Firm Foundation Points to a Bright Future

Annual Report 2004

Year ended March 31, 2004

ACOM CO., LTD.

Contents

Notes:

1. Forward-Looking Statements
   The figures contained in this annual report with respect to ACOM's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of ACOM which are based on management's assumptions and belief in light of the information currently available to 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 market and changes in the size of the overall market for consumer loans, the rate of default by customers, the level of interest rates paid on ACOM's debt and legal limits on interest rates charged by ACOM.
2. All amounts are truncated to the nearest expressed unit.
3. Percentage figures are a result of rounding.

Corporate Philosophy

Based on our twin mottos of "respecting other people" and "putting the customer first," we will continue to pursue an innovative and creative style of corporate management aimed at helping our customers realize happier and more fulfilling personal lives.

In 1936, ACOM was founded on the ideal of "extending the feeling of confidence from people to people." Since then, we have always sought to develop our business by establishing an unshakable mutual trust between us and our customers.

ACOM is an acronym created from the following three words:

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

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

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

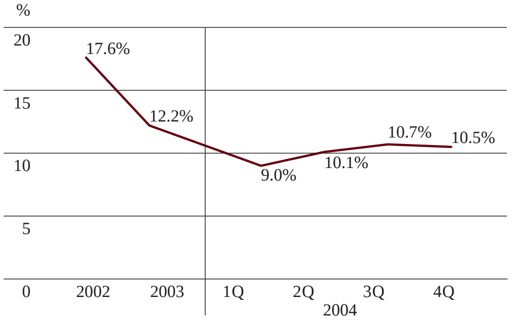
Financial Highlights

ACOM CO., LTD. and Subsidiaries

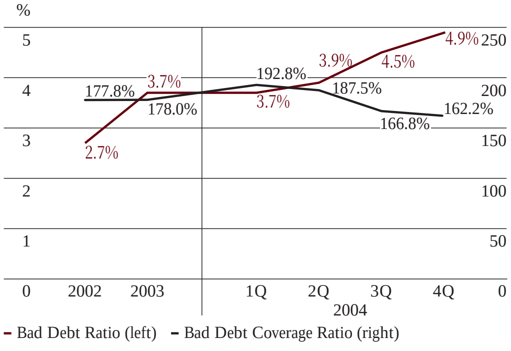
Years ended March 31	2002	2003	2004
	Millions of yen		
For the year:			
Operating income	414,918	437,572	434,968
Operating expenses	243,669	290,877	314,577
Bad-debt-related expenses *1	72,047	115,671	140,505
Operating profit	171,248	146,695	120,391
Net income	95,637	75,096	70,319
At year-end:			
Total assets	2,166,865	2,183,414	2,075,389
Receivables outstanding *2	1,888,265	1,940,055	1,851,454
Total amount of bad debts	44,516	60,791	80,259
Allowance for bad debts	81,064	112,549	135,350
Total shareholders' equity	582,737	644,431	697,166
Per share:		Yen	
Net income, basic	653.18	513.08	487.77
Total shareholders' equity	3,983.61	4,405.08	4,855.98
Cash Dividends	80	80	80
Financial ratios:			
Operating profit margin	41.3%	33.5%	27.7%
ROE *3	17.6%	12.2%	10.5%
ROA *3	4.7%	3.5%	3.3%
ACOM CO., LTD. (Non-Consolidated)			
Bad debt ratio (Gross basis) *4	2.7%	3.7%	4.9%
Bad debt coverage ratio *5	177.8%	178.0%	162.2%

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

ROE

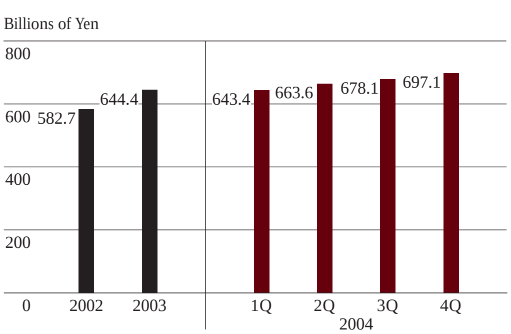


Bad Debt Ratio and Bad Debt Coverage Ratio (Non-Consolidated)

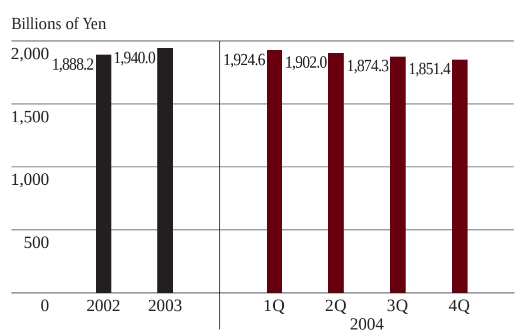


For the year ended March 31, 2004	Millions of yen 1st quarter	2nd quarter	3rd quarter	4th quarter
For the quarter:				
Operating income	109,443	109,432	109,559	106,533
Operating expenses	82,225	76,324	73,865	82,161
Bad-debt-related expenses *1	39,990	32,742	30,647	37,124
Operating profit	27,217	33,107	35,693	24,372
Net income	14,538	18,379	20,293	17,107
At quarter-end:				
Total assets	2,107,964	2,093,701	2,082,462	2,075,389
Receivables outstanding *2	1,924,627	1,902,090	1,874,343	1,851,454
Total amount of bad debts	61,618	64,255	73,030	80,259
Allowance for bad debts	123,992	125,218	126,887	135,350
Total shareholders' equity	643,436	663,663	678,153	697,166
Financial ratios:				
Operating profit margin	24.9%	30.3%	32.6%	22.9%
ROE *3	9.0%	11.2%	12.1%	10.0%
ROA *3	2.7%	3.5%	3.9%	3.3%
ACOM CO., LTD. (Non-Consolidated)				
Bad debt ratio (Gross basis) *4	3.7%	3.9%	4.5%	4.9%
Bad debt coverage ratio *5	192.8%	187.5%	166.8%	162.2%

Total Shareholders' Equity



Receivables Outstanding

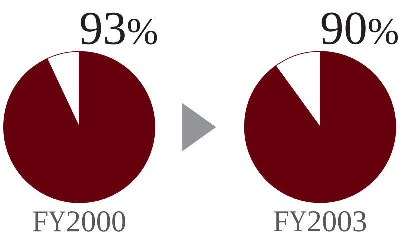


Business Highlights

Segment	Business Overview and Market Position
Loan Business	
	At our loan business, we conduct individual credit screenings of loan applications that are submitted at our branch offices, automated loan application machines, and the Internet. We then provide loans to customers who successfully pass this process. Small unsecured loans for individual consumers account for the majority of the business in this segment, and there have been no major changes to this situation. According to the 2004 edition of Japan Consumer Credit Statistics (published by the Japan Consumer Credit Industry Association), the consumer finance market was worth ¥10 trillion in 2002, and of this amount the ACOM Group had a share of about 16%. The ACOM Group is positioned as one of the largest players in this market, along with TAKEFUJI CORPORATION and Promise Co., Ltd.
Peripheral Financial Business	
Credit Card Business	In 1998, ACOM entered the credit card business after acquiring principal membership of MasterCard International. According to the Japan Consumer Credit Statistics, the overall credit card market was worth ¥3 trillion in 2002. In this market, the ACOM Group lagged behind the leaders, with a share of 1%. However, in the four years up to fiscal 2003, receivables outstanding at this business have significantly expanded by 635%.
Installment Sales Finance Business	This business, which is operated by ACOM and ACOM's subsidiaries JCK CREDIT CO., LTD. and SIAM A&C CO., LTD. (Thailand), provides installment sales financing. At the end of fiscal 2003, the consolidated receivables outstanding at this business reached ¥181.5 billion, falling 23.7% year-on-year. This was due to more meticulous screening of potential affiliates deemed to be high-risk in order to improve the quality of credit. At the same time, we are focusing on reinforcing ties with our credit card business. Fees from installment sales finance business are gradually increasing as a result of promoting cross-selling at large retailers with which we have concluded credit card alliances. According to the Japan Consumer Credit Statistics, the size of the domestic market for installment sales financing in 2002 was ¥11 trillion.
Guarantee Business	At this business, we mainly provide guarantees for individual loans issued by regional banks. This business began in fiscal 2001, however guaranteed loans receivable at the end of fiscal 2003 reached ¥100.9 billion.
Loan Servicing Business	This business collects on loans on behalf of financial institutions, as well as collecting on loans that it has bought up. ACOM entered this market in fiscal 2000 through its investment in IR Loan Servicing, Inc. This business is expanding steadily with total principal of consigned and purchased receivables reaching ¥1,800.5 billion at the end of fiscal 2003.
Non-Financial Businesses	
Rental Business	ACOM's wholly-owned subsidiary ACOM RENTAL CO., LTD. operates a business renting out goods used in daily life and leisure equipment. It also provides support for event planning.
Other Businesses	ACOM's other non-financial businesses mainly consist of an advertising agency, insurance agency, real estate management business, and temporary employment agency. These businesses are operated by 10 consolidated subsidiaries.

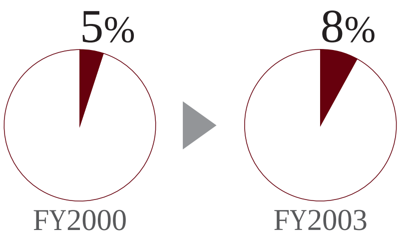
Major Group Companies	Composition of Operating Income

• ACOM CO., LTD.
• JCK CREDIT CO., LTD.
• SIAM A&C CO., LTD.



• ACOM CO., LTD.

• ACOM CO., LTD.
• JCK CREDIT CO., LTD.
• SIAM A&C CO., LTD.

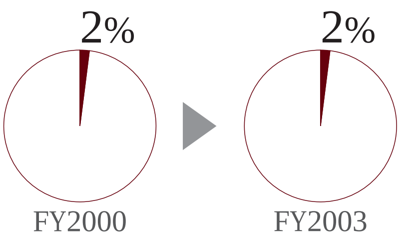


• ACOM CO., LTD.

• IR Loan Servicing, Inc.

• ACOM RENTAL CO., LTD.

• JLA INCORPORATED
• ACOM ECONOMIC RESEARCH INSTITUTE, INC.
• AJAST Ltd.
• ACOM ESTATE CO., LTD.
• ABS CO., LTD.
• AB PARTNER CO., LTD.
• ACOM PACIFIC, INC.
• AVRS CO., LTD.
• ACOM (U.S.A.) INC.
• ACOM INTERNATIONAL, INC.



Message from the Management

Looking Back at Fiscal 2003

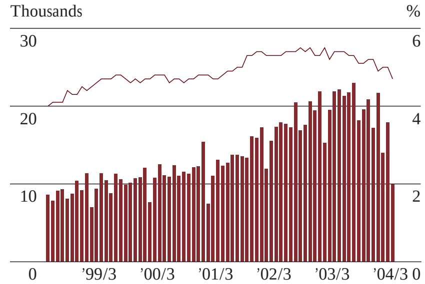
Fiscal 2003 Operating Environment

The Worst is Over, But Full-Scale Recovery Not Yet in Sight

In fiscal 2003, ended March 31, 2004, the domestic economy showed a general recovery trend that gradually gathered pace with time. Corporate financial results improved considerably, boosted by the emergence of new growth industries, such as digital home electronics, and alleviation of the "three excesses" that have stunted Japanese economy to date: excessive capital equipment, employees, and debt. We believe that these factors together prompted companies to make capital investments with renewed confidence.

The worst might be over, but full-scale recovery of the ACOM Group's business environment remained a distant hope in fiscal 2003. The unemployment rate has stalled at the 5% level, despite having retreated somewhat from its peak of 5.5% in October 2002. Also, personal bankruptcy applications, while showing year-on-year declines since November 2003, still remain more than twice the level of fiscal 1998. And while consumption-related indicators, such as consumer spending and retail sales, have started to firm, the situation is insufficient to warrant optimistic predictions.

Personal Bankruptcy Applications and Unemployment Rate



Personal Bankruptcy Applications (left)
(Source: Supreme Court of Japan)
Unemployment Rate (right)
(Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications)

ACOM Group Results

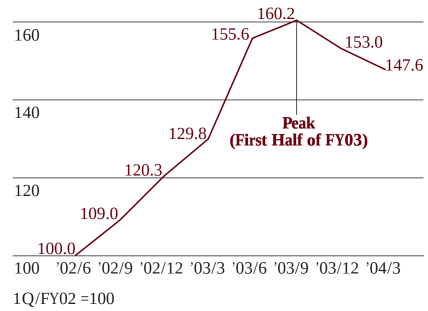
Positive Signs Despite Second Successive Profit Decline

In fiscal 2002, the ACOM Group posted its first year-on-year net income decline since being publicly listed. Conditions deteriorated even further in fiscal 2003. Although operating income edged down only 0.6%, operating profit fell 17.9%, a larger decline than the 14.3% decrease reported in fiscal 2002. The primary cause was an increase in bad-debt-related expenses, which jumped 21.5% amid difficult employment conditions.

New Trends Emerging

The net income decline is an undeniable fact, but we did note some interesting trends emerging as the year unfolded. A positive sign was the change in bad-debt-related expenses, which have dragged our results in recent years. After peaking at ¥40 billion in the first quarter of fiscal 2003, these expenses started to decline, and averaged ¥34 billion over the third and fourth quarters. With this turnaround, the trend of our earnings performances falling short of our targets came to an end. In the second half of fiscal 2003, for example, operating income was 1.1% higher than our initial forecast, and operating profit was 28.7% higher. As a result, full-year figures for operating income and operating profit exceed our forecasts by 0.5% and 12.5%, respectively.

Quarterly Changes in Bad Debt Write-offs



1Q/FY02 =100

Strategic Progress

Strategies that the ACOM Group has pursued continuously under these difficult conditions can be generally classified into two groups: those aimed at reinforcing our corporate foundation, and those designed to nurture and expand businesses peripheral to consumer loans.

Shigeyoshi Kinoshita
President & CEO

1. Reinforcing Our Corporate Foundation

Steadily Implementing Strategies

Strategies for reinforcing our corporate foundation are designed to ensure progress in a number of areas, including (1) adopting strict business ethics in order to earn the unwavering trust of society; (2) establish a new sales system to raise sales and operating efficiency; (3) accelerate decision-making; (4) rigorously achieve low-cost operations; and (5) upgrade credit quality.

To ensure the strictest business ethics, we have reinforced our educational and training programs and made systematic improvements, including installation of an employee hotline. In the second half of fiscal 2002, we modernized our sales system by establishing four contact centers, unifying our back-office functions, and transforming our staffed branch offices into operations specializing in face-to-face customer contact. In these ways, we enhanced the quality and efficiency of our services. Seeking to accelerate decision-making, we completely separated the strategy formulation and management supervision functions by introducing an executive officer system, thus increasing the flexibility of management. In the achievement of low-cost operations, we have adopted a “scrap-and-build” approach to our branch office network and relentlessly slashed costs.

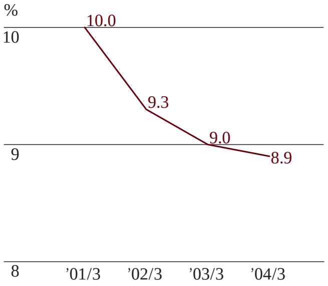
In addition, we have sought to upgrade credit quality by refining our customer segments based on customer attributes. We have also expanded our counseling services for customers in arrears with their loan repayments.

ACOM’s Competitive Advantage – Reflected in the Numbers

Our various strategies to improve operating efficiency are not solely confined to cost-cutting and other “reactive” measures. Rather, we maintain a “balanced strategic approach” aimed at reinforcing our cost-competitive edge while expanding our activities in forward-looking areas by revamping our sales systems and consolidating our branch office network. Our present

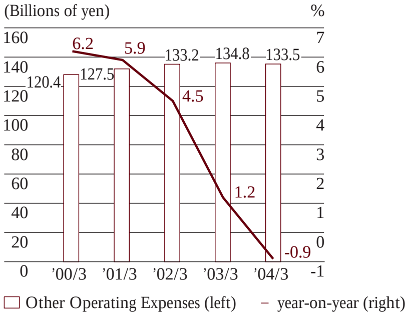
Success of Management Reform

Operating Expenses excluding Bad-debt-related Expenses / Average Receivables Outstanding



Note: Average Receivables Outstanding = (Receivables Outstanding at the Beginning of the Year +Receivables Outstanding at the End of the Year) /2

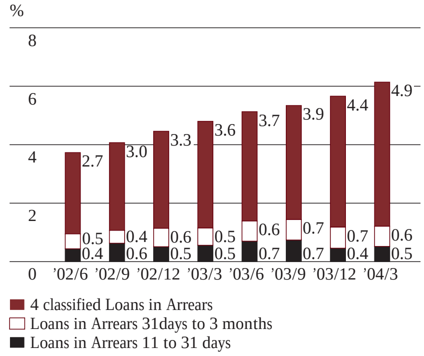
Changes in Other Operating Expenses



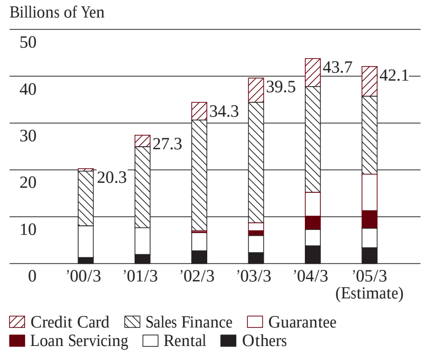
position as one of the most efficient players in the industry is testimony to the success of this approach. On a non-consolidated basis, the ratio of operating expenses (excluding bad-debt-related expenses) to our average receivables outstanding was 8.9% on March 31, 2004, down from 10.0% three years earlier. We have also made progress each year in limiting the growth of other operating expenses (excluding bad-debt-related expenses and financial expenses), which actually showed a year-on-year decline in the year under review.

Our moves to segment-based customer management and expansion of counseling services are also reaping rewards. Due to the severity of the operating environment, we were unable to reduce the bad debt ratio in fiscal 2003, but each year we have strengthened our position of dominance in the industry in terms of credit quality.

Bad Debt Ratio



Operating Income of Non-Loan Business



2. Expanding Businesses Peripheral to Consumer Loans

Driving Growth and Providing Value-Linked Synergies

In addition to fortifying its business foundation, the ACOM Group has been successfully expanding into businesses peripheral to consumer loans, such as credit card, guarantee, and loan servicing businesses. In the past four years, annual operating income from peripheral businesses has grown 2.1-fold, compounding at an average of 28% per year. In fiscal 2003 alone, operating income from peripheral businesses showed a 10.6% year-on-year increase despite the extremely tough business environment. Operating income from our credit card business rose 15.3% year-on-year in fiscal 2003, boosted by our formation of credit card alliances with companies in other industries, such as mass merchandisers of household appliances and commercial complex operators. Meanwhile, fiscal 2003 operating income from our guarantee business surged to 2.7 times the previous year's figure, owing partially to a new tie-up with THE HOKURIKU BANK, LTD.

Our move into peripheral areas is much more than a strategic measure to drive growth. It also helps raise the quality of our credit and produces synergies with our core business in consumer loans. For example, expansion of our credit card business broadens our base of high-quality customers, since some of them also utilize our revolving payment service.

Growth Strategies Going Forward

Three-Pronged Structural Changes: Capitalizing on the Improving Business Environment

As mentioned earlier, the economy is turning around, driven by strong corporate performances. However, the extent to which the recovery will boost employment and consumption – two factors that profoundly influence ACOM's financial results – is unclear. Judging solely on experience, employment- and consumption-related indicators tend to lag behind economic turnarounds, so perhaps we should be more optimistic. However, I should point out that our industry is undergoing structural changes in three areas. The first is the changing composition of customers. Due to such factors as declining population and shifting worker arrangements (increase in free-lance part-time workers, for example), improvements in employment and consumption alone do not necessarily benefit our industry. The second structural change relates to regulations. Looking at the recent revision of the Acceptance of Contributions, Money Deposits, and Interest Law and other legislation affecting consumer finance, as well as moves to enact laws to protect individual privacy, there seems to be increasing demand for lenders to meet higher social standards rather than just tightening industry regulations. The third change concerns the wave of liberalization engulfing the entire financial services sector. Barriers separating different segments of the industry are coming down, sparking intense competition across many fields.

Converting "Change" to "Opportunity," Irrespective of External Factors

We at ACOM are committed to pursuing active management policies, aware of the likelihood that current business conditions will not improve significantly. Even if optimistic arguments flourish, we will maintain a conservative stance. If we adhere to the belief that we can overcome difficulties only through proactive effort, we can lower the risk of external factors hurting our results. Then, if business conditions happen to improve, we will benefit even more than our competitors. Our strategy is to convert the three structural changes mentioned earlier into opportunities. Structural changes in the employment sector mean that people's financing needs will diversify, and they will increasingly demand improved service quality. Moreover, the very survival of loan providers depends directly on their cost-competitiveness. Regulatory changes mean that companies with strong social priorities will be rewarded with high levels of praise and trust. Meanwhile, the wave of liberalization in the financial services industry will help clearly separate the winners from the losers, depending upon differences in product line-up and cost-competitiveness. With these factors in mind, we at ACOM believe that we can convert the three structural changes into "pots of gold" if we recommit ourselves to strategies pursued to date.

Reconfirming Our Competitive Advantages

Expedite Expansion into Peripheral Areas while Minimizing Downside Risk

How can we convert these structural changes into opportunities? We believe that three key ingredients are required: responsiveness to diversifying needs (establishing suitable service channels and improving marketing quality, including through cross-selling), solidification of cost advantage (improving operating and sales efficiency while reinforcing financial position), and brand power (earning deeper levels of trust). Management reforms aimed at achieving progress in these three areas has enabled ACOM to establish a predominant position in our industry, as reflected in the figures described earlier. In short, key among ACOM's management resources are its brand power, financial strength, skills and know-how, and marketing infrastructure. These resources distinguish us from the competition, and they must not be neglected. By strengthening our edge in these areas, we are confident of ultimately prevailing in the non-bank retail financial industry.

Strategy 1: Further Consolidate Our Brand Power and Marketing Infrastructure

I have already touched upon our formation of alliances in the credit card, guarantee, and other business areas. This strategy is aimed at fortifying our brand power and marketing infrastructure. Our capital and business alliance with the Mitsubishi Tokyo Financial Group, Inc. (MTFG), announced on March 23, 2004, is also designed to reinforce our brand power and marketing infrastructure, and thus further separate us from the competition. In the credit card business, we forecast the number of contracts for affiliated credit cards during the year to grow from 230,000 in fiscal 2003 to around 500,000 in fiscal 2006. By March 2007, we expect to have 1.80 million cardholders, up from 1.06 million in March 2004. In the guarantee business, we intend to triple our guaranteed loan receivables, from ¥100.9 billion to around ¥300 billion, over the same period. In these and other ways, we will reaffirm our expansion into areas peripheral to consumer loans.

Strategy 2: Distinguish Ourselves through a Stronger Financial Position

Going forward, we will continue focusing on improving credit quality, especially in the consumer loan business. Through more refined customer segmentation and more rigorous credit screening, we will maintain the industry's No. 1 position in terms of low ratio of bad debt write-offs. Moreover, by further upgrading our service quality, we will target the top position in customer satisfaction. We already lead the industry in terms of the ratio of customers who do not borrow from other consumer finance companies, which we use as an indicator of customer loyalty, and we will further refine our edge in this regard. Also, we expect to reap important benefits from our business and capital alliance with MTFG, including lower fund-raising costs.

Strategy 3: Reinforce Cost-Competitiveness

We will continue raising the efficiency of our sales network through our “scrap and build” approach while further strengthening our sales capabilities, focusing on contact centers. The number of staffed branch offices will decline as a result. At the same time, we will continue cutting costs by operating our recently introduced sales system more effectively. Our aim is to further improve our operating efficiency, which is already unrivalled.

For more details about our growth strategies for the future, please turn to the Special Feature section (page11-16) of this report.

Basic Management Policies

Effective Management and Control: The Key to Sustained Growth

To achieve sustained growth, a corporation must obtain wide-ranging information from outside sources and utilize such feedback in formulating management policies. With this in mind, the ACOM Group not only uses statutory auditors to monitor the performance of management, but also maintains an active investor relations (IR) program to keep in tune with sentiment in the capital markets. To reach our objective of “ultimately prevailing in the non-bank retail financing industry,” however, we must do more than maintain effective business models and governance. Success in the financial services industry also requires a reputation for trust, high-quality personnel, and a firm financial foundation. For this reason, the ACOM Group will concentrate on rigorous legal and ethical compliance and actively fulfill its social responsibilities, while also upgrading its personnel and financial strategies.

