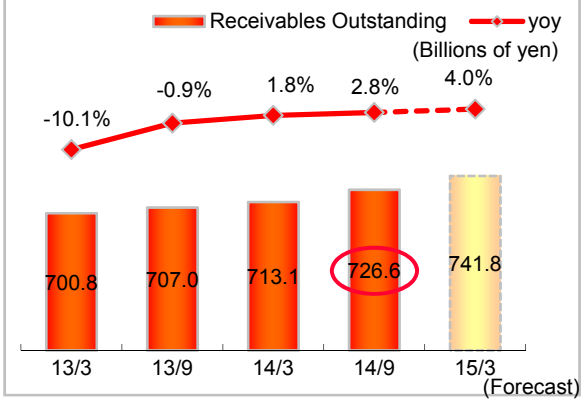
Factors which Led to Increase in Unsecured Loans

- **Unsecured Loans** : Increased by 2.8% yoy to 726.6 billion yen, thus making a smooth progress toward the forecasts.
- **No. of Customer Accounts** : Making a progress in a pace slower than the forecasts, with a decrease of 1.3% yoy to 1,393 thousand accounts.
- **Lending Volume** : Sustained a growth trend and increased to 189.3 billion yen owing primarily to increase in the number of customers eligible for additional borrowings.

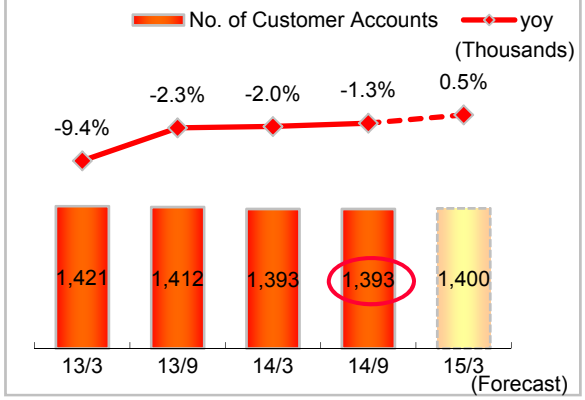
