

A Blueprint for Growth

ACOM Annual Report 2001



Profile

ACOM was incorporated in 1978. The Company was listed on the first section of the Tokyo Stock Exchange in 1996, 60 years after the establishment of the Maruito Shoten Co., Ltd., its predecessor, in 1936.

ACOM ranks among the largest and most well-respected of the major consumer finance companies in Japan and has established a strong record of innovation within the industry. The Company was the first to offer services 24 hours a day via selected ATMs in 1979 and to introduce MUJINKUN automated loan application machines in 1993. Later, in 1998, ACOM was approved as a principal member of MasterCard International, becoming the first consumer finance company in Japan to obtain a license to issue credit cards under the MasterCard® name. Based on this license, ACOM began issuing the ACOM MasterCard® in 1999.



In recent years, ACOM has aggressively expanded its presence on the Internet and has actively sought to diversify its sources of income. This has been manifested in such ways as the establishment of a joint venture company with the Bank of Tokyo-Mitsubishi, Ltd., the Mitsubishi Trust and Banking Corporation, DC CARD CO., LTD. and JACCS CO., LTD.; entry in the loan guarantee business through a tie-up with a regional bank; and entry into servicing businesses as well as in a strengthening of its installment sales finance and credit card activities.

At the end of FY 2000, ACOM ranked as the second largest consumer finance company in Japan with an outstanding balance of loans receivable of ¥1,496,237 million.

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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 management and involve risks and uncertainties and actual results 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 markets 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.

Non-Consolidated Five-Year Summary

Years ended March 31,	Millions of yen				Thousands of U.S. dollars	
	1997	1998	1999	2000	2001	2001
<i>For the year:</i>						
Total operating income	¥ 258,420	¥ 284,632	¥ 310,521	¥ 341,767	¥ 366,712	\$ 2,959,741
Operating profit	97,817	114,603	127,109	144,374	158,507	1,279,313
Net income	36,877	44,032	56,499	74,038	80,757	651,791
<i>At year-end:</i>						
Loans receivable outstanding	973,648	1,083,214	1,206,401	1,347,757	1,496,237	12,076,166
Total shareholders' equity	254,281	293,132	343,349	427,716	502,833	4,058,377
Total assets	1,254,459	1,436,151	1,602,641	1,700,322	1,876,210	15,142,937
Borrowings	947,431	1,080,286	1,191,700	1,192,92	1,283,167	10,356,473
Allowance for bad debts	34,300	36,900	44,300	54,300	61,900	499,596
Note: Allowance for bad debts includes a portion of the balance sheet item investments and other assets.						
<i>Amounts per share:</i> (in yen and U.S. dollars)						
Net income, basic	¥ 251.50	¥ 300.29	¥ 385.31	¥ 504.93	¥ 550.75	\$ 4.44
Cash dividends	35.00	40.00	45.00	55.00	65.00	0.52
<i>Key financial ratios:</i> (percentage)						
Net income margin	14.3%	15.5%	18.2%	21.7%	22.0%	
Operating margin	37.9	40.3	40.9	42.2	43.2	
Return on assets (ROA)	3.1	3.3	3.7	4.5	4.5	
Return on equity (ROE)	15.5	16.1	17.8	19.2	17.4	
Interest coverage (times)	3.9	4.8	5.4	5.9	6.5	

Notes: 1. The translation of yen amounts into U.S. dollar amounts has been made solely for convenience, at the rate of ¥123.90=US\$1, the exchange rate prevailing on March 31, 2001.

2. ROA and ROE are calculated using a simple average of beginning and end of term total assets and total shareholders' equity figures, respectively.

Success Factors



Shigeyoshi Kinoshita
President

During FY 2000 the ACOM Group
moved to put in place solid foundations
to support future growth.

On behalf of myself, my fellow directors, and all employees of ACOM, I would like to take this opportunity of thanking all of our shareholders and investors for the support extended to this Company over the last year.

At the end of FY 2000, the consumer finance industry finds itself facing a period of change. These changes will be driven by various factors, including changes in the demographics of Japanese society together with social attitudes to the use of credit, the rise of the Internet as a favoured medium of social and commercial intercourse, increasing participation in the industry from outside of the traditional consumer finance companies, and changes in the regulatory environment.

Turning first to demographic issues, the total working population in Japan hit a peak in 1998 and is already in decline. In particular, the very

important segment of the employed population aged between 20 and 30 years will decline by around 1.8 million individuals over the next five years. This segment of the population includes around 50 percent of first-time borrowers and is a very important target audience for this Company. In addition, the continuing economic malaise in which Japan finds itself has caused the unemployment rate to stay stuck at high levels while traditional lifetime employment patterns are being complemented by other forms, including part-time or contract employment and temporary placement. At the same time, social conventions on the use of consumer credit are also changing. Historically, the use of credit has been considered somewhat shameful in Japanese society. This attitude is still held by many of the older generation, although younger Japanese have largely integrated prudent use of credit into their lifestyles.

The first recorded descriptions in Japanese history concerning the financial industry are believed to date from the early part of the eighth century. It was only as a money economy developed at the beginning of the Edo Period (ca. 1600 – 1868), however, that moneylenders differentiated their functions and enabled consumer finance to play a role

in supporting economic activity. From the Edo Period through the Meiji and Taisho eras and until the first half of the Showa Era (1926 – 1989) pawnshops were the main provider of funds for the general populace. On the other hand, during the postwar years in the first half of the 1950s the presence of illegal moneylenders posing as bona fide financial institu-

tions became a social problem. To respond to this situation the government enacted the Capital Subscription Law in June 1954 with the objective of regulating high interest rates. Under this law the maximum interest rate for loans was set at 109.5 percent per annum.

*before
1955*

Today, more than 20 million Japanese have access to the Internet either from traditional terminals or, increasingly, from mobile tools such as mobile phones. This number may well increase to more than 60 million over the next five years. Moreover, financial services are well suited to migration to the Internet. This is especially true of sectors such as ours in which speed of response and customer convenience are crucial to success. Succeeding in the Internet age, in which information can be exchanged and compared literally at the speed of light, is a matter of importance for ACOM and one to which we are giving careful thought. Regulatory barriers to conducting transactions online still remain, particularly concerning documentation and electronic signatures. Once these issues are resolved, however, we would anticipate the Internet becoming the primary channel through which we interact with our customers.

The above is happening against a background of increased competition and emergence of new participants in the consumer finance market. These include alliances between consumer finance companies and banks (including our own alliance with



The consumer finance industry finds itself facing a period of change

the Bank of Tokyo-Mitsubishi, Ltd., the Mitsubishi Trust and Banking Corporation, DC CARD CO., LTD., and JACCS CO., LTD.), entrance into Internet banking by retailers and manufacturers and into consumer finance by companies from other sectors, including increasing participation in the consumer finance sector by foreign capital companies.

On the regulatory front, FY 2000 was marked by a reduction in the maximum legal lending rate for consumer finance companies from 40.004 percent to 29.2 percent. This had a major effect on smaller and medium-sized consumer finance companies,

*from
1955
to
1970*

From the middle of the 1950s Japanese society started to undergo immense change. In the financial sector there was increasing demand for new services from which pawnbrokers were excluded. This led to the birth of small-lot unsecured loans that were not guaranteed but based upon quick credit checks – in other words, consumer loans as we understand them today. As Japan's economy entered its high-growth period, the ranks of salaried employees able to draw on a

regular monthly income expanded. As people pursued improvement in their standard of living, new financing alternatives such as consumer loans and installment sales finance greatly expanded and stimulated overall demand for consumer finance. Consumer finance companies, became a fixture, particularly from about 1960, and greatly expanded their business scale as companies competed to develop unique financial services. By 1970, with ACOM in the lead, firms had

grown to the point where they were capable of undertaking multi-branch expansion.

ACOM is faced with substantial new opportunities



some of which either ceased operation or were absorbed by larger concerns. One unwanted side effect has been an increase in credit risk across the whole industry and in the amount of illegal loan-sharking activity as less creditworthy customers have been unable to access credit through regular channels. Fortunately, ACOM has been isolated from these problems since we have always taken care to manage our credit risk conservatively and can point to probably the highest-quality customer list in the industry.

Two other developments of note in April 2001, were the introduction of new procedures applica-

ble to personal bankruptcies that have allowed individuals to seek protection from creditors pending reformation of their personal finances, and a new Consumer Contracts Law that features enhanced protection for consumers.

Looking forward, the maximum legal lending rate is due to be revised yet again in June 2003. While it is not possible to predict the outcome of this review, it has made it necessary for consumer finance companies to reduce costs as fast as possible in anticipation.

On the other hand, while our traditional markets may face challenges, ACOM is also faced with substantial new opportunities. The ¥8 trillion consumer finance market is just one component of the much larger ¥52 trillion consumer credit market. ACOM believes that its established loan infrastructure and expertise can be successfully applied to other areas such as credit cards and installment sales finance. In addition, we have opportunities to partner with other financial institutions, including regional banks, to extend our reach even within our traditional business areas. Having spent

Following the shock of the first oil crisis in 1973, Japan's economy quickly shifted from high-growth to a period of stable growth. Against a backdrop of high interest rates, there was a growing tendency for major corporations to raise funds from the capital markets. Consequently, financial institutions targeted growing consumer finance companies as they sought new sources of demand. As a result consumer finance companies were able to greatly increase their business scale. At the same time, competition

gradually intensified as foreign firms and companies from unrelated industries such as sales finance and retailers entered the consumer loan market. Faced with excessive competition, some companies engaged in excessive lending, imposition of high interest rates and strong-arm collection tactics. These were eventually regarded as social problems. As a result, the Japanese government approved the Money Lending Business Control and Regulation Law in April 1983. The new law introduced a registration system for

entities providing consumer lending services and provided specific business regulations on lending and collection activities, which enabled the industry to take its first large step towards financial health and sound business practice. The Capital Subscription Law was simultaneously amended and a phased reduction of the maximum loan interest rate implemented, with the final annual interest rate stipulated at 40.004 percent.

*from
1970
to
1983*

some time defining our strategy, we moved quickly during FY 2000 to capitalize on these opportunities.

The most significant of these developments was the announcement of the formation of a joint venture with the Bank of Tokyo-Mitsubishi, Ltd., the Mitsubishi Trust and Banking Corporation, DC CARD CO., LTD., and JACCS CO., LTD. This company, to be owned 35 percent by ACOM, will initially provide retail customers with unsecured card loans through direct channels, including telephone, fax, the Internet, and mail 24 hours a day, 365 days a year. In future, we intend that the new company will develop new innovative services, but initially it will concentrate on advancing small-lot loans at favourable rates of interest. It should be noted that ACOM's involvement in this venture is far-reaching, encompassing sales, planning, and collection as well as loan management. The advantage to ACOM is access to a new client base that might have been averse to dealing directly with a consumer finance company but that respects the brand image of our partners. These partners, by contrast, can benefit from our advanced loan-

management capabilities. In our opinion, the depth and breadth of our involvement with a major city bank is unique among all of the tie-ups that have been announced to date and, in the longer term, will yield superior benefits both for our partners and for us.

In addition to our relationship with a major city bank, we are attempting to utilize the opportunities presented by the banking channel by forming relationships with other, mainly regional, banks to provide their customers with new financial products and services. Under this model, ACOM will provide guarantees for small unsecured consumer loans and other products under wide-ranging relationships in which the full range of our abilities can be brought to bear, from planning to collection. Our first relationship, with Hokkaido Bank, Ltd. started in May 2001. ACOM will continue to seek opportunities to form such tie-ups with major regional banks. Measured in terms of return on investment, we believe that the proprietary skills we can bring to bear will ensure that profitability on this business meets our internal targets.

*from
1984
to
1990*

Japan's consumer finance industry faced its greatest crisis in 1984. In June 1983 the Ministry of Finance (now the Ministry of Finance and the Financial Services Agency) issued to each financial institution an official notice by the Director General of the Banking Bureau indicating that institutions were to be "prudent in their lending to the consumer finance

industry." The notice delivered a tremendous blow to consumer finance companies that were dependent on funds raised from financial institutions. As a result many small and medium-sized firms faced a management crisis. In addition to the bankruptcy of 14 leading companies in 1984 alone, the industry saw many mergers among small and medium-sized

firms as they struggled to cope. The severe business environment in the consumer finance market continued for two years with operating results of every major company showing a decline in 1985 for the first time ever. The maximum annual interest rate under the Capital Subscription Law was lowered to 54.75 percent in 1986. Companies con-

We have also entered the debt-servicing business through investment in IR Loan Servicing, Inc., a subsidiary of Risa Partners, Inc. This company will purchase and service monetary claims against individuals and corporations from financial institutions. It will service claims on consignment from financial institutions and will also provide services related to the securitization of financial claims and real estate loan credits.

In other areas, we have also worked to strengthen our credit card and installment sales finance businesses over the last year.

Since being approved as a principal member of MasterCard International and entering this business two years ago, ACOM has achieved a client base of more than 750,000 credit card customers. Our strategy is to provide innovative services geared to the needs of the shopping credit market while seeking synergies with our loan business. We aim to build on our established infrastructure to differentiate ourselves from other market participants. For example, we can handle the entire

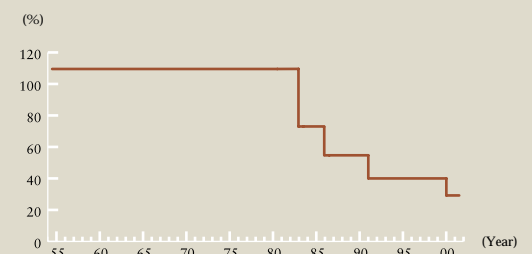
credit card process, from initial application to card issuance, in 30 minutes rather than the several days characteristic of conventional credit card companies. In addition, we have introduced innovations to further differentiate ourselves from the crowd. A prime example of this is the facility for our customers to select between balance clearing and revolving credit at the time of payment rather than at the point of purchase. We plan to equip 940 out of a total of 1,735 MUJINKUN machines with the ability to issue credit cards on the spot.

One innovation of particular note in this area is the inauguration of our FlurMasterCard®. This card is squarely aimed at Japanese travelling overseas. This segment of the population includes a relatively large number of younger persons who may be acquiring a credit card for the first time. In addition to the usual benefits mentioned above, the FlurMasterCard® offers a range of benefits specifically geared to the overseas travellers, including overseas travel accident insurance and shopping protection. A pilot store dedicated to the FlurMasterCard® opened at a location next to the

tinued to restructure in preparation for advent of a maximum annual lending rate of 40.004 percent, however, and during the latter half of the 1980s the operating results at consumer finance companies gradually improved. Coupled with brisk consumption stimulated by Japan's bubble economy, the demand for consumer loans again began to rise

sharply. In addition banks and non-banks also expanded the volume of small loans extended to consumers, and competitors in the consumer finance industry rapidly increased their lending to the entire consumer credit market.

Maximum legal lending rate



Source: Whitepaper of consumer finance

Future gains in operational efficiency will come through increasing centralization of functions and outsourcing where appropriate



Ikebukuro Passport Center in central Tokyo in late 2000. Interestingly, FlurMasterCard® seems to be succeeding in yielding us access to a new client base. For example, while 70 percent of ACOM customers are male, initial indications are that more than half of FlurMasterCard® customers are female.

The Company is also teaming with other companies to offer tie-up credit cards in hoping of cultivating new loan customers. Through these and

other means, we hope to increase active membership of our credit card operations to two million within the next three years.

Our position in the installment sales finance market was significantly strengthened by our purchase of JUKI CREDIT CO., LTD. in October 2000. This company, which was of a smaller-scale to ACOM's existing installment sales finance business, will continue to operate as an independent company, in some cases competing directly with ACOM. Together, JUKI CREDIT and ACOM have more than 600,000 customer accounts and more than 10,000 affiliated vendors. ACOM will seek synergies between this client base and its core consumer loan operations while seeking to achieve an increase in the outstanding balance of installment sales finance receivables of over 50 percent within the next three years.

With the exception of JUKI CREDIT, ACOM has not to date sought to expand its scale through acquisition. While ACOM remains open to growth through acquisition in the credit card and

*from
1991
to
1997*

The maximum annual interest rate on loans permitted by the Capital Subscription Law was lowered in two steps and finally reduced to 40.004 percent per year in 1991. Because companies had worked vigorously throughout the 1980s to improve their corporate structure, however, the market did not suffer any great disturbance. Demand for consumer loans expanded even after the collapse of Japan's bubble economy at

the beginning of the 1990s. As the market steadily expanded, the largest firms enjoyed the greatest growth. In 1993 ACOM introduced its "automated loan application machine," a revolutionary system in the consumer finance industry. Other major companies quickly followed suit. The automated loan application machines have proven to be popular mainly with young consumers and have been a driving force in realizing latent

demand for consumer loans. During the same year, three major companies including ACOM became the first firms in the industry to issue stock on the over-the-counter market, which simultaneously elevated the social awareness of the consumer finance industry and opened up an important new channel for fund-raising. Companies continued these new advances as the low interest rate phase continued, with three major companies

installment sales finance business, the Company is unwilling to compromise the quality of its balance sheet or to accept a significant increase in risk in the process. However, the Company continues to actively monitor the market for suitable opportunities in these areas.



Our activities touch the lives of many thousands of ordinary people

Turning now to a discussion of our cost base, we, in common with every other company active in our markets, face a number of potential threats. The first I have alluded to above and consists of the potential for substantial pricing pressure in two years' time should the allowable maximum rate of interest be sharply reduced. At this point, I think I should mention that we do not foresee a huge amount of pricing pressure from other market participants absent a change in legislation. The history of the credit industry, in this and other countries, is that attempts to "buy" market share have usually ended in failure. While some market participants have made cosmetic reductions to their maximum lending rates, primarily to entice first-time customers, there is no sign as yet of significant downward pressure on rates across the board above and beyond those mandated by law

and the continuing gentle slide in loan rates. Nevertheless, the above-mentioned regulatory review is a matter of intense interest for all market participants.

The second threat I would like to mention is the potential for a rise in our cost of funding. While there is no sign yet of a rise in the general level of interest rates, offsetting the risk associated with the possibility of an increase in interest rates is also a matter of concern for management.

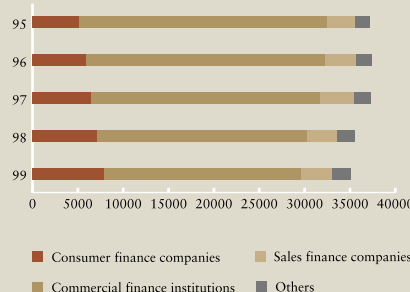
We are not passive in the face of the above threats. We intend to reduce our cost base aggressively. Here I would note that over the last decade our

including ACOM successfully listing their shares on the First Section of the Tokyo Stock Exchange in 1996. Since then other large firms and second-tier companies have continued to issue stock either on the over-the-counter market or by listing on a stock exchange.

Change in consumer credit balance

(end of December)

(Billions of yen)



Source: Japan Consumer Credit Industry Association

Bad loans by company size

(as of March 31, 2000)

(Percent)



Source: Whitepaper of consumer finance

labor productivity has doubled, partly due to the introduction of MUJINKUN machines. Over the next decade we intend to continue these gains in operational efficiency through greater centralization of functions and outsourcing where appropriate.

We have expanded our nationwide network to a point where we now have 521 staffed and 1,220 unstaffed outlets as well as a network of 1,735 MUJINKUN machines. In addition, our customers can access a nationwide network of more than 30,000 CDs and ATMs both proprietary and through tie-ups with partners. Our belief is that this network is now sufficiently strong that further expansion is likely to be limited mainly to scrap-and-build evolution. In future, however, administration of this network is going to become far more centralized than in the past. Call Centers attached to each of our four regional offices will take over almost all telephone-based services, including fielding inquiries and customer complaints. We believe that in this way it will be possible to reduce costs associated with these activities by as much as 30 percent.