To Shareholders and Other Investors

Maximizing Corporate Value

In this time of economic uncertainty, it is important that we formulate and implement specific plans for each of the components that comprise our financial results. Rather than set quantitative targets, we should ask ourselves what qualitative goals we can achieve through our own efforts. If we realize such goals, the benefits will follow. We will maintain a balanced management approach combining improved growth and higher earnings stabilization. We believe that only this approach will help raise our real corporate value. We will also take precautions to not accumulate unnecessary surplus funds that will damage our capital efficiency. Cash flows will be invested in areas that boost ACOM’s growth and profitability, including acquisition-based growth areas. In these ways, we will do our best to increase profit distribution to our shareholders. We look forward to your continued support as we embrace the challenges ahead.

Shigeyoshi Kinoshita

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

Special Feature:
Refining Our Business Model to Assure Renewed Growth

- **Without relying on a recovery of business conditions, ACOM will steadily implement strategies designed to reinforce its management resources, including brand power, financial know-how, and financial strength.**

- **At the same time, we will renew our emphasis on harmonious business alliances in which participating parties can benefit from each other's resources and thus broaden their respective competitive edges.**

- **ACOM will seek to be an ultimate winner in the retail financial industry in this time of structural change.**

Raising Corporate Value: Three Key Ingredients

By maximizing the value of our company, we at ACOM will strive to satisfy the expectations not only of customers, shareholders, and employees, but also of society in general. How do we maximize our corporate value then? The first key ingredient is "earnings growth potential." High earnings growth is certainly important, but the ability to sustain such growth is also a major factor. Companies that post high earnings growth in good times but suffer major declines or even losses when conditions deteriorate will have trouble winning the confidence of stakeholders. In other words, "stability" is equally important. The third key element in corporate value is "profitability." If our profitability is high, it means that the added value of our products and services is also high. In addition to being a good barometer of customer confidence and support, high profitability testifies that a company is making effective use of its shareholders' invested capital.

Relentless Pursuit of Stability and High Profitability

Of the three key ingredients that constitute corporate value, ACOM intends to place top priority on maintaining and reinforcing stability and profitability. Our strategy formulation is based on the assumption that employment, personal consumption, and other elements of the macro economy will not improve markedly. A growth-centered strategy in such dark circumstances is therefore not an option. While focusing on stability and profitability, we will continue to improve credit quality and enhance management and sales efficiency. In these ways, we will further strengthen our operating foundation. Our emphasis on stability and profitability does not mean that we will neglect our growth potential. Rather, we believe that the relentless pursuit of stability and profitability will, in itself, facilitate new growth. Even in difficult conditions, we will work to raise our growth potential in areas where we can nurture new opportunities, in our quest to further improve corporate value.

Growth Strategies

Our plan, therefore, is to achieve steady growth by sustaining and reinforcing stability and profitability. To this end, we will adopt the following strategies.

1. Growth through Optimal Responses to Structural Changes

The operating environment surrounding our company is characterized by structural changes in three areas. At first glance, these changes may seem detrimental to the industry. However, we don't see it that way. Rather, we view such changes as opportunities to further solidify our dominant position and as a launching pad for our next stage of growth.

(1) Changes to Customer Composition

Since 1996, the number of productive workers in Japan has been declining. In 2007, the population is also expected to peak. Meanwhile, employment system is undergoing structural changes due to annual increases in the number of free-lance part-time workers with no "official jobs." In 2001, such people accounted for around 20% of all workers in Japan aged under 34. In itself, this trend is clearly detrimental to our industry. On the other hand, we note that people's lifestyles are rapidly diversifying, and the proportion of people who want to have fun is growing. In the five-year period from 1996 to 2001, for example, the number of hours spent in "proactive leisure pursuits," such as hobbies and entertainment, rose approximately 10% in spite of economic recession. The ability to provide services that meet these increasingly varied and sophisticated needs is a major factor determining the growth of companies in our industry.

(2) Regulatory Changes

Laws governing our industry are also changing dramatically. Plans to bring down the maximum interest rate have been shelved, and there are growing calls for lenders to meet higher social standards rather than simply tightening industry regulations. The enactment of the privacy protection laws is a case in point. From the perspective of industry, these trends are negative due to the higher costs they incur. However, companies who have not been socially responsive in the past will incur much higher costs than their counterparts. The competitive distinction between players will become more evident as a result.

(3) Changing Structure of the Financial Services Industry

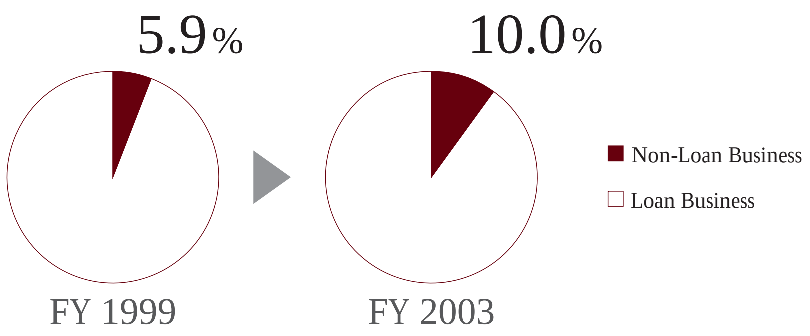
In the wake of so-called "Big Bang" reforms, barriers separating various segments of the financial services industry are coming down. Banks, leasing companies, and other entities are now entering the consumer loan sector. By the same token, we at ACOM see opportunities to diversify into other areas. Targeting the consumer credit market as a whole, we now engage in various businesses peripheral to consumer loans. In this new arena, our survival will depend on our ability to deliver a comprehensive range of services.

ACOM recognized the aforementioned structural changes at an early stage and has taken various actions accordingly. Responding to the changing composition of our customer base, for example, we integrated our back office functions into our call centers. We also converted our staffed branch offices to sales operations manned by financial experts who provide meticulous and focused responses to customer needs through face-to-face meetings.

Meanwhile, we have built a new business model emphasizing product and service diversification, cross-selling, and one-stop marketing. This is also part of our response to the changing structure of the financial services industry. In the four years to fiscal 2003, operating income from our credit card business grew from ¥460 million to ¥5.87 billion. In the guarantee and loan servicing businesses, we generated operating income of ¥5.03 billion and ¥2.78 billion, respectively in fiscal 2003 – just two years after entering these markets.

To address regulatory changes, we set up the Business Ethics Office and formulated ACOM's Ethical Codes For Business while also stepping up employee training and education. In June 2003, a total of 805 ACOM Group employees passed the Financial Business Proficiency Examination for Compliance Officers, administered by the Kinzai Institute for Financial Affairs, Inc., and thus became qualified Compliance Officers.

Expansion of Non-Loan Business



2. Growth through Business Alliances

(1) Alliances Formed to Date

ACOM's growth to date has stemmed from its ability to effectively utilize its powerful management resources. These resources include "brand power," which we have nurtured over the years; financial "know-how and skills" in such areas as segmented customer management and credit management; "marketing infrastructure," consisting of call centers and staffed and unstaffed branch offices; and "financial strength," where we lead the industry. By strengthening each of these resources and maximizing the synergies that result, we have built a rock-solid position for our core consumer loan business and successfully diversified into peripheral areas. Put briefly, the source of our growth lies in our success in distinguishing our resources from those of the competition. To further broaden this distinction, we have built a unique business model that calls for ACOM to make effective use of the management resources of other companies.

Take our credit card business, for instance. In 1998, ACOM entered the credit card business by acquiring principal membership of MasterCard International. Since August 2000, we have actively issued various cards in alliance with other companies. As of March 31, 2004, we had 36 cards issued via alliances with 35 companies. We have several reasons for our proactive stance in issuing affiliated credit cards. First, it helps reinforce our customer base. By augmenting our management resources, including financial know-how and skills, with the customer-drawing power of our alliance partners, we can energize a new base of potential customers. This also helps raise the quality of credit. For example, credit cards can be used for cashing, which also boosts revolving payments. By issuing more cards, we are able to grow our loan receivables outstanding. This underscores the synergistic relationship between the loan and credit card businesses.

To facilitate proactive expansion of our credit card business, in June 2003 we integrated the former Credit Card Development Department and Installment Sales Finance Business Department to create a new entity, called the Credit Card • Installment Business Department. In November 2003, the new entity set up a call center in Yokohama, staffed by around 70 experts who are strengthening our “shopping desk” capabilities to handle phone communications with customers covering such tasks as applications for cards and notifications of repayment. During the year, we also formed alliances with new partners, including GIGAS K’s Denki Corp. in the electrical mass-merchandising sector and AUTOBACS SEVEN CO., LTD., a prominent retailer of automobile-related products. In addition to the revolving payment option, ACOM provides added value to its services in the form of a creative, consulting-style sales approach, as well as expertise in credit management. By combining these attributes with our partners’ customer bases, we have formed win-win situations for all concerned – ACOM, its partners, and the customers of all parties.

The guarantee business is another areas where we have achieved growth through alliances. Prominent regional banks comprise our main partners in this business. We have grown the business by combining our skills in lending to consumers with the brand power of our partner banks. In the year under review, we formed an alliance with THE HOKURIKU BANK, LTD., bringing the total number of partners to 11.

(2) Alliances for Future Progress

Going forward, we will further refine our alliance-based growth model. We have already formed a business and capital alliance with the Mitsubishi Tokyo Financial Group, Inc. (MTFG). Under the capital relationship, MTFG will acquire (1) 14 million new ACOM shares issued by third party allocation, (2) around 1,720 thousand shares of ACOM treasury stock, and (3) around 5,010 thousand shares held by existing ACOM shareholders. Under the business arrangement, the two parties agreed on the following five points.

1) The Bank of Tokyo-Mitsubishi, Ltd. (BTM), the core entity in MTFG, will entrust its loan guarantee business with respect to its consumer finance operations to ACOM.
2) BTM will entrust its loan guarantee business with respect to settlement of funds for small businesses to ACOM.
3) ACOM and BTM will cooperate to expand business tie-ups with corporations and financial institutions in areas related to ACOM’s guarantee and loan servicing businesses.
4) ACOM and BTM will review and promote more effective use of each other’s network infrastructures.
5) ACOM and BTM will cooperate to review and promote the international development of the consumer finance business, especially in Asia.

MTFG is one of the most prestigious names among Japan’s “megabanks.” Through the alliance with ACOM, MTFG will be able to augment its own strengths – providing “peace of mind” and “credibility” – with the “convenience” and “familiarity” traits of the ACOM brand. MTFG has a high regard for ACOM’s knowledge and expertise in customer management. While maintaining each other’s independence, we feel that we can create a win-win situation in which each party can reinforce its business by taking advantage of the other’s management resources.

Fiscal 2004 and Beyond

In our consumer loan business, we will continue placing top priority on reinforcing our business foundation in terms of credit quality, while refining our customer-drawing power. Two key medium-term performance indicators that we will emphasize are the ratio of bad debt write-offs, which is a barometer of credit soundness, and the ratio of customers with no record of borrowings with other consumer finance companies, which we use as a reflector of customer loyalty. In both areas, we will further consolidate our dominant position in the industry.

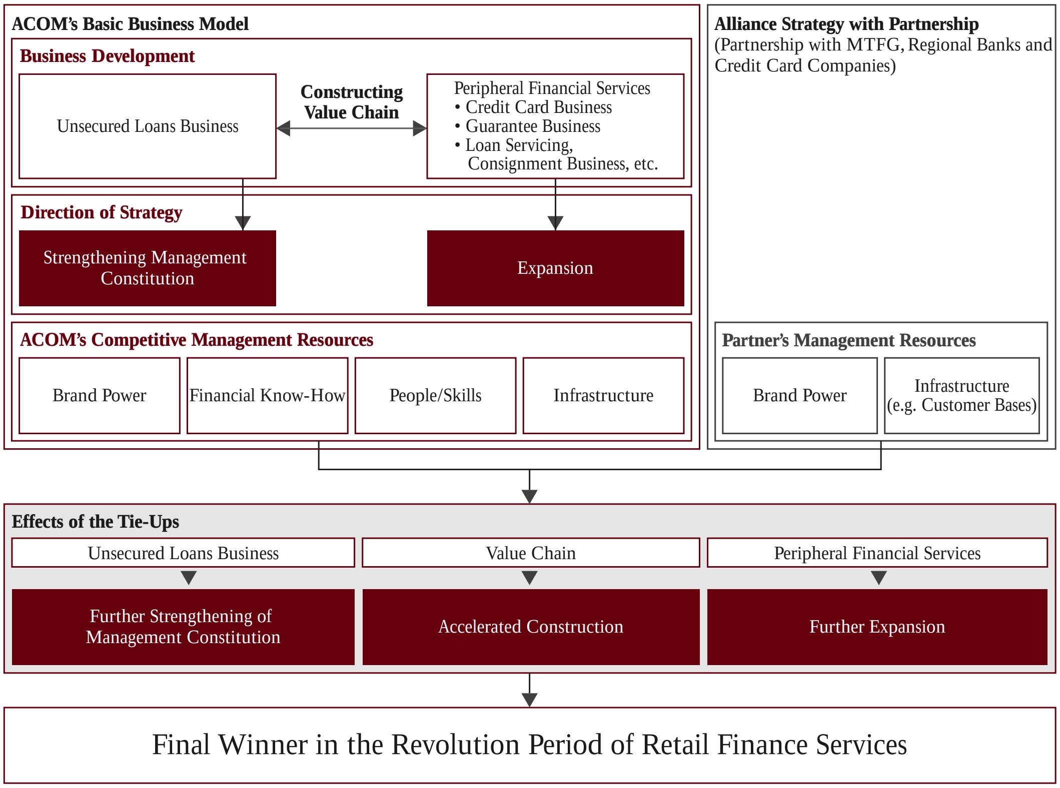
Meanwhile, we will also continue actively expanding our credit card and guarantee businesses. In the credit card business, we forecast the number of contracts for affiliated credit cards during the year to grow from 230,000 in March 2004 to around 500,000 within three years. By March 2007, we expect to have 1.80 million cardholders, up from 1.06 million in March 2004. In the guarantee business, we intend to triple our guaranteed loan receivables, to around ¥300 billion, over the same period.

In the financial services industry, procurement of funds and other financial strategies are extremely important. With this in mind, ACOM has formulated strategies that take into account (1) the cost of fund-raising, (2) contingency for future interest rate rises, and (3) stability. As of March 31, 2004, our direct funding ratio was 24.5%. Within three years, we hope to raise the figure to above 30%. We also plan to maintain the fixed-rate funding ratio at around 85% and long-term funding ratio at around 95%.

In this time of uncertainty, we will steadily implement appropriate strategies designed to fortify our position of excellence. In this way, we will demonstrate our commitment to be an ultimate winner not only in consumer loans but in the entire retail financial services sector.

Ever-Progressing ACOM's Business Model

– Aiming to be a Winner in the Retail Financial Industry –



ACOM’s Management System

Compliance

At the ACOM Group, we have long believed that "fulfilling our social responsibilities is crucial to achieving long-term growth." Based on this belief, we have positioned "comprehensive compliance with business ethics" as a central management priority. Through educational and training programs for all departments, directors, and employees, we are working to ensure that the importance of ethical behavior becomes ingrained in the minds of everyone in the Group.

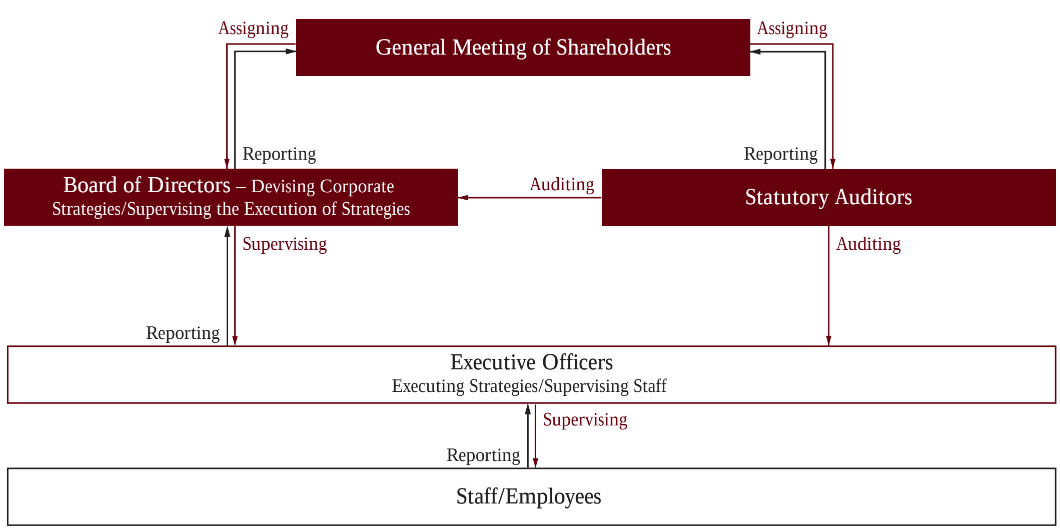
We have attempted to strengthen our compliance system, such as by establishing the Business Ethics Office, creating the Ethical Codes For Business and distributing it to all directors and employees, and appointing Compliance Officers to all departments and branch offices. In fiscal 2003, we formulated a new three-year plan following a reassessment of the Business Ethics Plan, undertaken since fiscal 1998. Thanks to all these initiatives, in June 2003 a total of 805 ACOM Group employees passed the Financial Business Proficiency Examination for Compliance Officers, administered by the Kinzai Institute for Financial Affairs, Inc.

Corporate Governance

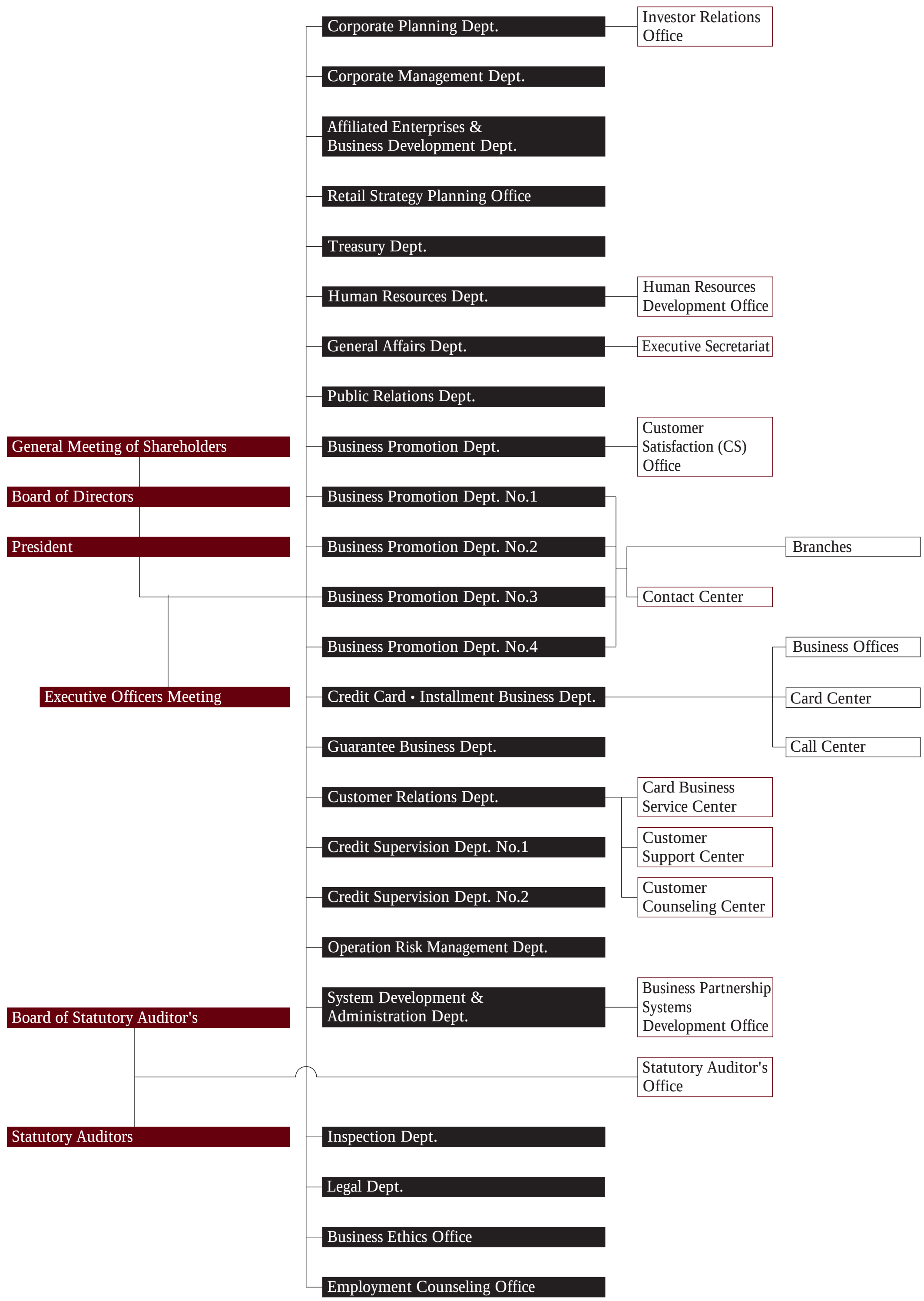
Up to now, corporate management at ACOM centered on directors and statutory auditors. That system worked well in terms of ensuring swift and accurate decision-making, as well as flexible and efficient business management. To further accelerate decision-making and business execution while clarifying lines of responsibility and authority, in fiscal 2003 we introduced an executive officer system. By reducing the maximum size of the Board of Directors from 23 or less to 12 or less members, we have created a structure that permits faster strategy formulation and more accurate responses to changes in the external environment.

ACOM's statutory auditors attend Board of Directors' meetings and all other important meetings. In addition, they work in cooperation with the Inspection Department, outside auditors, and corporate lawyers to monitor the progress of business execution and the Company's financial position, as well as conduct management audits as necessary. In these ways, we are striving to improve corporate governance.

ACOM's New Management System



Organization Chart (As of June 24, 2004)



Board of Directors (As of June 24, 2004)

Director

Chairman
Kyosuke Kinoshita

Deputy Chairman
Masanao Kato

President
Shigeyoshi Kinoshita

Senior Managing Director
General Affairs Department
Credit Supervision Department No.1
Credit Supervision Department No.2
Masayoshi Tatsuta

Managing Director
Treasury Department
Public Relations Department
Shigeo Mikami

Corporate Planning Department
Corporate Management Department
Affiliated Enterprises & Business Development Department
Retail Strategy Planning Office
Guarantee Business Department
Kazuhiro Shimada

Business Promotion Department
Business Promotion Department No.1
Business Promotion Department No.2
Business Promotion Department No.3
Business Promotion Department No.4
Credit Card · Installment Business Department
Keiji Nishio

Human Resources Department
Business Ethics Office
Employment Counseling Office
Customer Relations Department
Shigeru Akaki

System Development & Administration Department
Operation Risk Management Department
Junya Fukuda

Inspection Department
Legal Department
Osamu Moriya

Director
Tatsunori Imagawa

Executive Officer

President & Chief Exective Officer
Shigeyoshi Kinoshita

Senior Executive Managing Officer
Masayoshi Tatsuta

Executive Managing Officer
Shigeo Mikami

Kazuhiro Shimada

Keiji Nishio

Shigeru Akaki

Junya Fukuda

Osamu Moriya

Executive Officer
Kouichi Izumimoto

Zenichi Hioki

Atsumi Takagishi

Syozo Tanaka

Kiyoshi Tachiki

Satoru Tomimatsu

Kenji Ando

Shigeru Sato

IR Strategies

ACOM works hard to maintain transparency of management from the perspective of stakeholders by actively disclosing information to investors and securities analysts. In addition to earnings release conferences for domestic securities analysts and investors, we hold individual meetings and visit investors. For overseas investors, we conduct telephone and video conferences. Since its inauguration, our Investor Relations Office has held annual road shows for investors throughout North America, Europe, and Asia. In fiscal 2003, we visited 63 overseas institutional investors and held IR meetings in five European cities, three U.S. cities, and two Asian cities. At those meetings, we not only answered questions about our performance and business strategies but also discussed the Japanese economic outlook and relevant macroeconomic factors, such as trends in the consumer credit industry. Those meetings were very significant and underscored the high level of interest shown by investors in ACOM.

To help general investors gain a better understanding of the ACOM Group, we place monthly IR advertisements in the Nihon Keizai Shimbun. In these ads, we appeal to potential investors by explaining our business initiatives, corporate stance, and other specific factors that make ACOM an attractive investment. We also highlight our roots and the ideal of “extending the feeling of confidence from people to people,” to which we have adhered since our foundation.

In fiscal 2003, we declared an annual dividend of ¥80.00 per share, the same level as in fiscal 2002. As a result, the dividend payout ratio improved 2.5 point, to 17.6 %. Our basic policy toward the distribution of earnings is to consistently return profits to our shareholders through dividends, while striking the best balance between paying out dividends and making forward-looking investments aimed at reducing the cost of our operations.