Receivables Outstanding



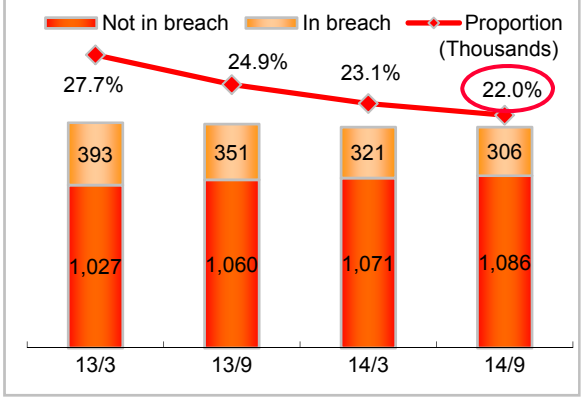
Unsecured Loans



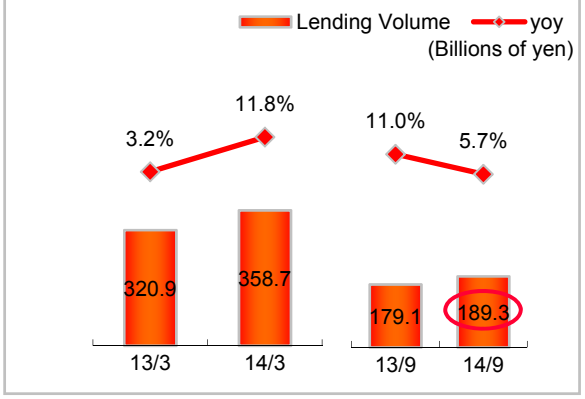
No. of Customer Accounts



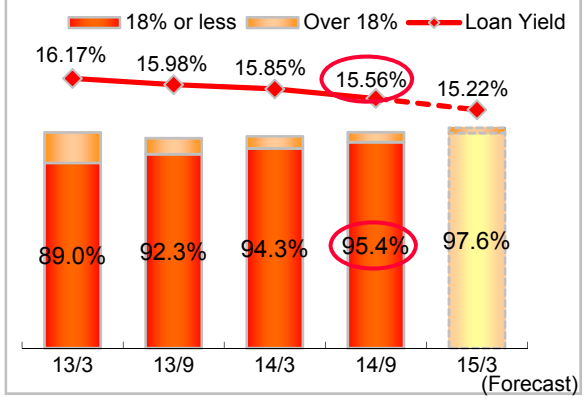
Regulation on Total Borrowing Amount



Lending Volume



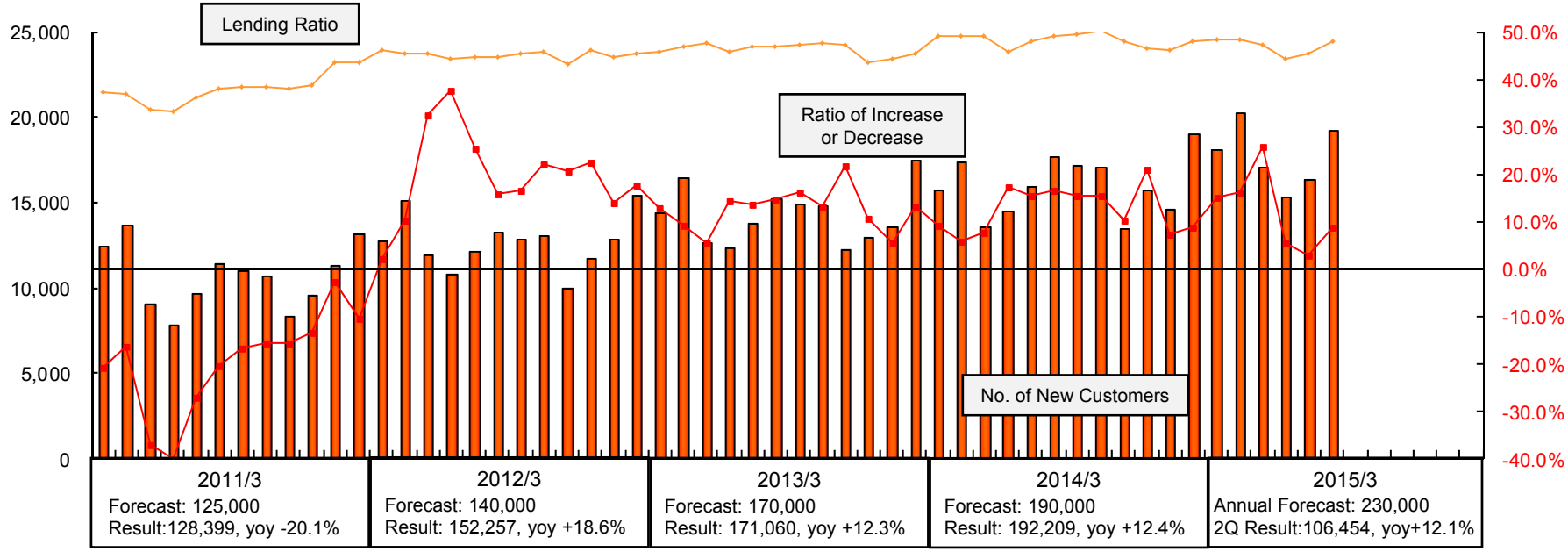
Average Loan Yield and Composition by Interest Rate



* The figures of "Unsecured Loans," "No. of Customer Accounts," "Regulation on Total Borrowing Amount," "Lending Volume," "Average Loan Yield," and "Composition by Interest Rate" are figures pertaining to unsecured consumer loans.

