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2012

TOTTORI BANK REPORT
ANNUAL REPORT

TOTTORI
BANK



REVIEW OF OPERATIONS

Operating Environment

In fiscal 2011, major industries in Japan suffered significant setbacks, including the Great East Japan Earthquake and the flooding in Thailand, disasters which depressed production for a long time, the worsening European debt crisis and the slowdown in major overseas economies, as well as the rise of the Japanese yen to unprecedented levels.

At the end of the fiscal year, there were signs of recovery in the Japanese economy, supported by a correction in the yen rate triggered by additional financial relaxation measures by the Bank of Japan announced in February 2012, and by recovery in the US economy and expansion of internal demand from full-scale reconstruction in Japan after the earthquake. However, the economic outlook remains uncertain amid concerns of possible power shortages following the shutdown of nuclear plants in Japan, and the increase in oil prices due to the tense Middle East situation, as well as the risk of a new outbreak of the European debt crisis.

Turning to the economy of Tottori Prefecture, there were clear positive signs in the second half of the fiscal year, including an ongoing pickup in personal spending supported by buoyant automobile sales, and a year-on-year increase in capital investment. But overall, economic activity was weak, with production falling as major electronic machinery manufacturers restructured their businesses and overseas demand lost steam, darkening the corporate earnings and employment picture.

Performance Review

On a consolidated basis, loans and bills discounted increased by ¥2,160 million to ¥632,205 million (US\$7,692 million), on lending mainly to smaller enterprises. The balance of securities came in at ¥172,921 million (US\$2,104 million), up ¥30,161 million from the previous year-end on increased local government and other bond-holdings. Deposits increased by ¥3,822 million to ¥832,870 million (US\$10,133 million) on a strong performance by both individual and corporate deposits, combined with an increase in public-sector deposits.

Ordinary income declined ¥921 million year-on-year to ¥17,625 million (US\$214 million) due to a reduction in earnings from bonds, and a fall in interest income due to lower interest rates. Ordinary expenses also declined, by ¥329 million to ¥15,897 million (US\$193 million), on lower interest expenses due in part to a reduction in interest on deposits. As a result, ordinary profit declined by ¥593 million to ¥1,727 million (US\$21 million), and net income by ¥953 million to ¥442 million (US\$5 million), due in part to the reversal of deferred tax assets from cuts in the effective income tax rate.

Outlook

Turning to the consolidated performance forecast for fiscal 2013, we aim to record Ordinary profit of ¥1,500 million and net income of ¥800 million, by providing optimized solutions that help customers solve problems and achieve their goals, under our three-year business plan for the fiscal period 2012-2014, which has three main policies: providing financial services tailored to customer needs, leveraging our sophisticated consulting capabilities and creating value for the community.

Note:

The Japanese yen amounts are rounded down to the nearest million yen. Solely for the convenience of the reader, US dollar amounts represent a translation of Japanese yen at ¥82.19 to US \$1.00, the exchange rate prevailing on March 31, 2012.