The ACOM Group

Consolidated Subsidiaries

JCK CREDIT CO., LTD. Asahi-life Bldg. 3rd Floor, 14-1, Fuchu-cho 1-chome, Fuchu-shi, Tokyo, Japan Telephone : (042) 361-8111	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Installment Sales Finance and Loan Business Oct. 1984 ¥500 million 100.0% ¥6,868 million
IR Loan Servicing, Inc. Trusty Koujimachi Bldg. 7th Floor, 4 Koujimachi 3-chome, Chiyoda-ku, Tokyo, Japan Telephone : (03) 5215-6511	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Loan Recovery Business June 2000 ¥500 million 80.0% ¥2,869 million
ACOM RENTAL CO., LTD. ACOM Shinbashi Bldg. 3rd Floor, 11-1, Shinbashi 3-chome, Minato-ku, Tokyo, Japan Telephone: (03) 5401-0044	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Comprehensive Rental Business Oct. 1999 ¥300 million 100.0% ¥3,578 million
JLA INCORPORATED Osaka Ekimae Dai 4 Bldg. 19th Floor, 11-4, Umeda 1-chome, Kita-ku, Osaka, Japan Telephone: (06) 6347-1281	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Advertising Agency, Interior Design and Construction of Service Outlets May 1972 ¥45 million 100.0% ¥14,608 million
Acom Economic Research Institute, Inc. 15-11, Fujimi 2-chome, *1 Chiyoda-ku, Tokyo, Japan Telephone: (03) 3239-4896	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Survey and Research on Trends in Household Expenditures Oct. 1986 ¥20 million 100.0% ¥35 million
AJAST Ltd. 15-11, Fujimi 2-chome, Chiyoda-ku, Tokyo, Japan Telephone: (03) 3221-9408	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Insurance Agency Business Feb. 1992 ¥4 million 25.0%, (75.0%) *2 ¥157 million
ACOM ESTATE CO., LTD. Mine Bldg. 2nd Floor, 11-11, Fujimi 2-chome, Chiyoda-ku, Tokyo, Japan Telephone: (03) 3221-6950	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Real Estate Management in Japan Mar. 1996 ¥7,540 million 100.0% ¥1,250 million
ABS CO., LTD. 1st Seiki Bldg. 3rd Floor, 2-2 , Sotokanda 5-chome, Chiyoda-ku, Tokyo, Japan Telephone: (03) 3834-9215	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Maintenance of Buildings and Other Properties Oct. 1997 ¥30 million 0.0% (100.0%) *2 ¥1,601 million
A B PARTNER CO., LTD. Mine Bldg. 3rd Floor, 11-11 Fujimi 2-chome, Chiyoda-ku, Tokyo, Japan Telephone: (03) 3234-9301	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Temporary Employment Agencies and Back-Office Service Nov. 2000 ¥300 million 100.0% ¥3,933 million
AVRS CO., LTD. 15-11, Fujimi 2-chome, Chiyoda-ku, Tokyo, Japan Telephone: ——	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	—— Mar. 1998 ¥100 million 100.0% —— *3
SIAM A&C CO., LTD. Ramaland Bldg. 13th Floor, 952 Rama IV Road, Suriyawongse, Bangrak, Bangkok 10500, Thailand	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Hire Purchase and Unsecured Loan Business in Thailand Sep. 1996 THB 120 million 49.0% THB 2,578 million *4,6

ACOM CAPITAL CO., LTD. Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Financial Services for ACOM (Special Purpose Company) Aug. 2000 US$1,000 100.0% US$3,634 thousand *6
ACOM FUNDING CO., LTD. c/o M&C Corporate Services Limited PO BOX 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Financial Services for ACOM (Special Purpose Company) July 2002 US$1,000 100.0% US$29 thousand *6
ACOM PACIFIC, INC. 1008 Pacific New Building, 238 Archbishop F.C. Flores Street, Hagatna, Guam	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Lease of Health Resorts in Guam (U.S.A.) July 1993 US$10 thousand 100.0% US$11 thousand *6
ACOM (U.S.A.) INC. 229 South State Street, Dover, Kent County, DE, U.S.A.	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	—— Dec. 1986 US$17 million 100.0% —— *3
ACOM INTERNATIONAL, INC. 229 South State Street, Dover, Kent County, DE, U.S.A.	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	—— Dec. 1986 US$17 million 100.0% —— *3

Equity-Method Affiliates

Tokyo-Mitsubishi Cash One Ltd. Nihonbashi Plaza Bldg. 12th Floor, 3-4 Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan Telephone: (03) 5299-6600	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Unsecured Loan Business Aug. 2001 ¥13,000 million 38.85% ¥4,977 million
ASCOT CO., LTD. *5 Kudanshita Tokyu Shin-Sakura Bldg. 5F, 3-3, Kudankita 1-chome, Chiyoda-ku, Tokyo, Japan Telephone: (03) 5212-4121	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Fiduciary Business to Open Up, on the Internet, New Consumer with Respect to Unsecured Loans, Business Loan, and Credit Card Oct. 1999 ¥450 million 38.25% ¥77 million
CHAILEASE ACOM FINANCE CO., LTD. 4F, 102 TUN HWA North. Rd., TAIPEI, TAIWAN R.O.C.	Principal Business: Incorporated: Paid-in Capital: Equity Owned by the Company: FY03 Operating Income:	Hire Purchase Business in Taiwan June 2000 150 million yuan 40.0% 204 million yuan *6

*Notes: 1. Acom Economic Research Institute, Inc. was merged into ACOM RENTAL CO., LTD. on April 1, 2004.
2. Figures in parentheses indicate indirect ownership by ACOM CO., LTD.
3. Suspended its operation, and further business scheme is under consideration.
4. ACOM treated any entity deemed as being substantially controlled by ACOM as a consolidated subsidiary, even if it is less-than-majority owned.
5. ACOM sold all of its holding shares of ASCOT CO., LTD. on april 19, 2004.
6. Year ended December 2003

Social Contribution

Our social contribution activities are based on the principles of "Affection," "Confidence," and "Moderation." (When abbreviated, these three words form the "ACOM" name.) We believe that these attributes are fundamental to the personal development of each and every individual.

According to its long-held slogan of "extending the feeling of confidence from people to people," the ACOM Group works hard to build close relationships with local communities. We are pursuing the following social contribution activities under the motto of "assistance with a smile."

1. Barrier-Free Concert: "Miru Concert Monogatari"

Since 1994, we have hosted public performances throughout Japan of "Miru Concert Monogatari," featuring silhouette pictures, live music, and storytelling. Local volunteers, people from regional government agencies, and ACOM employees join forces to run these "barrier-free" concerts, which are open to children, adults, and people with disabilities. In fiscal 2003, we held 10 such concerts, bringing the cumulative total to 76.

2. Internet Website: "Egao-no Otetsudai" (http://www.acommy.com/egao/)

To provide a communication forum that encourages people to participate in fun-filled volunteer activities, we have set up a dedicated website, called "Egao-no Otetsudai" (literally, "assistance with a smile"). We visit and report on various welfare centers and events, and provide feedback about what motivates the welfare workers we meet in our travels. The site also includes panel discussions about welfare and volunteer activities. In April 2004, we started distributing an e-mail magazine called "Egao-no Otetsudai Tsushin."

3. Other Support Activities

In addition to the aforementioned initiatives, we work to benefit society in the broader sense. Specifically, our employees conduct independent campaigns, such as fund-raising events, blood drives, and collections of used stamps and postcards. In addition, we support entities involved in welfare activities, and we engage in various activities to promote such sports as athletics, golf, and baseball. Our social contribution activities stem from the belief that "genuine smiling faces" can only come when people feel enriched from the heart.

Review of Operations

Loan Business

1. Overview

Our loan business accounts for around 90% of the Group's consolidated operating income. Based on customers' creditworthiness, we offer a variety of loan products to meet the diversified borrowing needs of customers. These products center on unsecured consumer loans but also include unsecured loans for business people and secured loans for entities requiring large-volume financing. At present, we have around 3 million loan business members.

In October 2002, ACOM introduced a new sales system, whereby all of the back-office functions previously handled by staffed offices – such as answering telephone calls, credit screening, and credit management – were centralized at its four contact centers around Japan. The new system has enabled our staffed offices to specialize in face-to-face meetings with customers. In addition to improved cost efficiency, the system permits us to provide more meticulous responses to customers and facilitates more rigorous management of our credit portfolio. Even in this difficult operating environment, we are already witnessing benefits in terms of retaining high-quality customers and improving the quality of credit. At the end of fiscal 2003, we had 1,699 branch offices handling our loan business, of which 1,318, or around 80%, were unstaffed. The number of automated loan application machines, called MUJINKUN, reached 1,692.

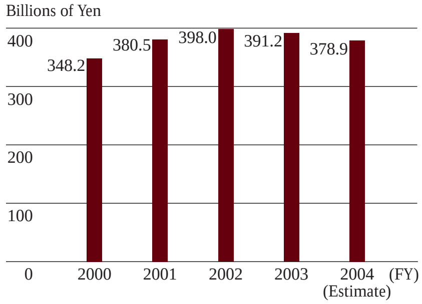
ACOM continues striving to cultivate new customers. For example, Tokyo-Mitsubishi Cash One Ltd., a joint venture with The Bank of Tokyo Mitsubishi, Ltd. (BTM) and other companies, commenced operations in March 2002. The new company combines BTM's brand power as a prestige bank with ACOM's expertise in credit screening and loan collecting to target a relatively low-risk, latent group of customers previously unfamiliar with consumer financing. We offer these customers innovative services that cross traditional lines within the financial industry. At the end of fiscal 2003, Tokyo-Mitsubishi Cash One's loan receivables outstanding stood at ¥38.9 billion, nearly twice the previous fiscal year-end figure. By cultivating new customers, moreover, we also promote links with our credit card business.

We estimate that the domestic consumer loan market is currently worth more than ¥10 trillion. With a share of around 16%, ACOM is one of the leading players in this market.

2. Results

In fiscal 2003, operating income from ACOM's loan business totaled ¥391.2 billion, down 1.7% from the previous fiscal year. Receivables outstanding at fiscal year-end stood at ¥1,623.1 billion, down 2.2%. These declines stem from our prioritization on improving the quality of credit and pursuing low-cost operations in this period of weak employment and personal consumption. In fiscal 2004, we will further solidify our dominant position in terms of sales and service capabilities and credit quality. By so doing, we will be well-prepared to return to a top-line growth track, which we believe will happen from fiscal 2005.

Operating Income of Loan Business



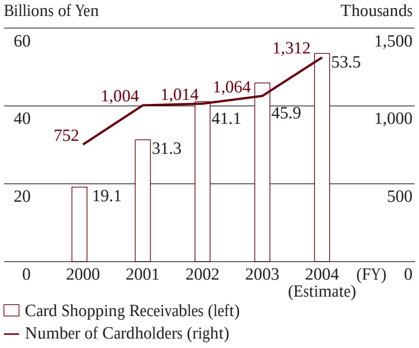
Credit Card Business

1. Overview

In 1998, ACOM acquired principal membership of MasterCard International and entered the credit card business in April of the following year with the issue of the ACOM MasterCard®.

Although our share of the market is estimated at only around 1%, we are able to offer original services unavailable with other cards. Utilizing our infrastructure and accumulated know-how in unsecured consumer loans, for example, we are able to complete the process from initial application to issue of card within 30 minutes. In addition, cardholders can obtain transaction statements at any of our ATMs around the clock, 365 days a year. Moreover, cardholders can choose a different repayment option from what they indicated when making their purchase.

ACOM MasterCard®



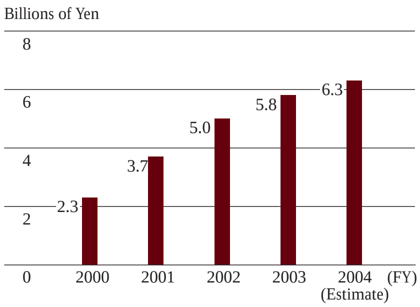
Recently, we have been actively expanding credit card alliances with large-scale retail chains and other companies with strong customer-drawing power. People who have never used consumer finance companies represent a very high share of these alliance cardholders. These people are quite different from traditional unsecured loan customers. By encouraging these new customers to also access our cashing services, we hope to broaden our base of high-quality users of unsecured loans while also helping improve our credit quality.

At the end of fiscal 2003, we had 1.06 million credit cardholders, and receivables outstanding had reached ¥45.9 billion. In the year under review, we formed alliance card agreements with seven new partners, including GIGAS K's Denki Corp. and AUTOBACS SEVEN CO., LTD., bringing the total number of partners in this category to 35.

2. Results

In fiscal 2003, operating income from our credit card business rose 15.3% year-on-year, to ¥5.8 billion. Receivables outstanding in this segment climbed 11.7%, to ¥46.7 billion.

Operating Income of Credit Card Business



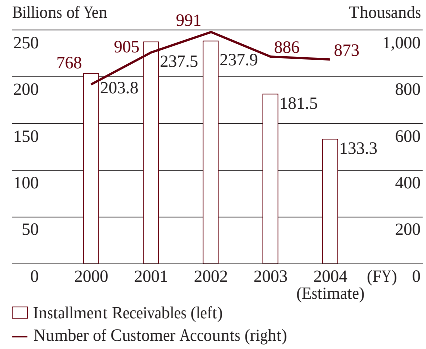
3. Highlights: Expanding Tie-Ups with Large-Scale Retailers

Two major highlights of the year under review were ACOM's issue of "K's VALUE MasterCard®", in alliance with GIGAS K's Denki Corp., a prominent retail chain specializing in home electrical appliances, and "TOTAL CAR LIFE MasterCard®", in partnership with AUTOBACS SEVEN CO., LTD., operator of the Autobacs chain of stores selling automobile-related products. These actions reflect our focus on expanding tie-ups with large-scale retailers with nationwide networks. At fiscal year-end, we had 36 cards issued via alliances with 35 partners. We will continue promoting tie-ups with major chains in the future.

Installment Sales Finance Business

1. Overview

Installment Sales Finance Business of ACOM Group



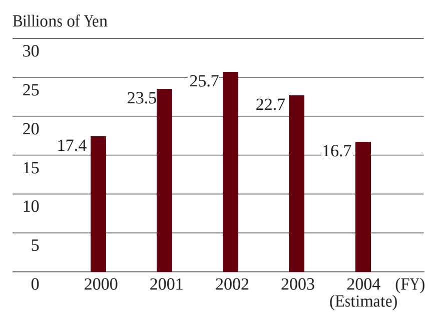
In the installment sales finance business, ACOM specializes in providing "shopping credit" to facilitate purchase of high-priced items. Under our system, we have agreements with affiliated retailers. When a customer wishes to purchase an item, we pay the retailer in advance, and the customer reimburses us in subsequent installments.

To date, ACOM has increased the number of affiliated retailers by actively targeting niche markets that others have failed to develop. At present, however, we are screening potential affiliates more meticulously and canceling contracts with those deemed to be high-risk. Our overriding objective in this regard is to improve the quality of credit.

In addition to the parent company, this business is handled by JCK CREDIT CO., LTD., which we acquired in October 2000, and two subsidiaries in Asia, where we were quick to perceive maturity of financial markets amid strong economic growth. Those subsidiaries are SIAM A&C CO., LTD., formed in Thailand in 1996, and CHAILEASE ACOM FINANCE CO., LTD., established in Taiwan in 2000. We estimate our share of the installment sales finance market in Japan at just above 2%.

2. Results

Operating Income of Installment Sales Finance Business



In fiscal 2003, operating income in this segment fell 11.6% year-on-year, to ¥22.7 billion. With our affiliates posting revenue declines amid depressed personal consumption, we have become more meticulous in screening potential affiliates and have terminated contracts with existing affiliates deemed to be high-risk for improving the quality of credit. At the same time, we are focusing on attracting new affiliates, centering on large-scale retailers. In these ways, we will work to provide better-quality responses to the shopping needs of consumers.

3. Highlights: Reinforcing Ties with Our Credit Card Business

We are reinforcing ties between our installment sales finance and credit card businesses. For example, we are working hard to issue credit cards to customers seeking to enter installment sales finance agreements as an additional service. With conventional installment sales finance arrangements, our relationship with the customer ends with payment of the final installment. By issuing credit cards to these customers, however, we are better positioned to offer a variety of account settlement services over a long period of time. Similarly, we plan to cross-sell our installment sales finance services to credit cardholders, further raising our earnings power. Indeed, revenues are already expanding, albeit modestly, from installment sales finance services provided to customers with credit cards issued in alliance with large-scale retailers and other partners.

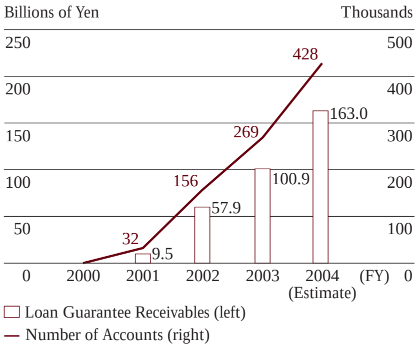
In order to reinforce sales activities linking our installment sales finance and credit card businesses, in June 2003 we integrated our former Credit Card Development Department and Installment Sales Finance Business Department to create a new entity, called the Credit Card • Installment Business Department.

Guarantee Business

1. Overview

ACOM provides guarantees on unsecured personal loans via alliances with financial institutions, centering on prominent regional banks. By combining the reliability and sales channels offered by banks with ACOM's credit screening and collecting know-how related to consumer loans, we are able to provide guarantee arrangements tailored to the needs of alliance partners, covering everything from product planning to loan collecting. Since entering this business in fiscal 2001, we have steadily expanded our presence. At the end of fiscal 2003, we had tie-ups with 10 banks and one corporation, including a new alliance with THE HOKURIKU BANK, LTD., formed in October 2003. The balance of loan guarantee receivables jumped 74.3% year-on-year, to ¥100.9 billion at fiscal year-end, and the number of accounts rose 72.8%, to 270 thousands.

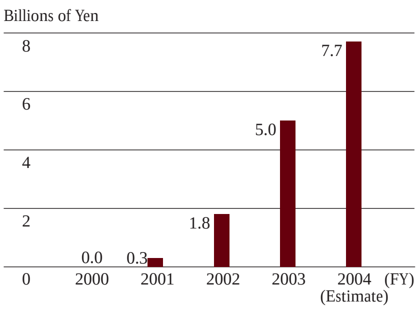
Guarantee Business of ACOM



2. Results

Operating income from our guarantee business surged to ¥5.0 billion, around 2.7 times the previous fiscal year's figure. Going forward, we will seek to form new alliances, including with entities other than regional banks, in a plan to position this business as the second pillar supporting our growth in the future.

Operating Income of Guarantee Business



Expansion of our Guarantee Business Alliance

Partner	Commencement Date	Product
THE HOKKAIDO BANK, LTD.	May 21, 2001	rapiDo card
THE HIROSHIMA BANK, LTD.	August 20, 2001	HELLO LOAN WIDE
THE SURUGA BANK, LTD.	September 10, 2001	DIRECT A
THE JUROKU BANK, LTD.	October 22, 2001	Q-LOAN
The Aomori Bank, Ltd.	March 4, 2002	A Cashing
The Hachijuni Bank, Ltd.	April 30, 2002	HACHININO KANTAKUN CARD
The Fukuoka City Bank, Ltd.	June 6, 2002	CITY CashA
THE BANK OF NAGASAKI, LTD.	August 19, 2002	NAGASAKI CashA
THE NANTO BANK, LTD.	November 1, 2002	CASH QUICK
THE HOKURIKU BANK, LTD.	March 24, 2003	Quick Man
Tokyo-Mitsubishi Cash One Ltd.	October 14, 2003	CARDLOAN

Loan Servicing Business

1. Overview

ACOM entered the loan servicing business in March 2001 by taking an 80% equity investment in IR Loan Servicing, Inc., the other equity holder being RISA Partners, Inc.

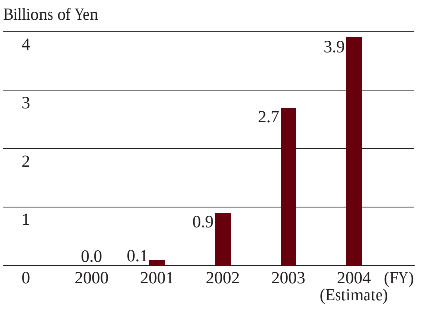
By fusing ACOM's expertise in consumer loan management and collection with RISA Partners' know-how in loan management for business people, we are developing three main services: (1) purchase, management, and collection of specified money claims of individuals and corporations held by financial institutions, (2) management and collection of specified money claims on behalf of financial institutions, and (3) back-up servicing for securitization of various financial assets. Following the establishment of the Osaka branch in 2002, we set up a combined branch and contact center equipped with cutting-edge information technologies in Fukuoka in October 2003. In addition, we are continuing to broaden our business by initiating payment guidance services for accounts receivable, such as payments for direct mail purchases and payments of telephone bills.

At the end of fiscal 2003, the total principal of consigned and purchased receivables stood at ¥1,800.5 billion, up 65.9% from the previous fiscal year.

2. Results

In fiscal 2003, operating income in the loan servicing segment jumped three-fold year-on-year, to ¥2.7 billion. Since entering this business in fiscal 2001, we have steadily increased operating income and will continue seeking to maximize the contribution of this business to overall earnings.

Operating Income of Loan Servicing Business



Other Businesses

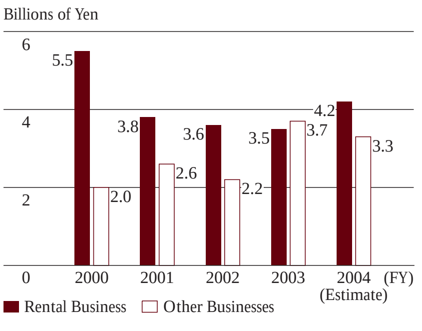
1. Overview

ACOM also engages in a diversity of other businesses. These include services offered by three wholly owned subsidiaries: ACOM RENTAL CO., LTD., which rents a comprehensive range of items; ACOM ESTATE CO., LTD., a provider of real estate management services; and JLA INCORPORATED, an advertising agency.

2. Results

Consolidated operating income from other businesses surged 64.8% year-on-year, to ¥3.7 billion, as an increase in income of JLA INCORPORATED offset a 2.8% decline in income from rental services, to ¥3.5 billion.

Operating Income of Non-Financial Businesses



ACOM in Figures

Related Macroeconomic Data (Yearly and Quarterly)

	2000/3	2001/3	2002/3	2003/3
1.Employment-Related Statistics				
The number of unemployed people (Millions)	3.20	3.20	3.55	3.59
The ratio of unemployed people (%)	4.7	4.7	5.2	5.4
The ratio of job offers to job seekers (Times)	0.49	0.62	0.56	0.55
The total cash wage amount (yoy %)	-0.8	0.5	-2.1	-2.6
Regular employment index (yoy %)	-0.2	-0.3	-0.4	-0.7
2. Consumption-Related Statistics				
Consumer spending (yoy %)	-1.8	-1.2	-3.4	-0.6
Retail sales (yoy %)	-2.0	-0.8	-3.3	-3.2
3. Financial-Related Statistics, etc.				
Ten-year government bond yield (%)	1.770	1.270	1.400	0.700
Nikkei 225 (Yen)	18,049	15,616	11,468	9,611

Source: Nihon Keizai Shimbun, Inc.