Trend of No. of New Customers in Loan Business

- **First Half : Increased by 12.1% yoy to 106 thousands, but in a pace slower than the forecasts.**
- **Second Half : Various measures are scheduled for implementation to achieve 230 thousands of new customers in annual basis.**



◇ Result for 2Q of FY March 2015 [106,454 new customers]

- No. of new customers: yoy +12.1%
- Advertising expenses: yoy +13.7% (5.3 billion yen)
- No. of outlets: yoy +38(1,086 outlets)
- Enhanced customer acquisition through interest-free campaign

◇ Primary Measures Scheduled in Second Half of the year

- Constant provision of monthly interest-free service (from October 1, 2014)
- Further investment in advertisement (5.4 billion yen + α)
- Further expansion of branch networks

Trend of No. of Requests for Interest Repayment

- No. of requests : Increased by 14.2% yoy to 40.1 thousands.
- Cause : Requests from certain law offices continued to increase whereas those from other law offices continued to decrease.

- Monthly Number of Requests for Interest Repayment (*)

(%)

	2011/3		2012/3		2013/3		2014/3		2015/3	
	No. of Requests for Interest Repayment	yoy	No. of Requests for Interest Repayment	yoy	No. of Requests for Interest Repayment	yoy	No. of Requests for Interest Repayment	yoy	No. of Requests for Interest Repayment	yoy
Total	142,600	-2.9	90,500	-36.5	73,500	-18.8	69, 900	-4.9	40,100	14.2
Apr.	11,100	-22.4	10,100	-9.0	6,400	-36.6	6,700	4.7	6,500	-3.0
May	9,600	-23.2	8,900	-7.3	7,000	-21.3	6,200	-11.4	6,200	0.0
June	10,800	-23.4	9,500	-12.0	6,600	-30.5	5,600	-15.2	6,600	17.9
July	9,600	-26.2	7,300	-24.0	6,600	-9.6	6,100	-7.6	7,100	16.4
Aug.	8,500	-19.8	7,500	-11.8	5,500	-26.7	4,600	-16.4	5,900	28.3
Sept.	9,500	-18.8	7,400	-22.1	5,800	-21.6	5,900	1.7	7,800	32.2
Oct.	13,800	1.5	7,300	-47.1	6,600	-9.6	6,400	-3.0	-	-
Nov.	12,900	15.2	7,100	-45.0	5,900	-16.9	5,600	-5.1	-	-
Dec.	13,100	6.5	6,200	-52.7	5,000	-19.4	5,500	10.0	-	-
Jan.	12,500	33.0	5,000	-60.0	5,000	0.0	5,000	0.0	-	-
Feb.	16,500	44.7	7,200	-56.4	6,300	-12.5	5,900	-6.3	-	-
Mar.	14,700	15.7	7,000	-52.4	6,800	-2.9	6,400	-5.9	-	-

* No. of requests which interest repayment occurs as a result of ACOM's recalculation based on the interest ceiling as specified in Interest Rate Restriction Act from claims which lawyers or judicial scriveners accept debt consolidation

Trend of Loss on Interest Repayment

- Provision : 90.2 billion yen remains as 33.8 billion yen was reversed from 124.1 billion yen of provision.
- Addition of provision : No additional provision was made as the actual amount requested did not surpass the value provided for reevaluation in our reevaluation standard.
- Future evaluation : We will continue to review the difference between expected amount of requests and amount actually requested every quarter to evaluate validity and sufficiency of the provision.

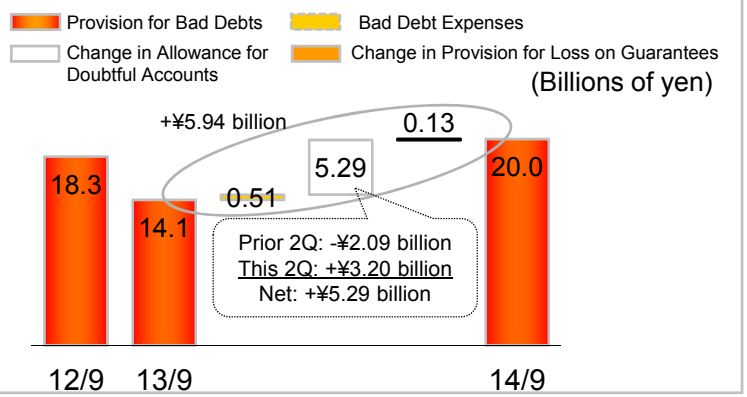
- **Interest Repayment** (Millions of yen, %)