CONSOLIDATED BALANCE SHEETS

March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Cash and due from banks	¥ 77,905	¥ 53,755	\$ 947,865
Commercial paper and other debt purchased	87	111	1,059
Securities	172,921	142,760	2,103,918
Loans and bills discounted	632,205	630,045	7,691,994
Foreign exchange	388	571	4,721
Beneficiary rights on subordinated equity securities	10,866	11,147	132,206
Other assets	4,537	4,711	55,201
Tangible fixed assets	12,613	11,525	153,461
Intangible fixed assets	299	408	3,638
Deferred tax assets	8,423	10,889	102,482
Customers' liabilities for acceptances and guarantees	5,047	5,744	61,406
Reserve for possible loan losses	(5,862)	(7,830)	(71,323)
Reserve for possible losses on investment securities	(16)	(56)	(195)
Total assets	¥919,415	¥863,784	\$11,186,458
Liabilities			
Deposits	¥832,870	¥794,668	\$10,133,471
Negotiable certificates of deposit	8,000	—	97,335
Call money and bills sold	64	351	779
Borrowed money	4,804	4,804	58,450
Foreign exchange	—	1	—
Bonds	15,000	10,000	182,504
Bonds with non-detachable warrants	—	6,888	—
Other liabilities	15,817	4,421	192,444
Reserve for bonuses	464	488	5,645
Reserve for retirement benefits	1,762	1,698	21,438
Reserve for contingent losses	138	109	1,679
Reserve for reimbursement of dormant deposits	32	34	389
Reserve for sales promotion	11	13	134
Deferred tax liabilities for land revaluation	740	846	9,004
Acceptance and guarantees	5,047	5,744	61,406
Total liabilities	884,755	830,071	10,764,752
Net assets			
Common stock	9,061	9,061	110,245
Capital surplus	6,452	6,452	78,501
Retained earnings	23,949	23,981	291,386
Treasury stock	(508)	(382)	(6,181)
Total shareholders' equity	38,955	39,112	473,963
Net unrealized loss on available-for-sale securities, net of tax	(5,299)	(6,296)	(64,473)
Net deferred loss on hedging instruments	(0)	(0)	(0)
Land revaluation reserve	925	819	11,254
Total valuation and translation adjustments	(4,374)	(5,477)	(53,218)
Minority interests	78	78	949
Total net assets	34,659	33,712	421,694
Total liabilities and net assets	¥919,415	¥863,784	\$11,186,458

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income			
Interest on:			
Loans and discounts	¥11,490	¥11,957	\$139,798
Securities	1,387	1,331	16,876
Others	255	278	3,103
Fees and commissions	2,445	2,450	29,748
Other operating income	1,225	2,130	14,904
Other income	819	397	9,965
Total income	17,625	18,546	214,442
Expenses			
Interest on:			
Deposits	1,082	1,318	13,165
Borrowings and rediscounts	86	120	1,046
Others	657	547	7,994
Fees and commissions	1,325	1,429	16,121
Other operating expenses	354	681	4,307
General and administrative expenses	10,837	10,754	131,853
Other expenses	1,576	1,402	19,175
Total expenses	15,922	16,255	193,722
Income before income taxes	1,701	2,328	20,696
Income taxes			
Current	163	231	1,983
Deferred	1,094	804	13,311
Income tax refund	—	(109)	—
Total income taxes	1,258	926	15,306
Income before minority interests	443	1,401	5,390
Minority interests	0	5	0
Net income	¥ 442	¥ 1,395	\$ 5,378

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income before minority interests	¥ 443	¥1,401	\$ 5,390
Other comprehensive income	1,103	(990)	13,420
Valuation difference on available-for-sale securities	997	(988)	12,130
Deferred gains or losses on hedges	(0)	(0)	(0)
Revaluation reserve for land	106	—	1,290
Share of other comprehensive income of associates accounted for using equity method	(0)	(0)	(0)
Comprehensive income	1,546	411	18,810
Comprehensive income attributable to owners of the parent	1,546	405	18,810
Comprehensive income attributable to minority interests	0	5	0