Another cost-saving measure announced during FY 2000 was the outsourcing of our computer-center operations to IBM Japan, Ltd. Computer equipment previously located within our own data centers will be relocated to data centers operated by IBM that feature enhanced disaster-recovery and backup systems. In addition to the improved service, we anticipate cost savings of ¥13.4 billion, or around 20 percent of our previous spend over the next 10 years. This move will also have the benefit of allowing us to move a large number of valuable systems personnel to development activities, which will help speed our systems-development cycle.

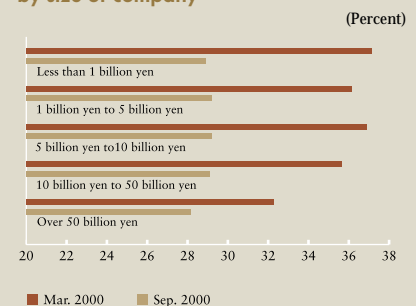
I would like to mention our financial strategy. As a company we have always maintained a conservative financial stance. Our two strategic thrusts in this area have been to attempt to lock in current low rates through capital markets financing and other measures and to take a very conservative approach to liquidity risk. In the former, we were helped by revisions in 1999 to the Nonbank Bond Law, which allows us to apply the proceeds of bond issuance more flexibly than previously.

from
1998
to
2001

With the start of the Japanese version of a financial Big Bang in 1998, Japan's financial system underwent broad deregulation. One result was that foreign firms turned their attention to Japan's consumer finance industry and completed several large-scale acquisitions of major companies and second-tier firms. Japanese banks and nonbanks also increased their interest in the consumer finance business, and each consumer finance company has continued to take innovative actions designed for a new

age, including the establishment of joint ventures with city banks, formation of business alliances with regional banks and movement into the credit card business. Furthermore the maximum annual interest rate on loans was lowered to 29.2 percent in June 2000 by an amendment of the Capital Subscription Law. Today Japan's consumer finance industry has embarked on a new path of reorganization, including moves by the largest industry players to acquire a number of small and medium-sized firms.

Average interest rate charged on loans by size of company



Source: Whitepaper of consumer finance

In the latter, we have benefited from access to commitment facilities offered by foreign and domestic lenders. Following the legal revisions, we have seen active issuance of straight bonds by consumer finance companies, including ACOM. ACOM is presently expending much effort in trying to reach other classes of bond investors through active IR (investor relations) activities and through investigation of alternative routes, including longer maturity bonds and ABS.

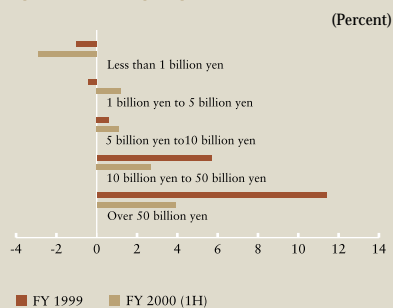
Finally, it is important always to keep in mind that our activities touch the lives of many thousands of ordinary people. Bonds of trust binding these people to ACOM underpin our prosperity. We believe that achievement of our wider goals is contingent on our being able to promote this trust in a way that will be immediately intelligible to our customers based on Company's guiding principle of "Commitment to the Customer." We have therefore instigated a corporate branding campaign featuring definite and direct promises made by ACOM as a company to its customers. This has been backed up by a widespread media campaign, which has already shown measurable

results. During FY 2000 we spent more than ¥20 billion in advertising, and we will continue to maintain advertising spending at a high level into FY 2001. We believe that only by honoring the promises we have made publicly will we be able to thrive in the Japan of the 21st century.

Taking all of the above into account, we believe that we shall be able to continue to prosper by taking an aggressive approach to the new opportunities that have presented themselves. Traditionally, we have used return on equity as our primary yardstick of corporate success. Our medium-term target is to maintain a minimum level of 15 percent for this indicator. We would also like to supplement this measure with others based on the concept of economic value-added.

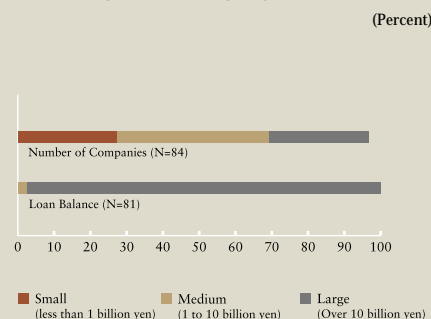
I would like, once again, to ask all of our shareholders and investors for their continued support as we strive to achieve these goals.

Growth in loan balance outstanding by size of company



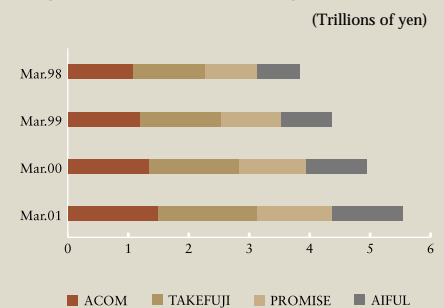
Source: Whitepaper of consumer finance

Number of companies and outstanding loan balance by size of company (end of March 2000)



Source: Whitepaper of consumer finance

Outstanding loan balance - top 4 consumer finance companies



Source: Shohisha Shinyo (Monthly Consumer Credit)

Review of Operations



ACOM continued to prosper during
FY 2000 while positioning itself for
further growth.

Consolidated Income and Expenses

(Millions of yen)

	Mar. 2000	Mar. 2001	yoy %
Operating income	343,644	375,674	9.3
Operating profit	145,488	160,310	10.2
Income before income taxes	141,229	154,847	9.6
Net income	74,352	81,369	9.4

Background

During FY 2000, higher demand related to government stimulus measures and to investment in information technology gave way to signs of a revival in capital spending. These developments allowed the Japanese economy to recover at a gradual pace in the first half of the year. However, continuing weak employment conditions, the failure of a large retailer due to slack personal consumption, and a sluggish stock market was joined in the second half by the slowing of exports ensuing from a correction in the U.S. economy. As a result, difficult conditions persisted for the Japanese economy.

The year was also marked by a de facto return to the so-called Zero Interest-Rate policy by the Bank of Japan and, toward the end of the period under consideration, a decline in long-term interest rates as measured by the yield on 10-year JGBs. Credit spreads also trended generally lower during the period.

The most significant recent development in the market for consumer finance was a reduction of the maximum legal lending rate under the partial amendment of the Capital Subscription Law in June 2000 from 40.004 percent to 29.2 percent.

This had the effect of restricting the access to credit of less creditworthy borrowers and precipitating a consolidation within the consumer finance industry.

Other major factors affecting ACOM's markets included greater competition from a greater variety of financial institutions, globalization of competition in the sector, and increasing signs that the Internet is rapidly becoming an integral part of the infrastructure of the industry.

Loans Receivable and Loan Customer Accounts

(Millions of yen)

	Mar. 1997	Mar. 1998	Mar. 1999	Mar. 2000	Mar. 2001
Loans receivable	¥ 973,648	¥ 1,083,214	¥ 1,206,401	¥ 1,347,757	¥ 1,496,237
Unsecured loans	909,091	1,015,368	1,133,197	1,273,899	1,428,196
Secured loans	64,557	67,845	73,204	73,857	68,041

(Number)

Loan customer accounts	2,297,056	2,458,691	2,572,127	2,669,016	2,893,789
Unsecured loans	2,285,761	2,446,935	2,559,255	2,655,803	2,880,304
Secured loans	11,295	11,756	12,872	13,213	13,485

Note: For fiscal year ended March 31, 2001, the number of customer accounts of loans exclusive of non-interest-bearing balance have been included.

(Thousands of yen)

Average balance of loans per customer account	¥ 424	¥ 441	¥ 469	¥ 505	¥ 517
Unsecured loans	398	415	443	480	496
Secured loans	5,716	5,771	5,687	5,590	5,046

Note: For average balance of loans per customer account, all amounts are rounded-off to the nearest expressed unit.

Installment Sales Finance Business

(Millions of yen)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
	yoy %		yoy %		yoy %		yoy %		yoy %	
Number of customer accounts	166,226	31.2	217,420	30.8	286,327	31.7	358,400	25.2	446,217	24.5
Installment receivables	46,641	32.4	63,799	36.8	91,152	42.9	121,933	33.8	150,581	23.5
Adjusted receivables	39,089	32.9	53,080	35.8	75,272	41.8	100,300	33.2	124,046	23.7
Operating income	4,899	22.1	5,929	21.0	8,364	41.1	11,136	33.1	14,287	28.3
Composition ratio to total operating income (%)	1.9	—	2.1	—	2.7	—	3.3	—	3.9	—
Ratio of bad debt write-offs (%)	0.46	—	0.62	—	0.62	—	0.57	—	0.68	—
Number of merchant vendors	4,093	—	4,381	—	4,668	—	5,007	—	5,337	—
Number of sales offices	5	—	6	—	8	—	8	—	8	—
Number of employees	115	—	134	—	180	—	200	—	216	—

Notes: 1. Number of customer accounts are contracts with receivables outstanding.

2. Composition ratio to total operating income = Operating income of installment sales finance / Total operating income.

Business Development

During FY 2000 ACOM continued to stress credit quality and corporate branding in a context of organic growth. The Company was therefore not active either in purchasing loan books from smaller competitors or in acquiring other consumer finance companies. Within the installment sales finance sector, the Company strengthened its position in providing installment sales finance services geared to higher-margin niche markets by acquiring

the stock of JUKI CREDIT CO., LTD. in October 2000. The acquisition included only the installment sales finance business of JUKI CREDIT. Lease receivables, loans to affiliates, and real estate were not included in the transaction. ACOM intends to grow the installment sales finance business to support its core consumer finance business, and for JUKI CREDIT to continue operating autonomously within the ACOM Group.

Credit Card Business "ACOM MasterCard®"

(Millions of yen)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
	yoy%		yoy%		yoy %		yoy %		yoy %	
Number of contracts	—	—	—	—	—	—	504,155	—	546,433	8.4
New contracts	—	—	—	—	—	—	171,882	—	294,010	71.1
Accumulated contracts	—	—	—	—	—	—	504,155	—	1,050,588	108.4
Number of cardholders	—	—	—	—	—	—	380,396	—	752,509	97.8
Card shopping receivables	—	—	—	—	—	—	6,167	—	19,157	210.6
Revolving receivables	—	—	—	—	—	—	4,025	—	16,123	300.6
Operating income	—	—	—	—	—	—	428	—	2,298	436.1
Number of card issuance machines	—	—	—	—	—	—	354	—	773	—
MUJINKUN	—	—	—	—	—	—	354	—	582	—
Loan business outlets	—	—	—	—	—	—	0	—	191	—

ACOM continued to build its nationwide presence in the core business of providing unsecured, unguaranteed small-lot loans to individuals. The number of loan business outlets increased from 106 to 1,741. Of the increase, 97 consisted of unstaffed outlets, taking the total number of such outlets to 1,220. There was a similar increase, of 110 units, in the number of MUJINKUN automated loan application machines deployed. This increase is similar to the moderate increase recorded during FY 1999 and reflects a natural decline in investment efficiency as the network grows larger. However, the number of card-issuance

machines able to issue credit cards increased to 773 from the year-before figure of 354. Providing more of the Company's MUJINKUN machines with credit card issuing functions is a corporate priority for FY 2001 and beyond.

Due to a succession of agreements with financial institutions and retailers, the number of tie-up cash dispensers (CDs) and automated teller machines (ATMs) accepting ACOM cards increased to 28,766 from 16,534 during the previous year. This brought the number of CDs and ATMs accessible to ACOM customers, including

Number of Loan Business Outlets

						(Locations)	
	Mar. 1997	Mar. 1998	Mar. 1999	Mar. 2000	Mar. 2001		
					yoy		
Number of loan business outlets	823	1,126	1,521	1,635	1,741	106	
At roadside	193	508	883	988	1,085	97	
Staffed	532	516	509	512	521	9	
At roadside	81	87	86	90	96	6	
Unstaffed	291	610	1,012	1,123	1,220	97	
At roadside	112	421	797	898	989	91	

MUJINKUN

						Mar. 2001	
	Mar. 1997	Mar. 1998	Mar. 1999	Mar. 2000	yoy		
Number of MUJINKUN outlets	782	1,106	1,507	1,623	1,733	110	
Number of MUJINKUN machines	785	1,108	1,509	1,625	1,735	110	

Cash Dispensers and ATMs

						Mar. 2001	
	Mar. 1997	Mar. 1998	Mar. 1999	Mar. 2000	yoy		
Number of cash dispensers and ATMs	10,771	12,051	14,594	18,478	30,819	12,341	
Proprietary	1,084	1,421	1,824	1,944	2,053	109	
Open 365 days/year	1,062	1,410	1,814	1,937	2,046	109	
Open 24 hours/day	755	1,102	1,507	1,633	1,755	122	
Tie-up	9,687	10,630	12,770	16,534	28,766	12,232	
Others	—	—	—	—	7,611	7,611	

Note: "Others" indicates agency to receive payment by convenience store.

proprietary terminals, to 30,819, an increase of 12,341 over the previous year. This represents a significant improvement in the level of service the Company is able to provide its customers and should help to consolidate the Company's position within the industry.

In the Credit Card and Installment Sales Finance Division, the main targets pursued were promoting sales of the ACOM MasterCard® by increasing the number of card-issuance machines linked to MUJINKUN machines and developing new affiliated vendors for installment sales finance. The credit card operation itself continues to show strong growth, with the number of cardholders nearly doubling, to just over 752,000 during the year. One innovation of note was the introduction of the FlurMasterCard® at the Flur Ikebukuro Branch located near the Ikebukuro Passport Center in central Tokyo. This card carries a wide range of benefits for holders, including shopping protection and overseas-travel accident insurance and can be issued in just 30 minutes. This move gives ACOM access to a new client base complementary to its own.

The Company was also active in seeking to leverage its extensive infrastructure by teaming with other companies to offer tie-up credit cards. Of particular note were relationships formed with the mobile-phone-sales company J COMMUNICATION CO., LTD. and SKY Perfect Communications Inc.

During the year, reflecting the Company's opinion that the Internet will become a primary channel of

communication with its customers, ACOM moved aggressively to strengthen its online presence, online-A.com. This service functions as a sophisticated information-provision channel geared to the needs of first-time borrowers and capable of providing information such as near real-time information on credit limits applicable to the site visitor. This capability was complemented by the introduction of Mobile-A.com, which extends the Company's online reach to include users of mobile phones.

In a move designed to improve cost-efficiency and service, computer-center operations, which have to date been handled by the Company itself, have been outsourced to IBM Japan, Ltd. Host equipment will be relocated to IBM's own computer center, with significant improvement in antidisaster structure and systems. In addition, cost-reductions over the 10-year period ending March 31, 2011, are predicted to come to ¥13,400 million, representing a decline of more than 20 percent. Furthermore, redistribution of the management resources of the System Operation Division is expected to lead to a 10 percent gain in labor productivity, which will greatly enhance the Company's system planning and development capability.

In response to a rise in personal bankruptcies in Japan and a spate of problems concerning multiply-indebted customers, ACOM took steps to protect the quality of its loan book and its reputation by fortifying its credit-management procedures and offering counselling services to customers where appropriate.

During the year the Company withdrew from the audio-visual software rental business, with 25 AV software-rental stores being transferred to Culture Convenience Club Co., Ltd. and the remainder, 15 in number, being closed. In addition, the hardware-rental business was incorporated as a separate company, ACOM RENTAL CO., LTD.

New Directions

ACOM moved to address several attractive areas within the wider consumer credit markets. These moves were made in pursuit of the Company's goal of developing as a provider of comprehensive financial services as it sought to apply its strong infrastructure to a wider range of businesses. These included the provision of loan guarantees for customers of regional banks, entrance into the servicing (loan management and collection) business, and the formation of a joint venture with the Bank of Tokyo-Mitsubishi, Ltd., the Mitsubishi Trust and Banking Corporation, DC CARD CO., LTD., and JACCS CO., LTD. In addition, the Company has laid the foundations for long-term growth by reinforcing its presence in consumer credit markets in certain Asian markets.

In May 2001 the Company agreed with Hokkaido Bank, Ltd. on a business tie-up in which ACOM would guarantee unsecured small loans extended by Net Branch, a service launched by the bank specializing in personal loans. ACOM will continue to seek opportunities to form such tie-ups with major regional banks.

In July 2001, in a further move to broaden the business base of the Company, ACOM acquired 60 percent of the shares of IR Loan Servicing, Inc., a subsidiary of Risa Partners, Inc. This venture will provide comprehensive services relating to the management and collection of loans to financial institutions. The venture allows ACOM to supplement its expertise in the management and collection of credits provided to individual customers with Risa Partners's expertise in the area of credits provided to corporate customers (including due diligence and handling of real-estate collateral etc.). IR Loan Servicing will operate in three main areas. These are the purchase and servicing of specified monetary claims (both individual and corporate) held by financial institutions and others, the servicing of such claims on consignment from financial institutions or others, and the provision of services in connection with the securitization of various financial assets.

Also in April 2001 ACOM reached agreement with the Bank of Tokyo-Mitsubishi, Ltd., the Mitsubishi Trust and Banking Corporation, and DC CARD CO., LTD. to start discussions on the formation of a wide-ranging financial-services business. In August, JACCS CO., LTD. will join this new company through capital participation. Initially this venture will concentrate on provision of consumer loans to individuals through channels that will be open for business around the clock, 365 days a year. The operation of the new company will be supported by ACOM and the new company will inherit the Company's strong cost focus and ability to innovate. Further out, the company

will promote a wide variety of services as deregulation and the accelerated development of information technology open up opportunities to provide services that cross traditional sector boundaries. This exciting venture broadens ACOM's reach to include the customers of one of Japan's most respected city banks. ACOM will provide a variety of services to the new company, ranging from sales promotion to credit management.

ACOM was also active in providing funds for small and medium-sized corporation utilizing both "real" and "virtual" business models. Effective March 6, 2001, E*NetCard CO., LTD., a joint venture between ACOM and SOFTBANK FINANCE CORPORATION, made a third-party allocation of shares to NISSIN CO., LTD. Following the allocation, ACOM owns 38.25 percent, SOFTBANK FINANCE 36.75 percent, and NISSIN 25 percent of the company. The alliance gives E*NetCard access to the highly developed know-how possessed by NISSIN in the provision of small-business loans to complement its existing expertise, acquired from ACOM, in the provision of small-lot consumer loans and credit cards to individuals via the Internet.

With an eye to the long-term, ACOM has been active in establishing a foothold for its services in promising Asian markets, with a view to benefiting from increasing wealth and maturity of local financial markets. In 1996 the Company established a subsidiary in Thailand to offer installment sales finance services. In July 2000 a further step was taken when ACOM established a joint-venture company in Taiwan, again to offer installment sales finance services. While providing only a negligible contribution to total Company revenues, these operations position ACOM to reap maximum benefit from new business opportunities that may arise as legal, regulatory, and social systems mature in these countries.

Financial Results

Consolidated operating income and operating profit differ from the non-consolidated figures by only 2.4 percent and 1.1 percent, respectively. On a non-consolidated basis, the balance of loan receivables rose 11.0 percent, to ¥1,496 billion, as ACOM continued to place emphasis on credit quality and the provision of larger loans to its best customers. There was a particularly large increase in the number of accounts with outstanding bal-

Loan Interest Rate

(Percent)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
	yoy p.p.		yoy p.p.		yoy p.p.		yoy p.p.		yoy p.p.	
Average loan interest rate during the fiscal year	26.12	-0.66	25.51	-0.61	25.08	-0.43	24.86	-0.22	24.08	-0.78
Unsecured loans	27.29	-0.95	26.52	-0.77	26.02	-0.50	25.70	-0.32	24.75	-0.95
Consumers	27.29	-0.95	26.52	-0.77	26.02	-0.50	25.70	-0.32	24.76	-0.94
Commercials	—	—	15.45	—	24.43	8.98	24.08	-0.35	22.88	-1.20
Secured loans	10.83	-0.10	10.68	-0.15	10.88	0.20	11.20	0.32	11.33	0.13

Note: "yoy p.p." indicates year on year percentage point.

ances over ¥1 million. These accounted for 21.1 percent of total receivables outstanding as of end-March 2001, up from a year-earlier figure of 14.5 percent. The average interest rate on unsecured loans charged by ACOM fell during the year by a relatively large 0.95 percentage points, to 24.75 percent, reflecting a gradual trend to lower pricing across the industry and success in the policy of promoting loans to the Company's best and most creditworthy customers. Loan-interest income thus rose by 7.9 percent, to ¥341.4 billion, lagging the rise in the loan balance outstanding.