	2014/3					2015/3				2015/3 Forecasts
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total	yoy	
Reversal of Provision	16,703	18,603	19,894	17,192	72,393	17,159	16,663	33,823	-4.2	-
Interest Repayment	13,308	14,881	16,231	14,040	58,461	14,041	13,869	27,911	-1.0	-
<Reference> Interest Repayment (Cash-out basis)	13,192	14,996	15,930	13,473	57,592	14,515	13,165	27,680	-1.8	-
Bad Debt Expenses (ACOM's voluntary waiver of repayments)	3,395	3,721	3,662	3,152	13,932	3,117	2,794	5,911	-16.9	-
Addition of Provision	-	-	-	45,493	45,493	-	-	-	-	-
Increase or Decrease in Provision	-16,703	-18,603	-19,894	28,300	-26,900	-17,159	-16,663	-33,823	-	-
Provision at the End of Respective Periods	134,296	115,693	95,799	124,100		106,940	90,276		-22.0	-

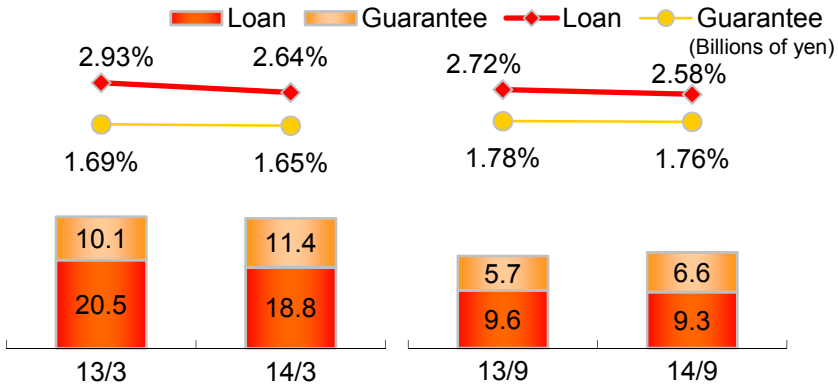
Bad Debts Related Figures

- **Provision for Bad Debts** : Increased by 5.9 billion yen yoy to 20.0 billion yen mainly due to increase in allowance for doubtful accounts
- **Bad Debt Expenses** : Made a slight decrease for loan business while that for guarantee business increased due to increase in receivables
- **Quality of Loan Portfolio** : Ratio of non-performing loans made a slight increase due to increase in unsettled claims associated with requests for interest repayment.

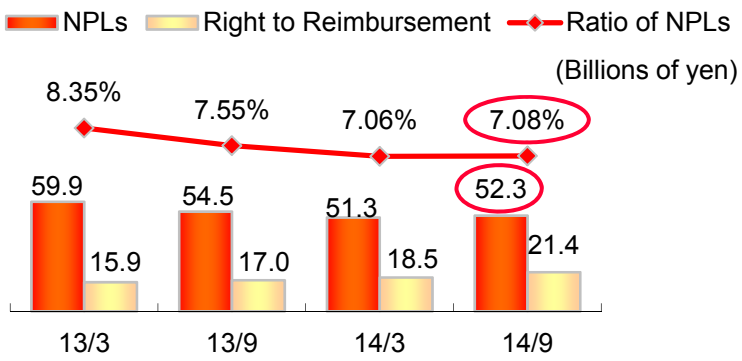
Provision for Bad Debts



Amount and Ratio of Bad Debt Expenses (*1, *2)



