

# MESSAGE FROM THE PRESIDENT

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## Business and Financial Conditions

A look at the global economy reveals that the historic financial meltdown caused by the U.S. subprime mortgage loan crisis spread to the real economy, leaving countries worldwide in a financial and economic turmoil not seen since World War II.

In the Japanese economy, corporate profits were constricted by surges in the prices of crude oil and other raw materials in the first half of the fiscal year, and by the global economic slowdown, lower stock prices and an appreciating yen in the latter half. Moreover, the domestic economy receded rapidly as production decreased from inventory adjustments made in the face of lower demand and the employment situation worsened, among others.

In our business base, centered on Aichi Prefecture, the percentage of export-related companies mostly in auto manufacturing is high, and the significant fall in exports created by the global economic slowdown was the main cause for this region's economy to deteriorate at a pace exceeding that of the rest of the country.

In the financial sector, the Bank of Japan lowered its policy rates twice in October and again in December, supported efforts to facilitate corporate financing and implemented various other measures to stabilize the global economy and the international financial markets. In addition, as financial uncertainty abounds in the wake of the bankruptcies of major American financial institutions, the financial sector saw dramatic changes in the business environment such as the advancement of restructuring efforts both in Japan and abroad.

The Nikkei Average, which indicates economic trends, rose above ¥14,000 at one point in the first half of the fiscal year, however, it ended the term at ¥8,109 as the financial and economic turmoil subsequently brought down stock prices on a global scale.

## Earnings

Our business results on a consolidated basis are as follows. Total income increased ¥1,737 million year on year to ¥61,406 million (US\$625 million), due in part to an increase in other operating income. Total expenses rose ¥6,505 million to ¥57,739 million (US\$587 million), mainly attributable to the write-down of marketable securities. As a result, net income fell ¥2,390 million to ¥2,136 million (US\$21 million).

By segment, ordinary income of the banking segment rose ¥2,691 million to ¥54,547 million (US\$555 million) and its ordinary profit decreased ¥6,622 million to ¥3,486 million (US\$35 million). Ordinary income of the lease segment decreased ¥1,028 million to ¥7,076 million (US\$72 million) and its ordinary profit increased ¥433 million to ¥213 million (US\$2 million). Ordinary income of the other businesses segment increased ¥1 million to ¥106 million (US\$1 million) and its ordinary profit declined ¥1 million to ¥20 million (US\$0.2 million).



Shinichi Koide, *Chairman* & Kenzo Haba, *President*

## Cash Flows

Net cash provided by operating activities increased by ¥16,674 million over the previous fiscal year to ¥32,110 million (US\$326 million), which is mainly attributable to an increase in deposits. Net cash used in investing activities decreased by ¥5,337 million from the previous term to ¥11,692 million (US\$119 million). Net cash used in financing activities increased by ¥106 million over the previous year to ¥930 million (US\$9 million).

As a result, cash and cash equivalents at end of year stood at ¥59,617 million (US\$606 million), an increase of ¥19,487 million from the previous year–end.

## Medium-term Strategy

In April 2007, we launched our seventh three-year medium-term management plan under the theme of offering truly comprehensive financial services. By working to improve the quality of our services, we will further strengthen our earnings base and transform ourselves into a provider of truly comprehensive financial services that is indispensable to the economic development of Aichi Prefecture and the surrounding region.

More specifically, we will listen intently to the views of our customers regarding both our corporate banking services and our retail banking services to enable us to provide precisely the sort of financial services our customers want.

We will also establish a more robust internal control system, to secure an appropriate level of profit based on effective risk management, and enable us to deal with various management risks.

By achieving these goals, we aim to earn the trust of local corporations and individual customers. This, we believe, is the true role of a regional financial institution.

Net income	¥3.0 billion
Core banking profit	¥12.0 billion



**Shinichi Koide**  
Chairman



**Kenzo Haba**  
President