In the Credit Card and Installment Sales Finance Division installment sales finance receivables outstanding at the end of the period in question amounted to ¥150.5 billion, up 23.5 percent.

In addition, receivables attributable to the ACOM MasterCard® amounted to more than ¥19 billion. Although still small in comparison to the outstanding balance of unsecured loans, this number is expanding rapidly and increased by a factor of three compared to the previous year.

Income and Expenses

(Millions of yen)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
	yoy%		yoy %		yoy %		yoy %		yoy %	
Operating income	258,420	12.9	284,632	10.1	310,521	9.1	341,767	10.1	366,712	7.3
Loan business	237,715	14.3	263,697	10.9	286,359	8.6	316,490	10.5	341,456	7.9
Operating expenses	160,603	9.9	170,029	5.9	183,412	7.9	197,392	7.6	208,205	5.5
Financial expenses	33,516	0.4	29,844	-11.0	28,777	-3.6	29,250	1.6	28,933	-1.1
Other operating expenses	126,109	12.8	139,611	10.7	153,105	9.7	167,894	9.7	179,190	6.7
Operating profit	97,817	18.2	114,603	17.2	127,109	10.9	144,374	13.6	158,507	9.8
Other income	1,890	5.4	1,517	-19.7	1,324	-12.7	1,319	-0.4	1,670	26.6
Other expenses	853	78.2	1,256	47.3	993	-21.0	2,958	197.9	1,115	-62.3
Loss on revaluation of marketable securities	762	220.6	847	11.2	330	-60.9	622	88.1	—	—
Income before extraordinary items	98,854	17.6	114,863	16.2	127,440	10.9	142,735	12.0	159,062	11.4
Extraordinary income	22	-98.0	11	-49.8	28	153.8	656	—	1,561	137.8
Extraordinary losses	11,558	2.8	9,906	-14.3	4,418	-55.4	3,178	-28.1	7,708	142.6
Loss on sales of fixed assets	8,893	-5.7	7,607	-14.5	2,027	-73.4	2,085	2.9	3,854	84.8
Loss on revaluation of investments in securities	812	1368.4	992	22.2	549	-44.6	106	-80.7	1,340	—
Income before income taxes	87,317	18.1	104,968	20.2	123,049	17.2	140,213	13.9	152,915	9.1
Income taxes, current	50,440	19.2	60,936	20.8	66,550	9.2	69,030	3.7	74,950	8.6
Enterprise taxes	10,240	20.0	12,336	20.5	13,150	6.6	13,220	0.5	14,350	8.5
Income taxes, deferred	—	—	—	—	—	—	-2,854	—	-2,791	-2.2
Net income	36,877	16.8	44,032	19.4	56,499	28.3	74,038	31.0	80,757	9.1

Operating Income

(Millions of yen)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
		yoy%		yoy%		yoy%		yoy%		yoy%
Operating income	258,420	12.9	284,632	10.1	310,521	9.1	341,767	10.1	366,712	7.3
Loan business	237,715	14.3	263,697	10.9	286,359	8.6	316,490	10.5	341,456	7.9
Unsecured loans	230,764	14.9	256,662	11.2	278,684	8.6	308,205	10.6	333,349	8.2
Consumers	230,764	14.9	256,660	11.2	278,452	8.5	307,697	10.5	332,936	8.2
Commercials	—	—	1	—	232	—	508	118.8	413	-18.7
Secured loans	6,950	-2.7	7,035	1.2	7,675	9.1	8,284	7.9	8,106	-2.2
Credit card business	6	-19.5	7	14.9	15	99.8	451	—	2,323	414.8
ACOM MasterCard®	—	—	—	—	—	—	428	—	2,298	436.1
Installment sales finance business	4,899	22.1	5,929	21.0	8,364	41.1	11,136	33.1	14,287	28.3
Rental business	9,195	-8.1	8,538	-7.1	7,507	-12.1	6,395	-14.8	1,591	-75.1
Audio-visual software	5,792	-11.1	5,198	-10.3	4,247	-18.3	3,007	-29.2	1,591	-47.1
Hardware	2,857	15.9	3,174	11.1	3,149	-0.8	3,388	7.6	—	—
Other	544	-47.0	166	-69.5	110	-33.6	—	—	—	—
Sales	1,134	-14.2	723	-36.3	1,755	142.7	320	-81.7	103	-67.7
Others	5,408	-3.7	5,735	6.0	6,519	13.7	6,972	7.0	6,950	-0.3
Other financial income	571	-37.4	647	13.3	815	26.0	367	-54.9	74	-79.7
Other operating income	4,837	2.8	5,088	5.2	5,704	12.1	6,605	15.8	6,875	4.1
Collection of bad debts deducted	4,453	4.2	4,720	6.0	5,265	11.6	6,134	16.5	6,508	6.1

Operating Expenses

(Millions of yen)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
		yoy%		yoy%		yoy%		yoy%		yoy%
Operating expenses	160,603	9.9	170,029	5.9	183,412	7.9	197,392	7.6	208,205	5.5
Financial expenses	33,516	0.4	29,844	-11.0	28,777	-3.6	29,250	1.6	28,933	-1.1
Cost of sales	977	-5.9	572	-41.4	1,529	167.1	247	-83.8	81	-67.1
Other operating expenses	126,109	12.8	139,611	10.7	153,105	9.7	167,894	9.7	179,190	6.7
Personnel costs	34,466	7.2	35,058	1.7	33,179	-5.4	35,200	6.1	34,125	-3.1
Bad debt write-offs	21,181	18.2	27,433	29.5	32,355	17.9	37,461	15.8	44,392	18.5
Additional allowance for bad debts	1,800	-18.2	2,600	44.4	7,400	184.6	10,000	35.1	7,261	-27.4
Advertising and promotional expenses	14,778	16.5	14,419	-2.4	13,513	-6.3	15,693	16.1	20,216	28.8
Administrative expenses	13,667	9.7	13,991	2.4	14,857	6.2	15,770	6.1	15,242	-3.3
Expenses for computer operation and development	11,577	29.1	15,120	30.6	19,189	26.9	18,617	-3.0	20,070	7.8
Fees	5,878	28.2	6,411	9.1	8,782	37.0	9,515	8.3	9,761	2.6
Insurance expenses	2,387	13.6	2,676	12.1	3,272	22.3	5,776	76.5	6,578	13.9
Depreciation expenses	4,784	19.0	4,865	1.7	5,112	5.1	4,741	-7.2	4,211	-11.2
Taxes and other public charges	3,893	13.0	5,254	34.9	5,633	7.2	5,737	1.8	6,568	14.5
Others	11,710	4.0	11,781	0.6	9,807	-16.8	9,380	-4.4	10,759	14.7

Reflecting the above, total non-consolidated income rose by 7.3 percent to ¥366.7 billion.

On a non-consolidated basis, the growth in operating expenses was held to 5.5 percent, which was below the rate of growth in operating income and was achieved in spite of a 28.8 percent rise in advertising and promotional expenses associated with the Company's branding activities. Principal contributors to this outcome were a further fall in personnel costs as the Company continues to stress automation and operational efficiency and a rise in expenses associated with bad debt, which was held broadly in line with the rise in revenues in spite of the adverse operating climate in which the Company operated during the year.

Financial expenses fell modestly in spite of the increase in the loan balance, as the average interest rate paid on funds fell from 2.46 percent during FY 1999 to 2.37 percent during FY 2000. This in turn reflects the Company's continuing success in shifting to relatively inexpensive sources of funding, as discussed below.

Reflecting the above, consolidated operating profit outpaced revenue growth, rising by 10.2 percent, to ¥160.3 billion. The operating profit margin consequently improved from 42.3 percent, to 42.7 percent. Income before income taxes improved by a similar amount, rising from ¥141.2 billion to ¥154.8 billion, with net income rising from ¥74.3 billion to ¥81.3 billion.

Financial Position

Expansion in the business scale of the Company meant that the core businesses continued to use cash in spite of the healthy profits generated. Cash used in operating activities emerged at ¥85.8 billion, ¥16.5 billion more than during the previous year.

Cash flows due to investing activities are relatively small compared to the other categories. During the year in question, investing activities provided net positive cash flow of ¥813 million, a sharp decrease from the previous year.

Cash flows from financing activities provided ¥92.5 billion. Major components of this included proceeds of ¥92.4 billion from straight bond issuance and ¥30 billion in commercial paper.

Cash and cash equivalents declined by a modest ¥4.0 billion to finish the year at ¥92.5 billion.

Securing adequate access to funding at an attractive price is a central goal for ACOM going forward. In addition, the Company is attempting to manage liquidity risk by putting in place commitment lines.

Since revisions to the Nonbank Bond Law in 1999, consumer finance companies have been able to issue straight bonds for application to their core business. Since that time, all companies, including ACOM, have been active issuers of such instruments. At the end of FY 2000, ACOM had ¥245 billion in straight bonds outstanding and a further

Funds Procurement

(Millions of yen)

	Mar. 1997		Mar. 1998		Mar. 1999		Mar. 2000		Mar. 2001	
		C.R.%		C.R.%		C.R.%		C.R.%		C.R.%
Borrowings	947,431	100.0	1,080,286	100.0	1,191,700	100.0	1,192,926	100.0	1,283,167	100.0
Indirect	923,431	97.5	981,586	90.9	1,059,300	88.9	976,926	81.9	971,367	75.7
City banks	35,169	3.7	25,347	2.4	16,987	1.4	20,423	1.7	28,798	2.3
Regional banks	77,438	8.2	70,670	6.6	61,618	5.2	49,427	4.1	47,576	3.7
Long-term credit banks	99,662	10.5	102,762	9.5	110,762	9.3	75,810	6.4	67,638	5.3
Trust banks	408,107	43.1	408,810	37.8	452,698	38.0	437,622	36.7	457,598	35.7
Foreign banks	27,500	2.9	65,560	6.1	65,000	5.5	49,000	4.1	17,000	1.3
Life insurance companies	224,099	23.7	233,741	21.6	253,177	21.2	256,893	21.5	270,883	21.1
Non-life insurance companies	45,156	4.8	56,476	5.2	64,224	5.4	61,845	5.2	55,711	4.3
Others	6,300	0.6	18,220	1.7	34,834	2.9	25,906	2.2	26,163	2.0
Direct	24,000	2.5	98,700	9.1	132,400	11.1	216,000	18.1	311,800	24.3
Straight bonds	—	—	32,000	2.9	99,900	8.4	160,000	13.4	245,000	19.1
Convertible bonds	—	—	—	—	—	—	50,000	4.2	50,000	3.9
Commercial paper	24,000	2.5	66,700	6.2	27,500	2.3	1,000	0.1	12,000	0.9
Securitization of installment sales finance receivable	—	—	—	—	5,000	0.4	5,000	0.4	4,800	0.4
Short-term	199,260	21.0	260,542	24.1	142,297	11.9	19,668	1.6	19,188	1.5
Fixed	474,058	50.0	495,561	45.9	761,465	63.9	847,114	71.0	978,647	76.3
Interest rate swaps (notional)	163,600	17.3	84,060	7.8	158,162	13.3	161,398	13.5	88,577	6.9
Interest cap (notional)	—	—	—	—	35,000	2.9	35,000	2.9	110,000	8.6
Average interest rate on funds procured during the year (%)	3.72	—	3.00	—	2.57	—	2.46	—	2.37	—
Floating interest rate	2.24	—	2.00	—	2.01	—	2.20	—	2.20	—
Fixed interest rate (including derivative)	4.84	—	3.92	—	2.96	—	2.65	—	2.38	—
Short-term	1.45	—	1.45	—	1.48	—	1.35	—	1.21	—
Long-term	4.27	—	3.50	—	2.82	—	2.55	—	2.43	—
Direct	0.59	—	1.36	—	1.71	—	1.72	—	1.76	—
Indirect	3.79	—	3.10	—	2.63	—	2.58	—	2.52	—

Note: "C.R." indicates composition ratio.

¥50 billion in convertible bonds outstanding, accounting for 19.1 percent and 3.9 percent, respectively, of outstanding borrowings. Total direct financing, including a small amount of com-

mercial paper and securitized installment sales finance receivables, amounted to ¥311.8 billion at the end of the year, or 24.3 percent of the Company's total borrowings. This latter figure has

risen rapidly over recent years as ACOM has taken advantage of new financing opportunities made available to it by regulatory change to tap capital markets for funds. The average interest rate on funds procured during the year was 1.76 percent on direct borrowings and 2.52 percent on indirect. The rising proportion of direct borrowings in its portfolio accounts for the majority of the success that the Company has had in reducing financing costs over recent years.

Indirect borrowings during the year fell by a modest 0.6 percent. Major suppliers of funds are trust banks, life insurance companies, and regional banks. Recently, city banks have started to play a somewhat larger role. Only modest growth is expected in the level of indirect financing over the next year. However, the Company is actively looking to diversify its sources of funding in this area.

ACOM has made progress in addressing liquidity risk by establishing commitment facilities with both domestic and overseas lenders. A total of ¥92.4 billion in commitment facilities has been established to date. The Company intends to increase this amount over time to ensure that it has access to adequate liquidity under all conceivable scenarios.

Interest-rate risk has been hedged by matching floating rate debt with interest-rate swaps and caps where possible. Only 1.5 percent of ACOM's total debt is short-term, while 76.3 percent of borrowings have been secured at fixed rates.

In light of the above, the Company believes that it is effectively hedged against adverse movements in interest rates for the foreseeable future.

ACOM intends to continue to promote access to lower-cost funding using new funding sources. This may include issuance of straight bonds with longer maturities and, potentially, issuance of securities backed by loan assets provided that certain regulatory hurdles can be overcome. Issue of straight bonds overseas is also a possibility at the appropriate time.

Outlook

Difficult economic conditions are expected to carry over into the next fiscal year. Though capital investment is expected to continue increasing, personal consumption will not recover for some time in light of stagnant incomes and unease related to a high unemployment rate. Foreign economies are foreseen to turn sluggish due to rising crude oil prices, unstable exchange rates, and the likelihood of further stock market corrections.

To respond to such conditions in its operating environment, the Company intends to work to reinforce its financial position and to upgrade sales and service capabilities in a drive to maintain stable earnings.

Consequently, ACOM believes that it will once again be able to record an improvement in its business results for the year ending March 2002.

ACOM & the Community

ACOM actively engages in the social life of communities in which it operates. The company's social activities are promoted under the rubric of "Assistance with a Smile" in cooperation with the members of each community.



Internet Fair 2001 Japan, “INPAKU” Pavilion, “Assistance with a Smile”

ACOM operates a special virtual pavilion named “Assistance with a Smile” on the “INPAKU,” which is sponsored by the government.

“INPAKU” is a commemorative event marking the start of the new millennium in 2001. It will run for a period of one year from 31 December 2000 through 31 December 2001, with numerous organizations both public and private, corporations, non-profit organizations and international bodies presenting their own “pavilions” on the Internet.

ACOM’s “Assistance with a Smile” pavilion is dedicated to the promotion of voluntary community service through provision of related information and holding of events linked with the pavilion. Since opening, this pavilion has attracted attention both nationally and internationally. ACOM believes that voluntary service to the community enriches the lives not just of the intended recipient but also that of the volunteer and is proud to be associated with this activity.

Visual Concert Story

The Visual Concert Story combines shadow images, music and narrative to provide an enjoyable spectacle for both adults and children. The concert is barrier-free and accessible to the physically challenged, with on-stage sign language interpretation and special seating for those in wheelchairs provided. Although the concert is mainly organized by ACOM staff members, the help of local community volunteers has also been invaluable. ACOM intends to continue to present such concerts nationwide in association with local communities.

Assistance with a Smile

ACOM sponsors a TV program called “Assistance with a Smile.” The program provides reports on individuals involved in community service and welfare activities in order to share the benefit of their experience with viewers. Participants are drawn from the ranks of front-line participants in social services and volunteer work and it is hoped that the program will contribute to the formation of social welfare and volunteer networks.



Assistance with a Smile

Selected Company Data

(Non-Consolidated)

Operating Income by Segment

(Millions of yen)

Year ended March 31,	1997	1998	1999	2000	2001
Operating income	¥ 258,420	¥ 284,632	¥ 310,521	¥ 341,767	¥ 366,712
Loan business	237,715	263,697	286,359	316,490	341,456
Credit card business	6	7	15	451	2,323
Installment sales finance business	4,899	5,929	8,364	11,136	14,287
Rental business	9,195	8,538	7,507	6,395	1,591
Sales	1,134	723	1,755	320	103
Other	5,408	5,735	6,519	6,972	6,950

Note: "Sales" include those of merchandise sold at rental outlets.

Income

(Millions of yen)

Year ended March 31,	1997	1998	1999	2000	2001
Operating profit	¥ 97,817	¥ 114,603	¥ 127,109	¥ 144,374	¥ 158,507
Net income	36,877	44,032	56,499	74,038	80,757

Operating Expenses

(Millions of yen)

Year ended March 31,	1997	1998	1999	2000	2001
Operating expenses	¥ 160,603	¥ 170,029	¥ 183,412	¥ 197,392	¥ 208,205
Financial expenses	33,516	29,844	28,777	29,250	28,933
Cost of sales	977	572	1,529	247	81
Other operating expenses	126,109	139,611	153,105	167,894	179,190
Personnel costs	34,466	35,058	33,179	35,200	34,125
Bad debt write-offs	21,181	27,433	32,355	37,461	44,392
Additional allowance for bad debts	1,800	2,600	7,400	10,000	7,261
Advertising and promotion expenses	14,778	14,419	13,513	15,693	20,216
Administrative expenses	13,667	13,991	14,857	15,770	15,242
Expenses for computer operation and development	11,577	15,120	19,189	18,617	20,070
Other	28,637	30,988	32,608	35,151	37,880

Loans Receivable and Loan Customer Accounts (Millions of yen)

March 31,	1997	1998	1999	2000	2001
Loans receivable	¥ 973,648	¥ 1,083,214	¥ 1,206,401	¥ 1,347,757	¥ 1,496,237
Unsecured loans	909,091	1,015,368	1,133,197	1,273,899	1,428,196
Secured loans	64,557	67,845	73,204	73,857	68,041
(Number)					
Number of loan customer accounts	2,297,056	2,458,691	2,572,127	2,669,016	2,893,789
Unsecured loans	2,285,761	2,446,935	2,559,255	2,655,803	2,880,304
Secured loans	11,295	11,756	12,872	13,213	13,485

Note: For fiscal year ended March 31 2001, the number of loan accounts for unsecured customers includes the number of accounts with non-interest-bearing balance.