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
	2012	2011	2012		2012	2011	2012
Shareholders' equity							
Common stock							
Balance at end of previous year	¥ 9,061	¥ 9,061	\$110,245				
Changes during year	—	—	—				
Balance at end of year	¥ 9,061	¥ 9,061	\$110,245				
Capital surplus							
Balance at end of previous year	¥ 6,452	¥ 6,452	\$ 78,501				
Changes during year	—	—	—				
Balance at end of year	¥ 6,452	¥ 6,452	\$ 78,501				
Retained earnings							
Balance at end of previous year	¥23,981	¥23,057	\$291,775				
Changes during year:							
Cash dividends	(473)	(475)	(5,755)				
Net income (loss)	442	1,395	5,378				
Disposal of treasury stock	(0)	—	(0)				
Transfer from land revaluation reserve	—	3	—				
Total changes during year	(31)	923	(377)				
Balance at end of year	¥23,949	¥23,981	\$291,386				
Treasury stock							
Balance at end of previous year	¥ (382)	¥ (379)	\$ (4,648)				
Changes during year:							
Purchase of treasury stock	(125)	(3)	(1,521)				
Disposal of treasury stock	0	—	0				
Total changes during year	(125)	(3)	(1,521)				
Balance at end of year	¥ (508)	¥ (382)	\$ (6,181)				
Total shareholders' equity							
Balance at end of previous year	¥39,112	¥38,192	\$475,873				
Changes during year:							
Cash dividends	(473)	(475)	(5,755)				
Net income (loss)	442	1,395	5,378				
Purchase of treasury stock	(125)	(3)	(1,521)				
Disposal of treasury stock	0	—	0				
Transfer from land revaluation reserve	—	3	—				
Total changes during year	(157)	920	(1,910)				
Balance at end of year	¥38,955	¥39,112	\$473,963				
Valuation and translation adjustments							
Net unrealized loss on available-for-sale securities							
Balance at end of previous year	¥ (6,296)	¥ (5,307)	\$ (76,603)				
Changes during year:							
Net changes in items other than shareholders' equity	997	(989)	12,130				
Total changes during year	997	(989)	12,130				
Balance at end of year	¥ (5,299)	¥ (6,296)	\$ (64,473)				
Net deferred loss on hedging instruments							
Balance at end of previous year	¥ (0)	¥ 0	\$ (0)				
Changes during year:							
Net changes in items other than shareholders' equity	(0)	(0)	(0)				
Total changes during year	(0)	(0)	(0)				
Balance at end of year	¥ (0)	¥ (0)	\$ (0)				
Land revaluation reserve							
Balance at end of previous year	¥ 819	¥ 822	\$ 9,965				
Changes during year:							
Net changes in items other than shareholders' equity	106	(3)	1,290				
Total changes during year	106	(3)	1,290				
Balance at end of year	¥ 925	¥ 819	\$ 11,254				
Total valuation and translation adjustments							
Balance at end of previous year	¥ (5,477)	¥ (4,483)	\$ (66,638)				
Changes during year:							
Net changes in items other than shareholders' equity	1,103	(994)	13,420				
Total changes during year	1,103	(994)	13,420				
Balance at end of year	¥ (4,374)	¥ (5,477)	\$ (53,218)				
Minority interests							
Balance at end of previous year	¥ 78	¥ 72	\$ 949				
Changes during year:							
Net changes in items other than shareholders' equity	0	5	0				
Total changes during year	0	5	0				
Balance at end of year	¥ 78	¥ 78	\$ 949				
Total net assets							
Balance at end of previous year	¥33,712	¥33,780	\$410,172				
Changes during year:							
Cash dividends	(473)	(475)	(5,755)				
Net income (loss)	442	1,395	5,378				
Purchase of treasury stock	(125)	(3)	(1,521)				
Disposal of treasury stock	0	—	0				
Transfer from land revaluation reserve	—	3	—				
Net changes in items other than shareholders' equity	1,104	(988)	13,432				
Total changes during year	947	(68)	11,522				
Balance at end of year	¥34,659	¥33,712	\$421,694				