Related Macroeconomic Data (Monthly)

	2002	2003				
	December	January	February	March	April	May
Unemployment Rate (%)	5.3	5.5	5.2	5.4	5.4	5.4
Personal Bankruptcy Applications	21,900	15,296	19,511	21,863	22,126	21,310

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications (Unemployment Rate)
Source: Supreme Court of Japan (Personal Bankruptcy Applications)

Operating Income by Segment (Consolidated)

	Millions of yen					
	2000/3		2001/3		2002/3	
		yoy %		yoy %		yoy %
Operating Income	343,644	—	375,674	9.3	414,918	10.4
Loan Business	323,306	—	348,295	7.7	380,553	9.3
Credit Card Business	464	—	2,353	407.3	3,771	60.2
Installment Sales Finance Business	11,745	—	17,446	48.5	23,595	35.2
Guarantee Business	—	—	—	—	319	—
Loan Servicing Business	—	—	—	—	191	—
Rental Business	6,719	—	5,569	-17.1	3,853	-30.8
Others	1,407	—	2,009	42.8	2,634	31.1

2004/3				
full term	1st quarter	2nd quarter	3rd quarter	4th quarter
3.14	3.60	3.45	3.37	3.26
5.1	5.4	5.2	5.1	4.9
0.69	0.61	0.65	0.73	0.77
-0.9	0.4	-1.6	-1.1	-1.7
-0.4	-0.7	-0.5	-0.3	-0.1
-0.2	-0.5	-1.9	-0.2	2.0
-1.4	-2.6	-2.2	-1.2	-0.3
1.435	0.653	1.258	1.378	1.325
9,939	8,314	10,070	10,406	10,989

							2004		
June	July	August	September	October	November	December	January	February	March
5.3	5.3	5.1	5.1	5.2	5.2	4.9	5.0	5.0	4.7
21,789	22,991	18,162	19,589	20,851	17,207	21,682	14,000	17,926	21,818

Millions of yen								
2003/3		2004/3					2005/3(E)	
	yoy %	1st quarter	2nd quarter	3rd quarter	4th quarter full term	yoy %		yoy %
437,572	5.5	109,443	218,875	328,434	434,968	-0.6	421,000	-3.2
398,057	4.6	98,758	197,486	295,654	391,259	-1.7	378,900	-3.2
5,096	35.1	1,423	2,890	4,388	5,876	15.3	6,300	7.4
25,725	9.0	6,220	12,144	17,655	22,738	-11.6	16,700	-26.6
1,866	483.8	944	2,167	3,450	5,037	169.8	7,700	53.4
925	383.9	527	975	1,648	2,786	201.2	3,900	39.7
3,629	-5.8	827	1,687	2,723	3,527	-2.8	4,200	18.4
2,271	-13.8	742	1,523	2,913	3,742	64.8	3,300	-10.8

Receivables Outstanding by Segment (Consolidated)

	Millions of yen					
	2000/3		2001/3		2002/3	
		yoy %		yoy %		yoy %
Receivables Outstanding	1,478,703	—	1,720,616	16.4	1,888,413	9.8
Loans Business	1,347,757	—	1,497,045	11.1	1,618,660	8.1
ACOM CO., LTD.	1,347,757	—	1,496,237	11.0	1,616,837	8.1
JCK CREDIT CO., LTD.	—	—	808	—	327	-59.5
SIAM A&C CO., LTD.	—	—	—	—	1,495	—
Credit Card Business	6,359	—	19,735	210.3	32,102	62.7
ACOM MasterCard®	6,167	—	19,157	210.6	31,388	63.8
JCK CREDIT CO., LTD.	—	—	405	—	624	54.1
SIAM A&C CO., LTD.	—	—	—	—	—	—
Installment Sales Finance Business	124,586	—	203,834	63.6	237,502	16.5
ACOM CO., LTD.	121,933	—	150,581	23.5	161,247	7.1
JCK CREDIT CO., LTD.	—	—	49,112	—	69,996	42.5
SIAM A&C CO., LTD.	2,652	—	4,140	56.1	6,258	51.1
Loan Servicing Business	—	—	—	—	147	—

Number of Customer Accounts by Segment (Consolidated)

	2000/3		2001/3		2002/3	
		yoy %		yoy %		yoy %
Loan Business *1	2,669,016	—	2,898,760	8.6	3,058,274	5.5
ACOM CO., LTD.	2,669,016	—	2,893,789	8.4	3,035,706	4.9
JCK CREDIT CO., LTD.	—	—	4,971	—	2,719	-45.3
SIAM A&C CO., LTD.	—	—	—	—	19,849	—
Credit Card Business *2	404,941	—	781,590	93.0	1,016,544	30.1
ACOM MasterCard®	380,396	—	752,509	97.8	1,004,118	33.4
JCK CREDIT CO., LTD.	—	—	3,238	—	4,952	52.9
SIAM A&C CO., LTD.	—	—	—	—	—	—
Installment Sales Finance Business *3	415,065	—	768,882	85.2	905,725	17.8
ACOM CO., LTD.	358,400	—	446,217	24.5	486,532	9.0
JCK CREDIT CO., LTD.	—	—	212,068	—	246,786	16.4
SIAM A&C CO., LTD.	56,665	—	110,597	95.2	172,407	55.9
Loan Servicing Business *4	—	—	—	—	1,468	—

Notes :1.Loan Business: Number of customer accounts with outstanding that includes non-interest bearing balance.
:2.Credit Card Business: Number of cardholders.
:3.Installment Sales Finance Business: Number of contracts with receivables outstanding.
:4.Loan Servicing Business: Number of accounts for purchased loans.

Millions of yen								
2003/3		2004/3					2005/3(E)	
	yoy %	1st quarter	2nd quarter	3rd quarter	4th quarter full term	yoy %		yoy %
1,941,244	2.8	1,926,343	1,904,745	1,878,410	1,857,536	-4.3	1,808,700	-2.6
1,660,256	2.6	1,650,402	1,642,488	1,626,496	1,623,154	-2.2	1,611,500	-0.7
1,652,890	2.2	1,642,098	1,633,600	1,616,518	1,612,799	-2.4	1,597,200	-1.0
153	-53.1	128	107	83	66	-56.8	0	-46.8
7,212	382.3	8,175	8,780	9,894	10,289	42.7	14,300	38.8
41,850	30.4	43,603	44,863	45,849	46,731	11.7	54,200	15.9
41,114	31.0	42,850	44,087	45,065	45,941	11.7	53,500	16.4
684	9.6	717	747	756	758	10.8	700	-10.0
—	—	—	—	—	—	—	—	—
237,948	0.2	230,620	214,738	201,997	181,567	-23.7	133,300	-26.6
153,203	-5.0	148,075	137,182	127,965	113,934	-25.6	87,700	-23.0
77,338	10.5	74,499	69,461	66,056	59,785	-22.7	35,700	-40.3
7,406	18.3	8,045	8,095	7,974	7,847	6.0	9,900	25.0
1,189	706.5	1,716	2,655	4,066	6,082	411.1	9,700	59.9

2003/3		2004/3					2005/3(E)	
	yoy %	1st quarter	2nd quarter	3rd quarter	4th quarter full term	yoy %		yoy %
3,161,304	3.4	3,157,678	3,155,453	3,160,924	3,161,894	0.0	3,206,600	1.4
3,032,330	-0.1	3,011,817	2,992,710	2,971,636	2,954,073	-2.6	2,939,900	-0.5
1,122	-58.7	965	824	639	422	-62.4	200	-53.3
127,852	544.1	144,896	161,919	188,649	207,399	62.2	266,500	28.5
1,021,131	0.5	1,002,011	982,503	972,991	1,071,681	5.0	1,318,900	23.1
1,014,845	1.1	995,371	975,865	965,914	1,064,492	4.9	1,312,000	23.3
6,004	21.2	6,431	6,431	6,871	6,982	16.3	6,700	-3.7
—	—	—	—	—	—	—	—	—
991,162	9.4	991,217	960,210	937,716	886,110	-10.6	873,800	-1.4
479,182	-1.5	462,337	436,798	416,494	387,261	-19.2	289,500	-25.2
263,202	6.7	257,168	244,798	237,627	222,424	-15.5	158,000	-29.0
248,778	44.3	271,712	278,614	283,595	276,425	11.1	426,300	54.2
10,540	618.0	12,419	14,851	20,726	31,851	202.2	—	—

Five-Year Financial Summary (Consolidated)

Years ended March 31

	Millions of yen
	2000
1. For the year:	
Operating income	343,644
Operating expenses	198,155
Bad-debt-related expenses	47,532
Operating profit	145,488
Net income	74,352
2. At year-end:	
Total assets	1,708,030
Receivables outstanding *1	1,478,702
Total amount of bad debts	34,077
Loans to borrowers in bankruptcy or under reorganization	3,776
Loans in arrears	13,408
Loans past due for three months or more	498
Restructured loans	16,394
Allowance for bad debts	54,345
Total shareholders' equity	429,195
Interest-bearing debts	1,196,882
3. Per shares:	Yen
Net income, basic	507.07
Total shareholders' equity	2,927.04
Cash dividends	55.00
4. Key financial ratios:	%
Operating profit margin	42.3
ROE *2	—
ROA *2	—

Note: 1. Receivables outstanding indicates the total amount of Loan Business, Credit Card Business and Installment Sales Finance Business.
2. ROE and ROA are calculated using the simple average of beginning and end of term balance sheet figures.

Millions of yen			
2001	2002	2003	2004
375,674	414,918	437,572	434,968
215,363	243,669	290,877	314,577
52,420	72,047	115,671	140,505
160,310	171,248	146,695	120,391
81,369	95,637	75,096	70,319
1,943,836	2,166,865	2,183,414	2,075,389
1,720,616	1,888,265	1,940,055	1,851,454
34,819	44,516	60,791	80,259
3,650	7,204	9,227	9,280
16,897	21,751	31,302	36,966
684	519	1,139	1,787
13,587	15,041	19,122	32,225
64,360	81,064	112,549	135,350
503,335	582,737	644,431	697,166
1,333,568	1,470,366	1,439,905	1,294,571
Yen			
554.92	653.18	513.08	487.77
3,432.67	3,983.61	4,405.08	4,855.98
65.00	80.00	80.00	80.00
%			
42.7	41.3	33.5	27.7
16.2	17.6	12.2	10.5
4.2	4.7	3.5	3.3

Seven-Year Financial Summary (Non-Consolidated)

Years ended March 31

	Millions of yen	
	1998	1999
1. For the year:		
Operating income	284,632	310,521
Operating expenses	182,365	183,412
Bad-debt-related expenses *1	30,033	39,755
Operating profit	102,267	127,109
Net income	44,032	56,499
2. At year-end:		
Total assets	1,436,151	1,602,641
Receivables outstanding *2	1,147,108	1,297,689
Total amount of bad debts	—	—
Loans to borrowers in bankruptcy or under reorganization	—	—
Loans in arrears	—	—
Loans past due for three months or more	—	—
Restructured loans	—	—
Allowance for bad debts	36,900	44,300
Total shareholders' equity	293,132	343,349
Interest-bearing debts	1,080,286	1,191,700
3. Per shares:	Yen	
Net income, basic	300.29	385.31
Total shareholders' equity	1,999.11	2,341.59
Cash dividends	40.00	45.00
4. Key financial ratios:	%	
Operating profit margin	35.9	40.9
ROE *3	16.1	17.8
ROA *3	3.3	3.7
Ratio of bad debt write-offs	2.5	2.6
Bad debt ratio (Gross basis) *4	—	—
Bad debt ratio (Net basis) *5	—	—

Notes: 1. The amount of bad debts related expenses is the sum of bad debt expenses, provision for bad debts, and provision for loss on debt guarantees.
2. Receivables outstanding indicates the total amount of Loan Business, Credit Card Business and Installment Sales Finance Business.
3. ROE and ROA are calculated using the simple average of beginning and end of term balance sheet figures.
4. Bad debt ratio (Gross basis) =Total amount of bad debt / Receivables outstanding plus Loans to borrowers in bankruptcy or under reorganization.
5. Bad debt ratio (Net basis) = (Bad debts - Allowance for bad debts) / Receivables outstanding plus Loans to borrowers in bankruptcy or under reorganization.

Millions of yen				
2000	2001	2002	2003	2004
341,767	366,712	400,818	419,258	411,799
197,392	208,205	231,857	276,677	295,918
47,461	51,654	69,997	112,108	135,474
144,374	158,507	168,961	142,581	115,880
74,038	80,757	94,777	77,489	65,648
1,700,322	1,876,210	2,095,251	2,110,009	2,019,648
1,476,050	1,666,149	1,809,564	1,847,259	1,772,706
34,077	34,596	43,691	60,491	79,754
3,776	3,650	7,204	9,227	9,280
13,408	16,866	20,972	31,128	36,632
498	518	497	1,036	1,638
16,394	13,561	15,016	19,099	32,204
54,300	61,900	77,700	107,700	129,400
427,716	502,833	580,716	645,386	694,082
1,192,926	1,283,167	1,417,966	1,384,848	1,260,090
Yen				
504.93	550.75	647.31	529.45	455.36
2,916.96	3,429.24	3,969.80	4,411.62	4,834.50
55.00	65.00	80.00	80.00	80.00
%				
42.2	43.2	42.2	34.0	28.1
19.2	17.4	17.5	12.6	9.8
4.5	4.5	4.8	3.7	3.2
2.7	2.9	3.2	4.6	6.4
2.5	2.3	2.7	3.7	4.9
-1.5	-1.8	-2.1	-2.9	-3.1

Receivables Outstanding (Non-Consolidated)

	Millions of yen					
	2001/3		2002/3		2003/3	
		yoy %		yoy %		yoy %
Receivables Outstanding	1,666,149	12.9	1,809,564	8.6	1,847,259	2.1
Loans Business	1,496,237	11.0	1,616,837	8.1	1,652,890	2.2
Unsecured Loans	1,428,196	12.1	1,548,894	8.5	1,582,751	2.2
Consumers	1,426,696	12.2	1,547,850	8.5	1,582,125	2.2
Commercials	1,499	-26.3	1,043	-30.4	625	-40.1
Secured Loans	68,041	-7.9	67,942	-0.1	70,139	3.2
Real Estate Card Loan	49,663	9.3	53,509	7.7	56,852	6.2
Credit Card Business	19,330	204.0	31,478	62.8	41,166	30.8
ACOM MasterCard®	19,157	210.6	31,388	63.8	41,114	31.0
Installment Sales Finance Business	150,581	23.5	161,247	7.1	153,203	-5.0
Average Balance of Unsecured Loans for Consumers per Account (Thousands of yen)	496	3.5	512	3.2	524	2.3
	(513)*[1]	(7.1)	(541)	(5.5)	—	—
<Reference>						
Guaranteed loans receivable	—	—	9,539	—	57,926	—

Note: 1. The figures in brackets represent the amounts of loans exclusive of non-interest-bearing balance.

Number of Customer Accounts (Non-Consolidated)

	2001/3		2002/3		2003/3	
		yoy %		yoy %		yoy %
Loan Business *[1,4]	2,893,789	8.4	3,035,706	4.9	3,032,330	-0.1
	(2,796,743)	(4.8)	(2,873,888)	(2.8)	—	—
Unsecured Loans	2,880,304	8.5	3,021,780	4.9	3,017,837	-0.1
	(2,783,290)	(4.8)	(2,860,021)	(2.8)	—	—
Consumers	2,879,293	8.5	3,020,908	4.9	3,017,176	-0.1
	(2,782,279)	(4.8)	(2,859,149)	(2.8)	—	—
Commercials	1,011	-12.2	872	-13.7	661	-24.2
Secured Loans	13,485	2.1	13,926	3.3	14,493	4.1
Credit Card Business *[2]	778,352	92.2	1,011,592	30.0	1,015,127	0.3
ACOM MasterCard®	752,509	97.8	1,004,118	33.4	1,014,845	1.1
Installment Sales Finance Business *[3]	446,217	24.5	486,532	9.0	479,182	-1.5

Notes :1.Loan Business: Number of customer accounts with outstanding balance.
2.Credit Card Business: Number of cardholders.
3.Installment Sales Finance Business: Number of contracts with receivables outstanding.
4.The figures in brackets represent the number of loan customer accounts exclusive of non-interest-bearing balance.

Millions of yen										
	2004/3								2005/3(E)	
	1st quarter	yoy %	2nd quarter	yoy %	3rd quarter	yoy %	4th quarter full term	yoy %		yoy %
	1,833,060	-0.8	1,814,898	-3.2	1,789,576	-3.9	1,772,706	-4.0	1,738,400	-1.9
	1,642,098	-0.4	1,633,600	-2.5	1,616,518	-2.8	1,612,799	-2.4	1,597,200	-1.0
	1,572,165	-0.5	1,564,537	-2.6	1,549,587	-2.7	1,548,616	-2.2	1,530,200	-1.2
	1,571,626	-0.5	1,564,092	-2.6	1,549,197	-2.7	1,548,274	-2.1	1,530,000	-1.2
	538	-40.9	445	-45.4	390	-45.3	341	-45.4	200	-47.4
	69,932	2.3	69,063	-0.9	66,930	-4.2	64,183	-8.5	67,000	4.6
	—	—	—	—	—	—	52,781	-7.2	—	—
	42,886	23.7	44,115	18.7	45,092	14.5	45,973	11.7	53,500	16.3
	42,850	23.9	44,087	18.8	45,065	14.6	45,941	11.7	53,500	16.4
	148,075	-9.8	137,182	-15.4	127,965	-20.7	113,934	-25.6	87,700	-23.0
	524	0.8	525	-0.4	524	0.0	527	0.6	523	-0.8
	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	100,971	74.3	163,000	61.4

	2004/3								2005/3(E)	
	1st quarter	yoy %	2nd quarter	yoy %	3rd quarter	yoy %	4th quarter full term	yoy %		yoy %
	3,011,817	-1.2	2,992,710	-2.3	2,971,636	-2.6	2,954,073	-2.6	2,939,900	-0.5
	—	—	—	—	—	—	—	—	—	—
	2,997,276	-1.3	2,978,301	-2.3	2,957,545	-2.6	2,940,345	-2.6	2,925,600	-0.5
	—	—	—	—	—	—	—	—	—	—
	2,996,682	-1.3	2,977,794	-2.3	2,957,098	-2.6	2,939,945	-2.6	2,925,400	-0.5
	—	—	—	—	—	—	—	—	—	—
	594	-26.5	507	-34.3	447	-37.0	400	-39.5	200	-50.0
	14,541	3.4	14,409	1.3	14,091	-1.9	13,728	-5.3	14,300	4.2
	995,580	-5.3	976,072	-7.3	966,120	-7.3	1,064,699	4.9	1,312,200	23.2
	995,371	-5.3	975,865	-7.3	965,914	-7.3	1,064,492	4.9	1,312,000	23.3
	462,337	-6.3	436,798	-11.4	416,494	-15.8	387,261	-19.2	289,500	-25.2

Number of New Loan Customers (Non-Consolidated)

	2001/3	yoy %	2002/3	yoy %	2003/3	yoy %
Number of New Loan Customers	443,100	3.6	443,538	0.1	408,146	-8.0
Unsecured Loans	442,110	3.4	442,184	0.0	406,693	-8.0
Consumers	442,092	3.5	442,165	0.0	406,685	-8.0
Commercials	18	-18.2	19	5.6	8	-57.9
Secured Loans	990	90.8	1,354	36.8	1,453	7.3

Number of Loan Business Outlets (Non-Consolidated)

	2001/3	yoy	2002/3	yoy	2003/3	yoy
Number of Loan Business Outlets	1,741	106	1,761	20	1,716	-45
Staffed	521	9	521	0	468	-53
Unstaffed	1,220	97	1,240	20	1,248	8

MUJINKUN (Non-Consolidated)

	2001/3	yoy	2002/3	yoy	2003/3	yoy
Number of MUJINKUN Outlets	1,733	110	1,749	16	1,705	-44
Number of MUJINKUN Machines	1,735	110	1,751	16	1,706	-45

Cash Dispensers and ATMs (Non-Consolidated)

	2001/3	yoy	2002/3	yoy	2003/3	yoy
Number of Cash Dispensers and ATMs	30,819	12,341	49,777	18,958	69,215	19,438
Proprietary	2,053	109	2,068	15	2,026	-42
Open 365 Days/Year	2,046	109	2,059	13	2,020	-39
Open 24 Hours/Day	1,755	122	1,773	18	1,749	-24
Tie-up	28,766	12,232	47,709	18,943	67,189	19,480
Others *1	7,611	7,611	7,611	0	7,621	10

Note: 1. "Others" indicates receipt of payment by convenience stores under an agency agreement.

2004/3								2005/3(E)	
1st quarter	yoy %	2nd quarter	yoy %	3rd quarter	yoy %	4th quarter full term	yoy %		yoy %
97,142	-10.9	187,072	-13.0	272,784	-12.9	359,311	-12.0	361,000	0.5
96,805	-10.8	186,521	-12.9	272,127	-12.8	358,570	-11.8	360,000	0.4
96,805	-10.8	186,521	-12.9	272,127	-12.7	358,570	-11.8	360,000	0.4
0	—	0	—	0	—	0	-100.0	0	—
337	-20.5	551	-29.4	657	-41.6	741	-49.0	1,000	35.0

2004/3								2005/3(E)	
1st quarter	YTD	2nd quarter	YTD	3rd quarter	YTD	4th quarter full term	yoy		yoy %
1,722	6	1,730	14	1,730	14	1,699	-17	1,720	21
435	-33	410	-58	381	-87	381	-87	303	-78
1,287	39	1,320	72	1,349	101	1,318	70	1,417	99

2004/3								2005/3(E)	
1st quarter	YTD	2nd quarter	YTD	3rd quarter	YTD	4th quarter full term	yoy		yoy %
—	—	—	—	—	—	1,691	-14	1,712	21
1,712	6	1,720	14	1,723	17	1,692	-14	1,713	21

2004/3								2005/3(E)	
1st quarter	YTD	2nd quarter	YTD	3rd quarter	YTD	4th quarter full term	yoy		yoy
72,215	3,000	74,079	4,864	74,594	5,379	76,282	7,067	—	—
2,032	6	2,039	13	2,037	11	1,961	-65	1,982	21
2,026	6	2,033	13	2,033	13	1,957	-63	—	—
1,756	7	1,763	14	1,765	16	1,705	-44	—	—
70,183	2,994	72,040	4,851	72,557	5,368	74,321	7,132	—	—
8,257	636	8,328	707	8,374	753	8,424	803	—	—

Employees (Non-Consolidated)

	2001/3	yoy	2002/3	yoy	2003/3	yoy
Number of Employees *1	4,321	7	4,366	45	4,405	39
Head Office	653	-5	756	103	869	113
Credit Supervision Related	219	35	241	22	302	61
Financial Service Business Division	3,668	116	3,610	-58	3,536	-74
Contact Center	—	—	335	335	1,059	724
Credit Card • Installment Business Dept.	216	16	231	15	228	-3

Note: 1. The number of employees as of March 2002 and March 2003 is adjusted based on new organization as of April 2002 and as of June 2003, respectively.

Average Loan yield (Non-Consolidated)

	%					
	1999/3	yoy p.p.	2000/3	yoy p.p.	2001/3	yoy p.p.
Average yield *1	25.08	-0.43	24.86	-0.22	24.08	-0.78
Unsecured Loans	26.02	-0.50	25.70	-0.32	24.75	-0.95
Consumers	26.02	-0.50	25.70	-0.32	24.76	-0.94
Commercials	24.43	8.98	24.08	-0.35	22.88	-1.20
Secured Loans	10.88	0.20	11.20	0.32	11.33	0.13

Note: 1. Average Yield = Interest on Loans Receivable / Term Average of Receivables Outstanding at the Beginning of the Year

Unsecured Loans Receivable Outstanding for Consumers by Interest Rate (Non-Consolidated)

	Millions of yen					
	2001/3		2002/3		2003/3	
	Receivables Outstanding					
Effective Annual Interest Rate		C.R.(%)		C.R.(%)		C.R.(%)
Loans Receivable Outstanding	1,426,696	100.0	1,547,850	100.0	1,582,125	100.0
28.470% and Higher	82,965	5.8	62,372	4.0	49,475	3.1
27.375%	554,181	38.8	597,408	38.6	639,356	40.4
25.000% - 26.500%	332,986	23.3	349,436	22.6	345,529	21.9
20.000% - 24.820%	282,329	19.9	332,221	21.5	332,760	21.0
18.250% - 19.000%	71,366	5.0	93,180	6.0	96,294	6.1
15.000% - 18.000%	90,123	6.3	98,799	6.4	99,223	6.3
Less than 15.000%	12,744	0.9	14,431	0.9	19,485	1.2

	2004/3								2005/3(E)	
	1st quarter	YTD	2nd quarter	YTD	3rd quarter	YTD	4th quarter full term	yoy		yoy
	4,474	69	4,369	-36	4,298	-107	4,238	-167	4,238	0
	909	40	917	48	924	55	932	63	953	21
	334	32	348	46	354	52	345	43	368	23
	3,565	29	3,452	-84	3,374	-162	3,306	-230	3,285	-21
	1,081	22	985	-74	972	-87	943	-116	—	—
	308	80	317	89	341	113	346	118	345	-1

	%							
	2002/3		2003/3		2004/3		2005/3(E)	
		yoy p.p.		yoy p.p.		yoy p.p.		yoy p.p.
	23.80	-0.28	23.47	-0.33	23.23	-0.24	22.76	-0.47
	24.32	-0.43	23.96	-0.36	23.72	-0.24	23.21	-0.51
	24.32	-0.44	23.96	-0.36	23.72	-0.24	23.21	-0.51
	21.59	-1.29	20.04	-1.55	18.96	-1.08	16.39	-2.57
	12.13	0.80	12.15	0.02	12.16	0.01	12.12	-0.04

	Millions of yen									
	2004/3								2005/3(E)	
	Receivables Outstanding									
	1st quarter	C.R.(%)	2nd quarter	C.R.(%)	3rd quarter	C.R.(%)	4th quarter full term	C.R.(%)		C.R.(%)
	1,571,626	100.0	1,564,092	100.0	1,549,197	100.0	1,548,274	100.0	1,530,000	100.0
	46,658	3.0	44,256	2.8	41,923	2.7	39,701	2.5	29,000	1.9
	642,569	40.9	645,463	41.3	641,681	41.4	642,084	41.5	563,000	36.8
	343,257	21.8	341,949	21.9	337,623	21.8	338,972	21.9	360,000	23.5
	327,395	20.8	321,904	20.6	315,029	20.4	312,491	20.2	340,000	22.2
	94,270	6.0	92,406	5.9	89,869	5.8	87,939	5.7	95,000	6.2
	97,120	6.2	95,616	6.1	93,098	6.0	92,256	6.0	100,000	6.6
	20,354	1.3	22,494	1.4	29,970	1.9	34,827	2.2	43,000	2.8

Unsecured Loans Receivable Outstanding by Classified Receivable Outstanding (Non-Consolidated)