(Thousands of yen)					
Average balance of loans per customer account	¥ 424	¥ 441	¥ 469	¥ 505	¥ 517
Unsecured loans	398	415	443	480	496
Secured loans	5,716	5,771	5,687	5,590	5,046

New Loan Customers (Number)

Year ended March 31,	1997	1998	1999	2000	2001
Number of new loan customers	567,499	476,775	453,123	427,886	443,100
Unsecured loans	567,114	476,502	452,770	427,367	442,110
Secured loans	385	273	353	519	990

Loan Service Outlets (Number)

March 31,	1997	1998	1999	2000	2001
Number of loan service outlets	823	1,126	1,521	1,635	1,741
Staffed loan service outlets	532	516	509	512	521
Unstaffed loan service outlets	291	610	1,012	1,123	1,220

MUJINKUN (Number)

March 31,	1997	1998	1999	2000	2001
Number of MUJINKUN outlets	782	1,106	1,507	1,623	1,733
Number of MUJINKUN machines	785	1,108	1,509	1,625	1,735

CDs and ATMs (Number)

March 31,	1997	1998	1999	2000	2001
Number of CDs and ATMs	10,771	12,051	14,594	18,478	30,819
Proprietary	1,084	1,421	1,824	1,944	2,053
Open year-round	1,062	1,410	1,814	1,937	2,046
Open 24 hours/day	755	1,102	1,507	1,633	1,755
Tie-up	9,687	10,630	12,770	16,534	28,766

Bad Debt Write-offs and Allowance for Bad Debts

(Millions of yen)

Year ended March 31,	1997	1998	1999	2000	2001
Bad debt write-offs	¥ 21,181	¥ 27,433	¥ 32,355	¥ 37,461	¥ 44,392
Loans receivable	20,963	27,044	31,778	36,739	42,847
Unsecured loans	20,396	26,197	31,042	35,958	39,839
Secured loans	566	846	736	781	3,007
Installment sales finance and ACOM MasterCard®	214	392	568	701	1,529

(Percentage)

Ratio of bad debt write-offs					
Loans receivable	2.15	2.50	2.63	2.72	2.86
Unsecured loans	2.24	2.58	2.74	2.82	2.79
Secured loans	0.87	1.24	1.00	1.04	4.35

Note: Ratio of bad debt write-offs (%) = $\frac{\text{Bad debt write-offs (excluding installment sales finance, rental and others)}}{\text{Loans receivable outstanding at fiscal year-end + Reorganization claims outstanding at fiscal year-end}} \times 100$

(Millions of yen)

Allowance for bad debts	¥ 34,300	¥ 36,900	¥ 44,300	¥ 54,300	¥ 61,900
Ratio of allowance for bad debts (%)	3.39	3.25	3.46	3.73	3.78
Deductible	22,712	22,888	27,514	34,114	41,595
Ratio of allowance for for bad debts (%)	2.24	2.01	2.15	2.35	2.54
Non-deductible	11,587	14,011	16,785	20,185	20,304
Ratio of allowance for bad debts (%)	1.14	1.23	1.31	1.39	1.24
Additional allowance for bad debts	¥ 1,800	¥ 2,600	¥ 7,400	¥ 10,000	¥ 7,600

Note: Ratio of allowance for bad debts (%) = $\frac{\text{Allowance for bad debts}}{\text{Loans receivable outstanding at fiscal year-end + Installment sales finance receivable (excluding deferred income on installment sales finance)}} \times 100$

Borrowings and Average Interest Rate on Procured Funds

(Millions of yen)

March 31,	1997	1998	1999	2000	2001
Borrowings	¥ 947,431	¥ 1,080,286	¥ 1,191,700	¥ 1,192,926	¥ 1,283,167
Short-term	199,260	260,542	142,297	19,668	19,188
of which commercial paper	24,000	66,700	27,500	1,000	12,000
Long-term	748,171	819,744	1,049,403	1,173,258	1,263,980
of which straight bonds and convertible notes	—	32,000	99,900	210,000	295,000

(Percentage)

Ratio of short-term	21.0	24.1	11.9	1.6	1.5
Ratio of fixed interest rate	50.0	45.9	63.9	71.0	76.3
Average interest rate on funds procured during the year	3.72	3.00	2.57	2.46	2.37
Floating interest rate (including commercial paper)	2.24	2.00	2.01	2.20	2.20
Fixed interest rate (including swap and straight bonds)	4.84	3.92	2.96	2.65	2.38

Note: Long-term borrowings include current portion of long-term debt.

Average Loan Interest Rate					(Percentage)
Year ended March 31,	1997	1998	1999	2000	2001
Average loan interest rate during the year	26.12	25.51	25.08	24.86	24.08
Unsecured loans	27.29	26.52	26.02	25.70	24.75
Secured loans	10.83	10.68	10.88	11.20	11.33

Unsecured Loan Customers by Gender					(Percentage)
March 31,	1997	1998	1999	2000	2001
Male	71.4	71.9	72.4	72.8	72.9
Female	28.6	28.1	27.6	27.2	27.1

Unsecured Loan Customers by Age					(Percentage)
March 31,	1997	1998	1999	2000	2001
Under 20	0.0	0.0	0.0	0.0	0.0
20-29	29.2	29.1	28.8	27.8	26.9
30-39	25.3	25.9	26.3	26.9	27.3
40-49	24.5	23.3	22.5	21.9	21.3
50 and older	21.0	21.7	22.4	23.4	24.5

Share Information					
Year ended March 31,	1997	1998	1999	2000	2001
Net income per share (Yen)	251.50	300.29	385.31	504.93	550.75
Shareholders' equity per share (Yen)	1,734.16	1,999.11	2,341.59	2,916.96	3,429.24
Dividends per share (Yen)	35.00	40.00	45.00	55.00	65.00
Dividend payout ratio (%)	13.9	13.3	11.7	10.9	11.8
Average number of shares (Thousands of shares)	146,630	146,630	146,630	146,630	146,630
Outstanding shares issued at fiscal year-end (Thousands of shares)	146,630	146,630	146,630	146,630	146,630

Note: Number of shares has been rounded down to the nearest thousand.

Board of Directors

(As of June 28, 2001)

Chairman

Kyosuke Kinoshita

Deputy Chairman

Masanao Kato

President

Shigeyoshi Kinoshita

Senior Managing Directors

Nobuyuki Yamochi

Masayoshi Tatsuta

Managing Directors

Tsuneo Tsukada

Shigeo Mikami

Kazuhiro Shimada

Keiji Nishio

Director and Senior Executive Advisor

Hitoshi Kondo

Directors

Yusuke Yoshikawa

Kouichi Izumimoto

Yoshifusa Kagami

Yasushi Iwakiri

Tatsuaki Murata

Hiroshi Hase

Zenichi Hioki

Shigeru Akaki

Atsumi Takagishi

Junya Fukada

Corporate Auditors

Koichi Shimizu*

Takehiro Hayashi*

Masayoshi Fujimoto

Noriaki Tanaka

* Independent Corporate Auditor

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Management's Discussion & Analysis

Consolidated Performance

ACOM first reported consolidated results last year. During the year under consideration there were 16 subsidiaries subject to consolidation and a further 2 affiliates subject to equity method of accounting. However, consolidated operating income differs from that of the parent company by only 2.4 percent while consolidated operating profit, consolidated income before income taxes and consolidated net income each diverge from the parent figure by less than 1.5 percent each. Consequently, a full analysis of the non-consolidated statements is appended below.

During FY 2000, consolidated operating income rose by 9.3 percent to ¥375.6 billion, operating profit by 10.2 percent to ¥160.3 billion, income before income taxes by 9.6 percent to ¥154.8 and net income by 9.4 percent to ¥81.3 billion.

Non-Consolidated Performance

Revenues and Earnings

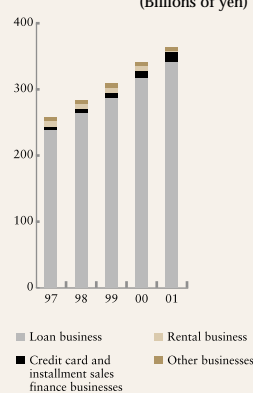
The Japanese economy continued to grow, if somewhat anemically, during the first part of FY

2000 supported by firm private capital investment expenditures, export demand and housing investment. However, in the last quarter of the financial year, a sharp slowdown in export demand and rising producer inventories took their toll. Meanwhile, private consumption remained under pressure amid rising unemployment.

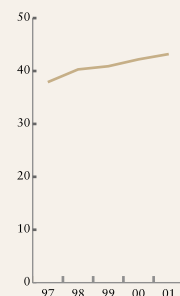
One major event was a reduction of the interest ceiling under the partial amendment of the Capital Subscription Law, which from June 2000 became 29.2 percent down from the previously pertaining level of 40.004 percent. This did not affect ACOM directly since the Company's own maximum lending rates were already below the revised maximum.

The Company increased the number of branches, MUJINKUN automated loan application machines, and its nationwide network of CDs and ATMs (including tie-up machines) by 106, 110, and 12,341 respectively. The latter number reflects a sharp rise in the number of tie-up terminals. The Company also expended much effort in promoting synergies between its loan and credit card busi-

Operating income
by segment
(Billions of yen)



Operating margin
(%)



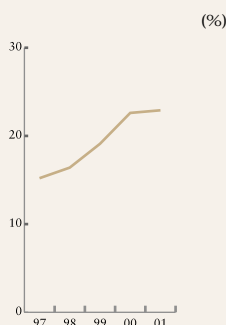
ness, for example by equipping MUJINKUN machines with credit card issuing functions. The installment sales finance operations were meanwhile strengthened by the purchase of the business of JUKI CREDIT CO., LTD. In addition, in the former "Others" business division, the audio-visual software rental operations were closed or sold while the hardware rental operations were spun out into a wholly owned subsidiary, ACOM RENTAL CO., LTD.

Against this background, non-consolidated operating income rose by 7.3 percent to ¥366.7 billion. The mainstay loan business saw operating income rise 7.9 percent to ¥341.4 billion accounting for 93.1 percent of the total. Meanwhile, operating income in the credit card business rose abruptly to ¥2.3 billion, an increase of 414.8 percent over the previous year while installment sales finance saw operating income rise by 28.3 percent to ¥14.2 billion although operating income in the rental business fell 75.1 percent to ¥1.5 billion reflecting the structural changes to that division referred to above.

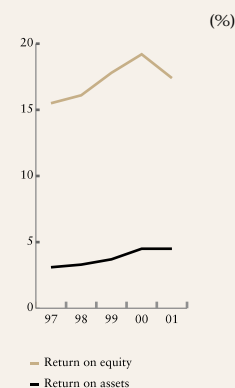
Operating expenses meanwhile rose at a more subdued rate to ¥208.2 billion, a 5.5 percent increase over the previous year. Although general and administrative expenses rose by 5.9 percent to ¥127.5 billion and provision for bad debts by 8.8 percent to ¥51.6 billion, financial expenses declined by 1.1 percent to ¥28.9 billion as the cost of funds borrowed continued to fall. Consequently, operating profit showed a 9.8 percent year-on-year gain to ¥158.5 billion.

Effective from the current fiscal year, the Company adopted a new accounting standard for financial instruments as outlined in the Business Accounting Deliberation Council's paper "Opinion Concerning the Establishment of Accounting Standards for Financial Instruments" issued on January 22, 1999. As a result of this change, marketable securities and investments in securities were valued at market prices and the net unrealized gains were stated in the shareholders' equity section. In addition, the Company recorded ¥1.3 billion for loss on revaluation of investment securities regarded as impaired. Loss on settlement of investments in a mutual insurance company

Net income margin



Return on assets and equity



meanwhile rose to ¥10 billion. Losses arising on sale or disposal of fixed assets also showed an increase, rising from ¥2.8 billion to ¥4.3 billion. Consequently, the advance in income before income taxes was held to 9.1 percent. This rate of increase was maintained at the net income level with net income emerging at ¥80.7 billion. Consequently, return on equity fell during the year to 17.4 percent from 19.2 percent.

Per Share Data

ACOM declared a dividend of ¥65 per share in respect of FY 2000. This was ¥10 higher than the previous year. Consequently the dividend payout ratio rose from 10.9 percent to 11.8 percent.

Earnings per share advanced 9.1 percent to ¥550.75 while shareholder's equity per share advanced by a robust 17.6 percent.

Expenses

As noted above, total operating expenses advanced by 5.5 percent during the year. Since this was below the rate of increase in operating income, the ratio of operating expenses to operat-

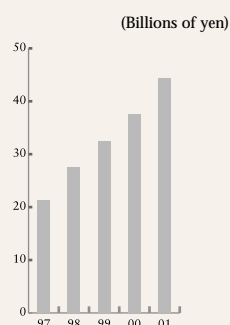
ing income showed a 1.0 percentage point improvement over FY 1999, emerging at 56.8 percent. A major contributor to the increase in general and administrative expenses was a 28.8 percent increase in advertising and promotional expenses to ¥20.2 billion as the Company pushed ahead with its branding and other promotional activities. By contrast, the Company continued to exercise strict cost control with personnel costs falling from ¥35.2 billion to ¥34.1 billion.

Bad Debts

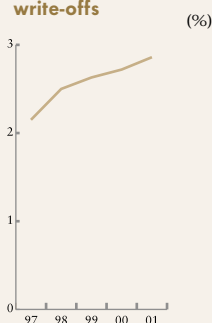
The provision for bad debts increased from ¥47.4 billion yen to ¥51.6 billion, an increase of some 8.8 percent. This was broadly in line with the increase in revenues and below the rate of increase in the balance of outstanding receivables. Although the ratio of bad debts write-off rose from 2.72 percent to 2.86 percent it still remains at a healthy level.

Following the application of an additional appropriation for bad debt, the total allowance for bad debts rose to ¥61.9 billion from ¥54.3 billion the previous year. The former figure is equivalent to

Bad debt write-offs



Ratio of bad debt write-offs



3.78 percent of the combined year-end balance of loans receivable and notes and accounts receivable, up from 3.73 percent. The Company believes that this represents a more than sufficient reserve for future losses.

Cash Flow

Net cash used in operating activities rose from ¥69.2 billion to ¥85.8 billion as the increase in loans receivable and notes and accounts receivable outpaced the increase in earnings. Income taxes paid also rose to ¥73.1 billion from ¥67.4 billion in tandem with the Company's trend to increasing earnings.

Net cash provided by investing activities contracted sharply from the previous year's level of ¥9.7 billion to only ¥0.8 billion due an increase in purchases of property and equipment as the Company extended its network and a decline in cash provided by a reduction in time deposits and marketable securities.

Net cash provided by financing activities was ¥80.9 billion compared with net cash used in

financing activities of ¥7.0 billion during the previous year. The Company continued with its active debt issuance program raising ¥425.4 billion during the year compared with ¥415.5 billion during the year earlier period. Principal repayments on long-term debt also rose, however, to ¥335.2 billion from ¥292.7 billion. The Company also paid down short-term loans at a slower rate than in previous years.

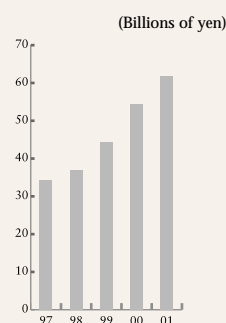
In consequence of the above, cash and cash equivalents at the end of the year were ¥4.0 billion lower than at the beginning and emerged at ¥92.5 billion.

Assets and Liabilities

Total current assets rose by 10.5 percent to ¥1,745 billion. The growth was mainly attributable to a 12.9 percent rise in loans receivable and in notes and accounts receivable to ¥1,666 billion.

Concurrent with the adoption of the new accounting standard for financial instruments described above, the Company undertook an examination of the respective objectives of marketable securities

Allowance for bad debts



Interest coverage



held at the start of the current fiscal year. Other marketable securities due to mature within one year, and those with the same characteristics as deposits, were regarded as “marketable securities” and recorded under other current assets in current assets. Securities falling outside these categories were regarded as “investment securities” and shown as “investments in securities” in fixed assets under investments and other assets. This reclassification had the effect of reducing marketable securities under other current assets by ¥15.8 billion and increasing investments in securities in fixed assets by the same amount.

The value of property and equipment, net of accumulated depreciation fell to ¥61.2 billion from ¥67.5 billion, primarily due to sale to a consolidated subsidiary, ACOM ESTATE CO., LTD. and increase in accumulated depreciation.

Compared with the increase in current assets, current liabilities remained relatively stable rising by a moderate ¥13.1 billion to ¥441.5 billion due to increases in the commercial paper and current portion of bonds and notes and a decline in current portion of long-term loans and short-term loans.

By contrast, total long-term liabilities rose by ¥87.6 billion to ¥931.8 billion due principally to continued increase in long-term debt, which rose to ¥925.7 billion as the Company continued to actively raise long-term funds to support the increase in loan and other receivables.

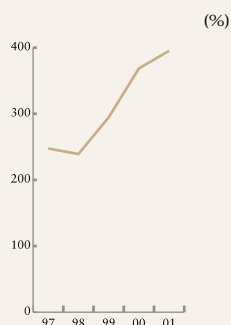
Working Capital and Shareholders' Equity

Working capital rose to ¥1,303.4 billion from ¥1,150.4 billion recorded at the end of the year-earlier period mainly due to the increase in receivables stemming from the increase in the Company's business scale.

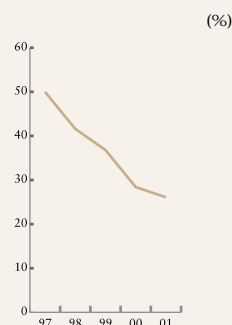
The current ratio increased to 395.2 percent compared with 368.5 percent as the Company actively worked to improve its financial stability.

Total shareholder's equity rose by 17.6 percent to ¥502.8 billion, due principally to the increase in retained earnings. There was also a rise of approximately ¥3.1 million as the Company recorded net unrealized gains on other securities as a component of shareholder's equity for the first time. As a consequence, the equity ratio climbed further to 26.8 percent from 25.2 percent. Return on equity

Current ratio



Fixed assets ratio



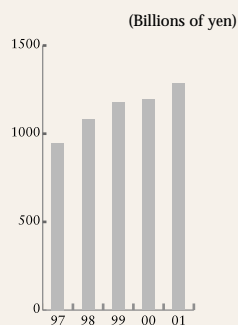
was 17.4 percent, compared with 19.2 percent the year before while return on assets was 4.5 percent unchanged from the previous year.

Financing

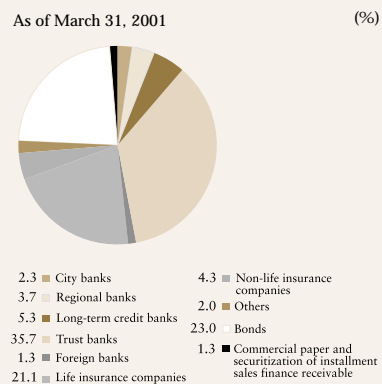
As of end-March 2001, borrowings totaled ¥1,283.1 billion, a 7.6 percent increase year-on-year. Indirect borrowings from banks, life and non-life insurance companies and other sources accounted for 75.7 percent of these borrowings down from 81.9 percent during the previous year. By contrast, direct financing increased to account for 24.3 percent of total outstanding borrowings up from 18.1 percent as the Company made straight bond issues. ACOM also increased the amount of commercial paper outstanding.

During the previous term the Company greatly reduced its dependence on short-term debt to negligible levels. This situation was continued into the financial year under discussion. At the same time, the proportion of total debt procured at fixed rates, taking into account interest rates hedges such as swaps and options, increased from 71.0 percent to 76.3 percent. The average interest rate on funds procured fell again to 2.37 percent from 2.46 percent.

Borrowings



Composition of funds by lenders



Consolidated Balance Sheets

ACOM CO., LTD. and Subsidiaries

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Assets			
Current assets:			
Cash and cash equivalents	¥ 104,627	¥ 99,932	\$ 844,447
Time deposits	83	7,471	669
Marketable securities (Notes 5 and 6)	298	9,653	2,405
Loans receivable (Notes 4 and 6)	1,497,045	1,347,757	12,082,687
Notes and accounts receivable (Note 6)	224,022	131,324	1,808,087
Inventories	7,228	7,105	58,337
Deferred tax assets (Note 8)	21,300	18,199	171,912
Other current assets	20,265	17,462	163,559
Allowance for bad debts	(63,071)	(53,305)	(509,047)
Total current assets	1,811,801	1,585,600	14,623,091
Property and equipment:			
Land	31,641	35,193	255,375
Buildings and structures	52,482	51,726	423,583
Equipment	31,877	29,576	257,280
	116,002	116,497	936,255
Accumulated depreciation	(40,501)	(36,055)	(326,884)
Property and equipment, net (Note 6)	75,500	80,441	609,362
Investments and other assets:			
Investments in securities (Notes 5 and 6)	25,577	11,966	206,432
Investments in and advances to affiliates	343	—	2,768
Telephone rights and other intangible assets	1,839	1,839	14,842
Rental deposits	11,581	12,194	93,470
Prepaid pension expenses (Note 7)	4,164	—	33,607
Deferred tax assets (Note 8)	1,555	2,212	12,550
Other	12,760	12,719	102,986
Allowance for bad debts	(1,289)	(1,040)	(10,403)
Total investments and other assets	56,534	39,894	456,287
Foreign currency translation adjustments	—	2,095	—
Total assets	¥1,943,836	¥1,708,030	\$15,688,748

See accompanying notes to consolidated financial statements.