Amount of NPLs and Right to Reimbursement (*3), and Ratio of NPLs



- **Provision for Bad Debts** (Billions of yen)

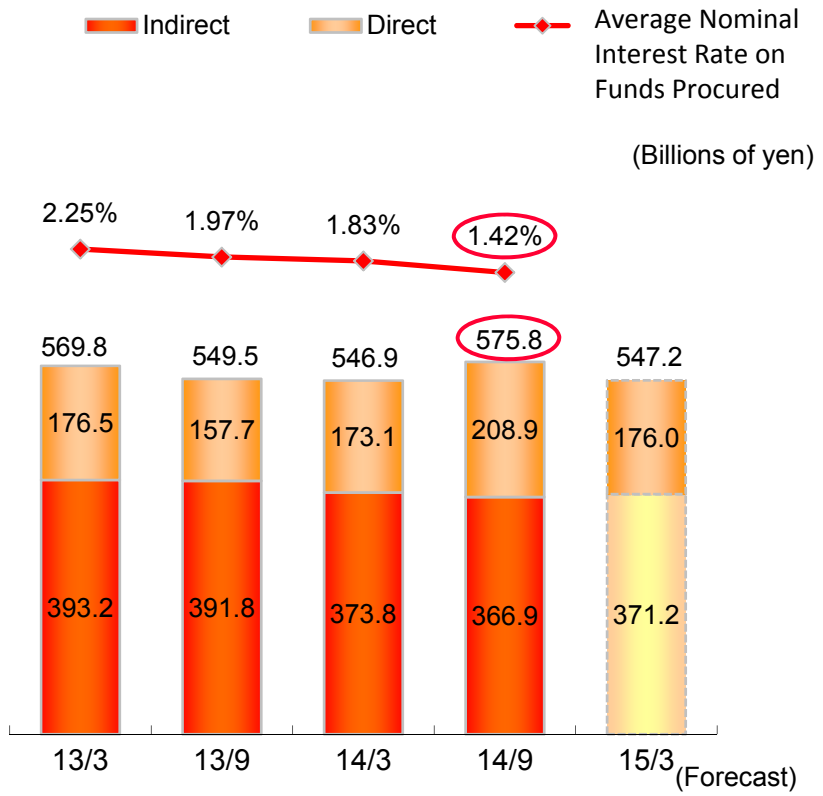
	2014/3		2015/3		2015/3	
	2Q	4Q	2Q	yoy	Forecasts	yoy
Provision for Bad Debts	14.12	31.18	20.06	5.94	37.90	6.71
Bad Debt Expenses	16.03	31.54	16.55	0.51	33.70	2.15
Change in Allowance	-2.09	-0.88	3.20	5.29	4.00	4.88
Change in Provision	0.18	0.53	0.31	0.13	0.20	-0.33
Allowance for Doubtful Accounts	33.80	35.00	38.20	4.40	39.00	4.00
Provision for Loss on Guarantees	5.19	5.54	5.85	0.66	5.70	0.16

*1 These figures exclude waiver of repayments accompanying interest repayment.
*2 The ratios for 2013/9 and 2014/9 are converted into annual basis.
*3 Right to reimbursement is loans in which guarantee obligations have been performed by ACOM, but not yet written-off.
*4 "yoy" values in the table above are amount of changes from prior periods.

