

MESSAGE FROM THE MANAGEMENT

Business and Financial Conditions

Looking back at Japan's economy during the year ended March 31, 2013, there was a recovery in the first half of the year. This included an increase in public investment centered on reconstruction following the earthquake disaster and a gradual upward trend in capital investment due to an improvement in corporate earnings. In the second half of the year, exports and production remained weak owing to the appreciation of the yen as a result of economic slowdown overseas, such as a recurrence of the European debt problem and a deceleration in China's economic growth.

In the middle of December, however, a new government was formed in Japan, and expectations regarding its new economic policies led to yen depreciation and stock price rises. This contributed to improvements in consumer confidence and business sentiment.

In our business base, which is centered on Aichi Prefecture, exports and production, particularly in the automobile industry, showed signs of recovery including a steady increase in domestic automobile sales.

Looking forward, it is expected to take some time for recovery expectations driven by yen depreciation and stock price rises to ripple through and buoy the real economy.

In the financial sector, in January, the Bank of Japan introduced the price stability target of a 2 percent year-on-year increase in the consumer price index in a joint statement issued with the Government. This clearly signifies their strong intention to overcome deflation.

As a result of these factors, the Nikkei Stock Average rose substantially and ended the year at ¥12,397, an increase of ¥2,314 compared with the previous year-end.

Earnings

Our business results on a consolidated basis for the year ended March 31, 2013 are as follows.

Total income decreased ¥3,989 million year on year to ¥49,701 million (US\$528 million) mainly due to decreases in interest and dividend income, particularly interest on loans and bills discounted, and gain on sales of investment securities. Total expenses decreased ¥5,847 million to ¥44,524 million (US\$473 million), despite an increase in loss on devaluation of securities. This was mainly due to a decrease in interest expense reflecting a decrease in interest on deposits and others, and decreases in provision of reserve for possible loan losses and impairment loss on fixed assets. As a result, net income increased ¥1,405 million to ¥2,721 million (US\$28 million).

By segment, ordinary income of the banking segment decreased ¥3,578 million to ¥43,991 million (US\$467 million) and its segment profit increased ¥532 million to ¥4,807 million (US\$51 million). Ordinary income of the leasing segment decreased ¥292 million to ¥5,174 million (US\$55 million) and its segment profit decreased ¥143 million to ¥175 million (US\$1 million).



Shinichi Koide, Chairman & Kenzo Haba, President

Cash Flows

For the year ended March 31, 2013, net cash provided by operating activities decreased ¥2,080 million year on year to ¥21,908 million (US\$232 million). This is mainly attributable to an increase in deposits. Net cash used in investing activities amounted to ¥33,422 million (US\$355 million), an increase in cash used of ¥23,004 million. This is mainly attributable to purchases of securities. Net cash used in financing activities amounted to ¥803 million, a decrease in cash used of ¥74 million. This is mainly due to dividends paid.

As a result, cash and cash equivalents at the end of the year stood at ¥89,810 million (US\$954 million), a decrease of ¥12,317 million from the previous year-end.

Medium-term Strategy

“Heading for the future with our community”

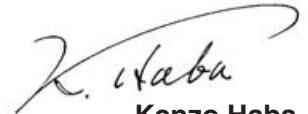
Our ninth three-year medium-term management plan (from April 1, 2013 to March 31, 2016) was launched in April 2013. The plan clearly sets out our commitment to contributing to the prosperity of the local community by improving our performance, and to progressing with our community, or our customers.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



Kenzo Haba
President