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term loans (Note 6)	¥ 26,393	¥ 21,808	\$ 213,018
Current portion of long-term debt (Note 6)	356,891	332,216	2,880,476
Notes and accounts payable	9,714	5,027	78,401
Accrued income taxes	40,613	38,253	327,788
Deferred income on installment sales	33,579	22,172	271,016
Deferred tax liabilities (Note 8)	17	0	137
Other current liabilities	14,404	13,128	116,255
Total current liabilities	481,613	432,608	3,887,110
Long-term liabilities:			
Long-term debt (Note 6)	950,283	842,858	7,669,757
Allowance for employees' retirement benefits (Note 7)	3,092	2	24,955
Allowance for directors' and statutory auditors' retirement benefits	886	1,006	7,150
Deferred tax liabilities (Note 8)	1,430	—	11,541
Other long-term liabilities	2,871	2,176	23,171
Total long-term liabilities	958,564	846,043	7,736,594
Minority interests in consolidated subsidiaries	322	183	2,598
Commitments and contingent liabilities (Note 11)			
Shareholders' equity:			
Common stock, ¥50 par value per share:			
Authorized: 533,200,000 shares			
Issued: 146,630,880 shares at March 31, 2001 and 2000	17,282	17,282	139,483
Additional paid-in capital	25,772	25,772	208,006
Retained earnings (Notes 10 and 16)	458,669	386,139	3,701,928
Net unrealized gains on other securities	3,183	—	25,690
Foreign currency translation adjustments	(1,572)	—	(12,687)
Less: treasury stock	(0)	(0)	(0)
Total shareholders' equity	503,335	429,195	4,062,429
Total liabilities and shareholders' equity	¥1,943,836	¥1,708,030	\$15,688,748

Consolidated Statements of Income

ACOM CO., LTD. and Subsidiaries

Year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Operating income:			
Interest on loans receivable	¥ 341,539	¥ 316,490	\$2,756,569
Fees from credit card business	2,344	451	18,918
Fees from installment sales financing	17,188	11,602	138,724
Other financial income	77	367	621
Sales	7,541	8,013	60,863
Other operating income	6,983	6,719	56,359
Total operating income	375,674	343,644	3,032,074
Operating expenses:			
Financial expenses	29,573	29,263	238,684
Cost of sales	4,188	2,592	33,801
General and administrative expenses (Notes 7 and 9)	129,182	118,766	1,042,631
Provision for bad debts	52,420	47,532	423,083
Total operating expenses	215,363	198,155	1,738,200
Operating profit	160,310	145,488	1,293,866
Other income (expenses):			
Other interest and dividend income	643	235	5,189
Other interest expense	(92)	(60)	(742)
Net loss on sale or disposal of fixed assets	(4,299)	(2,797)	(34,697)
Loss on revaluation of marketable securities	—	(622)	—
Loss on sale of investments in securities	(155)	—	(1,251)
Loss on revaluation of investments in securities	(1,340)	(123)	(10,815)
Loss on settlement of investments in a mutual insurance company	(1,000)	—	(8,071)
Loss on settlement of a subsidiary	—	(171)	—
Gain on termination of a leveraged lease contract	299	634	2,413
Net gain on change in accounting standard for employees' retirement benefits (Note 7)	1,247	—	10,064
Other, net	(766)	(1,353)	(6,182)
Total other income (expenses), net	(5,463)	(4,259)	(44,092)
Income before income taxes	154,847	141,229	1,249,774
Income taxes (Note 8):			
Current	75,831	69,537	612,033
Deferred	(2,371)	(2,558)	(19,136)
Total income taxes	73,459	66,978	592,889
Minority interests in earnings (loss) of consolidated subsidiaries	17	(101)	137
Net income	¥ 81,369	¥ 74,352	\$ 656,731
Amounts per share (in yen and U.S. dollars):			
Net income:			
Basic	¥ 554.92	¥ 507.07	\$ 4.47
Diluted	535.97	500.32	4.32
Cash dividends	65.00	55.00	0.52

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

ACOM CO., LTD. and Subsidiaries

	Thousands	Millions of Yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	146,630	¥ 17,282	¥ 25,772	¥ 301,350	¥ —	¥ —	¥ (0)
Adjustment for the cumulative effect on prior years of recognizing deferred income taxes	—	—	—	17,810	—	—	—
Net income	—	—	—	74,352	—	—	—
Cash dividends	—	—	—	(7,331)	—	—	—
Bonuses to directors	—	—	—	(41)	—	—	—
Net decrease in treasury stock	—	—	—	—	—	—	0
Balance at March 31, 2000	146,630	17,282	25,772	386,139	—	—	(0)
Net income	—	—	—	81,369	—	—	—
Cash dividends	—	—	—	(8,797)	—	—	—
Bonuses to directors	—	—	—	(41)	—	—	—
Net unrealized gains on other securities	—	—	—	—	3,183	—	—
Foreign currency translation adjustments	—	—	—	—	—	(1,572)	—
Net increase in treasury stock	—	—	—	—	—	—	(0)
Balance at March 31, 2001	146,630	¥ 17,282	¥ 25,772	¥ 458,669	¥ 3,183	¥ (1,572)	¥ (0)

	Thousands of U.S. Dollars (Note 3)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2000	\$139,483	\$208,006	\$3,116,537	\$ —	\$ —	\$ (0)
Net income	—	—	656,731	—	—	—
Cash dividends	—	—	(71,000)	—	—	—
Bonuses to directors	—	—	(330)	—	—	—
Net unrealized gains on other securities	—	—	—	25,690	—	—
Foreign currency translation adjustments	—	—	—	—	(12,687)	—
Net increase in treasury stock	—	—	—	—	—	(0)
Balance at March 31, 2001	\$139,483	\$208,006	\$3,701,928	\$ 25,690	\$ (12,687)	\$ (0)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ACOM CO., LTD. and Subsidiaries

Year ended March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Operating activities:			
Income before income taxes	¥ 154,847	¥ 141,229	\$1,249,774
Adjustments:			
Depreciation and amortization	6,794	6,664	54,834
Increase in allowance for bad debts	7,351	10,015	59,330
Increase in allowance for employees' retirement benefits	2,853	2	23,026
(Decrease) increase in allowance for directors' and statutory auditors' retirement benefits	(143)	94	(1,154)
Non-operating interest and dividend income	(643)	(235)	(5,189)
Non-operating interest expense	92	60	742
Net loss on sale or disposal of fixed assets	4,299	2,797	34,697
Bond issuance expenses	568	1,781	4,584
Loss on revaluation of marketable securities	—	622	—
Loss on sale of investments in securities	155	—	1,251
Loss on revaluation of investments in securities	1,340	123	10,815
Loss on settlement of investments in a mutual insurance company	1,000	—	8,071
Loss on settlement of a subsidiary	—	171	—
Gain on termination of a leveraged lease contract	(299)	(634)	(2,413)
Changes in operating assets and liabilities:			
Increase in loans receivable	(148,241)	(141,355)	(1,196,456)
Increase in notes and accounts receivable	(48,412)	(38,694)	(390,734)
(Increase) decrease in inventories	(120)	195	(968)
(Increase) decrease in other current assets	(1,871)	5,030	(15,100)
Increase in prepaid pension expenses	(4,164)	—	(33,607)
(Decrease) increase in notes and accounts payable	(288)	1,685	(2,324)
Increase in deferred income on installment sales	6,557	6,040	52,921
Increase in other current liabilities	1,273	2,361	10,274
Bonuses paid to directors	(41)	(41)	(330)
Other, net	(243)	474	(1,961)
Subtotal	(17,336)	(1,608)	(139,919)
Non-operating interest and dividends received	643	233	5,189
Non-operating interest paid	(86)	(50)	(694)
Income taxes paid	(73,606)	(68,106)	(594,075)
Net cash used in operating activities	¥ (90,386)	¥ (69,531)	\$ (729,507)

(Continued)

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Investing activities:			
Decrease in time deposits and marketable securities	¥ 7,495	¥ 12,350	\$ 60,492
Proceeds from sale of property and equipment	36	20	290
Purchases of property and equipment	(5,941)	(4,061)	(47,949)
Proceeds from maturity or sale of investments in securities	1,770	258	14,285
Increase in investments in securities	(2,210)	(609)	(17,836)
Proceeds from settlement of a subsidiary	—	47	—
Net proceeds from acquisition of consolidated subsidiaries (Note 14)	6,134	—	49,507
Proceeds from termination of a leveraged lease contract	170	340	1,372
Proceeds from sale of AV rental business (Note 15)	595	—	4,802
Increase in other investments	(471)	(843)	(3,801)
Net cash provided by investing activities	7,580	7,503	61,178
Financing activities:			
Proceeds from long-term debt	484,952	416,303	3,914,059
Payments on principal of long-term debt	(388,363)	(293,335)	(3,134,487)
Decrease in short-term loans	(269)	(121,588)	(2,171)
Net proceeds from issuance of a subsidiary's stock	298	—	2,405
Cash dividends paid	(8,800)	(7,332)	(71,025)
Net cash provided by (used in) financing activities	87,818	(5,952)	708,781
Effect of exchange rate changes on cash and cash equivalents	13	(50)	104
Increase (decrease) in cash and cash equivalents	5,026	(68,030)	40,564
Cash and cash equivalents at beginning of the year	99,932	167,963	806,553
Decrease in cash and cash equivalents due to exclusion of an affiliate from consolidation at end of the year	(332)	—	(2,679)
Cash and cash equivalents at end of the year	¥ 104,627	¥ 99,932	\$ 844,447

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ACOM CO., LTD. and Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accounting records of ACOM CO., LTD. (the "Company") and its domestic subsidiaries are maintained in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted in Japan.

The accounts of overseas subsidiaries of the Company are based on the financial statements prepared in conformity with generally accepted accounting principles ("GAAP") and practices prevailing in the countries where the subsidiaries have been incorporated. The accompanying financial statements have not been materially affected by the differences between the GAAP prevailing in these countries and Japanese GAAP. Therefore, no adjustments have been reflected in the accompanying consolidated financial statements to present the accounts of the subsidiaries in compliance with Japanese accounting principles and practices.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister of Japan (the "PM") in accordance with the Securities and Exchange Law of Japan.

Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain items presented in the original consolidated financial statements filed with the PM have been reclassified for the convenience of readers outside Japan.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The Company had 16 subsidiaries as of March 31, 2001. The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries (together, the "Companies"), which are listed below:

Name	Jurisdiction of incorporation	Percentage of equity ownership	Fiscal year end
JLA INCORPORATED	Japan	100%	March 31
ACOM RESEARCH INSTITUTE, INC.	Japan	100%	March 31
AJAST Ltd.	Japan	100%	March 31
ACOM ESTATE CO., LTD.	Japan	100%	March 31
ABS CO., LTD.	Japan	100%	March 31
AVRS CO., LTD.	Japan	100%	March 31
ACOM RENTAL CO., LTD.	Japan	100%	March 31
JUKI CREDIT CO., LTD.	Japan	100%	March 31
A B PARTNER CO., LTD.	Japan	100%	March 31
I R Loan Servicing, Inc.	Japan	60%	March 31
ACOM (U.S.A.) INC.	U.S.A.	100%	December 31(*)
ACOM INTERNATIONAL, INC.	U.S.A.	100%	December 31(*)
1990 K PARTNERSHIP	U.S.A.	100%	December 31(*)
ACOM PACIFIC, INC.	U.S.A.	100%	December 31(*)
SIAM A&C CO., LTD.	Thailand	49%**	December 31
ACOM CAPITAL CO., LTD.	Cayman Island	100%	December 31

* Changed its fiscal year end from March 31 in the fiscal year 2000. As a result, the accompanying consolidated financial statements for the fiscal year 2000 include financial statements for the nine-month period ended December 31, 1999 for the companies indicated above.

** With reference to certain criteria regarding the "control" concept newly introduced into Japanese GAAP, the Company treated any entity deemed as being substantially controlled by the Companies as a consolidated subsidiary, even if it is less-than-majority owned.

Investments in affiliates (generally 20% to 50% owned) are accounted for by the equity method of accounting. The

Company had two affiliates as of March 31, 2001, which are listed below:

Name	Jurisdiction of incorporation	Percentage of equity ownership	Fiscal year end
E*NetCard CO., LTD.	Japan	38.25%(*)	March 31
CHAILEASE ACOM FINANCE CO., LTD.	Taiwan	40%	December 31

* Due to an issuance of stock to a third party in March 2001, the percentage of equity ownership was changed from 51% to 38.25%. As a result, this company has been excluded from consolidation effective March 31, 2001.

The difference between the cost of investment in a subsidiary or an affiliate and the equity in its net assets at the date of acquisition is charged to income as immaterial.

For the purpose of preparing the accompanying consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated. The amounts of the overseas subsidiaries or affiliates have been included or accounted for on the basis of fiscal periods ended December 31.

(b) Cash equivalents

The Companies consider all highly liquid investments, including time deposits with banks, bond investment funds and marketable securities purchased under resale agreements, with a maturity of three months or less when purchased, to be cash equivalents.

(c) Foreign currency translation

The accounts of the overseas subsidiaries are translated into yen at the year-end exchange rates, except for shareholders' equity, which is translated at historical rates. Differences arising from the translations are stated under "Foreign currency translation adjustments" in the accompanying consolidated balance sheets.

From this fiscal year end, "Foreign currency translation adjustments" have been presented in the shareholders' equity section in accordance with the revised "Accounting Standard for Foreign Currency Transactions" issued by the Business Accounting Deliberation Council (the "BADC") on October 22, 1999. In the prior year, such adjustments were stated in the assets section.

(d) Foreign currency transactions

Effective April 1, 2000, in accordance with the revised "Accounting Standard for Foreign Currency Transactions" mentioned in (c) above, all monetary assets and liabilities, regardless of short-term or long-term, denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year end, and resulting gains and losses are included in income. In the prior year, assets and liabilities other than short-term monetary assets and liabilities were translated at historical rates. The effect of this change on the accompanying consolidated financial statements was immaterial.

(e) Marketable securities and investments in securities

Effective April 1, 2000, the Company and its domestic subsidiaries adopted the "Accounting Standard for Financial Instruments" issued by the BADC on January 22, 1999. Under this Standard, marketable securities and investments in securities are classified by their holding objectives into trading, held-to-maturity and other securities. Trading securities are valued at market prices and the resulting gains or losses are included in income. Held-to-maturity securities are stated at amortized cost. Other securities are valued at market prices and the resulting gains or losses are stated, net of tax, in the shareholders' equity section in the accompanying consolidated balance sheet as of March 31, 2001. In the prior year, marketable securities and investments in securities for which market prices are available were valued at the lower of moving-average cost or market. The effect of this change was to increase income before income taxes by ¥69 million (\$556 thousand).

Furthermore, as a result of examination of the respective holding objectives at the beginning of this fiscal year, held-to-maturity and other securities with a maturity within one year, and those with the same characteristics as deposits, were reclassified to "marketable securities" in the current

assets section; and securities falling outside these categories were reclassified to “investments in securities” in the investments and other assets section. This reclassification had the effect of reducing marketable securities in current assets by ¥16,017 million (\$129,273 thousand) and increasing investments in securities in non-current assets by the same amount.

Other securities for which market prices are not available are stated at moving-average cost.

(f) Inventories

Inventories primarily consist of paintings and are stated at individually specified cost.

(g) Allowance for bad debts

As a result of the adoption of “Accounting Standard for Financial Instruments” effective April 1, 2000 mentioned in (e) above, to cover possible losses on collection of loans and other receivables, the Company and its domestic subsidiaries provided for an allowance (i) with respect to ordinary debts, based on the historical rate of write-off, and (ii) with respect to other specific debts whose recovery is doubtful, based on estimated write-off amounts, after considering the likelihood of recovery on an individual basis. In the prior year, the allowance for bad debts of the Company and its domestic subsidiaries was provided at the maximum amount allowable for income tax purposes plus an estimated amount based on management's assessment of the loan portfolio.

Loan balances are written off in cases where (i) the Company has confirmed the death or bankruptcy of the debtor or has voluntarily waived repayment of the loan, and (ii) the amounts due have not been collected for a certain period (even after follow-up requests for payment) because of the inability on the part of the debtor or the guarantor to pay.

The allowance for bad debts of the overseas subsidiaries is provided at amounts determined by the estimates made by management to cover possible losses on collection.

(h) Property and equipment

Property and equipment is stated at cost. Depreciation of property and equipment is computed principally by the declining-balance method, except for property and equipment of the overseas subsidiaries which is depreciated

by the straight-line method, over the estimated useful lives of the respective assets.

(i) Share and bond issuance expenses

Share and bond issuance expenses are charged to income when incurred.

(j) Pension plans

Effective April 1, 2000, the Company and its domestic subsidiaries adopted the “Accounting Standard for Retirement Benefits” issued by the BADC on June 16, 1998.

Under this Standard, allowance for employees' retirement benefits should be recognized at the net total of the present value of the defined benefit obligation at the balance sheet date, plus any actuarial gains (less any actuarial losses) not yet recognized, minus any past service cost not yet recognized, minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly. If the amount determined above is negative (an asset), such asset should be recorded as prepaid pension expenses.

Net retirement benefit expense or income should be recognized at the net total of current service cost and interest cost, minus the expected return on any plan assets, minus any actuarial gains (less any actuarial losses) and past service cost recognized during the year, plus any retirement benefits paid as a lump sum.

To determine the present value of a defined benefit obligation and the related current service cost and, where applicable, past service cost, the project unit credit method is used.

Actuarial gains or losses and past service cost should be recognized for each defined benefit plan over a period not exceeding the expected average remaining-working lives of the employees participating in that plan. The Company and its domestic subsidiaries recognize actuarial gains or losses evenly over the five years following the respective fiscal years when such gains or losses are identified.

Any transition benefit liability or prepayment existing at the initial adoption of this Standard should be recognized over a period not exceeding 15 years. The Company and its domestic subsidiaries recognized such transition liability

and prepayment immediately in this fiscal year and the resulting net gain was stated under the "net gain on change in accounting standard for employees' retirement benefits" in the accompanying consolidated statement of income for the year ended March 31, 2001.

As a result of this change, prepaid pension expenses amounting to ¥4,164 million (\$33,607 thousand) and allowance for employees' retirement benefits amounting to ¥3,092 million (\$24,955 thousand) were recorded in the accompanying consolidated balance sheet as of March 31, 2001. This change also had the effect of reducing retirement benefit expenses by ¥104 million (\$839 thousand), increasing operating profit by the same amount, and increasing income before income taxes by ¥1,351 million (\$10,903 thousand).

(k) Allowance for directors' and statutory auditors' retirement benefits

The allowance for directors' and statutory auditors' retirement benefits of the Company and certain of its domestic subsidiaries is provided at the amount which would have been required to be paid if all directors and statutory auditors had voluntarily terminated their services as of the balance sheet date. This amount has been determined in accordance with the internal rules of the respective companies.

(l) Leases

Noncancellable lease transactions of the Company and its domestic subsidiaries are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(m) Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis. However, the Company computes accrued interest income on loans receivable at the interest rate stipulated in the Interest Rate Restriction Law of Japan or the contract interest rate, whichever is lower.

