

# MESSAGE FROM THE MANAGEMENT

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## Business and Financial Conditions

Looking back at the Japanese economy during the year ended March 31, 2012, despite a significant decline in production and exports for a while due to the Great East Japan Earthquake and other factors, the economy showed a mild upturn on the back of developments including a recovery in production from the restoration of supply chains, an adjustment in the yen's excessive appreciation, and increased demand for post-disaster reconstruction.

In our business base, centered on Aichi Prefecture, the employment situation saw an improvement along with increased production and exports particularly in the automobile industry.

However, there are still concerns that overseas economies will slow down against the background of a recurrence of the European debt crisis and a rise in crude oil prices, and as a result economic prospects remain uncertain.

In the financial sector, the Bank of Japan further strengthened its easy monetary policy by expanding its asset purchase fund, which purchases Japanese government bonds, corporate bonds and others, while also continuing its virtually zero interest rate policy. Moreover, the Bank of Japan made it clear it will pursue monetary easing with the aim of a 1% year-on-year increase in the consumer-price index as the "price stability goal in the medium to long term." In addition, the Nikkei Stock Average fell to the ¥8,000 level at one point, mainly due to the effects of the European debt crisis, the floods in Thailand, and the appreciation of the yen. However, there was an upturn in the Nikkei Stock Average owing to an easing of uncertainty over an economic slowdown, and it ended the year at ¥10,083, an increase of ¥328 from the previous year-end.

## Earnings

Our business results on a consolidated basis are as follows.

Total income increased ¥324 million year on year to ¥53,690 million (US\$653 million) mainly due to an increase in gain on sales of equity securities etc., despite a decrease in interest and dividend income such as interest on loans. Total expense increased ¥1,874 million to ¥50,371 million (US\$612 million), due to a prudent estimation of credit expenses and an increase in impairment loss on fixed assets, despite a decrease in interest expense such as interest on deposits. As a result, net income decreased ¥3,723 million to ¥1,315 million (US\$15 million) due to an increase in income tax expenses.

By segment, ordinary income of the banking segment increased ¥752 million to ¥47,569 million (US\$578 million) and its segment profit decreased ¥317 million to ¥4,274 million (US\$52 million). Ordinary income of the leasing segment decreased ¥395 million to ¥5,467 million (US\$66 million) and its segment profit increased ¥34 million to ¥319 million (US\$3 million).



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

## Cash Flows

Net cash provided by operating activities decreased ¥60,806 million year on year to ¥23,989 million (US\$291 million), which is mainly attributable to increases in deposits. Net cash used in investing activities increased ¥51,272 million year on year to ¥10,417 million (US\$126 million), which is mainly attributable to purchases of securities. Net cash used in financing activities increased ¥36 million year on year to ¥878 million (US\$10 million), which is mainly attributable to dividends paid.

As a result, cash and cash equivalents at end of year stood at ¥102,128 million (US\$1,242 million), an increase of ¥12,693 million from the previous year-end.

## Medium-term Strategy

“Restructuring of the operational base to be passed on to the next generation”

Our eighth three-year medium-term management plan (from April 1, 2010 to March 31, 2013), which we launched in April 2010, focuses on the theme of the restructuring of the operational base to be passed on to the next generation.

More specifically, we will go back to the basics of management, increase transactions with new customers, and enhance business relationships with our customers. By doing so, we aim to establish a firm operational base, which will be our asset into the future.

To achieve this goal, we will work on fostering our human resources to create people who accurately meet the needs of local small and medium-sized companies and individual customers, and we will also enhance our marketing capability. At the same time, we will further enhance our internal control system, while firmly maintaining sound management, our management principle since our foundation.



**Shinichi Koide**  
*Chairman*



**Kenzo Haba**  
*President*