Classified Receivable Outstanding (Thousands of Yen)	Millions of yen 2001/3	C.R. (%)	2002/3	C.R. (%)	2003/3	C.R. (%)
≦100	19,576	1.4	20,039	1.3	20,603	1.3
100＜ ≦300	129,995	9.1	127,094	8.2	125,037	7.9
300＜ ≦500	637,882	44.7	643,286	41.6	631,290	39.9
500＜ ≦1,000	338,669	23.7	333,173	21.5	326,476	20.6
1,000＜	300,571	21.1	424,257	27.4	478,716	30.3
Total	1,426,696	100.0	1,547,850	100.0	1,582,125	100.0

Number of New Customers by Annual Income [Unsecured Loans] (Non-Consolidated)

Annual Income (Millions of Yen)	2000/3 Number of Accounts	C.R. (%)	Initial Average Lending Amount (Thousands of yen)	2001/3 Number of Accounts	C.R. (%)	Initial Average Lending Amount (Thousands of yen)
≦2	74,541	17.5	114	89,006	20.1	134
2＜ ≦5	278,576	65.2	152	281,654	63.7	160
5＜ ≦7	48,037	11.2	208	46,232	10.5	211
7＜ ≦10	21,371	5.0	233	20,531	4.7	237
10＜	4,820	1.1	259	4,669	1.0	255
Total	427,345	100.0	157	442,092	100.0	165

Composition Ratio of Customer Accounts by Age [Unsecured Loans] (Non-Consolidated)

	% 1999/3 Existing Accounts	Write-offs Account	2000/3 Existing Accounts	Write-offs Account
Under 29	28.8	25.5	27.9	21.9
Age 30 - 39	26.4	25.3	26.9	26.9
Age 40 - 49	22.5	23.7	21.8	23.4
Age 50 - 59	16.0	17.8	16.9	19.7
Over 60	6.3	7.7	6.5	8.1
Total	100.0	100.0	100.0	100.0

	Millions of yen									
	2004/3								2005/3(E)	
	1st quarter	C.R. (%)	2nd quarter	C.R. (%)	3rd quarter	C.R. (%)	4th quarter full term	C.R. (%)		C.R. (%)
	20,677	1.3	20,452	1.3	20,098	1.3	20,278	1.3	20,000	1.3
	124,869	8.0	125,239	8.0	125,682	8.1	124,248	8.0	122,800	8.0
	619,311	39.4	611,417	39.1	601,756	38.8	599,785	38.7	592,700	38.7
	321,016	20.4	317,105	20.3	310,930	20.1	307,933	20.0	304,300	19.9
	485,750	30.9	489,878	31.3	490,729	31.7	496,029	32.0	490,200	32.1
	1,571,626	100.0	1,564,092	100.0	1,549,197	100.0	1,548,274	100.0	1,530,000	100.0

	2002/3			2003/3			2004/3		
	Number of Accounts		Initial Average Lending Amount	Number of Accounts		Initial Average Lending Amount	Number of Accounts		Initial Average Lending Amount
		C.R. (%)	Thousands of yen		C.R. (%)	Thousands of yen		C.R. (%)	Thousands of yen
	101,134	22.9	133	96,455	23.7	136	86,242	24.1	123
	276,288	62.5	158	255,555	62.9	161	227,416	63.4	151
	42,720	9.6	204	36,465	8.9	204	30,252	8.4	193
	18,054	4.1	227	15,014	3.7	225	12,214	3.4	217
	3,969	0.9	246	3,196	0.8	239	2,446	0.7	229
	442,165	100.0	161	406,685	100.0	162	358,570	100.0	151

	%							
	2001/3		2002/3		2003/3		2004/3	
	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account
	27.2	22.1	26.3	22.9	25.3	21.8	24.2	21.6
	27.4	26.8	28.1	27.3	28.7	28.0	29.3	28.5
	21.2	22.4	20.7	21.7	20.5	21.7	20.5	21.5
	17.4	19.8	17.7	19.6	17.9	19.7	18.0	19.3
	6.8	8.9	7.2	8.5	7.6	8.8	8.0	9.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Composition Ratio of Customer Accounts by Gender [Unsecured Loans] (Non-Consolidated)

	%			
	1999/3		2000/3	
	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account
Male	72.4	70.6	72.8	70.3
Female	27.6	29.4	27.2	29.7

Bad Debt Write-offs (Non-Consolidated)

	Millions of yen					
	2001/3		2002/3		2003/3	
		yoy %		yoy %		yoy %
Bad Debt Write-offs	44,392	18.5	54,251	22.2	81,608	50.4
Loans Receivable	42,847	16.6	51,003	19.0	75,428	47.9
Unsecured Loans	39,839	10.8	49,713	24.8	75,039	50.9
Secured Loans	3,007	284.9	1,290	-57.1	388	-69.9
ACOM MasterCard®	511	—	1,767	245.8	3,344	89.2
Installment Sales Finance	1,018	49.2	1,475	44.9	2,457	66.6
Guarantee	—	—	12	—	306	—
Average Bad Debt Write-off Amounts per Account for Unsecured Loans (Thousands of yen)	319	-1.5	332	4.1	363	9.3
<Reference>						
Average Balance of Unsecured Loans per Account (Thousands of yen)	496	—	512	—	524	—

Ratio of Bad Debt Write-offs (Non-Consolidated) *1, 2

	%					
	2001/3		2002/3		2003/3	
		yoy p.p.		yoy p.p.		yoy p.p.
Loans Receivable	2.86	(0.14)	3.15	(0.29)	4.56	(1.41)
Unsecured Loans	2.79	(-0.03)	3.21	(0.42)	4.74	(1.53)
Secured Loans	4.35	(3.31)	1.84	(-2.51)	0.54	(-1.30)
ACOM MasterCard®	2.67	(2.35)	5.63	(2.96)	8.13	(2.50)
Installment Sales Finance	0.68	(0.11)	0.91	(0.23)	1.60	(0.69)
<Reference>						
Guarantee	—	—	0.13	—	0.52	(0.39)

Note:1. Ratio of bad debt write-offs
Loan Business = Bad Debt Write-off of Loan Business / (Receivables Outstanding plus Loans to Borrowers in Bankruptcy or Under Reorganization)
ACOM MasterCard® = Bad Debt Write-off of ACOM MasterCard® / Card Shopping Receivables
Installment Sales Finance Business = Bad Debt Write-off of Installment Sales Finance / Installment Receivables
Guarantee= Bad Debt write-off of Guarantee / (Guaranteed Loan Receivables plus Payments in Subrogation)
2. Figures in brackets indicate year-on-year change in percentage points.

	%							
	2001/3		2002/3		2003/3		2004/3	
	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account	Existing Accounts	Write-offs Account
	73.2	70.7	73.3	70.0	73.3	69.2	73.4	69.0
	26.8	29.3	26.7	30.0	26.7	30.8	26.6	31.0

	Millions of yen									
	2004/3								2005/3(E)	
	1st quarter	yoy %	2nd quarter	yoy %	3rd quarter	yoy %	4th quarter full term	yoy %		yoy %
	27,667	57.6	57,811	56.4	85,375	46.5	112,598	38.0	113,100	0.5
	25,555	55.9	53,336	55.4	78,437	45.3	103,093	36.7	101,500	-1.5
	25,442	55.6	51,632	51.1	76,647	42.4	100,781	34.3	100,700	0.0
	113	175.0	1,703	—	1,790	972.8	2,312	494.8	800	-64.7
	1,173	75.8	2,413	62.3	3,599	51.4	4,745	41.9	4,700	-1.9
	666	41.5	1,400	27.8	2,130	22.4	2,890	17.6	3,100	6.6
	268	—	657	893.7	1,201	652.3	1,860	506.1	3,800	106.9
	—	—	—	—	—	—	395	8.8	—	—
	—	—	—	—	—	—	527	0.6	523	-0.8

	%									
	2004/3								2005/3(E)	
	1st quarter	yoy p.p.	2nd quarter	yoy p.p.	3rd quarter	yoy p.p.	4th quarter full term	yoy p.p.		yoy p.p.
	1.55	(0.56)	3.26	(1.22)	4.84	(1.60)	6.38	1.82	6.34	(-0.04)
	1.62	(0.59)	3.30	(1.17)	4.94	(1.56)	6.50	1.76	6.57	(0.07)
	0.16	(0.10)	2.44	(2.23)	2.64	(2.41)	3.55	3.01	1.19	(-2.36)
	2.74	(0.81)	5.47	(1.46)	7.98	(1.94)	10.32	2.19	8.68	(-1.64)
	0.45	(0.16)	1.02	(0.34)	1.66	(0.58)	2.54	0.94	3.51	(0.97)
	0.39	(0.27)	0.82	(0.62)	1.33	(0.99)	1.80	1.28	2.30	(0.50)

Bad Debts (Non-Consolidated)

	Millions of yen					
	2000/3		2001/3		2002/3	
		%		%		%
Total Amount of Bad Debts	34,077	2.53	34,596	2.31	43,691	2.70
Loans to Borrowers in Bankruptcy or Under Reorganization	3,776	0.28	3,650	0.24	7,204	0.45
Applications for Bankruptcy are Proceeded	2,440	0.18	2,549	0.17	3,292	0.20
Applications for the Civil Rehabilitation are proceeded	—	—	—	—	1,659	0.10
Applications for the Civil Rehabilitation are determined	—	—	—	—	131	0.01
Loans in Arrears	13,408	0.99	16,866	1.13	20,972	1.30
Loans Past Due for Three Months or More	498	0.04	518	0.03	497	0.03
Restructured Loans	16,394	1.22	13,561	0.91	15,016	0.93

Loans in Arrears for Less Than 3 Months [excluding balance held by headquarters' collection department] (Non-Consolidated)

	Millions of yen					
	2000/3		2001/3		2002/3	
		%		%		%
11days ≦ ＜ 3 months	9,504	0.70	10,703	0.71	13,605	0.84
31days ≦ ＜ 3 months	5,798	0.43	6,269	0.42	7,468	0.46
11days ≦ ＜ 31 days	3,706	0.27	4,434	0.30	6,136	0.38

Allowance for Bad Debts (Non-Consolidated)

	Millions of yen					
	2000/3		2001/3		2002/3	
		yoy %		yoy %		yoy %
Allowance for Bad Debts	54,300	22.6	61,900	14.0	77,700	25.5
Ratio of Allowance for Bad Debts (%) *1	3.73	—	3.78	—	4.36	—
General Allowance for Bad Debts	—	—	—	—	—	—
Unsecured Consumer Loans	—	—	—	—	—	—
Specific Allowance for Bad Debts	—	—	—	—	—	—
Additional Allowance for Bad Debts	10,000	35.1	7,600	-24.0	15,800	107.9
Allowance for Loss on Debt Guarantees	—	—	—	—	12	—
Additional Allowance	—	—	—	—	12	—

Note: 1.

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

Millions of yen									
2003/3		2004/3							
	%	1st quarter	%	2nd quarter	%	3rd quarter	%	4th quarter full term	%
60,491	3.65	61,560	3.74	63,793	3.90	72,465	4.48	79,754	4.93
9,227	0.56	10,030	0.61	9,065	0.55	9,671	0.60	9,280	0.57
3,540	0.21	3,524	0.21	3,436	0.21	3,385	0.21	2,951	0.18
2,853	0.17	3,262	0.20	3,701	0.23	3,843	0.24	3,633	0.22
815	0.05	1,212	0.07	1,299	0.08	1,553	0.10	1,775	0.11
31,128	1.88	30,140	1.83	31,641	1.93	31,349	1.94	36,632	2.27
1,036	0.06	1,882	0.11	1,736	0.11	3,305	0.20	1,638	0.10
19,099	1.15	19,506	1.19	21,349	1.31	28,138	1.74	32,204	1.99

Millions of yen									
2003/3		2004/3							
	%	1st quarter	%	2nd quarter	%	3rd quarter	%	4th quarter full term	%
18,971	1.15	22,901	1.39	23,589	1.44	19,165	1.18	19,475	1.21
9,761	0.59	11,324	0.69	11,387	0.70	11,623	0.72	11,076	0.69
9,210	0.56	11,577	0.70	12,201	0.74	7,541	0.46	8,399	0.52

Millions of yen											
2003/3		2004/3								2005/3(E)	
	yoy %	1st quarter	yoy %	2nd quarter	yoy %	3rd quarter	yoy %	4th quarter full term	yoy %		yoy %
107,700	38.6	118,700	—	119,600	37.2	120,900	—	129,400	20.1	127,500	-1.5
5.91	—	6.56	—	6.67	—	6.83	—	7.37	—	7.38	—
67,127	—	76,769	—	79,834	—	81,693	—	82,898	—	77,700	—
59,980	—	69,268	—	71,131	—	71,345	—	74,888	—	69,700	—
40,184	—	40,746	—	39,318	—	38,765	—	44,929	—	48,300	—
30,000	89.9	11,000	—	11,900	25.3	13,200	—	21,700	-27.7	-1,900	-108.8
474	—	547	—	989	—	1,471	—	1,865	—	3,100	—
461	—	73	—	515	—	997	—	1,391	—	1,235	—

Funds Procurement (Non-Consolidated)

	Millions of yen					
	1999/3		2000/3		2001/3	
		C.R.(%)		C.R.(%)		C.R.(%)
Borrowings	1,191,700	100	1,192,926	100.0	1,283,167	100.0
Indirect	1,059,300	88.9	976,926	81.9	971,367	75.7
City Banks	16,987	1.4	20,423	1.7	28,798	2.3
Regional Banks	61,618	5.2	49,427	4.1	47,576	3.7
Long-term Credit Banks	110,762	9.3	75,810	6.4	67,638	5.3
Trust Banks	452,698	38.0	437,622	36.7	457,598	35.7
Foreign Banks	65,000	5.5	49,000	4.1	17,000	1.3
Life Insurance Companies	253,177	21.2	256,893	21.5	270,883	21.1
Non-Life Insurance Companies	64,224	5.4	61,845	5.2	55,711	4.3
Others	34,834	2.9	25,906	2.2	26,163	2.0
Direct	132,400	11.1	216,000	18.1	311,800	24.3
Straight Bonds	99,900	8.4	160,000	13.4	245,000	19.1
Convertible Bonds	—	—	50,000	4.2	50,000	3.9
Commercial Paper	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
Others	—	—	—	—	—	—
Short-term	142,297	11.9	19,668	1.6	19,188	1.5
Long-term	1,049,403	88.1	1,173,258	98.4	1,263,980	98.5
Fixed	761,465	63.9	847,114	71.0	978,647	76.3
Interest Rate Swaps (Notional)	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 (%) *1	2.57	—	2.46	—	2.37	—
Average Nominal Interest Rate on Funds Procured During the Year *2	2.39	—	2.25	—	2.17	—
Floating Interest Rate	2.01	—	2.20	—	2.20	—
Fixed Interest Rate	2.96	—	2.65	—	2.38	—
Short-term	1.48	—	1.35	—	1.21	—
Long-term	2.82	—	2.55	—	2.43	—
Direct	1.71	—	1.72	—	1.76	—
Indirect	2.63	—	2.58	—	2.52	—
<Reference>						
Term Average of Long-term Prime Rate	2.49	—	2.18	—	2.17	—

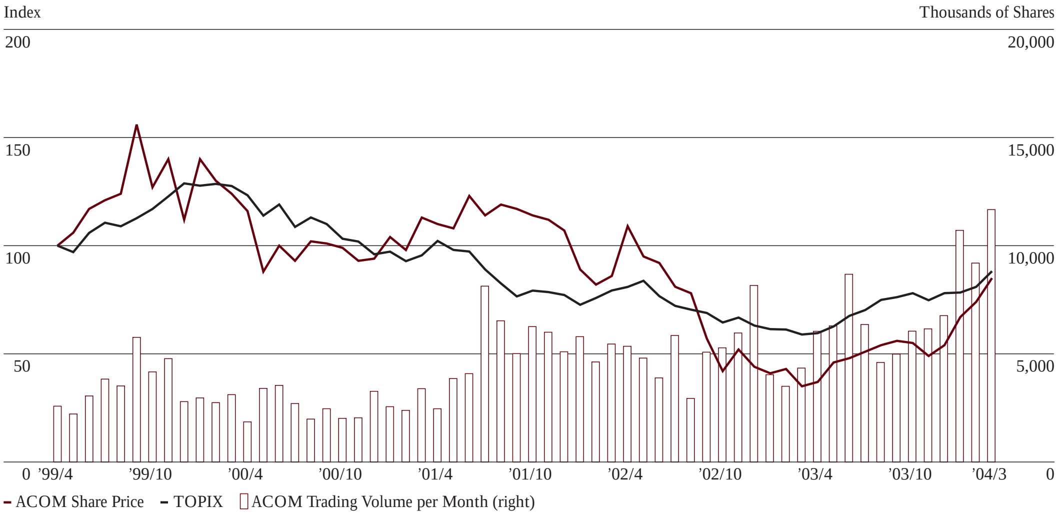
Notes:1. From the interim accounting period ended September 30, 2001, average interest rate on funds procured during the year include bond issue expenses.
2. Financial expenses pertaining to derivatives have been excluded from the calculation of average nominal interest rate on funds procured during the year.

Millions of yen									
2002/3		2003/3		2004/3			2005/3(E)		
	C.R.(%)		C.R.(%)		yoy %	C.R.(%)		yoy %	C.R.(%)
1,417,966	100.0	1,384,848	100.0	1,260,090	-9.0	100.0	1,038,100	-17.6	100.0
1,035,186	73.0	1,053,068	76.0	951,210	-9.7	75.5	749,200	-21.2	72.2
37,017	2.6	35,065	2.5	35,386	0.9	2.8	—	—	—
56,634	4.0	58,300	4.2	51,147	-12.3	4.1	—	—	—
85,608	6.0	93,880	6.8	76,968	-18.0	6.1	—	—	—
433,001	30.5	409,257	29.6	403,081	-1.5	32.0	—	—	—
46,000	3.3	63,000	4.5	37,500	-40.5	3.0	—	—	—
268,215	18.9	263,779	19.0	245,773	-6.8	19.5	—	—	—
51,434	3.6	50,043	3.6	44,723	-10.6	3.5	—	—	—
57,277	4.1	79,744	5.8	56,632	-29.0	4.5	—	—	—
382,780	27.0	331,780	24.0	308,880	-6.9	24.5	288,900	6.5	27.8
295,000	20.8	295,000	21.3	285,000	-3.4	22.6	—	—	—
50,000	3.5	—	0.0	—	—	—	—	—	—
10,000	0.7	10,000	0.7	—	—	—	—	—	—
3,900	0.3	2,900	0.2	—	—	—	—	—	—
23,880	1.7	23,880	1.7	23,880	—	1.9	—	—	—
13,562	1.0	16,400	1.2	11,500	-29.9	0.9	1,500	-87.0	0.1
1,404,403	99.0	1,368,448	98.8	1,248,590	-8.8	99.1	1,036,600	-17.0	99.9
1,154,619	81.4	1,171,837	84.6	1,093,395	-6.7	86.8	903,000	-17.4	87.0
96,648	6.8	142,310	10.3	188,321	32.3	14.9	—	—	—
117,000	8.3	117,000	8.4	82,000	-29.9	6.5	—	—	—
2.13	—	2.10	—	1.96	—	—	2.07	—	—
1.88	—	1.85	—	1.67	—	—	1.70	—	—
1.77	—	1.89	—	1.55	—	—	1.74	—	—
2.21	—	2.14	—	2.04	—	—	2.12	—	—
1.07	—	0.56	—	0.64	—	—	1.33	—	—
2.19	—	2.11	—	1.96	—	—	2.07	—	—
1.88	—	1.86	—	1.82	—	—	1.83	—	—
2.21	—	2.18	—	2.00	—	—	2.15	—	—
1.80	—	1.79	—	1.58	—	—	—	—	—

Investor Information

(As of March 31, 2004)

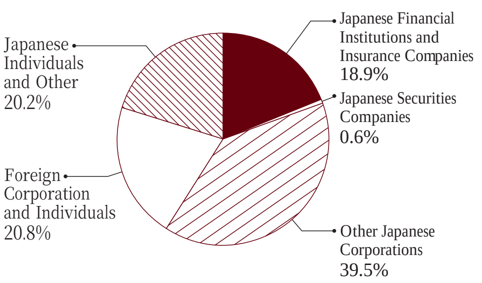
1. Stock Index and Trading Volume



2. Principal Shareholders

	Name	Number of shares held	% of total shares in issue
1	Maruito Shokusan Co., Ltd.	27,346,755	18.78
2	Maruito Co., Ltd.	12,553,343	8.62
3	Kinoshita Memorial Foundation	9,219,232	6.33
4	Master Trust Bank of Japan, Ltd. (Trust Accounts)	5,322,280	3.65
5	Japan Trustee Services Bank, Ltd. (Trust Accounts)	5,083,930	3.49
6	Kyosuke Kinoshita	4,230,321	2.90
7	Maruito Shoten Co., Ltd.	3,873,320	2.66
8	Katsuhiro Kinoshita	3,730,368	2.56
9	Shigeyoshi Kinoshita	3,461,144	2.38
10	State Street Bank and Trust Company	3,322,736	2.28

3. Breakdown of Shareholders



4. Other Data

Transfer Agent
:The Mitsubishi Trust and Banking Corporation

Stock Listing
:First Section of Tokyo Stock Exchange

General Shareholders' Meeting
:June 24, 2004

Shares and Shareholders
:Number of Stock Issued 145,628,280

Number of Shareholders
:7,524

Management's Discussion and Analysis

Retrospect of the Operating Environment

In fiscal 2003, ended March 31, 2004, the Japanese economy was generally favorable. Despite the yen's appreciation against the U.S. dollar, exports continued their unabated expansion, supported by the dramatic expansion of economies in Asia, especially China, and soundness of the U.S. economy, boosted by solid housing investments and personal consumption. Also, private capital investments, which had long languished, finally showed a strong rebound, partially thanks to the birth of a new industry – digital home electronics. Meanwhile, employment and personal consumption, which have the greatest impact on ACOM's performance, showed signs of bottoming out, but not to the extent of a full-scale turnaround. The unemployment rate has stalled at the 5% level, despite having retreated somewhat from its peak of 5.5% in January 2003, which was a record-high since 1990. Moreover, the number of personal bankruptcy applications in fiscal 2003 rose 12.9% year-on-year, to 242,377, which is more than twice the level of fiscal 1998.

Review and Analysis of the Consolidated Performance

1. General Remarks

In fiscal 2003, consolidated operating income amounted to ¥434.9 billion, down 0.6% from fiscal 2002. During the year, the Company actively expanded its businesses peripheral to consumer loans, including the credit card, guarantee, and loan servicing businesses. However, this was not sufficient to compensate for a fall in income from the consumer loan business, which accounts for 90.0% of total operating income.

Operating profit fell 17.9%, to ¥120.3 billion. This was the second decline since ACOM became publicly listed, the first being in fiscal 2002. Despite the positive benefits of business rationalization and cost-cutting, the earnings decline was caused by a 21.5% increase in bad-debt-related expenses amid the aforementioned difficult employment situation. We succeeded in improving total other expenses, net, by ¥12.2 billion, but income before income taxes fell by 10.5% year-on-year, to ¥120.3 billion. Net income for the fiscal year was down 6.4%, to ¥70.3 billion.

2. Information and Analysis Regarding Major Items

(1) Operating Income and Receivables Outstanding by Business Segment

Operating income from our core loan business edged down 1.7% over the previous fiscal year, to ¥391.2 billion. Receivables outstanding at fiscal year-end amounted to ¥1,623.1 billion, down 2.2% from the previous fiscal year. In addition to the severe operating environment, these declines were partly due to the strategic priority we placed on improving the quality of credit in such circumstances. Total receivables outstanding included receivables held by SIAM A&C CO., LTD., which jumped 42.7%, to ¥10.2 billion.

In the credit card business, operating income grew 15.3% year-on-year, to ¥5.8 billion. In fiscal 2003, we continued actively issuing affiliated credit cards in alliances with various business partners, including home electronics mass merchandisers and large-scale retailers of automobile-related products. Receivables outstanding in the credit card business increased 11.7%, to ¥46.7 billion, and the number of cardholders reached 1,071 thousands.

In the installment sales finance business, operating income declined 11.6% year-on-year, to ¥22.7 billion, and receivables outstanding at fiscal year-end fell 23.7%, to ¥181.5 billion. Amid languishing personal consumption conditions, ACOM revamped its network of allied retailers with a view to improving the quality of credit.

In the guarantee business, operating income surged 169.8% year-on-year, to ¥5.0 billion. During the year under review, we concluded a new tie-up agreement with one regional bank, bringing the total number of partners in this segment to 11.

Similarly, ACOM's loan servicing business posted significant growth in fiscal 2003. Operating income in this segment soared 201.2%, to ¥2.7 billion, and total receivables outstanding jumped 411.1%, to ¥6.0 billion.

In the rental business, on the other hand, operating income slipped 2.8% from the previous fiscal year, to ¥3.5 billion, due largely to depressed personal consumption. Operating income from other businesses grew 64.8%, to ¥3.7 billion.