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash flows from operating activities			
Income before income taxes	¥ 1,701	¥ 2,328	\$ 20,696
Depreciation	640	563	7,787
(Decrease) increase in reserve for possible loan losses	(1,967)	431	(23,932)
Equity in earnings of affiliates	11	(23)	134
Decrease in reserve for possible losses on investment securities	(39)	(7)	(475)
(Decrease) increase in reserve for bonuses	(23)	51	(280)
Increase (decrease) in reserve for retirement benefits	63	(45)	767
(Decrease) increase in reserve for reimbursement of dormant deposits	(1)	16	(12)
Increase in reserve for contingent losses	29	11	353
Interest income	(13,134)	(13,568)	(159,800)
Interest expenses	1,828	1,986	22,241
(Gains) losses on securities	(552)	(730)	(6,716)
Foreign exchange losses	0	1	0
Losses on disposal of fixed assets	21	15	256
Net increase in loans and bills discounted	(2,160)	(5,683)	(26,281)
Net increase in deposits	46,201	17,341	562,124
Net decrease in call loans and others	23	65	280
Net decrease in call money and others	(287)	(3,511)	(3,492)
Net decrease (increase) in foreign exchange, assets	183	(124)	2,227
Net increase (decrease) in foreign exchange, liabilities	(1)	(5)	(12)
Interest received	12,780	13,659	155,493
Interest paid	(1,799)	(2,144)	(21,888)
Other, net	11,995	534	145,942
Subtotal	55,514	11,161	675,435
Income taxes paid	(94)	(524)	(1,144)
Return of income taxes received	109	—	1,326
Net cash provided by operating activities	55,529	10,636	675,617
Cash flows from investing activities			
Purchases of securities	(229,817)	(127,548)	(2,796,167)
Proceeds from sale of securities	192,407	116,361	2,341,003
Proceeds from maturity of securities	10,157	17,759	123,580
Purchases of tangible fixed assets	(1,607)	(1,405)	(19,552)
Proceeds from sale of tangible fixed assets	—	3	—
Purchases of other assets	(33)	(214)	(402)
Net cash used in investing activities	(28,892)	4,955	(351,527)
Cash flows from financing activities			
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	5,000	—	60,835
Payments for redemption subordinated bonds and bonds with subscription rights to shares	(6,888)	—	(83,806)
Purchases of treasury stock	(125)	(3)	(1,521)
Proceeds from sale of treasury stock	0	—	0
Cash dividends paid	(472)	(475)	(5,743)
Net cash used in financing activities	(2,486)	(479)	(30,247)
Effect of exchange rate changes on cash and cash equivalents	(0)	(1)	(0)
Net increase in cash and cash equivalents	24,149	15,111	293,819
Cash and cash equivalents at beginning of year	53,755	38,643	654,033
Cash and cash equivalents at end of year	¥ 77,905	¥ 53,755	\$ 947,865

CORPORATE DATA

Corporate Data (as of March 31, 2012)

Founded: December 1921

Head Office:

171, Eirakuonsen-cho,
Tottori 680-8686, Japan

Paid-in Capital:

¥9,061 million

Total Assets:

¥919,415 million

Total Deposits:

¥832,780 million

Number of Branches: 71

Number of Employees: 723

Major Shareholders

	Thousands of Shares	Percentage of Total Shares
Japan Trustee Services Bank, Ltd.	7,887	8.19
Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,704	3.85
Meiji Yasuda Life Insurance Company (Trustee: Trust & Custody Services Bank, Ltd.)	3,426	3.56
Sompo Japan Insurance Inc.	3,122	3.24
The Tottori Bank Employees' Shareholding Association	2,537	2.63
The Chugoku Electric Power., Inc.	1,923	1.99
Mitsui Mutual Life Insurance Company (Trustee: Japan Trustee Services Bank, Ltd.)	1,681	1.74
Shinsei Bank, Limited	1,247	1.29
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,097	1.14
CBNY DFA International Small Cap Value Portfolio (Standing Proxy: Citibank Japan Ltd.)	1,054	1.09

Board of Directors, Corporate Auditors and Executive Officers (as of June 1, 2012)

**Representative Director and
Chairman**

Kosuke Nakatani

**Representative Director and
President (Executive Officer)**

Masahiko Miyazaki

**Representative Director and
Deputy President
(Executive Officer)**

Yasumasa Ishiko

**Directors and
Managing Executive Officers**

Makoto Akiyama

Norifumi Ito

Hideo Adachi

Corporate Auditors

Yasuhiro Yoshida (standing)

Kazumasa Kuboi *

Shiro Sawa *

Yukio Taniguchi

* Outside Auditor

Managing Executive Officers

Yasushi Yamashita

Kouji Hirai

Executive Officers

Hidekazu Shimoda

Noritaka Maeda

Atsushi Teratani

Kazunori Yoshida

Keigo Yamagami

Mutsumi Morita

Kazumi Tanaka

Service Network (as of July 1, 2012)

Money Exchange Offices

Head Office	Hatagasaki Branch
Tottori Ekinan Branch	Sakaiminato Branch
Tottori Nishi Branch	Matsue Branch
Koyama Branch	Izumo Branch
Kurayoshi Branch	Okayama Branch
Kurayoshi Chuo Branch	Tsuyama Branch
Yonago Branch	Hiroshima Branch
Yonago Chuo Branch	Osaka Branch



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