

MESSAGE FROM THE MANAGEMENT

Business and Financial Conditions

Looking back at Japan's economy during the year ended March 31, 2014, in the first half of the year public investment increased and corporate earnings improved on the back of "Abenomics," the economic policies of Prime Minister Shinzo Abe's Cabinet, and capital investment picked up as a result. There was also an improvement in consumer confidence due to the effects of rises in the prices of assets such as stocks, leading to increased firmness in personal consumption. As a result, the economy showed a moderate recovery.

From the start of the new year in January 2014, a rush in demand ahead of the April consumption tax hike shifted into full swing, leading to an increase in personal consumption. As a result the economy maintained a tone of recovery centered on internal demand.

In our business base, which is centered on Aichi Prefecture, launches of new automobile models contributed to a steady rise in domestic automobile sales, and production and capital investment increased. Personal consumption was also steady.

Looking forward, there are causes for concern including a decrease in personal consumption resulting from a pullback in demand following the rush ahead of the consumption tax hike and a decline in exports due to stagnation in overseas economies. Nevertheless, the tone of economic recovery is expected to continue on the back of such positive factors as economic measures by the government.

In the financial sector, the Bank of Japan maintained its strong intention to overcome deflation with the start, in April 2013, of a new phase of its monetary easing policy, under which the aim is to achieve the price stability target of a 2 percent year-on-year increase in the consumer price index.

As a result of these factors, in December 2013 the Nikkei Stock Average temporarily rose to ¥16,291. Following this, stock prices underwent a correction mainly reflecting concerns about situations overseas, and the Nikkei Stock Average ended the fiscal year at ¥14,827, a rise of ¥2,429 from the previous fiscal year-end.

Earnings

Our business results on a consolidated basis for the year ended March 31, 2014 are as follows.

Total income decreased ¥306 million year on year to ¥49,395 million (US\$479 million) mainly due to decreases in interest on loans and bills discounted and purchased, and others. Total expenses decreased ¥3,630 million year on year to ¥40,894 million (US\$397 million) mainly due to decreases in credit expenses and losses on devaluation of stocks and other securities. As a result, net income increased ¥2,419 million year on year to ¥5,140 million (US\$49 million).

By segment, ordinary income of the banking segment decreased ¥357 million year on year to ¥43,633 million (US\$423 million) and its segment profit increased ¥3,242 million to ¥8,049 million (US\$78 million). Ordinary income of the leasing segment decreased ¥2 million to ¥5,172 million (US\$50 million) and its segment profit increased ¥228 million to ¥404 million (US\$3 million).



Shinichi Koide, Chairman & Kenzo Haba, President

Cash Flows

For the year ended March 31, 2014, net cash provided by operating activities increased ¥129,799 million year on year to ¥151,708 million (US\$1,474 million). This is mainly attributable to an increase in deposits. Net cash used in investing activities amounted to ¥103,340 million (US\$1,004 million), an increase in cash used of ¥69,918 million. This is mainly attributable to purchases of securities. Net cash used in financing activities amounted to ¥802 million (US\$7 million), a decrease in cash used of ¥1 million. This is mainly due to dividends paid.

As a result, cash and cash equivalents at the end of the year stood at ¥137,375 million (US\$1,334 million), an increase of ¥47,565 million from the previous year-end.

Medium-term Strategy

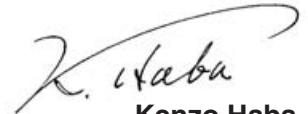
Our ninth three-year medium-term management plan (from April 1, 2013 to March 31, 2016) was launched in April 2013. The plan clearly sets out our commitment to contributing to the prosperity of the local community by improving our performance, and to progressing with our community, or our customers.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



Kenzo Haba
President