

# MESSAGE FROM THE MANAGEMENT

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## Business and Financial Conditions

Looking back at Japan's economy during the year ended March 31, 2017, in the first half of the year, exports and production were sluggish due to slowdown in the global economy among other factors. Later, however, strong corporate earnings were posted, particularly among export-reliant companies, amid ongoing yen depreciation against the backdrop of a feeling of hope regarding the economic policies of the new U.S. administration that took office in January, and monetary easing policies of the Bank of Japan. Overall, Japan has maintained a moderate track of economic recovery.

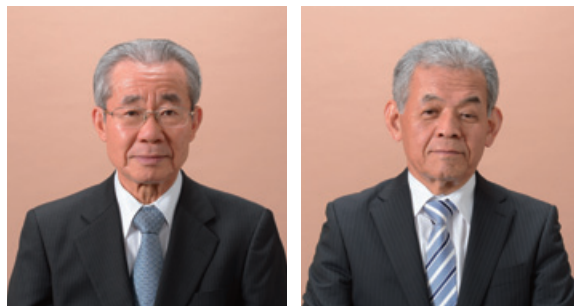
The local economy of our business base, which is centered in Aichi Prefecture, continues to expand moderately, particularly for the automobile industry, one of the major local industries, with production, exports and capital expenditure all on the rise.

Looking forward, the economic outlook does contain elements of concern, not only with respect to the deepening labor shortage caused by labor demand increasingly outweighing supply but also due to other factors such as the political situations in Europe and the U. S. and an escalation of geopolitical risk. Nevertheless, the growing levels of capital investment and the improvement in the employment and income environment are expected to underpin economic activity.

In the financial sector, the Bank of Japan, despite revising the achievement period for the 2% year-on-year increase in the consumer price index to around fiscal year 2018, adopted a new policy framework of "Quantitative and Qualitative Monetary Easing with Yield Curve Control" in September 2016 and is demonstrating a strong commitment to achieving continued economic recovery.

The Nikkei Stock Average showed instability in the first half of the fiscal year, dropping below the 15,000 point mark for the first time in 20 months, reflecting the uncertainty toward the global economy in response to the U.K.'s decision to leave the EU. During the second half of the fiscal year, the increasingly pronounced trend of yen depreciation against the U.S. dollar in foreign currency exchange under the new U.S. administration has caused stocks to rise mostly for export-dependent companies, and the Nikkei Stock Average closed on March 31 at 18,909 points, a year-on-year rise of 2,150 points.

The Bank has been proceeding with the three-year "Tenth Medium-Term Management Plan," which took effect in April 2016. We are undertaking various initiatives under the plan, in which we describe what we aim to be in ten years as "The leading bank in Aichi that puts serious effort into regional procurement and regional operation, and contributes to the development of regional communities and the betterment of our customer's lives."



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

## Earnings

Our business results on a consolidated basis for the year ended March 31, 2017 are as follows.

Total income increased ¥478 million year on year to ¥50,031 million (US\$445 million) mainly due to the increase in other income, which principally resulted from an increase in gains on sales of equity securities. Total expenses increased ¥1,578 million year on year to ¥42,470 million (US\$378 million) mainly due to the increase in other expenses, which principally resulted from an increase in losses on sales of bonds and others. As a result, profit attributable to owners of parent decreased ¥190 million year on year to ¥5,067 million (US\$45 million).

By segment, ordinary income of the banking segment increased ¥552 million year on year to ¥43,449 million (US\$387 million) and its segment profit decreased ¥484 million to ¥7,323 million (US\$65 million). Ordinary income of the leasing segment increased ¥838 million year on year to ¥6,270 million (US\$55 million), and its segment profit increased ¥129 million to ¥368 million (US\$3 million).

## Cash Flows

For the year ended March 31, 2017, net cash provided by operating activities increased ¥85,636 million year on year to ¥54,254 million (US\$483 million). This was mainly attributable to increases in security deposits received related to securities lending transactions and deposits. Net cash provided by investing activities increased ¥7,582 million to ¥5,403 million (US\$48 million). This is mainly attributable to maturities of securities. Net cash used in financing activities amounted to ¥868 million (US\$7 million), a decrease in cash used of ¥71 million. This is mainly due to dividends paid.

As a result, cash and cash equivalents at the end of the year stood at ¥162,789 million (US\$1,451 million), an increase of ¥58,789 million from the previous year-end.

## Medium-term Strategy

In our tenth medium-term management plan we describe what we aim to be in ten years as “The leading bank in Aichi that puts serious effort into regional procurement and regional operation, and contributes to the development of regional communities and the betterment of our customer’s lives.”

Contributing to the development of regional communities has been a major theme for us, with efforts such as increasing staff at sales branches by primarily establishing the new business structure, started in October of last year, and streamlining head office organizations, which has led to increased opportunities to visit our customers in small and medium sized enterprises.



**Shinichi Koide**  
*Chairman*

**Katsuyuki Yazawa**  
*President*