Operating Income by Segment

	Millions of Yen		Change
	FY2003	FY2002	
Loan Business	391,259	398,057	-1.7%
Credit Card Business	5,876	5,096	15.3%
Installment Sales Finance Business	22,738	25,725	-11.6%
Guarantee Business	5,037	1,866	169.8%
Loan Servicing Business	2,786	925	201.2%
Rental Business	3,527	3,629	-2.8%
Other Businesses	3,742	2,271	64.8%

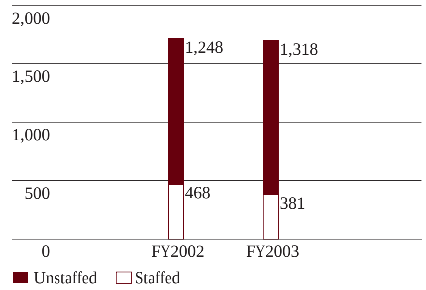
Receivables Outstanding by Segment

	Millions of Yen		Change
	FY2003	FY2002	
Loan Business	1,623,154	1,660,256	-2.2%
Credit Card Business	46,731	41,850	11.7%
Installment Sales Finance Business	181,567	237,948	-23.7%
Loan Servicing Business	6,082	1,189	411.1%

(2) Operating Expenses

In fiscal 2003, total operating expenses amounted to ¥314.5 billion, up 8.1%, or ¥23.6 billion, from the previous fiscal year. By comparison, bad-debt-related expenses rose ¥24.8 billion. In other words, excluding bad-debt-related expenses, total operating expenses would have edged down 0.6%. During the fiscal year, ACOM steadily reaped the benefits of efforts to enhance business efficiency (by scrapping and building its branch offices) and reassess overall costs. At fiscal year-end, we had a total of 1,699 branch offices providing core consumer loan services, down 17 from the previous fiscal year. Within this total, the number of staffed offices fell from 468 to 381, while the number of unstaffed offices rose from 1,248 to 1,318.

Number of Branch Offices for Loan Business



(3) Other and Extraordinary Items

Total other expenses, net, amounted to ¥58 million, representing ¥12.2 billion improvement on the previous fiscal year. Practically all of this improvement stemmed from a decline in net loss in affiliates by the equity method, which fell from ¥3.5 billion to ¥2.7 billion. The earnings performance of Tokyo-Mitsubishi Cash One Ltd., in which ACOM holds a 38.85% equity stake, has continued to improve steadily since that company was established in fiscal 2002. ACOM posted a ¥2.9 billion net gain on termination of welfare pension plans. At the same time, net losses on sale or disposal of fixed assets and loss on revaluation of investments in securities declined significantly.

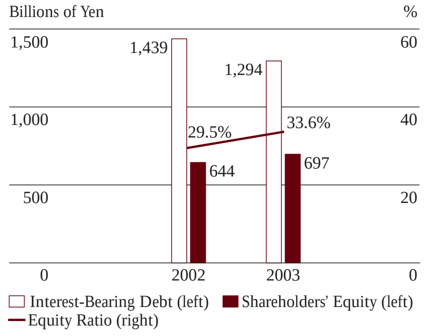
Review and Analysis
of the Consolidated Balance Sheet and Cash Flow

1. Consolidated Balance Sheet

At the end of fiscal 2003, consolidated total assets stood at ¥2,075.3 billion, down 4.9%, or ¥108.0 billion, from the end of fiscal 2002. The decline was primarily due to a fall in the balance of receivables outstanding. On the liabilities side, we reduced total interest-bearing debt by ¥142.3 billion, to ¥1,294.5 billion.

As a result, total shareholders' equity rose ¥52.7 billion, to ¥697.1 billion, and the equity ratio improved to 33.6%, from 29.5%.

Interest-Bearing Debt, Shareholders' Equity and Equity Ratio



2. Cash Flows

Cash flow from operating activities amounted to ¥164.1 billion, a major increase from ¥47.5 billion in the previous fiscal year. This stemmed mainly from a decline in operating assets, which offset the slight fall in net income.

Cash flow from investing activities amounted to ¥5.3 billion of outflow, compared with ¥8.1 billion of outflow in fiscal 2002. Decreased capital expenditures, namely purchases of property and equipment, were the main reason for the decline in net cash outflow.

Cash flow from financing activities was ¥166.1 billion of outflow, compared with ¥7.9 billion of inflow in the previous fiscal year. The primary factors in this change were a decrease in short-term loans and redemption of straight bonds, which caused interest-bearing debt to decline.

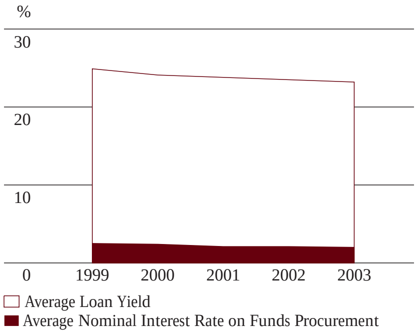
Cash Flows

	Millions of Yen		
	FY2003	FY2002	Change
Net Cash Provided by (Used in) Operating Activities	164,158	47,550	116,607
Net Cash Provided by (Used in) Investing Activities	(5,398)	(8,191)	2,793
Net Cash Provided by (Used in) Financing Activities	(166,105)	7,906	(174,011)

Risk Management

The consumer loan, credit card, installment sales finance, guarantee, and loan servicing businesses are affected by overall economic factors, such as personal consumption and employment conditions, as well as interest rates, both for lending and fund procurement.

Loan Yield and Nominal Interest Rate on Funds Procurement (Average)



1. Earnings Volatility Stemming from Economic Fluctuations

The economy in general, centering on personal consumption and employment, has a major influence on the operating income of the ACOM Group. It also has a profound impact on profitability, because it affects the amount of bad debt write-offs. We are working to minimize the effect of economic trends on our performance by expanding our three peripheral businesses: credit card, guarantee, and loan servicing. In our core consumer loan business, meanwhile, we are improving the quality of customer services, including by reinforcing services provided via the Internet and mobile phones. At the same time, we are doing our utmost to avoid bad debt risk by optimally tailoring credit screening standards to suit changing economic conditions, as well as by reinforcing our follow-up care.

2. Earnings Volatility Stemming from Interest Rate Fluctuations

Changes in lending interest rate have a dramatic impact on operating income, especially of our core consumer loan business. Through ongoing cost reductions, ACOM has brought its average loan yield of unsecured loans down to an average of 23.7%. We will continue working to improve profitability by raising business efficiency and further reducing costs.

On the other hand, Japan's protracted economic slump has had a positive effect on the interest rate for fund procurement. The average nominal interest rate on our fund procurement has progressively declined, from 2.4% in fiscal 1998 to 1.7% in fiscal 2003. If we continue pursuing a declining interest rate on fund procurement, however, we run the risk of major earnings fluctuations in the future. For this reason, we have steadily increased the ratio of funds procured at a fixed interest rate while interest rate was on a declining trend. In fact, ACOM's fixed interest rate borrowing as a percentage of total borrowing rose from 63.9% in fiscal 1998 to 86.8% in fiscal 2003. Furthermore, under our policy of prioritizing stability, we raised the ratio of funds procured through direct financing from just over 11% in fiscal 1998 to around 25% since fiscal 2000.

Financial Section

Consolidated Financial Statements

Non-Consolidated Financial Statements

Consolidated Balance Sheets

ACOM CO., LTD. and Subsidiaries

March 31	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 3) 2004
Assets			
Current assets:			
Cash and cash equivalents	¥ 158,873	¥ 166,739	$ 1,503,198
Time deposits and other bank deposits (Note 6)	72	1,254	681
Marketable securities (Note 5)	1,126	1,079	10,653
Loans receivable (Notes 4 and 6)	1,623,154	1,660,256	15,357,687
Notes and accounts receivable (Note 6)	228,798	280,291	2,164,802
Inventories	12,362	8,339	116,964
Deferred tax assets (Note 8)	47,804	40,264	452,303
Other current assets	24,768	24,246	234,345
Allowance for bad debts	(132,945)	(109,617)	(1,257,876)
Total current assets	1,964,018	2,072,855	18,582,817
Property and equipment:			
Land	18,841	19,094	178,266
Buildings and structures	43,271	43,981	409,414
Equipment	37,358	36,175	353,467
	99,471	99,251	941,158
Accumulated depreciation	(46,207)	(42,838)	(437,193)
Property and equipment, net (Note 6)	53,264	56,412	503,964
Investments and other assets:			
Investments in securities (Note 5)	29,393	21,691	278,105
Investments in affiliates	4,081	2,818	38,612
Telephone rights and other intangible assets	1,446	1,455	13,681
Rental deposits	10,406	10,890	98,457
Prepaid pension expenses (Note 7)	1,924	2,680	18,204
Discounts on bonds	—	1,400	—
Deferred tax assets (Note 8)	1,044	4,095	9,877
Other	12,214	12,047	115,564
Allowance for bad debts	(2,404)	(2,931)	(22,745)
Total investments and other assets	58,106	54,146	549,777
Total assets	¥ 2,075,389	¥ 2,183,414	$ 19,636,569

See accompanying notes to consolidated financial statements.

March 31	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 3) 2004
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans (Note 6)	¥ 21,779	¥ 42,313	$ 206,064
Current portion of long-term debt (Note 6)	332,375	359,150	3,144,810
Accounts payable	5,221	4,934	49,399
Accrued income taxes (Note 8)	26,922	31,849	254,726
Deferred income on installment sales	25,671	37,642	242,889
Allowance for loss on debt guarantees (Note 11)	1,865	474	17,645
Deferred tax liabilities (Note 8)	2	0	18
Other current liabilities	14,619	14,540	138,319
Total current liabilities	428,456	490,904	4,053,893
Long-term liabilities:			
Long-term debt (Note 6)	940,416	1,038,441	8,897,871
Allowance for employees' retirement benefits (Note 7)	281	3,671	2,658
Allowance for directors' and corporate auditors' retirement benefits	977	1,071	9,244
Deferred tax liabilities (Note 8)	2,393	7	22,641
Other long-term liabilities	4,761	4,422	45,046
Total long-term liabilities	948,830	1,047,614	8,977,481
Minority interests in consolidated subsidiaries	935	463	8,846
Commitments and contingent liabilities (Note 11)			
Shareholders' equity:			
Common stock:			
Authorized: 532,197,400 shares and 533,200,000 shares at March 31, 2004 and 2003, respectively			
Issued: 145,628,280 shares and 146,630,880 shares at March 31, 2004 and 2003, respectively	17,282	17,282	163,515
Additional paid-in capital	25,772	25,772	243,845
Retained earnings (Notes 9 and 16)	661,536	606,622	6,259,210
Net unrealized gains on other securities	5,823	75	55,095
Foreign currency translation adjustments	(2,150)	(1,518)	(20,342)
Less: Treasury stock, at cost (Note 13): 2,067,208 shares and 347,549 shares at March 31, 2004 and 2003, respectively	(11,099)	(3,803)	(105,014)
Total shareholders' equity	697,166	644,431	6,596,328
Total liabilities and shareholders' equity	¥ 2,075,389	¥ 2,183,414	$ 19,636,569

Consolidated Statements of Income

ACOM CO., LTD. and Subsidiaries

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
Years ended March 31	2004	2003	2002	2004
Operating income:				
Interest on loans receivable	¥ 384,284	¥ 390,710	¥ 373,526	$ 3,635,954
Fees from credit card business	5,808	5,071	3,755	54,953
Fees from installment sales financing	22,029	25,120	23,044	208,430
Fees from credit guarantees	4,503	1,667	114	42,605
Collection of purchased receivables	2,088	436	149	19,755
Other financial income	20	27	24	189
Sales	7,970	6,344	6,481	75,409
Other operating income	8,263	8,194	7,823	78,181
Total operating income	434,968	437,572	414,918	4,115,507
Operating expenses:				
Financial expenses	26,910	30,562	29,903	254,612
Cost of purchased receivables	1,317	66	52	12,460
Cost of sales	4,934	3,795	3,850	46,683
General and administrative expenses (Notes 7 and 10)	140,908	140,781	137,815	1,333,219
Bad debt expenses	5,358	6,327	—	50,695
Provision for bad debts	133,282	108,869	72,034	1,261,065
Provision for loss on debt guarantees	1,865	474	12	17,645
Total operating expenses	314,577	290,877	243,669	2,976,412
Operating profit	120,391	146,695	171,248	1,139,095
Other income (expenses):				
Other interest and dividend income	372	365	571	3,519
Other interest expenses	(23)	(36)	(78)	(217)
Net loss in affiliates by the equity method	(2,716)	(3,577)	(920)	(25,697)
Net loss on sale or disposal of fixed assets	(897)	(6,752)	(3,865)	(8,487)
Gain (loss) on sale of investments in securities (Note 5)	379	0	(74)	3,585
Loss on revaluation of investments in securities (Note 5)	(341)	(2,710)	(412)	(3,226)
Loss on liquidation of investments in trusted real property	(241)	—	—	(2,280)
Net gain on termination of welfare pension plans (Note 7)	2,933	—	—	27,750
Other, net	476	430	410	4,503
Total other expenses, net	(58)	(12,281)	(4,368)	(548)
Income before income taxes	120,332	134,414	166,880	1,138,537
Income taxes (Note 8):				
Current	55,533	70,157	80,787	525,432
Deferred	(6,048)	(11,179)	(9,562)	(57,223)
Total income taxes	49,485	58,977	71,224	468,208
Minority interests in earnings of consolidated subsidiaries	528	339	18	4,995
Net income	¥ 70,319	¥ 75,096	¥ 95,637	$ 665,332
	Yen			U.S. Dollars (Note 3)
Amounts per share:				
Net income:				
Basic	¥ 487.77	¥ 513.08	¥ 653.18	$ 4.61
Diluted	487.70	—	631.64	4.61
Cash dividends	80.00	80.00	80.00	0.75

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, 2001	146,630	¥ 17,282	¥ 25,772	¥ 458,669	¥ 3,183	¥ (1,572)	¥ (0)
Net income	—	—	—	95,637	—	—	—
Cash dividends	—	—	—	(10,983)	—	—	—
Bonuses to directors	—	—	—	(47)	—	—	—
Net unrealized gains on other securities	—	—	—	—	(2,056)	—	—
Foreign currency translation adjustments	—	—	—	—	—	652	—
Acquisition of treasury stock-net	—	—	—	—	—	—	(3,802)
Balance at March 31, 2002	146,630	17,282	25,772	543,276	1,127	(920)	(3,802)
Net income	—	—	—	75,096	—	—	—
Cash dividends	—	—	—	(11,702)	—	—	—
Bonuses to directors	—	—	—	(47)	—	—	—
Net unrealized gains on other securities	—	—	—	—	(1,052)	—	—
Foreign currency translation adjustments	—	—	—	—	—	(597)	
Acquisition of treasury stock	—	—	—	—	—	—	(1)
Balance at March 31, 2003	146,630	17,282	25,772	606,622	75	(1,518)	(3,803)
Net income	—	—	—	70,319	—	—	—
Cash dividends	—	—	—	(11,593)	—	—	—
Bonuses to directors	—	—	—	(40)	—	—	—
Net unrealized gains on other securities	—	—	—	—	5,748	—	—
Foreign currency translation adjustments	—	—	—	—	—	(632)	
Acquisition of treasury stock	—	—	—	—	—	—	(11,066)
Retirement of treasury stock	(1,002)	—	—	(3,771)	—	—	3,771
Balance at March 31, 2004	145,628	¥ 17,282	¥ 25,772	¥ 661,536	¥ 5,823	¥ (2,150)	¥ (11,099)

	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, 2003	$ 163,515	$ 243,845	$ 5,739,634	$ 709	$ (14,362)	$ (35,982)
Net income	—	—	665,332	—	—	—
Cash dividends	—	—	(109,688)	—	—	—
Bonuses to directors	—	—	(378)	—	—	—
Net unrealized gains on other securities	—	—	—	54,385	—	—
Foreign currency translation adjustments	—	—	—	—	(5,979)	—
Acquisition of treasury stock	—	—	—	—	—	(104,702)
Retirement of treasury stock	—	—	(35,679)	—	—	35,679
Balance at March 31, 2004	$ 163,515	$ 243,845	$ 6,259,210	$ 55,095	$ (20,342)	$ (105,014)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ACOM CO., LTD. and Subsidiaries

	Millions of Yen			Thousands of U.S. Dollars(Note 3)
Years ended March 31	2004	2003	2002	2004
Operating activities:				
Income before income taxes	¥ 120,332	¥ 134,414	¥ 166,880	$ 1,138,537
Adjustments:				
Depreciation and amortization	5,450	6,321	6,867	51,565
Increase in allowance for bad debts	22,812	31,572	16,695	215,838
Increase in allowance for loss on debt guarantees	1,391	461	12	13,161
(Decrease) increase in allowance for employees' retirement benefits	(3,389)	498	81	(32,065)
(Decrease) increase in allowance for directors' and corporate auditors' retirement benefits	(93)	90	93	(879)
Non-operating interest and dividend income	(372)	(365)	(571)	(3,519)
Non-operating interest expenses	23	36	78	217
Net loss in affiliates by the equity method	2,716	3,577	920	25,697
Net loss on sale or disposal of fixed assets	897	6,752	3,865	8,487
Amortization of discounts on bonds	384	386	183	3,633
Bond issuance expenses	232	256	639	2,195
(Gain) loss on sale of investments in securities	(379)	(0)	74	(3,585)
Loss on revaluation of investments in securities	341	2,710	412	3,226
Loss on liquidation of investments in trusted real property	241	—	—	2,280
Changes in operating assets and liabilities:				
Decrease (increase) in loans receivable	36,945	(41,705)	(121,614)	349,560
Decrease (increase) in notes and accounts receivable	51,332	(10,668)	(45,507)	485,684
Increase in inventories	(4,023)	(983)	(127)	(38,064)
Increase in other current assets	(291)	(1,554)	(2,680)	(2,753)
Decrease in prepaid pension expenses	756	991	492	7,152
Increase (decrease) in notes and accounts payable	293	(1,618)	(3,169)	2,772
(Decrease) increase in deferred income on installment sales	(11,952)	(1,740)	5,784	(113,085)
(Decrease) increase in other current liabilities	(432)	(1,735)	2,321	(4,087)
Bonuses paid to directors	(40)	(47)	(47)	(378)
Other, net	1,382	915	(406)	13,075
Subtotal	224,560	128,566	31,278	2,124,704
Non-operating interest and dividends received	389	368	662	3,680
Non-operating interest paid	(21)	(33)	(110)	(198)
Income taxes paid	(60,770)	(81,350)	(78,384)	(574,983)
Net cash provided by (used in) operating activities	164,158	47,550	(46,554)	1,553,202

(Continued)

Years ended March 31	Millions of Yen 2004	2003	2002	Thousands of U.S. Dollars(Note 3) 2004
Investing activities:				
Decrease in time deposits and marketable securities	¥ 237	¥ 521	¥ 1,366	$ 2,242
Proceeds from sale of property and equipment	60	550	7,187	567
Purchases of property and equipment	(2,159)	(4,389)	(6,268)	(20,427)
Proceeds from maturity or sale of investments in securities	2,404	134	—	22,745
Increase in investments in securities	(690)	(6,020)	(1,019)	(6,528)
(Increase) decrease in investments in and advances to affiliates	(4,000)	25	(7,000)	(37,846)
Proceeds from sale of AV rental business (Note 15)	—	—	350	—
(Increase) decrease in other investments	(1,251)	986	(208)	(11,836)
Net cash used in investing activities	(5,398)	(8,191)	(5,590)	(51,073)
Financing activities:				
Proceeds from long-term debt	385,370	377,800	527,467	3,646,229
Payments of principal of long-term debt	(508,090)	(371,372)	(447,428)	(4,807,361)
(Decrease) increase in short-term loans	(20,413)	13,301	2,389	(193,140)
Acquisition of treasury stock-net	(11,066)	(1)	(3,801)	(104,702)
Net proceeds from issuance of a subsidiary's stock	85	28	—	804
Cash dividends paid by the Company	(11,592)	(11,700)	(10,986)	(109,679)
Cash dividends paid by a subsidiary to minority shareholders	(135)	(149)	—	(1,277)
Other, net	(262)	—	—	(2,478)
Net cash (used in) provided by financing activities	(166,105)	7,906	67,639	(1,571,624)
Effect of exchange rate changes on cash and cash equivalents	(520)	(689)	42	(4,920)
(Decrease) increase in cash and cash equivalents	(7,865)	46,576	15,536	(74,415)
Cash and cash equivalents at beginning of the year	166,739	120,163	104,627	1,577,623
Cash and cash equivalents at end of the year	¥ 158,873	¥ 166,739	¥ 120,163	$ 1,503,198

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 accompanying consolidated financial statements of ACOM CO., LTD. (the “Company”) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accounting records of 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 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”) 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.

Certain items presented in the original consolidated financial statements filed with the Prime Minister of Japan 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

In accordance with Japanese consolidation accounting standards, the Company considers any entity in which the Company, directly or indirectly, is able to control operations to be a subsidiary, even if it is less-than-majority owned. The Company had 16 subsidiaries as of March 31, 2004. The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries (together, the “Companies”), which are listed on the following page:

Name	Jurisdiction of incorporation	Percentage of equity ownership	Fiscal year end
JLA INCORPORATED	Japan	100%	March 31
ACOM ECONOMIC 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
JCK CREDIT CO., LTD.	Japan	100%	March 31
A B PARTNER CO., LTD.	Japan	100%	March 31
IR Loan Servicing, Inc.	Japan	80%	March 31
ACOM (U.S.A.) INC.(**)	U.S.A.	100%	December 31
ACOM INTERNATIONAL, INC.(**)	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
ACOM FUNDING CO., LTD.	Cayman Island	100%	December 31

* On April 1, 2004, ACOM ECONOMIC RESEARCH INSTITUTE, INC. was merged into ACOM RENTAL CO., LTD.
** Currently suspended its operation, and further business scheme is under consideration.
*** A substantially controlled company.

In accordance with Japanese consolidation accounting standards, the Company considers any entity over which the Company does not have control but an ability to exercise significant influence to be an affiliate. Investments in affiliates are accounted for by the equity method of accounting. The Company had three affiliates as of March 31, 2004, which are listed below:

Name	Jurisdiction of incorporation	Percentage of equity ownership	Fiscal year end
ASCOT CO., LTD.(*)	Japan	38.25%	March 31
Tokyo-Mitsubishi Cash One Ltd.	Japan	38.85%(**)	March 31
CHAILEASE ACOM FINANCE CO., LTD.	Taiwan	40.00%	December 31

* On April 19, 2004, the Company sold all of its holding shares of this company.
** Due to acquisition of new shares of common stock issued by this company in March 2004, the percentage of equity ownership was changed from 35% to 38.85%.

The difference between the cost of investments 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 their 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 as "Foreign currency translation adjustments" in the accompanying consolidated balance sheets.

(d) Foreign currency transactions

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 the resulting gains or losses are included in income.

(e) Marketable securities and investments in securities

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 sheets, except that any impairment loss is recorded and charged to income. Other securities for which market prices are not available are stated at moving-average cost.

(f) Inventories

Inventories, primarily consisting of paintings held by the Company and purchased receivables held by a subsidiary servicing company, are stated at individually specified cost.

(g) Allowance for bad debts

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.

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 and discounts on bonds

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

From the fiscal year ended March 31, 2002, in accordance with the revised "Form of Standard Financial Statements in the Consumer Finance Business" (issued by the Federation of Moneylenders Associations of Japan on April 25, 1993, revised on May 10, 2001), bond issuance expenses, related to the bonds issued by Financial Services companies only, were reclassified from "Other, net" in the other income (expenses) section to "Financial expenses" in the operating expenses section. The effect of this reclassification was to increase operating expenses by ¥629 million and to decrease operating profit and other expenses by the same amount for the year ended March 31, 2002.

Discounts on bonds are deferred and amortized by the straight-line method over the period of duration of the related bonds.

(j) Allowance for loss on debt guarantees

The Company has entered into affiliations with Japanese regional banks and an unconsolidated affiliate to provide credit guarantees for personal loans held by those banks and the affiliate. To cover possible losses on debt guarantees, the Company provided for an allowance based on the historical rates of fulfillment of guarantee obligation and subsequent write-off of the guaranteed loans.

(k) Employees' retirement benefits

The allowance for employees' retirement benefits of the Company and its domestic subsidiaries is 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 is recorded as prepaid pension expenses.

Net retirement benefit expense or income is 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 and payments to a defined contribution pension plan.

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 are 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 have recognized actuarial gains or losses evenly over the five years following the respective fiscal years when such gains or losses are identified. In addition, the Company and its domestic subsidiaries have recognized past service cost evenly over five years from the time of its origination.

On March 26, 2004, a welfare pension plan jointly sponsored by the Company and certain of its domestic subsidiaries was terminated. In addition, on October 27, 2003, a welfare pension plan participated by a domestic subsidiary was terminated. The resulting net gain was stated as "Net gain on termination of welfare pension plans" in the accompanying consolidated statement of income for the year ended March 31, 2004.

