

MESSAGE FROM THE MANAGEMENT

Business and Financial Conditions

Looking back at Japan's economy during the year ended March 31, 2015, in the first half of the year a protracted slump in personal consumption ensued due to the consumption tax hike, while the recovery in consumer confidence was also hampered by unfavorable weather conditions. Nevertheless, despite threats of downside risk, the economy maintained on a tone of recovery amid an improving employment and income environment brought about by increasing corporate earnings.

Favorable corporate results particularly among exporters also ensued later in the year with additional monetary easing by the Bank of Japan at the end of October prompting ongoing weakening of the yen. Moreover, hopes of a recovery in stagnating personal consumption are now being sparked by announcements of hikes in base salaries by large corporations and the resulting tendency of micro, small and medium enterprises to follow suit.

In our business base, which is centered on Aichi Prefecture, a modest economic recovery has been taking shape amid increasing production, exports and capital investment particularly in the automobile industry.

Looking forward, despite external factors such as the possibility that earnings of American corporations could be stymied by the strengthening U.S. dollar and falling crude oil prices, the slowdown of Chinese economic growth and other lingering economic concerns, the economy is expected to remain on a modest recovery track amid rebounding personal consumption and capital investment on the back of strong performance among domestic Japanese firms.

In the financial sector, the Bank of Japan has been conveying strong determination with respect to its aims of overcoming deflation by holding firm to its goal of achieving its price stability target of a 2% year-on-year increase in the consumer price index in or around fiscal 2015, while at the same time persisting with its monetary easing policy.

As a result of these factors, the Nikkei Stock Average marked a 15-year high of 19,754 points on March 23 after having posted gains throughout the fiscal year, against a backdrop of factors that have included a depreciating yen, a tone of recovery in the Japanese economy, and quantitative easing being pursued by the European Central Bank. The Nikkei Stock Average subsequently ended the fiscal year at 19,206 points, a rise of 4,379 points from the previous fiscal year-end for its sharpest increase since fiscal 2005, some nine years ago.



Shinichi Koide, *Chairman* & Katsuyuki Yazawa, *President*

Earnings

Our business results on a consolidated basis for the year ended March 31, 2015 are as follows.

Total income decreased ¥87 million year on year to ¥49,308 million (US\$410 million) mainly due to decreases in interest on loans and bills discounted and purchased. Total expenses decreased ¥997 million year on year to ¥39,897 million (US\$332 million) mainly due to decreases in loss on the disposal of investment securities. As a result, net income increased ¥682 million year on year to ¥5,822 million (US\$48 million).

By segment, ordinary income of the banking segment decreased ¥3 million year on year to ¥43,629 million (US\$363 million) and its segment profit increased ¥1,243 million to ¥9,293 million (US\$77 million). Ordinary income of the leasing segment decreased ¥32 million to ¥5,140 million (US\$42 million), and its segment profit decreased ¥138 million to ¥266 million (US\$2 million).

Cash Flows

For the year ended March 31, 2015, net cash provided by operating activities decreased ¥114,366 million year on year to ¥37,341 million (US\$310 million). This was mainly attributable to an increase in deposits. Net cash used in investing activities amounted to ¥35,378 million (US\$294 million), a decrease in cash used of ¥67,961 million. This is mainly attributable to purchases of securities. Net cash used in financing activities amounted to ¥836 million (US\$6 million), an increase in cash used of ¥34 million. This is mainly due to dividends paid.

As a result, cash and cash equivalents at the end of the year stood at ¥138,501 million (US\$1,152 million), an increase of ¥1,125 million from the previous year-end.

Medium-term Strategy

Our ninth three-year medium-term management plan (from April 1, 2013 to March 31, 2016) was launched in April 2013. The plan clearly sets out our commitment to contributing to the prosperity of the local community by improving our performance, and to progressing with our community, or our customers. This is expressed by our slogan, “heading for the future with our community.”

More specifically, we will establish a more solid customer base by further strengthening solutions while also enhancing customer-friendly services in order to “secure sustained and stable revenues,” which is the main theme of the strategy.

To achieve this goal, we will improve operational efficiency while also selecting and concentrating management resources. In addition, we will work on training our human resources to create people with the practical abilities to accurately meet the needs of customers. We will also work to enhance the internal control environment.



Shinichi Koide
Chairman

Katsuyuki Yazawa
President