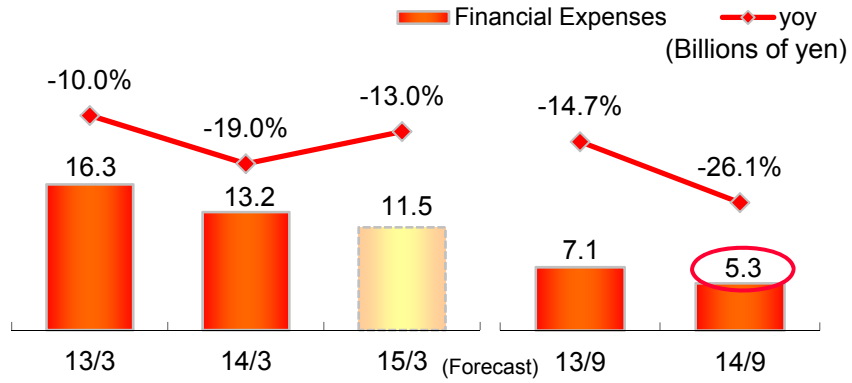
Fund Procurements

- **Borrowings** : Increased mainly due to early issuance of bonds in the first half which was originally scheduled in the second half.
- **Average Nominal Interest Rate on Funds Procured** : Decreased by 55 basis points yoy to 1.42% as some borrowings has been replaced in improving funding environment.
- **Financial Expenses** : Decreased by 26.1% yoy to 5.3 billion yen owing to decline in average nominal interest rate

Borrowings and Procurement Interest Rate



Financial Expenses



Bonds Issued (Billions of yen, years, %)

	2014/3					2015/3		
	63rd	64th	65th	66th		67th	68th	69th
Bond value	25.0	25.0	18.0	18.0		10.0	20.0	20.0
Maturity period	4	5	6	7		5	8	10
Coupon	0.99	0.88	0.70	0.90		0.50	0.95	1.21

Bonds Matured and Scheduled for Maturation (Billions of yen, years, %)

	2014/3					2015/3 (*)		
	51st	57th	58th	59th	60th	40th	50th	61st
Bond value	20.0	10.0	20.0	13.0	15.0	10.0	10.0	30.0
Maturity period	6	3	2	1.8	2.3	10	7	3
Coupon	2.07	3.72	3.67	3.57	3.85	1.66	2.09	2.62

*** The 40th and 61st are scheduled to be matured on February 10, 2015, and March 6, 2015, respectively.**

[Reference] Market Volume and ACOM's Share

● Market Volume of Domestic Card Loan

(Billions of yen, %)

		2011/3	yoy	2012/3	yoy	2013/3	yoy	2014/3	yoy	2014/6	yoy
Market Volume	Domestic Card Loan Market	10,818.4	-21.8	9,495.8	-12.2	9,031.9	-4.9	8,759.9	-3.0	8,769.3	0.6
	Nonbank Market	6,996.6	-29.7	5,643.3	-19.3	4,955.1	-12.2	4,364.4	-11.9	4,320.9	-6.4
	Consumer Finance Companies	3,266.6	-34.8	2,725.9	-16.6	2,379.4	-12.7	2,302.2	-3.2	2,305.8	-2.2
	Bank Market	3,821.8	-1.6	3,852.5	0.8	4,076.8	5.8	4,395.5	7.8	4,448.4	8.5
	Banks Only	3,255.4	-1.1	3,312.4	1.8	3,544.2	7.0	3,851.4	8.7	3,910.8	9.3
ACOM's Share	Domestic Card Loan Market	12.4	2.1	13.5	1.1	14.4	0.9	16.0	1.6	16.4	1.2
	Nonbank Market	12.9	1.8	14.2	1.3	14.5	0.3	16.6	2.1	17.0	1.4
	Consumer Finance Companies	27.6	5.6	29.3	1.7	30.1	0.8	31.5	1.4	31.8	1.3
	Bank Market	11.6	3.4	12.5	0.9	14.4	1.9	15.4	1.0	15.8	1.0
	Banks Only	13.6	4.0	14.6	1.0	16.5	1.9	17.6	1.1	18.0	1.1

* Nonbank market (statistics by Japan Financial Services Association, "JFSA") refers to the receivables outstanding of nonbanks registered to JFSA (exclude housing loans).
* Bank market (statistics by Bank of Japan) refers to the volume of consumer card loans provided by domestic banks and credit unions.
* "yoy" values in ACOM's Share are the amount of changes from prior periods.
* Figures provided by JFSA for 2014/6 are preliminary figures.

Reference:
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