The allowance for employees' retirement benefits of an overseas subsidiary is provided at the amount determined in accordance with basic salary and number of years of employment.

(l) Allowance for directors' and corporate auditors' retirement benefits

The allowance for directors' and corporate 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 corporate 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.

(m) Leases

Non-cancelable 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.

(n) 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.

(o) 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").

(p) Recognition of fees from credit guarantees

Fees from credit guarantees have been recognized on an accrual basis using the credit-balance method.

(q) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. In accordance with Japanese tax-effect accounting standards, the asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the reported amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(r) Derivative and hedging transactions

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

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 and currency 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.

(s) Net income per share

From the fiscal year ended March 31, 2003, the Company adopted the Financial Accounting Standards No. 2, "Accounting Standard for Earnings Per Share" issued by the Accounting Standards Board of Japan (the "ASBJ") on September 25, 2002. Under this Standard, basic net income per share is computed by dividing net income, the portion attributable to shareholders of common stock only, by the weighted-average number of shares of common stock outstanding during the year. Accordingly, in the per share computation, the portion not attributable to shareholders of common stock, such as bonuses payable to directors and corporate auditors, should be excluded. If this Standard had been retroactively applied, basic net income per share for the fiscal year ended March 31, 2002 would have been ¥652.85.

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 and matured on March 31, 2002 and potential shares of common stock for the Company's stock option plans. If the Standard, above described, had been retroactively applied, diluted net income per share for the fiscal year ended March 31, 2002 would have been ¥631.33.

(t) Reclassifications

Certain reclassifications have been made to prior years' 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 ¥105.69 = US$1.00, the exchange rate prevailing on March 31, 2004. The translation should not be construed as a representation that yen amounts 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, 2004 and 2003 included unsecured loans to individual customers in the aggregate amount of ¥1,558,620 million ($14,747,090 thousand) and ¥1,589,480 million, respectively.

Bad debts included in unsecured loans to individual customers as of March 31, 2004 and 2003 were classified as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Non-accrual loans due to bankruptcy or reorganization	¥ 9,280	¥ 9,227	$ 87,803
Other non-accrual loans in arears	36,966	31,302	349,758
Loans past due for three months or more	1,787	1,139	16,907
Restructured loans	32,225	19,122	304,901
	¥ 80,259	¥ 60,791	$ 759,381

5. Marketable Securities and Investments in Securities

At March 31, 2004 and 2003, information with respect to held-to-maturity securities for which market prices were available was summarized as follows:

	Millions of Yen					
	2004			2003		
March 31	Balance sheet amount	Market value	Unrealized gains	Balance sheet amount	Market value	Unrealized losses
Bonds other than national, municipal and corporate bonds	¥ 4,000	¥ 4,112	¥ 112	¥ 4,000	¥ 3,998	¥ (1)

	Thousands of U.S. Dollars		
	2004		
March 31	Balance sheet amount	Market value	Unrealized gains
Bonds other than national, municipal and corporate bonds	$ 37,846	$ 38,906	$ 1,059

At March 31, 2004 and 2003, information with respect to other securities for which market prices were available was summarized as follows:

	Millions of Yen					
	2004			2003		
March 31	Cost	Balance sheet amount	Unrealized gains (losses)	Cost	Balance sheet amount	Unrealized gains (losses)
Unrealized gain items:						
Stock	¥ 9,766	¥ 19,656	¥ 9,890	¥ 4,005	¥ 6,148	¥ 2,142
Bonds:						
National and municipal	81	86	4	80	87	7
Corporate	1,692	1,740	48	1,313	1,356	43
Other	—	—	—	10	10	0
Other	1,654	1,755	101	2,004	2,047	43
Subtotal	13,193	23,238	10,045	7,413	9,650	2,236
Unrealized loss items:						
Stock	2,240	2,035	(205)	8,777	7,060	(1,717)
Bonds:						
Other	5	5	(0)	5	5	(0)
Other	441	402	(39)	1,308	912	(395)
Subtotal	2,688	2,443	(244)	10,090	7,977	(2,113)
Total	¥ 15,881	¥ 25,682	¥ 9,800	¥ 17,504	¥ 17,628	¥ 123

	Thousands of U.S. Dollars		
	2004		
March 31	Cost	Balance sheet amount	Unrealized gains (losses)
Unrealized gain items:			
Stock	$ 92,402	$ 185,977	$ 93,575
Bonds:			
National and municipal	766	813	37
Corporate	16,009	16,463	454
Other	—	—	—
Other	15,649	16,605	955
Subtotal	124,827	219,869	95,042
Unrealized loss items:			
Stock	21,194	19,254	(1,939)
Bonds:			
Other	47	47	(0)
Other	4,172	3,803	(369)
Subtotal	25,432	23,114	(2,308)
Total	$ 150,260	$ 242,993	$ 92,724

An impairment loss has been recorded when (i) the market price of a marketable security fell below 50% of its acquisition cost (or book value, if previously written-down) at the fiscal year end, and is deemed unlikely to recover to the level of the cost, or (ii) the market price fell bellow 30% to 50% of the cost at the fiscal year end, and the rate of decline remained 30% or higher during the past one year.

With respect to other securities for which market prices were available, impairment losses amounting to ¥242 million ($2,289 thousand), ¥2,690 million and ¥363 million were recorded and included in “Loss on revaluation of investments in securities” of the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002, respectively.

Information with respect to other securities sold in the years ended March 31, 2004, 2003 and 2002 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	2004	2003	2002	2004
Total sales amount	¥ 1,063	¥ 177	¥ 860	$ 10,057
Total gain on sales	446	87	307	4,219
Total loss on sales	—	14	92	—

At March 31, 2004 and 2003, securities for which market prices were not available included principally the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
March 31	Balance sheet amount		
Other securities:			
Unlisted companies' stock, excluding over-the-counter stock	¥ 803	¥ 1,142	$ 7,597

Other securities with maturity and held-to-maturity securities will fall due subsequent to March 31, 2004 and 2003 as follows:

	Millions of Yen					
	2004			2003		
March 31	Within one year	One - five years	Over five years	Within one year	One - five years	Over five years
Bonds:						
National and municipal	¥ —	¥ 86	¥ —	¥ —	¥ —	¥ 87
Corporate	602	1,173	—	—	1,356	—
Other	5	—	4,000	15	—	4,000
Other	519	623	7	1,064	587	532
Total	¥ 1,126	¥ 1,882	¥ 4,007	¥ 1,079	¥ 1,944	¥ 4,620

	Thousands of U.S. Dollars		
	2004		
March 31	Within one year	One - five years	Over five years
Bonds:			
National and municipal	$ —	$ 813	$ —
Corporate	5,695	11,098	—
Other	47	—	37,846
Other	4,910	5,894	66
Total	$ 10,653	$ 17,806	$ 37,912

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

The weighted-average interest rates of short-term loans as of March 31, 2004 and 2003 were 1.53% and 1.26%, respectively.

Long-term debt was summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Unsecured loans of domestic Companies mainly from banks and other financial institutions at interest rates ranging from 0.678% to 3.3% due through December 2010	¥ 384,549	¥ 461,530	$ 3,638,461
Unsecured loans of an overseas subsidiary at interest rates ranging from 2.35% to 4.9% due through September 2005	2,335	2,177	22,092
Loans with collateral of domestic Companies mainly from banks and other financial institutions at interest rates ranging from 0.64% to 3.7% due through October 2010	590,186	607,759	5,584,123
Unsecured bonds issued by the Company at interest rates ranging from 0.85% to 2.72% due through June 2012	285,000	295,000	2,696,565
Unsecured bonds issued by domestic subsidiaries at interest rates 1.45% and 0.75% due May 2005	5,300	300	50,146
Japanese yen discounted bonds with collateral issued by an overseas subsidiary(*)	—	25,284	—
3.2% THB 2,000 million unsecured bonds issued by an overseas subsidiary due December 2005	5,420	5,540	51,282
Less: current portion	(332,375)	(359,150)	(3,144,810)
	¥ 940,416	¥ 1,038,441	$ 8,897,871

* Redeemed on March 29, 2004 in advance of the initial redemption date of March 28, 2008.

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

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Bank deposits	¥ —	¥ 1,194	$ —
Loans receivable	598,145	642,524	5,659,428
Notes and accounts receivable	—	100	—
Property and equipment, net	8,104	8,247	76,677
	¥ 606,250	¥ 652,067	$ 5,736,115

At March 31, 2004 and 2003, the Company had a commitment, at the lenders' request, to furnish at any time, collateral pledged on ¥118,852 million ($1,124,534 thousand) and ¥137,761 million of loans receivable of ¥598,145 million ($5,659,428 thousand) and ¥642,524 million shown in the above table, respectively. The pledged collateral which the lenders could require covered the following:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Short-term loans	¥ 1,000	¥ 1,000	$ 9,461
Current portion of long-term debt	43,091	40,324	407,711
Long-term debt	74,434	95,608	704,267

The above tables included loans receivable related to securitized loans of ¥32,999 million ($312,224 thousand) and related long-term debt of ¥23,880 million ($225,943 thousand) as of March 31, 2004.

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 were summarized as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 332,375	$ 3,144,810
2006	337,345	3,191,834
2007	252,601	2,390,017
2008	163,765	1,549,484
2009	112,414	1,063,620
2010 and thereafter	74,289	702,895
	¥ 1,272,791	$ 12,042,681

For efficient procurement of working capital, the Company and certain of its subsidiaries have entered into overdraft contracts with six financial institutions and commitment line contracts with fifteen financial institutions, which provided the Companies with the overdraft and commitment facilities in the aggregate amount of ¥291,007 million ($2,753,401 thousand) as of March 31, 2004. The unused facilities maintained by the Companies as of March 31, 2004 amounted to ¥252,853 million ($2,392,402 thousand).

7. Employees' Retirement Benefits

At March 31, 2004, the Company and certain of its subsidiaries had, jointly or severally, defined benefit plans, including two funded non-contributory tax-qualified retirement pension plans, which together cover substantially all full-time employees who meet certain eligibility requirements. In the fiscal year ended March 31, 2004, the two funded contributory welfare pension plans jointly held by the domestic Companies were terminated, and one of those plans was substantially transferred to a joint defined contribution pension plan.

The funded status and amounts recognized in the accompanying consolidated balance sheets as of March 31, 2004 and 2003 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Projected benefit obligation	¥ (21,314)	¥ (34,172)	$ (201,665)
Plan assets at fair market value	19,382	24,060	183,385
Unfunded retirement benefit liabilities	(1,932)	(10,112)	(18,279)
Unrecognized past service cost (gain)(*)	310	(1,649)	2,933
Net unrecognized actuarial losses	3,265	10,771	30,892
Net retirement benefit liabilities recognized on the consolidated balance sheets	1,643	(991)	15,545
Prepaid pension expenses	1,924	2,680	18,204
Allowance for employees' retirement benefits	¥ (281)	¥ (3,671)	$ (2,658)

* In connection with the revision to the Welfare Pension Insurance Law of Japan, effective March 2002, one of the welfare pension plans held by the domestic Companies raised the age of commencement of benefit payments from 60 to 65 years, which reduced the benefit obligation of the plan by ¥2,116 million as of March 31, 2002. As a result of the termination of the plan in March 2004, the remaining balance of the related past service gain was immediately recognized and included in "Net gain on termination of welfare pension plans" in the accompanying consolidated statement of income for the year ended March 31, 2004.

The components of net retirement benefit expenses recognized in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002 were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	2004	2003	2002	2004
Current service cost	¥ 2,445	¥ 2,504	¥ 2,167	$ 23,133
Interest cost	819	774	800	7,749
Expected return on plan assets	(698)	(743)	(721)	(6,604)
Past service cost (gain) recognized for the year	(345)	(421)	(35)	(3,264)
Net actuarial losses recognized for the year	2,586	1,908	739	24,467
Retirement payments in a lump sum and payments to a defined contribution pension plan	101	13	—	955
Net gain on termination of welfare pension plans(*)	(2,933)	—	—	(27,750)
Net retirement benefit expenses	¥ 1,977	¥ 4,036	¥ 2,950	$ 18,705

* Net gain on termination of welfare pension plans was analyzed as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years ended March 31	2004	2004
Decrease in projected benefit obligation	¥ 17,544	$ 165,994
Decrease in plan assets	(10,521)	(99,545)
Past service gain recognized at the termination	1,263	11,950
Net actuarial losses recognized at the termination	(3,836)	(36,294)
Special payments to cover the deficit at the termination	(1,516)	(14,343)
Net gain	¥ 2,933	$ 27,750

The principal assumptions used in determining retirement benefit obligations and other components for the domestic Companies' plans were as follows:

	2004	2003	2002
Discount rate	2.00%	2.50%	2.50%
Expected rate of return on plan assets	3.00%	3.00%	3.00%
Period of recognition of past service cost	5 years evenly	5 years evenly	5 years evenly
Period of recognition of actuarial gains or losses	5 years evenly	5 years evenly	5 years evenly

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, 2004, 2003 and 2002.

Reconciliation between the statutory tax rate and the effective tax rate as a percentage of income before income taxes for the year ended March 31, 2003 was summarized as follows:

Years ended March 31	2003
Statutory income tax rate	40.9%
Net loss in affiliates by the equity method	1.1
Retained earnings of subsidiaries	0.3
Expenses not deductible for income tax purposes	0.1
Inhabitants' per capita taxes	0.2
Other	1.3
Effective income tax rate	43.9%

* Reconciliations for the years ended March 31, 2004 and 2002 were omitted, as the statutory tax rate did not significantly differ from the effective tax rates.

The tax effects of temporary differences which give rise to a significant portion of the deferred tax assets and liabilities as of March 31, 2004 and 2003 were presented as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Deferred tax assets:			
Bad debt write-offs	¥ 12,954	¥ 11,565	$ 122,565
Allowance for bad debts	27,935	22,234	264,310
Allowance for loss on debt guarantees	758	193	7,171
Accrued bonuses	1,505	1,268	14,239
Allowance for employees' retirement benefits	98	1,454	927
Allowance for directors' and corporate auditors' retirement benefits	397	434	3,756
Accrued interest income	514	464	4,863
Accrued enterprise tax	2,315	2,716	21,903
Depreciation and amortization	6,730	6,443	63,676
Consumption tax	286	289	2,706
Revaluation of marketable securities	135	42	1,277
Loss on investments in golf club and other membership	183	171	1,731
Tax loss carryforwards of subsidiaries	5	6	47
Elimination of unrealized profit	1,237	1,336	11,704
Other	420	255	3,973
Subtotal	55,481	48,877	524,940
Less: valuation allowance	(496)	(145)	(4,692)
Total gross deferred tax assets	54,984	48,732	520,238
Deferred tax liabilities:			
Retained earnings of subsidiaries	(3,632)	(3,187)	(34,364)
Prepaid pension expenses	(782)	(1,085)	(7,398)
Net unrealized gains on other securities	(3,990)	(47)	(37,751)
Other	(126)	(59)	(1,192)
Total gross deferred tax liabilities	(8,531)	(4,380)	(80,717)
Net deferred tax assets	¥ 46,453	¥ 44,352	$ 439,521

On March 31, 2003, the Local Taxes Law of Japan was amended to introduce the pro forma standard taxation system to enterprise tax from the fiscal years commencing on and after April 1, 2004. Under this system, companies with stated capital of over ¥100 million will be subject to taxation based on the sum of stated capital and capital reserve and the total value added for the fiscal year ("pro forma standards") in exchange for reduced rates on taxable income, which will reduce the aggregate statutory tax rate on income of the Company and certain of its domestic subsidiaries for the fiscal years ending March 31, 2005 and thereafter. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities as of March 31, 2004 and 2003 by ¥210 million ($1,986 thousand) and ¥54 million, respectively, and increase deferred income tax expenses for the years then ended by the same amounts.

9. Legal Reserve

Consolidated retained earnings included a legal reserve which amounted to ¥4,354 million ($41,195 thousand) and ¥4,353 million as of March 31, 2004 and 2003, 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 corporate auditors' bonuses in respect of each fiscal period be appropriated to the legal reserve until the sum of such reserve and capital reserve, including additional paid-in capital, equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the board of directors.

10. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, and net book value of leased equipment as of March 31, 2004 and 2003 and the related depreciation and interest expenses for the years ended March 31, 2004, 2003 and 2002, 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:

	Millions of Yen						Thousands of U.S. Dollars		
	Acquisition costs		Accumulated depreciation		Net book value		Acquisition costs	Accumulated depreciation	Net book value
March 31	2004	2003	2004	2003	2004	2003	2004	2004	2004
Equipment	¥ 7,976	¥ 9,495	¥ 4,523	¥ 5,315	¥ 3,452	¥ 4,179	$ 75,465	$ 42,794	$ 32,661

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	2004	2003	2002	2004
Depreciation	¥ 2,038	¥ 2,827	¥ 3,681	$ 19,282
Interest	102	144	190	965

Lease expenses relating to finance lease transactions accounted for as operating leases amounted to ¥2,158 million ($20,418 thousand), ¥3,004 million and ¥3,924 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Future minimum lease payments subsequent to March 31, 2004 for finance lease transactions accounted for as operating leases were summarized as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 1,765	$ 16,699
2006 and thereafter	1,755	16,605
	¥ 3,521	$ 33,314

11. Commitments and Contingent Liabilities

Future payments under rental leases subsequent to March 31, 2004 amounted to ¥3,737 million ($35,358 thousand).

The Company makes loans to customers primarily in the form of revolving credit-line contracts whereby a maximum credit amount is assigned to a customer who is then able to borrow repeatedly within the limit of the facility. At March 31, 2004, the unexercised portion of such facilities amounted to ¥706,379 million ($6,683,498 thousand), including ¥452,378 million ($4,280,234 thousand) for customers with zero outstanding balances. As a certain portion of revolving credit-line contracts lapse without ever being used, the unexercised facilities will not necessarily affect the future cash flows of the Company.

At March 31, 2004, contingent liabilities on the personal loans for which the Company provided credit guarantees amounted to ¥99,106 million ($937,704 thousand), net of allowance for loss on debt guarantees in the amount of ¥1,865 million ($17,645 thousand). Such contingent liabilities included the personal loans of Tokyo-Mitsubishi Cash One, Ltd. guaranteed by the Company amounting to ¥38,994 million ($368,946 thousand) as of March 31, 2004.

In addition, at March 31, 2004, the Company was contingently liable as guarantor of CHAILEASE ACOM FINANCE CO., LTD.'s debt amounting to NT$270 million.

At March 31, 2004, trade notes receivable of ¥3 million ($28 thousand) were endorsed by a domestic subsidiary.

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, interest rate options, and currency swap agreements in order to hedge against the risk of fluctuations in interest rates and foreign currency exchange rates relating to their short-term and long-term loans.

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 and currency swap agreements are exposed to changes in interest rates and foreign currency exchange rates, respectively. 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 non-performance by any of the counterparties to the above transactions, all of whom are financial institutions which are deemed highly creditworthy.

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.

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 officers' meeting when the Company's annual business plan is established.

(2) Market value information

Market value information as of March 31, 2004 and 2003 was omitted, as all of the Companies' derivative transactions are accounted for as hedging transactions.

13. Stock Option Plans

The Company has two stock option plans for the granting of non-transferable options to certain eligible directors and key employees of the Company.

On August 1, 2001, options were granted for terms of five years to purchase the aggregate of 346,800 shares of common stock of the Company at ¥10,682 per share. The options were exercisable beginning on July 1, 2003. To provide for exercise of the options, in August 2001, the Company purchased 346,800 shares of common stock in the aggregate amount of ¥3,796 million from the stock market, which were included in "Treasury stock" of the shareholders' equity section of the accompanying consolidated balance sheets as of March 31, 2004 and 2003.

On August 1, 2003, options were granted for terms of five years to purchase the aggregate of 352,400 shares of common stock of the Company at ¥4,959 ($46.92) per share. The options will be exercisable beginning on July 1, 2005.

14. Segment Information

The Companies' operations by business segment for the year ended March 31, 2004 have not been disclosed, as the Companies' business other than Financial services was immaterial. The Companies' operations by business segment for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen				
Year ended or as of March 31, 2003	Financial services	Other businesses	Total	Adjustments and eliminations	Consolidated
Operating income from:					
Outside customers	¥ 431,671	¥ 5,901	¥ 437,572	¥ —	¥ 437,572
Intersegment	—	15,300	15,300	(15,300)	—
Total	431,671	21,201	452,873	(15,300)	437,572
Operating expenses	277,805	20,524	298,330	(7,452)	290,877
Operating profit	¥ 153,866	¥ 676	¥ 154,543	¥ (7,847)	¥ 146,695
Assets	¥ 2,118,518	¥ 35,893	¥ 2,154,411	¥ 29,002	¥ 2,183,414
Depreciation	5,492	549	6,041	2	6,043
Capital expenditure	4,281	1,361	5,642	(1,131)	4,511
Year ended or as of March 31, 2002					
Operating income from:					
Outside customers	¥ 408,431	¥ 6,487	¥ 414,918	¥ —	¥ 414,918
Intersegment	—	14,671	14,671	(14,671)	—
Total	408,431	21,158	429,589	(14,671)	414,918
Operating expenses	230,284	19,876	250,160	(6,491)	243,669
Operating profit	¥ 178,146	¥ 1,282	¥ 179,429	¥ (8,180)	¥ 171,248
Assets	¥ 2,095,238	¥ 39,292	¥ 2,134,531	¥ 32,334	¥ 2,166,865
Depreciation	5,771	704	6,476	53	6,529
Capital expenditure	6,109	2,730	8,839	(2,588)	6,251

Unallocated corporate expenses and assets included in "Adjustments and eliminations" for the years ended or as of March 31, 2003 and 2002 were as follows:

	Millions of Yen	
Years ended or as of March 31	2003	2002
Corporate expenses	¥ 7,956	¥ 8,280
Corporate assets	54,666	53,750

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

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, resulting in a gain on sale of ¥39 million. The aggregate book value of the assets sold was ¥905 million.

16. Subsequent Events

On March 23, 2004, the Company agreed with Mitsubishi Tokyo Financial Group, Inc. ("MTFG") to form a strategic business and capital alliance in the retail business arena in order to strengthen the competitive power and to enhance the profitability in the retail business arena of consumer credit market. In this connection, based on the approval by the Board of Directors of the Company on that date, the Company newly issued 14,000,000 shares of its common stock at ¥6,650 per share, in the aggregate amount of ¥93,100 million, and re-issued 1,719,360 shares of its treasury common stock at ¥6,650, in the aggregate amount of ¥11,433 million, to MTFG. The proceeds from the issuance and re-issuance of the shares were received on April 19, 2004, and will be utilized for operating capital of the Company.

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2004, were approved at a shareholders' meeting of the Company held on June 24, 2004:

	Millions of Yen
Cash dividends (¥40.00 = US$0.37)	¥ 5,742
Bonuses to directors	35

Report of Independent Auditors on the Consolidated Financial Statements

Shin Nihon & Co.

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Report of Independent Auditors

The Board of Directors
ACOM CO., LTD.

We have audited the accompanying consolidated balance sheets of ACOM CO., LTD. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ACOM CO., LTD. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004 in conformity with accounting principles generally accepted in Japan.

As described in Note 16 "Subsequent Events" to the consolidated financial statements, the proceeds from the issuance of the shares of ACOM CO., LTD. and the re-issuance of treasury stock based on the approval by the Board of Directors of the Company on March 23, 2004 were received on April 19, 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

Shin Nihon & Co.

June 24, 2004

Non-Consolidated Balance Sheets

ACOM CO., LTD.

March 31	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 3) 2004
Assets			
Current assets:			
Cash and cash equivalents	¥ 149,011	¥ 149,686	$ 1,409,887
Bank deposits (Note 4)	—	1,194	—
Marketable securities	565	1,074	5,345
Loans receivable (Note 4)	1,612,799	1,652,890	15,259,712
Accounts receivable	159,907	194,369	1,512,981
Merchandise	5,879	6,610	55,624
Prepaid expenses	5,071	6,759	47,979
Accrued income	12,110	12,189	114,580
Short-term loans to a subsidiary	50	50	473
Deferred tax assets (Note 5)	46,530	38,998	440,249
Other current assets	5,249	3,075	49,664
Allowance for bad debts	(127,000)	(104,770)	(1,201,627)
Total current assets	1,870,175	1,962,129	17,694,909
Property and equipment:			
Land	8,023	8,313	75,910
Buildings and structures	40,719	41,666	385,268
Equipment	36,760	36,265	347,809
	85,503	86,246	808,998
Accumulated depreciation	(46,313)	(43,482)	(438,196)
Property and equipment, net (Note 4)	39,190	42,763	370,801
Investments and other assets:			
Investments in securities	28,219	20,344	266,997
Investments in and advances to subsidiaries and affiliates	58,256	54,950	551,196
Telephone rights and other intangible assets	1,206	1,214	11,410
Rental deposits	10,588	11,160	100,179
Prepaid pension expenses	1,887	2,630	17,854
Deferred tax assets (Note 5)	857	5,662	8,108
Other	11,667	12,083	110,388
Allowance for bad debts	(2,400)	(2,930)	(22,707)
Total investments and other assets	110,282	105,116	1,043,447
Total assets	¥ 2,019,648	¥ 2,110,009	$ 19,109,168

See accompanying notes to non-consolidated financial statements.