(n) Recognition of fees from installment sales financing

Fees from customers and participating stores have principally been prorated by the respective number of installments, and the prorated amounts have been

recognized as income when they became due (the "sum-of-the-months' digits method").

(o) Income taxes

Effective April 1, 1999, the Company and its subsidiaries adopted the liability method for tax-effect accounting in accordance with an amendment to the "Regulations concerning Terminology, Forms and Methods of Preparation of Financial Statements, etc." The cumulative effect of this change was reported in the accompanying consolidated statement of shareholders' equity for the year ended March 31, 2000 under the caption "Adjustment for the cumulative effect on prior years of recognizing deferred income taxes".

(p) Derivative and hedging transactions

The Company and certain of its subsidiaries have used interest-rate swap agreements and interest-rate options (interest-rate caps in long positions only) solely in order to hedge against risks of fluctuations in interest rates relating to its short-term and long-term loans in compliance with the internal rules of the respective companies.

Under the "Accounting Standard for Financial Instruments", derivative transactions are valued at market prices, except for hedging transactions whose gains or losses are deferred and recorded in the balance sheet until the hedged transactions are settled. Moreover, if interest-rate swaps are specifically tied to the hedged loan transactions, unrealized gains or losses on those swaps are not recognized in the consolidated financial statements as such gains or losses are to be offset with those on the hedged transactions. Similarly, if interest-rate caps are specifically tied to the hedged loan transactions, fees paid for those caps are stated at amortized costs regardless of their market prices.

(q) Net income per share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is based upon the weighted-average number of shares of common stock outstanding during the year, after consideration of the dilutive effect of the zero coupon convertible notes issued on August 2, 1999.

(r) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts has been made, solely for convenience, as a matter of arithmetical computation only, at the rate of ¥123.90 = US \$1.00, the exchange rate prevailing on March 30, 2001. The translation should not be construed as a representation that yen have been, could have been, or could in the future

be, converted into U.S. dollars at the above or any other rate.

4. Loans Receivable

Loans receivable as of March 31, 2001 and 2000 included unsecured loans to individual customers in the aggregate amount of ¥1,427,380 million (\$11,520,419 thousand) and ¥1,271,865 million, respectively.

Bad debts included in unsecured loans to individual customers as of March 31, 2001 and 2000 were classified as below:

March 31,	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Non-accrual loans due to bankruptcy or reorganization	¥ 3,650	¥ 3,776	\$ 29,459
Other non-accrual loans	16,897	13,408	136,376
Loans past due for three months or more	684	498	5,520
Restructured loans	13,587	16,394	109,661
	¥ 34,819	¥ 34,077	\$ 281,025

5. Marketable Securities and Investments in Securities

At March 31, 2001, information with respect to held-to-maturity securities for which market prices were available was summarized as follows:

March 31,	Millions of yen			Thousands of U.S. dollars		
	2001			2001		
	Balance sheet amount	Market value	Unrealized losses	Balance sheet amount	Market Value	Unrealized Losses
Unrealized loss items:						
Bonds:						
Other	¥ 5	¥ 5	¥ (0)	\$ 40	\$ 40	\$ (0)

At March 31, 2001, information with respect to other securities for which market prices were available was summarized as follows:

March 31,	Millions of yen			Thousands of U.S. dollars		
	2001			2001		
	Cost	Balance sheet amount	Unrealized gains (losses)	Cost	Balance sheet amount	Unrealized gains (losses)
Unrealized gain items:						
Stock	¥ 7,563	¥ 13,812	¥ 6,248	\$ 61,041	\$ 111,476	\$ 50,427
Bonds:						
National and municipal	79	84	4	637	677	32
Corporate	161	269	107	1,299	2,171	863
Other	10	10	0	80	80	0
Other	1,591	1,616	24	12,841	13,042	193
Total	9,406	15,792	6,386	75,916	127,457	51,541
Unrealized loss items:						
Stock	8,089	7,308	(781)	65,286	58,983	(6,303)
Bonds:						
Other	258	230	(28)	2,082	1,856	(225)
Other	2,230	2,034	(195)	17,998	16,416	(1,573)
Total	10,578	9,573	(1,005)	85,375	77,263	(8,111)
Total	¥ 19,984	¥ 25,365	¥ 5,381	\$ 161,291	\$ 204,721	\$ 43,430

Information with respect to other securities sold in the year ended March 31, 2001 was as follows:

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
	2001	2001
Total sales amount	¥ 246	\$ 1,985
Total gain on sales	0	0
Total loss on sales	155	1,251

At March 31, 2001, securities for which market prices were not available included principally the following:

March 31,	Millions of yen	Thousands of U.S. dollars
	2001	2001
	Balance sheet amount	Balance sheet amount
Other securities:		
Money management funds	¥ 473	\$ 3,817
Unlisted companies' stock, excluding over-the-counter stock	437	3,527

Other securities with maturity and held-to-maturity securities will fall due subsequent to March 31, 2001 as follows:

March 31,	Millions of yen			Thousands of U.S. dollars		
	2001			2001		
	One year	One - 5 years	Over 5 years	One year	One - 5 years	Over 5 years
Bonds:						
National and municipal	¥ —	¥ —	¥ 84	\$ —	\$ —	\$ 677
Corporate	88	180	—	710	1,452	—
Other	52	247	—	419	1,993	—
Other	156	1,695	621	1,259	13,680	5,012
Total	¥ 298	¥ 2,123	¥ 706	\$ 2,405	\$ 17,134	\$ 5,698

At March 31, 2000, information with respect to the book and market values of marketable securities and investments

in securities for which market prices were available was summarized as follows:

March 31,	Millions of yen	
	Book value	Market value
Marketable securities	¥ 9,422	¥ 18,136
Investments in securities	7,647	9,509

6. Short-Term Loans, Long-Term Debt and Pledged Assets

of March 31, 2001 and 2000 were 2.07% and 1.63%, respectively.

Long-term debt was summarized as follows:

The weighted-average interest rates of short-term loans as

March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Unsecured loans mainly from banks and other financial institutions at interest rates ranging from 1.3% to 3.8% due through March 2006	¥ 317,714	¥ 271,641	\$2,564,277
Unsecured bank loan of a U.S. subsidiary at six-month LIBOR +0.5%	—	716	—
Loans with collateral mainly from banks and other financial institutions at interest rates ranging from 0.92% to 3.8% due through March 2008	686,660	687,717	5,542,050
Unsecured bonds issued by the Company at interest rates ranging from 1.3% to 2.72% due through May 2010	245,000	160,000	1,977,401
1.26% unsecured bonds issued by a domestic subsidiary due March 2003	3,000	—	24,213
Unsecured zero coupon convertible notes due March 2002 (*)	50,000	50,000	403,551
Payables under trust agreements for certain installment sales receivables due January 2002	4,800	5,000	38,740
Less: current portion	(356,891)	(332,216)	(2,880,476)
	¥ 950,283	¥ 842,858	\$7,669,757

(*) The unsecured zero coupon convertible notes with an initial principal amount of ¥50,000 million due March 31, 2002 were issued on August 2, 1999 and are convertible into common stock of the Company. The conversion price as of March 31, 2001 was ¥10,710 (\$86.44) per share.

Assets pledged as collateral for substantially short-term and long-term loans from banks and other financial institutions were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Marketable securities	¥ —	¥ 1,255	\$ —
Loans receivable	681,878	688,888	5,503,454
Notes and accounts receivable	2,194	—	17,707
Property and equipment, net	8,704	8,849	70,250
Investments in securities	2,798	326	22,582
	¥ 695,577	¥ 699,319	\$5,614,019

At March 31, 2001 and 2000, the Company had a commitment, at the lenders' request, to furnish at any time collateral pledged on ¥165,801 million (\$1,338,184 thousand) and ¥189,318 million of loans receivable of

¥681,878 million (\$5,503,454 thousand) and ¥688,888 million shown in the above table, respectively. The pledged collateral which the lenders could require covered the following:

March 31,	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Short-term loans	¥ 2,000	¥ 6,000	\$ 16,142
Current portion of long-term debt	51,137	48,084	412,728
Long-term debt	112,404	133,660	907,215

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2002	¥ 356,891	\$ 2,880,476
2003	372,100	3,003,228
2004	247,823	2,000,185
2005	138,518	1,117,982
2006	81,864	660,726
2007 and thereafter	109,977	887,627
	¥1,307,175	\$10,550,242

7. Pension Plans

At March 31, 2001, the Company and certain of its domestic subsidiaries had, jointly or severally, defined benefit plans, including two funded non-contributory tax-qualified retirement pension plans and two funded contributory welfare pension plans, which together cover substantially all full-time employees who meet certain eligibility requirements. At March 31, 2000, the Company and certain of its domestic subsidiaries had jointly a funded

non-contributory tax-qualified retirement pension plan and a funded contributory welfare pension plan.

The funded status and amounts recognized in the accompanying consolidated balance sheet as of March 31, 2001 and the components of net retirement benefit expenses recognized in the accompanying consolidated statement of income for the year ended March 31, 2001 were summarized as follows:

Retirement benefit liabilities

March 31,	Millions of yen	Thousands of
	2001	2001
Projected benefit obligation	¥ (26,679)	\$ (215,326)
Plan assets at fair market value	24,053	194,132
Unfunded retirement benefit liabilities	(2,626)	(21,194)
Net unrecognized actuarial losses	(3,698)	(29,846)
Net retirement benefit liabilities recognized on the consolidated balance sheet	1,071	8,644
Prepaid pension expenses	4,164	33,607
Allowance for employees' retirement benefits	¥ (3,092)	\$ (24,955)

Net retirement benefit expenses

Year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2001		2001	
Current service cost	¥	2,202	\$	17,772
Interest cost		722		5,827
Expected return on plan assets		(759)		(6,125)
Net gain on change in accounting standard for employees' retirement benefits		(1,247)		(10,064)
Retirement payments in a lump sum		23		185
Net retirement benefit expenses	¥	941	\$	7,594

The principal assumption used in determining retirement benefit obligations and other components for the

Companies' plans are shown below:

	2001
Discount rate	3.00%
Rate of return on assets	3.00%
Period of recognition of actuarial gains or losses	5 years evenly

In the year ended March 31, 2000, contributions made to the tax-qualified retirement pension fund amounted to ¥2,646 million and were charged to income for the year then ended. The total assets of the fund amounted to ¥15,177 million at December 31, 1999 (the valuation date nearest March 31, 2000).

8. Income Taxes

The Companies are subject to a number of taxes based on income. Corporation, inhabitants' and enterprise taxes are charged to the income tax account of the Company and its domestic subsidiaries. The aggregate statutory tax rate applicable to the domestic Companies was approximately 40.9% for the years ended March 31, 2001 and 2000.

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the years ended March 31, 2001 and 2000 was summarized as follows:

Year ended March 31,	2001	2000
Statutory income tax rate	40.9%	40.9%
Taxation on undistributed income	5.0	5.1
Expenses not deductible for income tax purposes	0.1	0.1
Inhabitants' per capita taxes	0.2	0.2
Other	1.2	1.1
Effective income tax rate	47.4%	47.4%

The tax effects of temporary differences which give rise to a significant portion of the deferred tax assets and liabilities as of March 31, 2001 and 2000 were presented as follows:

March 31,	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
Deferred tax assets:				
Bad debt write-offs	¥ 5,909	¥ 3,582	\$ 47,691	
Provision for bad debts	8,736	8,261	70,508	
Accrued bonuses	861	713	6,949	
Allowance for employees' retirement benefits	1,249	—	10,080	
Allowance for directors' and statutory auditors' retirement benefits	362	411	2,921	
Accrued interest income	1,247	1,072	10,064	
Accrued enterprise tax	3,080	2,711	24,858	
Depreciation and amortization	3,970	3,302	32,041	
Consumption tax	177	157	1,428	
Revaluation of marketable securities	91	320	734	
Loss on investments in golf club membership	152	—	1,226	
Tax loss carryforwards of subsidiaries	50	152	403	
Elimination of unrealized profit	1,503	1,546	12,130	
Other	317	202	2,558	
Total gross deferred tax assets	27,710	22,434	223,648	
Deferred tax liabilities:				
Retained earnings of subsidiaries	(2,344)	(1,974)	(18,918)	
Prepaid pension expenses	(1,701)	—	(13,728)	
Net unrealized gains on other securities	(2,210)	—	(17,836)	
Other	(46)	(47)	(371)	
Total gross deferred tax liabilities	(6,302)	(2,021)	(50,863)	
Net deferred tax assets	¥ 21,408	¥ 20,412	\$ 172,784	

9. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased equipment as of March 31, 2001 and 2000 and the related depreciation and interest expense for the years

ended March 31, 2001 and 2000, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income if finance lease accounting had been applied to the finance lease transactions accounted for as operating leases:

March 31,	Millions of yen				Thousands of U.S. dollars				
	Acquisition costs		Accumulated depreciation		Net book value		Acquisition costs	Accumulated depreciation	Net book value
	2001	2000	2001	2000	2001	2000	2001	2001	2001
Equipment	¥16,405	¥18,829	¥9,850	¥10,418	¥6,555	¥8,410	\$132,405	\$79,499	\$52,905

Year ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
Depreciation	¥ 4,347	¥ 5,137	\$ 35,084	
Interest	253	352	2,041	

Lease expenses relating to finance lease transactions accounted for as operating leases amounted to ¥4,649 million (\$37,522 thousand) and ¥5,502 million for the years ended March 31, 2001 and 2000, respectively.

Future minimum lease payments subsequent to March 31, 2001 for finance lease transactions accounted for as operating leases were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥ 3,444	\$ 27,796
2003 and thereafter	3,290	26,553
	¥ 6,734	\$ 54,350

10. Legal Reserve

Consolidated retained earnings included a legal reserve which amounted to ¥4,352 million (\$35,125 thousand) and ¥3,519 million as of March 31, 2001 and 2000, respectively. The legal reserve has been provided in accordance with the Commercial Code of Japan which requires that an amount equal to at least 10% of cash dividends and directors' and statutory auditors' bonuses in respect of each fiscal period be appropriated to the legal reserve until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital by resolution of the shareholders.

No market risk is anticipated as such derivatives have been entered into in order to offset or mitigate gains or losses resulting from the hedged loan transactions, even though interest rate swap agreements are exposed to changes in interest rates. In addition, the Companies are not exposed to risk on interest rate caps, as the Companies hold only long positions in interest rate caps and the maximum cost of funding the combination of loans and interest rate caps is capped at the cap rates.

The Companies do not anticipate nonperformance by any of the counterparties to the above transactions, all of whom are financial institutions which are deemed highly creditworthy.

11. Commitments and Contingent Liabilities

Future payments under rental leases subsequent to March 31, 2001 amounted to ¥6,769 million (\$54,632 thousand).

The Companies have established rules for the authorization of derivative transactions and related risk management rules which stipulate the limits on derivative transactions. All derivative transactions have been entered into in compliance with these rules.

At March 31, 2001, the Companies had no contingent liabilities under guarantees for outside parties.

Risk management for derivative transactions has been under the control of the Finance Department of the Company which establishes the position limit for each derivative transaction and monitors the limits. The position limit permissible for each derivative transaction is authorized at the executive managing directors' meeting when the Company's annual business plan is established.

Refer to Note 6 regarding pledged assets.

12. Derivative and Hedging Activities

(1) Outline of transactions and conditions

The Company and certain of its subsidiaries have used interest-rate swap agreements and interest-rate options in order to hedge against the risk of fluctuations in interest rates relating to their short-term and long-term loans.

(2) Interest related derivatives

At March 31, 2000, the contracted amounts, market value and unrealized loss on derivatives were as follows:

March 31,	Millions of yen		
	2000		
	Contracted amounts	Market value	Unrealized loss
Interest-rate swap agreements:			
Fixed-rate/pay converted into floating-rate/receive	¥ 161,397	¥ (1,908)	¥ (1,908)
Interest-rate options:			
Interest-rate caps	35,000		
[Book value of premiums]	[477]	241	(235)
	¥ 196,397	¥ (1,666)	¥ (2,144)

The contracted amounts which are presented in the above table do not represent the market risk exposure derived from the underlying derivative transactions.

Market value information as of March 31, 2001 is not required as all of the Companies' derivative transactions are accounted for as hedging transactions.

The market value and unrealized loss presented above represent the amounts furnished by the respective financial institutions.

13. Segment information

The Companies' operations by business segment were as follows:

Year ended March 31, 2001	Millions of yen				
	Financial services	Other businesses	Total	Adjustments and eliminations	Consolidated
Operating income from:					
Outside customers	¥ 368,113	¥ 7,561	¥ 375,674	¥ —	¥ 375,674
Intersegment	—	17,192	17,192	(17,192)	—
Total	368,113	24,753	392,866	(17,192)	375,674
Operating expenses	200,346	22,587	222,933	(7,569)	215,363
Operating profit	¥ 167,766	¥ 2,165	¥ 169,932	¥ (9,622)	¥ 160,310
Assets	¥1,877,544	¥ 38,061	¥1,915,606	¥ 28,229	¥1,943,836
Depreciation expense	5,632	673	6,305	98	6,404
Capital expenditures	5,629	1,377	7,007	(1,394)	5,612
Year ended March 31, 2000					
Operating income from:					
Outside customers	¥ 335,517	¥ 8,127	¥ 343,644	¥ —	¥ 343,644
Intersegment	—	16,377	16,377	(16,377)	—
Total	335,517	24,504	360,021	(16,377)	343,644
Operating expenses	183,304	22,344	205,648	(7,492)	198,155
Operating profit	¥ 152,213	¥ 2,160	¥ 154,373	¥ (8,884)	¥ 145,488
Assets	¥1,636,967	¥ 37,437	¥1,674,405	¥ 33,625	¥1,708,030
Depreciation expense	5,562	555	6,117	153	6,271
Capital expenditures	4,178	1,759	5,938	(1,491)	4,446

Year ended March 31, 2001	Thousands of U.S. dollars				
	Financial services	Other businesses	Total	Adjustments and eliminations	Consolidated
Operating income from:					
Outside customers	\$ 2,971,049	\$ 61,025	\$ 3,032,074	\$ —	\$ 3,032,074
Intersegment	—	138,757	138,757	(138,757)	—
Total	2,971,049	199,782	3,170,831	(138,757)	3,032,074
Operating expenses	1,616,997	182,300	1,799,297	(61,089)	1,738,200
Operating profit	\$ 1,354,043	\$ 17,473	\$ 1,371,525	\$ (77,659)	\$ 1,293,866
Assets	\$15,153,704	\$ 307,191	\$15,460,903	\$ 227,836	\$15,688,748
Depreciation expense	45,456	5,431	50,887	790	51,686
Capital expenditures	45,431	11,113	56,553	(11,251)	45,294

Unallocated corporate expenses and assets included in "Adjustments and eliminations" for the years ended March 31, 2001 and 2000 were as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Corporate expenses	¥ 8,103	¥ 7,068	\$ 65,399
Corporate assets	48,622	53,555	392,429

As described in Notes 2(c) and 2(d), the "Accounting Standard for Foreign Currency Transactions" was revised. As a result of this change, unallocated corporate assets as of March 31, 2001 decreased by ¥1,572 million (\$12,687 thousand). Except for the above, the effect of this change was immaterial.

As described in Note 2(e), effective April 1, 2000, the Company and its domestic subsidiaries adopted the "Accounting Standard for Financial Instruments" and reclassified certain of "marketable securities" in the current assets section to "investments in securities" in the non-current assets section. Concurrent with this reclassification, a portion of other financial income was reclassified to other non-operating income, resulting in a reduction in operating income of the "Financial services" segment for the year ended March 31, 2001 by ¥145 million (\$1,170 thousand).

