Business Environment

During the fiscal year under review, the Japanese economy followed a recovery path, thanks to the effects of disaster recovery and the fiscal policies of "Abenomics," as well as stronger exports due to the depreciation of the yen. Additionally, there was demand toward the end of the fiscal year ahead of the consumption-tax hike, which contributed to strong housing starts, automobile sales, etc.

In the region of our Bank's core business foundation, Gifu and Aichi prefectures, the economy also followed a gradual recovery track, including the improvement of effective job offer ratios to job seekers since the financial crisis following the Lehman Brothers collapse, thanks to strong automobile production, public works, and other factors.

Performance

In conjunction with the organizational restructuring within the Group, the Bank, starting from the fiscal year under review, has made certain changes to the categories of business segments presented as reportable segments. The comparisons and analyses of the fiscal year under review are based on the categories of segments after the changes.

Ordinary income from banking operations decreased by ¥4,327 million to ¥86,859 million (US$844 million), mainly due to a decrease in interest income reflecting the decrease in interest on loans and discounts. Ordinary expenses decreased by ¥12,487 million to ¥68,381 million (US$664 million), due primarily to a substantial decrease in credit costs in addition to the decrease in net loss on securities, on the back of the continuous recovery of the domestic economy. Ordinary profit increased by ¥8,160 million to ¥18,478 million (US$180 million).

In the leasing business, ordinary income increased by ¥2,188 million to ¥22,937 million (US$223 million), while ordinary expenses decreased by ¥467 million to ¥18,756 million (US$182 million) and ordinary profit increased by ¥2,655 million to ¥4,181 million (US$41 million).

In other businesses, including the credit card business and credit guarantee business, ordinary income increased by ¥222 million to ¥5,691 million (US$55 million), while ordinary expenses increased by ¥495 million to ¥4,166 million (US$40 million) and ordinary profit decreased by ¥273 million to ¥1,525 million (US$15 million).

As a result, ordinary income on a consolidated basis decreased by ¥4,587 million to ¥111,214 million (US$1,081 million) and ordinary expenses decreased by ¥12,340 million to ¥89,851 million (US$873 million), while ordinary profit increased by ¥7,753 million to ¥21,363 million (US$208 million).

On the other hand, net income decreased by ¥6,306 million to ¥16,875 million (US$164 million), due primarily to the fact that the merger with The Gifu Bank, Ltd. in the previous fiscal year was no longer capable of reducing income taxes in the fiscal year under review.

Financial Position

In relation to balance of deposits, while striving to procure stable, long-term funds through various sales activities such as special campaigns, the Bank also worked actively to develop sales closely linked to the local region. As a result, our balance of deposits as of March 31, 2014 came to ¥5,026.1 billion (US$48,835 million).

In lending activities, the Bank responded actively to demand for funds from local enterprises and local government entities. Along with this, we worked actively to provide mortgage loans and other financing to individuals. As a result, our balance of loans as of March 31, 2014 came to ¥3,740.7 billion (US$36,346 million).

With regard to securities, in addition to underwriting and purchasing central and local government bonds, while closely watching market conditions, the Bank engaged in bond and other securities transactions in order to efficiently manage funds. As a result, our balance of securities as of March 31, 2014 came to ¥1,752.8 billion (US$17,030 million).

Year-end unrealized gain or loss on available-for-sale securities came to ¥49,010 million (US$476 million).

Net cash provided by operating activities amounted to ¥46,213 million (US$449 million), a decrease of ¥147,645 million from the previous term, mainly as a result of an increase in loans. Net cash used in investing activities amounted to ¥271,781 million (US$2,641 million), a decrease of ¥297,220 million from the previous term, mainly as a result of an increase in purchases of securities. Net cash used in financing activities amounted to ¥10,818 million (US$105 million), an increase of ¥6,208 million from the previous term, mainly as a result of a decrease in redemption of subordinated bonds. As a result, the closing balance of cash and cash equivalents decreased by ¥236,367 million during the term under review, to ¥91,663 million (US$891 million).