March 31	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 3) 2004
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans (Note 4)	¥ 11,500	¥ 16,400	$ 108,808
Current portion of long-term debt (Note 4)	325,304	348,791	3,077,907
Accounts payable	1,035	1,844	9,792
Accrued income taxes (Note 5)	26,319	30,231	249,020
Accrued expenses	12,716	12,153	120,314
Deferred income on installment sales	17,276	25,518	163,459
Allowance for loss on debt guarantees (Note 9)	1,865	474	17,645
Other current liabilities	1,988	1,949	18,809
Total current liabilities	398,005	437,363	3,765,777
Long-term liabilities:			
Long-term debt (Note 4)	923,285	1,019,656	8,735,783
Allowance for employees' retirement benefits	—	3,268	—
Allowance for directors' and corporate auditors' retirement benefits	867	964	8,203
Other long-term liabilities	3,407	3,370	32,235
Total long-term liabilities	927,560	1,027,260	8,776,232
Commitments and contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock:			
Authorized: 532,197,400 shares and 533,200,000 shares at March 31, 2004 and 2003, respectively			
Issued: 145,628,280 shares and 146,630,880 shares at March 31, 2004 and 2003, respectively	17,282	17,282	163,515
Additional paid-in capital	25,772	25,772	243,845
Legal reserve (Note 6)	4,320	4,320	40,874
Retained earnings (Note 12)	652,006	601,762	6,169,041
Net unrealized gains on other securities (Note 7)	5,799	51	54,868
Less: Treasury stock, at cost (Note 10): 2,067,208 shares and 347,549 shares at March 31, 2004 and 2003, respectively	(11,099)	(3,803)	(105,014)
Total shareholders' equity	694,082	645,386	6,567,149
Total liabilities and shareholders' equity	¥ 2,019,648	¥ 2,110,009	$ 19,109,168

Non-Consolidated Statements of Income

ACOM CO., LTD.

Years ended March 31	Millions of Yen 2004	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 3) 2004
Operating income:				
Interest on loans receivable	¥ 379,332	¥ 388,483	¥ 373,235	$ 3,589,100
Fees from credit card business	5,714	4,986	3,692	54,063
Fees from installment sales financing	13,799	16,166	16,278	130,561
Fees from credit guarantees	4,503	1,667	114	42,605
Other financial income	18	26	23	170
Sales	735	105	—	6,954
Other operating income	7,695	7,822	7,474	72,807
Total operating income	411,799	419,258	400,818	3,896,291
Operating expenses:				
Financial expenses	26,115	29,585	28,622	247,090
Cost of sales	731	104	—	6,916
General and administrative expenses (Note 8)	133,597	134,878	133,237	1,264,045
Bad debt expenses	5,358	6,327	—	50,695
Provision for bad debts	128,251	105,306	69,984	1,213,463
Provision for loss on debt guarantees	1,865	474	12	17,645
Total operating expenses	295,918	276,677	231,857	2,799,867
Operating profit	115,880	142,581	168,961	1,096,414
Other income (expenses):				
Other interest and dividend income	1,137	1,149	474	10,757
Net loss on sale or disposal of fixed assets	(968)	(6,876)	(6,240)	(9,158)
Gain on sale of investments in securities	379	0	—	3,585
Loss on revaluation of investments in securities	(335)	(2,706)	(411)	(3,169)
Loss on revaluation of investments in affiliates (Note 11)	(6,026)	—	—	(57,015)
Loss on liquidation of investments in trusted real property	(241)	—	—	(2,280)
Net gain on termination of a welfare pension plan	2,802	—	—	26,511
Other, net	508	434	983	4,806
Total other expenses, net	(2,743)	(7,998)	(5,193)	(25,953)
Income before income taxes	113,136	134,582	163,767	1,070,451
Income taxes (Note 5):				
Current	54,160	68,070	79,360	512,442
Deferred	(6,671)	(10,977)	(10,370)	(63,118)
Total income taxes	47,488	57,092	68,989	449,314
Net income	¥ 65,648	¥ 77,489	¥ 94,777	$ 621,137

	Yen			U.S. Dollars (Note 3)
Amounts per share:				
Net income				
Basic	¥ 455.36	¥ 529.45	¥ 647.31	$ 4.30
Diluted	455.28	—	625.95	4.30
Cash dividends	80.00	80.00	80.00	0.75

See accompanying notes to non-consolidated financial statements

Non-Consolidated Statements of Shareholders' Equity

ACOM CO., LTD.

	Thousands	Millions of Yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gains on other securities	Treasury stock
Balance at March 31, 2001	146,630	¥ 17,282	¥ 25,772	¥ 4,320	¥ 452,259	¥ 3,197	¥ (0)
Net income	—	—	—	—	94,777	—	—
Cash dividends	—	—	—	—	(10,983)	—	—
Bonuses to directors	—	—	—	—	(39)	—	—
Net unrealized gains on other securities	—	—	—	—	—	(2,069)	—
Acquisition of treasury stock-net	—	—	—	—	—	—	(3,802)
Balance at March 31, 2002	146,630	17,282	25,772	4,320	536,014	1,128	(3,802)
Net income	—	—	—	—	77,489	—	—
Cash dividends	—	—	—	—	(11,702)	—	—
Bonuses to directors	—	—	—	—	(38)	—	—
Net unrealized gains on other securities	—	—	—	—	—	(1,076)	—
Acquisition of treasury stock	—	—	—	—	—	—	(1)
Balance at March 31, 2003	146,630	17,282	25,772	4,320	601,762	51	(3,803)
Net income	—	—	—	—	65,648	—	—
Cash dividends	—	—	—	—	(11,593)	—	—
Bonuses to directors	—	—	—	—	(39)	—	—
Net unrealized gains on other securities	—	—	—	—	—	5,748	—
Acquisition of treasury stock	—	—	—	—	—	—	(11,066)
Retirement of treasury stock	(1,002)	—	—	—	(3,771)	—	3,771
Balance at March 31, 2004	145,628	¥ 17,282	¥ 25,772	¥ 4,320	¥ 652,006	¥ 5,799	¥ (11,099)

	Thousands of U.S. Dollars (Note 3)					
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gains on other securities	Treasury stock
Balance at March 31, 2003	$ 163,515	$ 243,845	$ 40,874	$ 5,693,651	$ 482	$ (35,982)
Net income	—	—	—	621,137	—	—
Cash dividends	—	—	—	(109,688)	—	—
Bonuses to directors	—	—	—	(369)	—	—
Net unrealized gains on other securities	—	—	—	—	54,385	—
Acquisition of treasury stock	—	—	—	—	—	(104,702)
Retirement of treasury stock	—	—	—	(35,679)	—	35,679
Balance at March 31, 2004	$ 163,515	$ 243,845	$ 40,874	$ 6,169,041	$ 54,868	$ (105,014)

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

ACOM CO., LTD.

Years ended March 31	Millions of Yen 2004	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars(Note 3) 2004
Operating activities:				
Income before income taxes	¥ 113,136	¥ 134,582	¥ 163,767	$ 1,070,451
Adjustments:				
Depreciation and amortization	4,987	6,057	6,494	47,185
Increase in allowance for bad debts	21,703	30,074	15,800	205,345
Increase in allowance for loss on debt guarantees	1,391	461	12	13,161
(Decrease) increase in allowance for employees' retirement benefits	(3,268)	436	86	(30,920)
(Decrease) increase in allowance for directors' and corporate auditors' retirement benefits	(97)	77	73	(917)
Non-operating interest and dividend income	(1,137)	(1,149)	(474)	(10,757)
Net loss on sale or disposal of fixed assets	968	6,876	6,240	9,158
Bond issuance expenses	198	210	491	1,873
Gain on sale of investments in securities	(379)	(0)	—	(3,585)
Loss on revaluation of investments in securities	335	2,706	411	3,169
Loss on revaluation of investments in affiliates	6,026	—	—	57,015
Loss on liquidation of investments in trusted real property	241	—	—	2,280
Changes in operating assets and liabilities:				
Decrease (increase) in loans receivable	40,091	(36,052)	(120,600)	379,326
Decrease (increase) in accounts receivable	34,462	(1,643)	(22,814)	326,066
Decrease in merchandise	731	104	—	6,916
Decrease (increase) in prepaid expenses	1,688	361	(709)	15,971
Decrease (increase) in accrued income	57	(401)	(1,005)	539
Increase in other current assets	(2,225)	(719)	(540)	(21,052)
Decrease in prepaid pension expenses	742	975	480	7,020
Decrease in accounts payable	(808)	(1,104)	(122)	(7,644)
Increase (decrease) in accrued expenses	562	(1,626)	2,386	5,317
(Decrease) increase in deferred income on installment sales	(8,242)	(2,483)	1,290	(77,982)
Bonuses paid to directors	(39)	(38)	(39)	(369)
Other, net	1,085	107	(1,247)	10,265
Subtotal	212,210	137,814	49,981	2,007,853
Non-operating interest and dividends received	1,107	1,124	574	10,474
Income taxes paid	(58,072)	(80,357)	(76,704)	(549,455)
Net cash provided by (used in) operating activities	155,245	58,581	(26,149)	1,468,871

(Continued)

Years ended March 31	Millions of Yen 2004	2003	2002	Thousands of U.S. Dollars(Note 3) 2004
Investing activities:				
Decrease in marketable securities	¥ 249	¥ 413	¥ 1,252	$ 2,355
Proceeds from sale of property and equipment	95	1,418	2,279	898
Purchases of property and equipment	(1,926)	(3,838)	(6,115)	(18,223)
Proceeds from maturity or sale of investments in securities	2,404	134	—	22,745
Increase in investments in securities	(133)	(4,645)	(1,175)	(1,258)
Additions to investments in and advances to subsidiaries and affiliates	(22,722)	(38,797)	(26,500)	(214,987)
Proceeds from settlement or repayment of investments in and advances to subsidiaries and affiliates	13,390	25,655	150	126,691
Proceeds from sale of AV rental business	—	—	350	—
(Increase) decrease in other investments	(747)	1,000	(45)	(7,067)
Net cash used in investing activities	(9,388)	(18,659)	(29,803)	(88,825)
Financing activities:				
Proceeds from long-term debt	378,832	367,791	481,210	3,584,369
Payments of principal of long-term debt	(497,759)	(353,961)	(392,484)	(4,709,613)
(Decrease) increase in short-term loans	(4,900)	2,837	(5,625)	(46,362)
Acquisition of treasury stock-net	(11,066)	(1)	(3,801)	(104,702)
Cash dividends paid	(11,592)	(11,700)	(10,986)	(109,679)
Net cash (used in) provided by financing activities	(146,485)	4,965	68,312	(1,385,987)
Effect of exchange rate changes on cash and cash equivalents	(46)	(137)	1	(435)
(Decrease) increase in cash and cash equivalents	(675)	44,751	12,361	(6,386)
Cash and cash equivalents at beginning of the year	149,686	104,935	92,573	1,416,274
Cash and cash equivalents at end of the year	¥ 149,011	¥ 149,686	¥ 104,935	$ 1,409,887

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 being stated at cost or revalued amount if any impairment loss is recorded, 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 Moneylenders Associations of Japan on April 25, 1993).

The accompanying non-consolidated financial statements of the Company are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the non-consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain items presented in the original non-consolidated financial statements filed with the Prime Minister of Japan 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

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 the resulting gains or losses are included in income.

(c) Marketable securities and investments in securities

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 sheets, except that any impairment loss is recorded and charged to income. Other securities for which market prices are not available are stated at moving-average cost.

(d) Merchandise

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

(e) Allowance for bad debts

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.

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.

(g) Share and bond issuance expenses

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

From the fiscal year ended March 31, 2002, in accordance with the "Form of Standard Financial Statements in the Consumer Finance Business" revised on May 10, 2001, bond issuance expenses were reclassified from "Other, net" in the other income (expenses) section to "Financial expenses" in the operating expenses section. The effect of this reclassification was to increase operating expenses by ¥491 million and to decrease operating profit and other expenses by the same amount for the year ended March 31, 2002.

(h) Allowance for loss on debt guarantees

The Company has entered into affiliations with Japanese regional banks and an unconsolidated affiliate to provide credit guarantees for personal loans held by those banks and the affiliate. To cover possible losses on debt guarantees, the Company provided for an allowance based on the historical rates of fulfillment of guarantee obligation and subsequent write-off of the guaranteed loans.

(i) Employees' retirement benefits

The allowance for employees' retirement benefits is 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 is recorded as prepaid pension expenses.

Net retirement benefit expense or income is 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 and payments to a defined contribution pension plan.

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 are 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 has recognized actuarial gains or losses evenly over the five years following the respective fiscal years when such gains or losses are identified. In addition, the Company has recognized past service cost evenly over five years from the time of its origination.

On March 26, 2004, a welfare pension plan jointly sponsored by the Company and certain of its domestic subsidiaries was terminated. The resulting net gain was stated as "Net gain on termination of a welfare pension plan" in the accompanying non-consolidated statement of income for the year ended March 31, 2004.

(j) Allowance for directors' and corporate auditors' retirement benefits

The allowance for directors' and corporate auditors' retirement benefits is provided at the amount which would have been required to be paid if all directors and corporate 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.

(k) Leases

Non-cancelable 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.

(l) 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.

(m) 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”).

(n) Recognition of fees from credit guarantees

Fees from credit guarantees have been recognized on an accrual basis using the credit-balance method.

(o) Income taxes

The provision for income taxes is computed based on the pre-tax income included in the non-consolidated statements of income. In accordance with Japanese tax-effect accounting standards, the asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the reported amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(p) 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.

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.

(q) Net income per share

From the fiscal year ended March 31, 2003, the Company adopted the Financial Accounting Standards No. 2, “Accounting Standard for Earnings Per Share” issued by the Accounting Standards Board of Japan (the “ASBJ”) on September 25, 2002. Under this Standard, basic net income per share is computed by dividing net income, the portion attributable to shareholders of common stock only, by the weighted-average number of shares of common stock outstanding during the year. Accordingly, in the per share computation, the portion not attributable to shareholders of common stock, such as bonuses payable to directors and corporate auditors, should be excluded. If this Standard had been retroactively applied, basic net income per share for the fiscal year ended March 31, 2002 would have been ¥647.04.

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 and matured on March 31, 2002 and potential shares of common stock for the Company’s stock option plans. If the Standard, above described, had been retroactively applied, diluted net income per share for the fiscal year ended March 31, 2002 would have been ¥625.69.

(r) Reclassifications

Certain reclassifications have been made to 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 ¥105.69 = US$1.00, the exchange rate prevailing on March 31, 2004. The translation should not be construed as a representation that yen amounts 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:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Unsecured loans mainly from banks and other financial institutions at interest rates ranging from 0.678% to 3.3% due through December 2010	¥ 373,404	¥ 441,909	$ 3,533,011
Loans with collateral mainly from banks and other financial institutions at interest rates ranging from 0.639% to 3.7% due through December 2010	590,186	607,658	5,584,123
Loans with collateral from an overseas subsidiary at interest rate of 1.62%(*)	—	23,880	—
Unsecured bonds at interest rates ranging from 0.85% to 2.72% due through June 2012	285,000	295,000	2,696,565
Less: current portion	(325,304)	(348,791)	(3,077,907)
	¥ 923,285	¥ 1,019,656	$ 8,735,783

* Repaid on March 29, 2004 in advance of the initial maturity date of March 28, 2008.

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 2004	Millions of Yen 2003	Thousands of U.S. Dollars 2004
Bank deposits	¥ —	¥ 1,194	$ —
Loans receivable	598,145	642,524	5,659,428
Property and equipment, net	1,940	2,001	18,355
	¥ 600,086	¥ 645,721	$ 5,677,793

At March 31, 2004 and 2003, the Company had a commitment, at the lenders' request, to furnish at any time collateral pledged on ¥118,852 million ($1,124,534 thousand) and ¥137,761 million of the loans receivable of ¥598,145 million ($5,659,428 thousand) and ¥642,524 million shown in the above table, respectively. The pledged collateral which the lenders could require covered the following:

March 31	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars 2004
Short-term loans	¥ 1,000	¥ 1,000	$ 9,461
Current portion of long-term debt	43,091	40,324	407,711
Long-term debt	74,434	95,608	704,267

The above tables included loans receivable related to securitized loans of ¥32,999 million ($312,224 thousand) and related long-term debt of ¥23,880 million ($225,943 thousand) as of March 31, 2004.

For efficient procurement of working capital, the Company has entered into overdraft contracts with one financial institution and commitment line contracts with one financial institution and one overseas subsidiary, which provided the Company with the overdraft and commitment facilities in the aggregate amount of ¥276,967 million ($2,620,560 thousand) as of March 31, 2004. The unused facilities maintained by the Company as of March 31, 2004 amounted to ¥248,087 million ($2,347,308 thousand).

5. 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 rate applicable to the Company was approximately 40.9% for 2004, 2003 and 2002.

Reconciliations between the statutory tax rate and the effective tax rates as a percentage of income before income taxes for the years ended March 31, 2004, 2003 and 2002 were omitted, as the statutory tax rate did not significantly differ from the effective tax rates.

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, 2004 and 2003 were presented below:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2004	2003	2004
Deferred tax assets:			
Bad debt write-offs	¥ 12,954	¥ 11,564	$ 122,565
Allowance for bad debts	26,833	21,199	253,884
Allowance for loss on debt guarantees	758	193	7,171
Accrued bonuses	1,359	1,155	12,858
Allowance for employees' retirement benefits	—	1,323	—
Allowance for directors' and corporate auditors' retirement benefits	352	390	3,330
Accrued interest income	514	464	4,863
Accrued enterprise tax	2,310	2,590	21,856
Depreciation and amortization	6,557	6,322	62,039
Consumption tax	286	289	2,706
Revaluation of marketable securities	135	42	1,277
Loss on investments in golf club and other membership	181	168	1,712
Other	216	53	2,043
Subtotal	52,463	45,760	496,385
Less: valuation allowance	(328)	—	(3,103)
Total gross deferred tax assets	52,134	45,760	493,272
Deferred tax liabilities:			
Prepaid pension expenses	(768)	(1,065)	(7,266)
Net unrealized gains on other securities	(3,978)	(34)	(37,638)
Total gross deferred tax liabilities	(4,747)	(1,099)	(44,914)
Net deferred tax assets	¥ 47,387	¥ 44,660	$ 448,358

On March 31, 2003, the Local Taxes Law of Japan was amended to introduce the pro forma standard taxation system to enterprise tax from the fiscal years commencing on and after April 1, 2004. Under this system, companies with stated capital of over ¥100 million will be subject to taxation based on the sum of stated capital and capital reserve and the total value added for the fiscal year ("pro forma standards") in exchange for reduced rates on taxable income, which will reduce the aggregate statutory tax rate on income of the Company for the fiscal years ending March 31, 2005 and thereafter. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities as of March 31, 2004 and 2003 by ¥205 million ($1,939 thousand) and ¥53 million, respectively, and increase deferred income tax expenses for the years then ended by the same amounts.

6. Legal Reserve

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

7. 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 sheets as of March 31, 2004 and 2003 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.

8. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, and net book value of leased equipment as of March 31, 2004 and 2003 and the related depreciation and interest expenses for the years ended March 31, 2004, 2003 and 2002, 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	2004	2003	2004	2003	2004	2003	2004	2004	2004
Equipment	¥ 7,233	¥ 8,727	¥ 4,055	¥ 4,965	¥ 3,177	¥ 3,761	$ 68,435	$ 38,366	$ 30,059

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	2004	2003	2002	2004
Depreciation	¥ 1,860	¥ 2,632	¥ 3,547	$ 17,598
Interest	89	125	176	842

Lease expenses relating to finance lease transactions accounted for as operating leases amounted to ¥1,966 million ($18,601 thousand), ¥2,794 million and ¥3,780 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Future minimum lease payments subsequent to March 31, 2004 for finance lease transactions accounted for as operating leases were summarized as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 1,598	$ 15,119
2006 and thereafter	1,636	15,479
	¥ 3,235	$ 30,608

9. Commitments and Contingent Liabilities

Future payments under rental leases subsequent to March 31, 2004 amounted to ¥3,328 million ($31,488 thousand).

The Company makes loans to customers primarily in the form of revolving credit-line contracts whereby a maximum credit amount is assigned to a customer who is then able to borrow repeatedly within the limit of the facility. At March 31, 2004, the unexercised portion of such facilities amounted to ¥706,379 million ($6,683,498 thousand), including ¥452,378 million ($4,280,234 thousand) for customers with zero outstanding balances. As a certain portion of revolving credit-line contracts lapse without ever being used, the unexercised facilities will not necessarily affect the future cash flows of the Company.

At March 31, 2004, contingent liabilities on the personal loans for which the Company provided credit guarantees amounted to ¥99,106 million ($937,704 thousand), net of allowance for loss on debt guarantees in the amount of ¥1,865 million ($17,645 thousand).

In addition, at March 31, 2004, the Company was contingently liable as guarantor of the following subsidiaries and affiliates:

Name	Amount of guaranteed debt
JLA INCORPORATED	¥1,445 million ($13,672 thousand)
ACOM ESTATE CO., LTD.	¥1,065 million ($10,076 thousand)
JCK CREDIT CO., LTD.	¥18,182 million ($172,031 thousand)
SIAM A&C CO., LTD.	THB5,701 million
CHAILEASE ACOM FINANCE CO., LTD.	NT$270 million

Refer to Note 4 regarding pledged assets.

10. Stock Option Plans

The Company has two stock option plans for the granting of non-transferable options to certain eligible directors and key employees of the Company.

On August 1, 2001, options were granted for terms of five years to purchase the aggregate of 346,800 shares of common stock of the Company at ¥10,682 per share. The options were exercisable beginning on July 1, 2003. To provide for exercise of the options, in August 2001, the Company purchased 346,800 shares of common stock in the aggregate amount of ¥3,796 million from the stock market, which were included in "Treasury stock" of the shareholders' equity section of the accompanying non-consolidated balance sheets as of March 31, 2004 and 2003.

On August 1, 2003, options were granted for terms of five years to purchase the aggregate of 352,400 shares of common stock of the Company at ¥4,959 ($46.92) per share. The options will be exercisable beginning on July 1, 2005.

11. Loss on Revaluation of Investments in Affiliates

In the fiscal year ended March 31, 2004, the Company recorded a loss of ¥5,950 million ($56,296 thousand) as a result of capital restructuring, including capital reduction, of Tokyo-Mitsubishi Cash One Ltd., executed in March 2004. In addition, in the fiscal year ended March 31, 2004, the Company recorded a loss of ¥76 million ($719 thousand) for the anticipated sale of all of the holding shares of common stock of ASCOT CO., LTD.

12. Subsequent Events

On March 23, 2004, the Company agreed with Mitsubishi Tokyo Financial Group, Inc. ("MTFG") to form a strategic business and capital alliance in the retail business arena in order to strengthen the competitive power and to enhance the profitability in the retail business arena of consumer credit market. In this connection, based on the approval by the Board of Directors of the Company on that date, the Company newly issued 14,000,000 shares of its common stock at ¥6,650 per share, in the aggregate amount of ¥93,100 million, and re-issued 1,719,360 shares of its treasury common stock at ¥6,650, in the aggregate amount of ¥11,433 million, to MTFG. The proceeds from the issuance and re-issuance of the shares were received on April 19, 2004, and will be utilized for operating capital of the Company.

The following appropriations of retained earnings, which have not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2004, were approved at a shareholders' meeting held on June 24, 2004:

	Millions of Yen
Cash dividends (¥40.00 = US$0.37)	¥ 5,742
Bonuses to directors	35

Report of Independent Auditors
on the Non-Consolidated Financial Statements

Shin Nihon & Co.

Certified Public Accountants
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Report of Independent Auditors

The Board of Directors
ACOM CO., LTD.

We have audited the accompanying non-consolidated balance sheets of ACOM CO., LTD. as of March 31, 2004 and 2003, 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, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of ACOM CO., LTD. at March 31, 2004 and 2003, and the non-consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004 in conformity with accounting principles generally accepted in Japan.

As described in Note 12 "Subsequent Events" to the non-consolidated financial statements, the proceeds from the issuance of the shares of ACOM CO., LTD. and the re-issuance of treasury stock based on the approval by the Board of Directors of the Company on March 23, 2004 were received on April 19, 2004..

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2004 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.

Shin Nihon & Co

June 24, 2004

Corporate Data

(As of March 31, 2004)

Company Name	ACOM CO., LTD.
Business Outline	Loan, Credit Card, Installment Sales Finance, and Guarantee
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	4,238
Independent Auditors	SHIN NIHON & CO. (Member firm of ERNST & YOUNG INTERNATIONAL)

For Further Information, Please Contact;

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