As described in Note 2(j), effective April 1, 2000, the Company and its domestic subsidiaries adopted the "Accounting Standard for Retirement Benefits". This change had the effect of reducing operating expenses of the "Financial service" segment for the year ended March 31, 2001 by ¥90 million (\$726 thousand) and unallocated corporate expenses for the year then ended by ¥14 million (\$112 thousand). The effect on the "Other businesses" segment was immaterial. In addition, as a result of this change, assets of the "Financial services" segment, those of the "Other businesses" segment and unallocated corporate assets as of March 31, 2001 increased by ¥3,488 million (\$28,151 thousand), ¥96 million (\$774 thousand) and ¥579 million (\$4,673 thousand), respectively.

Geographical segment information and overseas sales have been omitted, as such sales were immaterial.

14. Acquisition of Subsidiaries

In the year ended March 31, 2001, the Company acquired 100% of the equity of JUKI CREDIT CO., LTD. and 60% of the equity of IR Loan Servicing, Inc., both of which have

JUKI CREDIT CO., LTD. (as of October 1, 2000)

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 50,777	\$ 409,822
Non-current assets	563	4,543
Current liabilities	(33,295)	(268,724)
Long-term liabilities	(17,345)	(139,991)
Consolidation adjustments	(0)	(0)
Acquisition cost paid	700	5,649
Cash and cash equivalents acquired	(6,640)	(53,591)
Net proceeds from acquisition	¥ 5,940	\$ 47,941

IR Loan Servicing, Inc. (as of March 31, 2001)

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 493	\$ 3,979
Non-current assets	2	16
Consolidation adjustments	2	16
Current liabilities	(0)	(0)
Minority interest	(198)	(1,598)
Acquisition cost paid	300	2,421
Cash and cash equivalents acquired	(493)	(3,979)
Net proceeds from acquisition	¥ 193	\$ 1,557

15. Sale of AV Rental Business

From December 2000 to February 2001, the Company sold its Audio-Visual Software Rental ("AV Rental") business for cash consideration of ¥1,052 million (\$8,490 thousand), including ¥350 million (\$2,824 thousand) receivable in the next year, resulting in a gain on sale of ¥39 million (\$314 thousand). The aggregate book value of the assets sold was ¥905 million (\$7,304 thousand).

16. Subsequent Events

On February 15, 2001, the Board of Directors of the Company approved the issuance of ¥10,000 million of 1.27% unsecured bonds due May 2, 2005. The net

been included in the accompanying consolidated financial statements from the respective effective acquisition dates. The fair value of the assets and liabilities of the above companies were as follows:

proceeds from the sale of the bonds will be utilized for funding loans receivable.

On May 15, 2001, the Board of Directors of the Company approved the issuance of ¥ 10,000 million of 1.7% unsecured bonds due June 11, 2008. The net proceeds from the sale of the bonds will be utilized for funding loans receivable.

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2001, were approved at a shareholders' meeting held on June 28, 2001:

	Millions of yen
Cash dividends (¥35.00 = US\$0.28)	¥ 5,132
Bonuses to directors	39

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Report of Independent Certified Public Accountants on the Consolidated Financial Statements

Century Ota Showa & Co.

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The Board of Directors and Shareholders
ACOM CO., LTD.

We have audited the consolidated balance sheets of ACOM CO., LTD. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of ACOM CO., LTD. and its consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2 to the consolidated financial statements, ACOM CO., LTD. and consolidated subsidiaries have adopted new accounting standards for financial instruments, retirement benefits, and foreign currency transactions in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.



June 28, 2001

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of ACOM CO., LTD. under Japanese accounting principles and practices.

Non-Consolidated Balance Sheets

ACOM CO., LTD.

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Assets			
Current assets:			
Cash and cash equivalents	¥ 92,573	¥ 96,667	\$ 747,158
Time deposits	—	7,398	—
Marketable securities (Note 4)	293	9,588	2,364
Loans receivable (Note 4)	1,496,237	1,347,757	12,076,166
Notes and accounts receivable	169,911	128,425	1,371,355
Merchandise	6,715	6,736	54,196
Prepaid expenses	6,411	6,099	51,743
Deferred tax assets (Note 6)	20,620	18,101	166,424
Other current assets	12,881	11,391	103,962
Allowance for bad debts	(60,610)	(53,260)	(489,184)
Total current assets	1,745,036	1,578,904	14,084,229
Property and equipment:			
Land	20,303	24,852	163,866
Buildings and structures	46,963	47,113	379,039
Equipment	32,511	30,392	262,397
	99,778	102,359	805,310
Accumulated depreciation	(38,549)	(34,858)	(311,129)
Property and equipment, net (Note 4)	61,229	67,500	494,180
Investments and other assets:			
Investments in securities (Note 4)	25,124	11,776	202,776
Investments in and advances to subsidiaries and affiliates	15,498	13,808	125,084
Telephone rights and other intangible assets	1,653	1,678	13,341
Rental deposits	11,906	12,723	96,093
Prepaid pension expenses	4,086	—	32,978
Deferred tax assets (Note 6)	517	2,454	4,172
Other	12,448	12,515	100,468
Allowance for bad debts	(1,290)	(1,040)	(10,411)
Total investments and other assets	69,944	53,917	564,519
Total assets	¥1,876,210	¥1,700,322	\$15,142,937

See accompanying notes to non-consolidated financial statements.

March 31,	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term loans (Note 4)	¥ 19,187	¥ 19,668	\$ 154,858
Current portion of long-term debt (Note 4)	338,233	332,216	2,729,887
Accounts payable	3,071	2,415	24,786
Accrued income taxes	39,864	38,018	321,743
Accrued expenses	11,408	10,661	92,074
Deferred income on installment sales	26,712	21,749	215,593
Other current liabilities	3,100	3,727	25,020
Total current liabilities	441,577	428,458	3,563,979
Long-term liabilities:			
Long-term debt (Note 4)	925,746	841,041	7,471,719
Allowance for employees' retirement benefits	2,745	—	22,154
Allowance for directors' and statutory auditors' retirement benefits	813	955	6,561
Unearned premium on convertible notes	—	468	—
Other long-term liabilities	2,494	1,681	20,129
Total long-term liabilities	931,800	844,147	7,520,581
Commitments and contingent liabilities (Note 10)			
Shareholders' equity:			
Common stock, ¥50 par value per share:			
Authorized: 533,200,000 shares			
Issued: 146,630,880 shares at March 31, 2001 and 2000	17,282	17,282	139,483
Additional paid-in capital	25,772	25,772	208,006
Legal reserve (Note 7)	4,320	3,507	34,866
Retained earnings (Note 11)	452,259	381,154	3,650,193
Net unrealized gains on other securities (Note 8)	3,197	—	25,803
Total shareholders' equity	502,833	427,716	4,058,377
Total liabilities and shareholders' equity	¥1,876,210	¥1,700,322	\$15,142,937

Non-Consolidated Statements of Income

ACOM CO., LTD.

Year ended March 31,	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2000	1999	2001
Operating income:				
Interest on loans receivable	¥ 341,456	¥ 316,490	¥ 286,359	\$2,755,899
Fees from credit card business	2,323	451	15	18,748
Fees from installment sales financing	14,287	11,136	8,364	115,310
Other financial income	74	367	815	597
Rental income	1,591	6,395	7,507	12,841
Sales	103	320	1,755	831
Other operating income	6,875	6,605	5,704	55,488
Total operating income	366,712	341,767	310,521	2,959,741
Operating expenses:				
Financial expenses	28,933	29,250	28,777	233,518
Cost of sales	81	247	1,529	653
General and administrative expenses (Notes 5 and 9)	127,535	120,432	113,349	1,029,338
Provision for bad debts	51,654	47,461	39,755	416,900
Total operating expenses	208,205	197,392	183,412	1,680,427
Operating profit	158,507	144,374	127,109	1,279,313
Other income (expenses):				
Other interest and dividend income	646	330	215	5,213
Net loss on sale or disposal of fixed assets	(4,343)	(2,860)	(2,744)	(35,052)
Loss on revaluation of marketable securities	—	(622)	(330)	—
Loss on sale of investments in securities	(155)	—	(868)	(1,251)
Loss on revaluation of investments in securities	(1,340)	(106)	(549)	(10,815)
Loss on settlement of investments in a mutual insurance company	(1,000)	—	—	(8,071)
Loss on settlement of a subsidiary	—	(171)	(223)	—
Gain on termination of a leveraged lease contract	299	634	—	2,413
Net gain on change in accounting standard for employees' retirement benefits	1,256	—	—	10,137
Other, net	(954)	(1,365)	441	(7,699)
Total other income (expenses), net	(5,592)	(4,161)	(4,059)	(45,133)
Income before income taxes	152,915	140,213	123,049	1,234,180
Income taxes (Note 6):				
Current	74,950	69,030	66,550	604,923
Deferred	(2,791)	(2,854)	—	(22,526)
Total income taxes	72,158	66,175	66,550	582,389
Net income	¥ 80,757	¥ 74,038	¥ 56,499	\$ 651,791
Amounts per share (in yen and U.S. dollars):				
Net income				
Basic	¥ 550.75	¥ 504.93	¥ 385.31	\$ 4.44
Diluted	531.92	498.22	—	4.29
Cash dividends	65.00	55.00	45.00	0.52

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

ACOM CO., LTD.

	Thousands	Millions of Yen				Net unrealized gains on other securities
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	
Balance at March 31, 1998	146,630	¥ 17,282	¥ 25,772	¥ 2,141	¥ 247,935	¥ —
Net income	—	—	—	—	56,499	—
Cash dividends	—	—	—	—	(6,231)	—
Bonuses to directors	—	—	—	—	(50)	—
Transfer to legal reserve	—	—	—	628	(628)	—
Balance at March 31, 1999	146,630	17,282	25,772	2,769	297,524	—
Adjustment for the cumulative effect on prior years of recognizing deferred income taxes	—	—	—	—	17,701	—
Net income	—	—	—	—	74,038	—
Cash dividends	—	—	—	—	(7,331)	—
Bonuses to directors	—	—	—	—	(41)	—
Transfer to legal reserve	—	—	—	737	(737)	—
Balance at March 31, 2000	146,630	17,282	25,772	3,507	381,154	—
Net income	—	—	—	—	80,757	—
Cash dividends	—	—	—	—	(8,797)	—
Bonuses to directors	—	—	—	—	(41)	—
Transfer to legal reserve	—	—	—	813	(813)	—
Net unrealized gains on other securities	—	—	—	—	—	3,197
Balance at March 31, 2001	146,630	¥ 17,282	¥ 25,772	¥ 4,320	¥ 452,259	¥ 3,197

	Thousands of U.S. Dollars (Note 3)				
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gains on other securities
Balance at March 31, 2000	\$ 139,483	\$ 208,006	\$ 28,305	\$ 3,076,303	\$ —
Net income	—	—	—	651,791	—
Cash dividends	—	—	—	(71,000)	—
Bonuses to directors	—	—	—	(330)	—
Transfer to legal reserve	—	—	6,561	(6,561)	—
Net unrealized gains on other securities	—	—	—	—	25,803
Balance at March 31, 2001	\$ 139,483	\$ 208,006	\$ 34,866	\$ 3,650,193	\$ 25,803

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

ACOM CO., LTD.

Year ended March 31,	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2000	1999	2001
Operating activities:				
Income before income taxes	¥ 152,915	¥ 140,213	¥ 123,049	\$1,234,180
Adjustments:				
Depreciation and amortization	6,524	6,589	6,864	52,655
Increase in allowance for bad debts	7,600	10,000	7,400	61,339
Increase in allowance for employees' retirement benefits	2,745	—	—	22,154
(Decrease) increase in allowance for directors' and statutory auditors' retirement benefits	(142)	83	(173)	(1,146)
Non-operating interest and dividend income	(646)	(330)	(215)	(5,213)
Net loss on sale or disposal of fixed assets	4,343	2,860	2,744	35,052
Bond issuance expenses	551	1,781	418	4,447
Loss on revaluation of marketable securities	—	622	330	—
Loss on sale of investments in securities	155	—	868	1,251
Loss on revaluation of investments in securities	1,340	106	549	10,815
Loss on settlement of a subsidiary	—	171	223	—
Loss on settlement of investments in a mutual insurance company	1,000	—	—	8,071
Gain on termination of a leveraged lease contract	(299)	(634)	—	(2,413)
Changes in operating assets and liabilities:				
Increase in loans receivable	(148,480)	(141,355)	(123,186)	(1,198,385)
Increase in notes and accounts receivable	(41,486)	(37,032)	(27,403)	(334,834)
Decrease in merchandise	20	34	1,218	161
Increase in prepaid expenses	(312)	(85)	(672)	(2,518)
(Increase) decrease in other current assets	(974)	6,088	(3,257)	(7,861)
Increase in prepaid pension expenses	(4,086)	—	—	(32,978)
Increase in accounts payable	655	999	307	5,286
Increase in accrued expenses	732	2,556	83	5,907
Increase in deferred income on installment sales	4,962	5,794	5,128	40,048
Bonuses paid to directors	(41)	(41)	(50)	(330)
Other, net	(432)	(555)	247	(3,486)
Subtotal	(13,354)	(2,133)	(5,525)	(107,780)
Non-operating interest and dividends received	648	336	207	5,230
Income taxes paid	(73,103)	(67,482)	(65,285)	(590,016)
Net cash used in operating activities	¥ (85,809)	¥ (69,278)	¥ (70,602)	\$ (692,566)

(Continued)

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2000	1999	2001
Investing activities:				
Decrease in time deposits and marketable securities	¥ 7,418	¥ 12,350	¥ 4,315	\$ 59,870
Proceeds from sale of property and equipment	1,269	1,175	434	10,242
Purchases of property and equipment	(6,256)	(3,591)	(11,301)	(50,492)
Proceeds from maturity or sale of investments in securities	1,719	258	640	13,874
Increase in investments in securities	(1,896)	(609)	(3,038)	(15,302)
Additions to investments in and advances to subsidiaries and affiliates	(1,789)	(1,938)	(1,194)	(14,439)
Proceeds from settlement or repayment of investments in and advances to subsidiaries	100	2,549	—	807
Proceeds from termination of a leveraged lease contract	170	340	—	1,372
Proceeds from sale of AV rental business	595	—	—	4,802
Increase in other investments	(517)	(788)	(3,700)	(4,172)
Net cash provided by (used in) investing activities	813	9,747	(13,843)	6,561
Financing activities:				
Proceeds from long-term debt	425,472	415,586	463,697	3,433,995
Payments on principal of long-term debt	(335,288)	(292,714)	(234,457)	(2,706,117)
Decrease in short-term loans	(481)	(122,629)	(118,244)	(3,882)
Cash dividends paid	(8,800)	(7,332)	(6,231)	(71,025)
Net cash provided by (used in) financing activities	80,902	(7,088)	104,764	652,962
Effect of exchange rate changes on cash and cash equivalents	0	45	(33)	0
(Decrease) increase in cash and cash equivalents	(4,093)	(66,574)	20,284	(33,034)
Cash and cash equivalents at beginning of the year	96,667	163,241	142,957	780,201
Cash and cash equivalents at end of the year	¥ 92,573	¥ 96,667	¥ 163,241	\$ 747,158

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

ACOM CO., LTD.

1. Basis of Presenting the Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements of ACOM CO., LTD. (the "Company") relate to the Company only, with investments in subsidiaries and affiliates (generally 20% to 50% owned) (*) being stated at cost, and have been prepared in accordance with accounting principles generally accepted in Japan and the "Form of Standard Financial Statements in the Consumer Finance Business" (issued by the Federation of Finance Companies Associations of Japan on April 25, 1993).

(*) SIAM A&C CO., LTD. (a 49%-owned company), which had been accounted for as an affiliate in prior years, has been retroactively treated as a subsidiary in accordance with the "control" concept newly introduced into Japanese GAAP. Refer to Note 2(a) "Principles of consolidation" in the consolidated financial statements.

The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Prime Minister of Japan (the "PM") in accordance with the Securities and Exchange Law of Japan. Accordingly, the accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Certain items presented in the original non-consolidated financial statements filed with the PM have been reclassified for the convenience of readers outside Japan.

Although non-consolidated statements of cash flows are still not required in Japan, such statements have been prepared for the purpose of inclusion in these non-consolidated financial statements, after reclassifications made in conformity with the relevant regulations concerning the preparation and presentation of consolidated statements of cash flows.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying non-consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Cash equivalents

The Company considers all highly liquid investments, including time deposits with banks, bond investment funds and marketable securities purchased under resale agreements with a maturity of three months or less when purchased, to be cash equivalents.

(b) Foreign currency transactions

Effective April 1, 2000, in accordance with the revised "Accounting Standard for Foreign Currency Transactions" issued by the Business Accounting Deliberation Council (the "BADC") on October 22, 1999, all monetary assets and liabilities, regardless of short-term or long-term, denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year end, and resulting gains and losses are included in income. In the prior years, assets and liabilities other than short-term monetary assets and liabilities were translated at historical rates. The effect of this change on the accompanying non-consolidated financial statements was immaterial.

(c) Marketable securities and investments in securities

Effective April 1, 2000, the Company adopted the "Accounting Standard for Financial Instruments" issued by the BADC on January 22, 1999. Under this Standard, marketable securities and investments in securities are classified by their holding objectives into trading, held-to-maturity and other securities. Trading securities are valued at market prices and the resulting gains or losses are included in income. Held-to-maturity securities are stated at amortized cost. Other securities are valued at market prices and the resulting gains or losses are stated, net of tax, in the shareholders' equity section in the accompanying non-consolidated balance sheet as of March 31, 2001. In the prior years, marketable securities and investments in securities for which market prices are available were valued at the lower of moving-average cost or market. The effect of this change was to increase income before income taxes by ¥30 million (\$242 thousand).

Furthermore, as a result of examination of the respective holding objectives at the beginning of this fiscal year, held-

to-maturity and other securities with a maturity within one year, and those with the same characteristics as deposits, were reclassified to "marketable securities" in the current assets section; and securities falling outside these categories were reclassified to "investments in securities" in the investments and other assets section. This reclassification had the effect of reducing marketable securities in current assets by ¥15,853 million (\$127,949 thousand) and increasing investments in securities in non-current assets by the same amount.

Other securities for which market prices are not available are stated at moving-average cost.

(d) Merchandise

Merchandise primarily consists of paintings and is stated at individually specified cost.

(e) Allowance for bad debts

As a result of the adoption of "Accounting Standard for Financial Instruments" effective April 1, 2000 mentioned in (c) above, to cover possible losses on collection of loans and other receivables, the Company provided for an allowance (i) with respect to ordinary debts, based on the historical rate of write-off, and (ii) with respect to other specific debts whose recovery is doubtful, based on estimated write-off amounts, after considering the likelihood of recovery on an individual basis. In the prior years, the allowance for bad debts of the Company was provided at the maximum amount allowable for income tax purposes plus an estimated amount based on management's assessment of the loan portfolio.

Loan balances are written off in cases where (i) the Company has confirmed the death or bankruptcy of the debtor or has voluntarily waived repayment of the loan, and (ii) the amounts due have not been collected for a certain period (even after follow-up requests for payment) because of the inability on the part of the debtor or the guarantor to pay.

(f) Property and equipment

Property and equipment is stated at cost. Depreciation of property and equipment is computed by the declining-balance method at rates based on the estimated useful lives of the respective assets.

Effective April 1, 1998, the Company changed the estimated useful lives of certain buildings from 17-65 years

to 15-50 years with reference to modifications of corporation tax regulations. The effect of these changes was to decrease operating profit and income before income taxes for the year ended March 31, 1999 by ¥90 million.

(g) Share and bond issuance expenses

Share and bond issuance expenses are charged to income when incurred.

(h) Pension plans

Effective April 1, 2000, the Company adopted the "Accounting Standard for Retirement Benefits" issued by the BADC on June 16, 1998.

Under this Standard, allowance for employees' retirement benefits should be recognized at the net total of the present value of the defined benefit obligation at the balance sheet date, plus any actuarial gains (less any actuarial losses) not yet recognized, minus any past service cost not yet recognized, minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly. If the amount determined above is negative (an asset), such asset should be recorded as prepaid pension expenses.

Net retirement benefit expense or income should be recognized at the net total of current service cost and interest cost, minus the expected return on any plan assets, minus any actuarial gains (less any actuarial losses) and past service cost recognized during the year, plus any retirement benefits paid as a lump sum.

To determine the present value of a defined benefit obligation and the related current service cost and, where applicable, past service cost, the project unit credit method is used.

Actuarial gains or losses and past service cost should be recognized for each defined benefit plan over a period not exceeding the expected average remaining working lives of the employees participating in that plan. The Company recognizes actuarial gains or losses evenly over the five years following the respective fiscal years when such gains or losses are identified.

Any transition benefit liability or prepayment existing at the initial adoption of this Standard should be recognized over a period not exceeding 15 years. The Company recognized such transition liability and prepayment

immediately in this fiscal year and the resulting net gain was stated under the "net gain on change in accounting standard for employees' retirement benefits" in the accompanying non-consolidated statement of income for the year ended March 31, 2001.

As a result of this change, prepaid pension expenses amounting to ¥4,086 million (\$32,978 thousand) and allowance for employees' retirement benefits amounting to ¥2,745 million (\$22,154 thousand) were recorded in the accompanying non-consolidated balance sheet as of March 31, 2001. This change also had the effect of reducing retirement benefit expenses by ¥99 million (\$799 thousand), increasing operating profit by the same amount, and increasing income before income taxes by ¥1,355 million (\$10,936 thousand).

(i) Allowance for directors' and statutory auditors' retirement benefits

The allowance for directors' and statutory auditors' retirement benefits is provided at the amount which would have been required to be paid if all directors and statutory auditors had voluntarily terminated their services as of the balance sheet date. This amount has been determined in accordance with the Company's internal rules.

(j) Leases

Noncancelable lease transactions are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(k) Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis. However, the Company computes accrued interest income on loans receivable at the interest rate stipulated in the Interest Rate Restriction Law of Japan or the contracted interest rate, whichever is lower.

(l) Recognition of fees from installment sales financing

Fees from customers and participating stores have principally been prorated by the respective number of installments, and the prorated amounts have been recognized as income when they became due (the "sum-of-the-months' digits method").

(m) Income taxes

Effective April 1, 1999, the Company adopted the liability method for tax-effect accounting in accordance with an amendment to the "Regulations concerning Terminology, Forms and Methods of Preparation of Financial Statements, etc". The cumulative effect of this change was reported in the accompanying non-consolidated statements of shareholders' equity under the caption "Adjustment for the cumulative effect on prior years of recognizing deferred income taxes".

(n) Derivative and hedging transactions

The Company has used interest-rate swap agreements and interest-rate options (interest-rate caps in long positions only) solely in order to hedge against risks of fluctuations in interest rates relating to its short-term and long-term loans in compliance with the Company's internal rules.

Under the "Accounting Standard for Financial Instruments", derivative transactions are valued at market prices, except for hedging transactions whose gains or losses are deferred and recorded in the balance sheet until the hedged transactions are settled. Moreover, if interest-rate swaps are specifically tied to the hedged loan transactions, unrealized gains or losses on those swaps are not recognized in the financial statements as such gains or losses are to be offset with those on the hedged transactions. Similarly, if interest-rate caps are specifically tied to the hedged loan transactions, fees paid for those caps are stated at amortized costs regardless of their market prices.

(o) Net income per share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is based upon the weighted-average number of shares of common stock outstanding during the year, after consideration of the dilutive effect of the zero coupon convertible notes issued on August 2, 1999.

(p) Reclassifications

Certain reclassifications have been made to the prior years' non-consolidated financial statements to conform to the current year's presentation.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts has been made, solely for convenience, as a matter of arithmetical computation only, at the rate of ¥123.90 = US\$1.00, the exchange rate prevailing on March 30, 2001. The translation should not be construed as a representation that yen have been, could have been, or could in the future

be, converted into U.S. dollars at the above or any other rate.

4. Short-Term Loans, Long-Term Debt and Pledged Assets

Long-term debt was summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Unsecured loans mainly from banks and other financial institutions at interest rates ranging from 1.3% to 3.8% due through March 2006	¥ 279,715	¥ 271,641	\$ 2,257,586
Loans with collateral mainly from banks and other financial institutions at interest rates ranging from 0.92% to 3.8% due through March 2008	684,465	686,617	5,524,334
Unsecured bonds at interest rates ranging from 1.3% to 2.72% due through May 2010	245,000	60,000	1,977,401
Unsecured zero coupon convertible notes due March 2002 (*)	50,000	50,000	403,551
Payables under trust agreements for certain installment sales receivables due January 2002	4,800	5,000	38,740
Less: current portion	(338,233)	(332,216)	(2,729,887)
	¥ 925,746	¥ 841,041	\$ 7,471,719

(*) The unsecured zero coupon convertible notes with an initial principal amount of ¥50,000 million due March 31, 2002 were issued on August 2, 1999 and are convertible into common stock of the Company. The conversion price as of March 31, 2001 was ¥10,710 (\$86.44) per share.

Assets pledged as collateral for substantially short-term and long-term loans from banks and other financial institutions were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Marketable securities	¥ —	¥ 1,255	\$ —
Loans receivable	681,878	688,888	5,503,454
Property and equipment, net	2,465	2,535	19,895
Investments in securities	2,798	326	22,582
	¥ 687,143	¥ 693,006	\$ 5,545,948

At March 31, 2001 and 2000, the Company had a commitment, at the lenders' request, to furnish at any time collateral pledged on ¥165,801 million (\$1,338,184 thousand) and ¥189,318 million of the loans receivable of

¥681,878 million (\$5,503,454 thousand) and ¥688,888 million shown in the above table, respectively. The pledged collateral which the lenders could require covered the following:

March 31,	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Short-term loans	¥ 2,000	¥ 6,000	\$ 16,142
Current portion of long-term debt	51,137	48,084	412,728
Long-term debt	112,404	133,660	907,215

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2002	¥ 338,233	\$ 2,729,887
2003	358,766	2,895,609
2004	241,839	1,951,888
2005	135,740	1,095,560
2006	79,424	641,033
2007 and thereafter	109,977	887,627
	<u>¥ 1,263,980</u>	<u>\$ 10,201,614</u>

5. Pension Plans

The Company has, jointly with certain of its domestic subsidiaries, a funded non-contributory tax-qualified retirement pension plan and a funded contributory welfare pension plan, both of which are defined benefit plans and together cover substantially all full-time employees who meet certain eligibility requirements.

In the years ended March 31, 2000 and 1999, contributions made to the tax-qualified retirement pension fund amounted to ¥2,593 million and ¥2,021 million and were charged to income for the years then ended, respectively.

The total assets of the fund amounted to ¥15,177 million at December 31, 1999 (the valuation date nearest March 31, 2000). It is not practicable to divide the total assets of

the fund because the periods of participation in the plan vary from company to company.

For the information as of and for the year ended March 31, 2001, refer to Note 7 of the consolidated financial statements.

6. Income Taxes

The Company is subject to a number of taxes based on income. Corporation, inhabitants' and enterprise taxes are charged to the income tax account. The aggregate statutory tax rates applicable to the Company were approximately 40.9% for 2001 and 2000, and 46.4% for 1999.

A reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes was as follows:

Year ended March 31,	2001	2000
Statutory income tax rate	40.9%	40.9%
Taxation on undistributed income	5.0	5.2
Expenses not deductible for income tax purposes	0.1	0.1
Inhabitants' per capita taxes	0.2	0.2
Other	1.0	0.8
Effective income tax rate	<u>47.2%</u>	<u>47.2%</u>

The tax effects of the temporary differences which give rise to a significant portion of the deferred tax assets and

liabilities as of March 31, 2001 and 2000 were presented below:

March 31,	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Bad debt write-offs	¥ 5,871	¥ 3,582	\$ 47,384
Provision for bad debts	8,298	8,249	66,973
Accrued bonuses	800	694	6,456
Allowance for employees' retirement benefits	1,122	—	9,055
Allowance for directors' and statutory auditors' retirement benefits	332	390	2,679
Accrued interest income	1,247	1,072	10,064
Accrued enterprise tax	3,031	2,693	24,463
Depreciation and amortization	3,839	3,261	30,984
Consumption tax	177	157	1,428
Revaluation of marketable securities	91	320	734
Loss on investments in golf club membership	149	—	1,202
Other	55	132	443
Total gross deferred tax assets	25,017	20,556	201,912
Deferred tax liabilities:			
Prepaid pension expenses	(1,670)	—	(13,478)
Net unrealized gains on other securities	(2,210)	—	(17,836)
Total gross deferred tax liabilities	(3,880)	—	(31,315)
Net deferred tax assets	¥ 21,137	¥ 20,556	\$ 170,597

7. Legal Reserve

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and directors' and statutory auditors' bonuses in respect of each fiscal period be appropriated to the legal reserve until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce or eliminate a deficit or may be transferred to stated capital by resolution of the shareholders.

8. Net Unrealized Gains on Other Securities

As described in Note 2(c), net unrealized gains on other securities were stated in the shareholders' equity section in the accompanying non-consolidated balance sheet as of March 31, 2001 as a result of the application of the market value method to evaluation of marketable securities and investments in securities. However, under the Commercial Code of Japan, such gains are not available for dividends.

9. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased equipment as of March 31, 2001 and 2000 and the related depreciation expense and interest expense for the

years ended March 31, 2001, 2000 and 1999, which would have been reflected in the non-consolidated balance sheets and the related non-consolidated statements of income if finance lease accounting had been applied to the finance lease transactions accounted for as operating leases:

	Millions of yen				Thousands of U.S. dollars				
	Acquisition costs		Accumulated depreciation		Net book value		Acquisition costs	Accumulated depreciation	Net book value
March 31,	2001	2000	2001	2000	2001	2000	2001	2001	2001
Equipment	¥ 15,930	¥ 18,737	¥ 9,613	¥ 10,358	¥ 6,317	¥ 8,378	\$ 128,571	\$ 77,586	\$ 50,984

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
Year ended March 31,				
Depreciation	¥ 4,285	¥ 5,119	¥ 5,637	\$ 34,584
Interest	247	351	430	1,993

Lease expenses relating to finance lease transactions accounted for as operating leases amounted to ¥4,581 million (\$36,973 thousand), ¥5,481 million and ¥6,067 million for the years ended March 31, 2001, 2000 and 1999, respectively.

Future minimum lease payments subsequent to March 31, 2001 for finance lease transactions accounted for as operating leases were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥ 3,350	\$ 27,037
2003 and thereafter	3,136	25,310
	¥ 6,487	\$ 52,356

10. Commitments and Contingent Liabilities

Future payments under rental leases subsequent to March 31, 2001 amounted to ¥6,731 million (\$54,326 thousand).

At March 31, 2001, the Company was contingently liable as guarantor of the following subsidiaries:

Name of subsidiary	Amount of guaranteed loans
ACOM ESTATE CO., LTD.	¥1,282 million (\$10,347 thousand)
JUKI CREDIT CO., LTD.	¥42,862 million (\$345,940 thousand)
SIAM A&C CO., LTD.	THB1,270 million and US\$2,500 thousand
1990 K PARTNERSHIP	US\$7,500 thousand

Refer to Note 4 regarding pledged assets.

11. Subsequent Events

On February 15, 2001, the Board of Directors approved the issuance of ¥10,000 million of 1.27% unsecured bonds due May 2, 2005. The net proceeds from the sale of the bonds will be utilized for funding loans receivable.

On May 15, 2001, the Board of Directors approved the issuance of ¥10,000 million of 1.7% unsecured bonds due

June 11, 2008. The net proceeds from the sales of the bonds will be utilized for funding loans receivable.

The following appropriations of retained earnings, which have not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2001, were approved at a shareholders' meeting held on June 28, 2001:

	Millions of yen
Cash dividends (¥35.00 = US\$0.28)	¥ 5,132
Bonuses to directors	39

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The Board of Directors and Shareholders
ACOM CO., LTD.

We have audited the non-consolidated balance sheets of ACOM CO., LTD. as of March 31, 2001 and 2000, and the related non-consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the non-consolidated financial position of ACOM CO., LTD. at March 31, 2001 and 2000, and the results of its non-consolidated operations and its cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2 to the non-consolidated financial statements, ACOM CO., LTD. has adopted new accounting standards for financial instruments, retirement benefits, and foreign currency transactions in the preparation of its non-consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the non-consolidated financial statements.



June 28, 2001

See Note 1 to the non-consolidated financial statements which explains the basis of preparing the financial statements of ACOM CO., LTD. under Japanese accounting principles and practices.

The ACOM Group

(As of March 31, 2001)

Corporate Name and Address	Principal Business	Incorporated	Paid-in Capital	Equity Owned by the Company	Revenues
<i>Domestic:</i>					
JLA INCORPORATED Osaka Ekimae Dai 4 Bldg. (19th floor), 11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001, Japan Telephone: (06) 6347-1281	Advertising agency, interior design and construction of service outlets	May 1972	¥ 45 million	100.0%	¥ 15,636 million
ACOM RESEARCH INSTITUTE, INC. 15-11, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-0071, Japan Telephone: (03) 3239-4896	Survey and research on trends in household expenditures	Oct. 1986	¥ 20 million	100.0%	¥ 94 million
AJAST Ltd. 15-11, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-0071, Japan Telephone: (03) 3221-9408	Insurance agency business	Feb. 1992	¥ 4 million	25.0% (75.0%) ¹	¥ 104 million
ACOM ESTATE CO., LTD. Mine Building, 2nd Floor, 11-11, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-0071, Japan Telephone: (03) 3221-6950	Real estate management in Japan	Mar. 1996	¥ 7,540 million	100.0%	¥ 1,246 million
ABS CO., LTD. 1st Seiki Building, 3rd Floor, 2-2, Sotokanda 5-chome, Chiyoda-ku, Tokyo 101-0021, Japan Telephone: (03) 3834-9215	Maintenance of buildings and other properties	Oct. 1997	¥ 30 million	0% (100.0%) ¹	¥ 1,283 million
AVRS CO., LTD. 15-11, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-0071, Japan Telephone: (03) 3234-9180	Audio-visual software rental consignment business	Mar. 1998	¥ 100 million	100.0%	¥ 648 ² million
ACOM RENTAL CO., LTD. ACOM Shinbashi Building, 3rd Floor, 11-1, Shinbashi 3-chome, Minato-ku, Tokyo 105-0004, Japan Telephone: (03) 5401-0044	Comprehensive rental business	Oct. 1999	¥ 300 million	100.0%	¥ 3,855 million
E*NetCard CO., LTD. Kudanshita Tokyu Shin-Sakura Bldg. 5F, 3-3, Kudankita 1-chome, Chiyoda-ku, Tokyo 102-0073, Japan Telephone: (03) 5212-4121	Fiduciary business to open up, on the Internet, new consumer loans and credit cards	Oct. 1999	¥ 450 million	38.25% ³	¥ 40 million
AB PARTNER CO., LTD. Mine Bldg. 3rd Floor, 2-11-11 Fujimi, Chiyoda-ku, Tokyo 102-0071, Japan Telephone: (03) 3234-9301	Temporary employment agencies and back-office service	Nov. 2000	¥ 150 million	100.0%	¥ — ⁴
JUKI CREDIT CO., LTD. Asahi-life Bldg. 3rd Floor, 1-14-1, Fuchu-cho, Fuchu-shi, Tokyo 183-0055, Japan Telephone: (042) 361-8111	Installment sales finance service	Oct. 1984	¥ 500 million	100.0%	¥ 4,553 ⁵
IR Loan Servicing, Inc. Trusty Koujimachi Bldg. 7th Floor, 3-4 Koujimachi, Chiyoda-ku, Tokyo 102-0083, Japan Telephone: (03) 5215-6511	Loan recovery business	June 2000	¥ 500 million	60.0%	¥ — ⁶

(As of March 31, 2001)

Corporate Name and Address	Principal Business	Incorporated	Paid-in Capital	Equity Owned by the Company	Revenues
<i>Overseas:</i>					
ACOM (U.S.A.) INC. 229 South State Street, Dover, Kent County, DE, U.S.A.	Lease of real estate in the United States	Dec. 1986	US\$ 17 million	100.0%	Operating loss: US\$ 937 thousand ^{7,8}
ACOM INTERNATIONAL, INC. 229 South State Street, Dover, Kent County, DE, U.S.A.	Lease of real estate in the United States	Dec. 1986	US\$ 17 million	100.0%	Operating loss: US\$ 937 thousand ^{7,8}
1990 K PARTNERSHIP Suite 1100L, 1801 K Street, Washington, D.C. 20006, U.S.A.	Lease of real estate in the United States	Dec. 1986	US\$ 31 million	0.0% (100.0%) ¹	US\$ 3,645 thousand ^{7,8}
ACOM PACIFIC, INC. 1008 Pacific New Building, 238 Archbishop F.C. Flores Street, Agana, Guam	Lease of health resorts in Guam (U.S.A.)	July 1993	US\$ 10 thousand	100.0%	US\$ 27 thousand ⁷
SIAM A&C CO., LTD. Ramaland Building, 13th Floor, 952 Rama IV Road, Suriyawongse, Bangrak, Bangkok 10500, Thailand	Hire purchase business in Thailand	Sep. 1996	THB 120 million	49.0%	THB 318 million ⁷
CHAILLEASE ACOM FINANCE CO., LTD. No.1, 10 Fl., 167 Fu-Hsing N.Rd., Taipei, Taiwan R.O.C.	Hire purchase business in Taiwan	June 2000	Yuan 150 million	40.0%	Yuan 39 million ⁷
ACOM CAPITAL CO., LTD. Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies	Financial services for ACOM (Special Purpose Company)	Aug. 2000	US\$ 1,000	100.0%	US\$ 62 thousand ⁷

Notes: 1. Figures in parentheses indicate indirect ownership by ACOM CO., LTD.

2. AVRS CO., LTD., suspended its audio and video software consignment rental business as of April 30, 2001.

3. E*NetCard CO., LTD., which had been a consolidated subsidiary until the prior consolidated fiscal year, became an equity method affiliate at the end of this fiscal year, as a result of a private placement of shares issued on March 7, 2001, decreasing the percentage of equity ownership to 38.25%.

4. AB PARTNER CO., LTD., was established on November 15, 2000, and began operation on April 1, 2001.

5. JUKI CREDIT CO., LTD., which became a subsidiary of the Company by acquiring 100% of shares in October 2000, has not taken on any loan business since August 2000.

6. IR Loan Servicing, Inc., became a subsidiary of the Company by acquiring 60% of shares on March 23, 2001, which started operation on July 2, 2001.

7. Year ended December 2000.

8. ACOM (U.S.A.) INC. and ACOM INTERNATIONAL, INC., each hold 50% of partnership capital of 1990 K PARTNERSHIP, which recorded a net loss of US\$1,874 thousand in fiscal 2000. Therefore, the above companies each posted operating losses of US\$937 thousand.

Corporate Data

(As of March 31, 2001)

Company name:
ACOM CO., LTD.

Business outline:
Loan, credit card
and installment sales finance

Head office:
15-11, Fujimi 2-chome,
Chiyoda-ku, Tokyo 102-0071, Japan

Established:
April 2, 1936

Incorporated:
October 23, 1978

Paid-in capital:
¥17,282 million

Date for the settlement of accounts:
March 31

Number of employees:
4,321

Common stock

Authorized:
533,200,000 shares

Issued:
146,630,880 shares

Number of shareholders:
2,599

Stock listing:
First Section of Tokyo Stock Exchange

Transfer agent:
The Mitsubishi Trust and Banking Corporation

General shareholders' meeting:
June

Auditor:
CENTURY OTA SHOWA & CO.
(Member firm of)
ERNST & YOUNG INTERNATIONAL

For Further Information:

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