

TOTTORI BANK REPORT

2013

ANNUAL REPORT

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REVIEW OF OPERATIONS

Operating Environment

In fiscal 2012 the Japanese economy showed signs of recovery against the backdrop of demand related to reconstruction after the Great East Japan Earthquake, and other factors, but exports and production declined due to the European debt crisis and the slowdown of overseas economies, particularly the emerging economies, and in addition the economic outlook remained uncertain due to the worsening of Japan-China relations and other factors. In this context, there was a correction of the yen appreciation and a recovery in stock prices due to the sense of expectation toward the policies to escape deflation promoted by the new government that came into power at the end of last year, and the Nikkei Stock Average recovered to the 12,000 level by the end of the fiscal year. It is expected that appropriate policies will develop these signs of improvement into a recovery in the real economy.

Turning to the economy of Tottori Prefecture, there were bright signs for personal spending as automobile sales were strong in the first half of the fiscal year and there were more public projects than in the previous fiscal year, but the employment conditions continued to be harsh, partly due to the effect of business restructuring by major manufacturers, and production activities also continued to be weak due to the effect of the business restructuring and the slowdown of overseas economies. Moreover, there were many companies concerned that purchasing prices and costs would rise due to the correction of the yen appreciation, and it will take some time for the improvement in the export environment and the effects of the emergency economic measures to have a ripple effect in the local area and lead to a full-scale recovery of the prefectural economy.

Performance Review

On a consolidated basis, loans and bills discounted increased by ¥10,756 million to ¥642,961 million (US\$6,836 million), primarily due to an increase in lending to small and medium-sized enterprises and individuals. The balance of securities came in at ¥188,260 million (US\$2,002 million), up ¥15,339 million from the previous year-end on appraisal gains arising from the recovery of market conditions, and other factors. Deposits increased by ¥33,145 million to ¥866,015 million (US\$9,208 million), primarily due to increases in both individual and corporate deposits.

Ordinary income increased ¥1,294 million year-on-year to ¥18,919 million (US\$201 million). Although interest income fell due to the decline in the yield from loans and bills discounted, etc., this was more than offset by the increase in other operating income including gains from sales of loan claims. Ordinary expenses also increased, by ¥1,066 million to ¥16,963 million (US\$180 million), due to a number of factors including the increase in expenditure on our migration to a new core system. As a result, ordinary profit increased by ¥228 million to ¥1,955 million (US\$21 million), and net income by ¥551 million to ¥993 million (US\$11 million).

Outlook

Turning to the consolidated performance forecast for fiscal 2013, we aim to record ordinary profit of ¥1,900 million and net income of ¥1,100 million. There is slow progress toward economic recovery in the San'in region that includes Tottori Prefecture, our main operational base, and the current low interest rate phase is forecast to continue due to new monetary easing and other factors, so it is difficult to expect a large increase in income. However, we will aim to strengthen our on-site capabilities by increasing the number of salespeople and enhancing their quality, and work hard to improve our management efficiency.

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 ¥94.05 to US\$1.00, the exchange rate prevailing on March 31, 2013.

CONSOLIDATED BALANCE SHEETS

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets			
Cash and due from banks	¥ 68,045	¥ 77,905	\$ 723,498
Commercial paper and other debt purchased	33	87	351
Securities	188,260	172,921	2,001,701
Loans and bills discounted	642,961	632,205	6,836,374
Foreign exchange	579	388	6,156
Beneficiary rights on subordinated equity securities	10,584	10,866	112,536
Other assets	4,750	4,537	50,505
Tangible fixed assets	11,121	12,613	118,246
Intangible fixed assets	3,287	299	34,949
Deferred tax assets	4,093	8,423	43,519
Customers' liabilities for acceptances and guarantees	4,266	5,047	45,359
Reserve for possible loan losses	(5,137)	(5,862)	(54,620)
Reserve for possible losses on investment securities	(14)	(16)	(149)
Total assets	¥932,833	¥919,415	\$9,918,480
Liabilities			
Deposits	¥866,015	¥832,870	\$9,208,028
Negotiable certificates of deposit	—	8,000	—
Call money and bills sold	63	64	670
Borrowed money	5,269	4,804	56,023
Foreign exchange	1	—	11
Bonds	5,000	15,000	53,163
Other liabilities	6,933	15,817	73,716
Reserve for bonuses	453	464	4,817
Reserve for retirement benefits	1,744	1,762	18,543
Reserve for contingent losses	167	138	1,776
Reserve for reimbursement of dormant deposits	28	32	298
Reserve for sales promotion	10	11	106
Deferred tax liabilities for land revaluation	738	740	7,847
Acceptance and guarantees	4,266	5,047	45,359
Total liabilities	890,694	884,755	9,470,431
Net assets			
Common stock	9,061	9,061	96,342
Capital surplus	6,452	6,452	68,602
Retained earnings	24,445	23,949	259,915
Treasury stock	(510)	(508)	(5,423)
Total shareholders' equity	39,449	38,955	419,447
Net unrealized loss on available-for-sale securities, net of tax	1,656	(5,299)	17,608
Net deferred loss on hedging instruments	(0)	(0)	(0)
Land revaluation reserve	950	925	10,101
Total accumulated other comprehensive income	2,606	(4,374)	27,709
Minority interests	81	78	861
Total net assets	42,138	34,659	448,038
Total liabilities and net assets	¥932,833	¥919,415	\$9,918,480

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income			
Interest on:			
Loans and discounts	¥10,818	¥11,490	\$115,024
Securities	1,387	1,387	14,747
Others	182	255	1,935
Fees and commissions	2,559	2,445	27,209
Other operating income	3,173	1,225	33,737
Other income	795	819	8,453
Total income	18,919	17,625	201,159
Expenses			
Interest on:			
Deposits	955	1,082	10,154
Borrowings and rediscounts	80	86	851
Others	426	657	4,530
Fees and commissions	1,317	1,325	14,003
Other operating expenses	1,005	354	10,686
General and administrative expenses	11,856	10,837	126,061
Other expenses	1,640	1,576	17,438
Total expenses	17,282	15,922	183,753
Income before income taxes	1,636	1,701	17,395
Income taxes			
Current	122	163	1,297
Deferred	517	1,094	5,497
Total income taxes	640	1,258	6,805
Income before minority interests	996	443	10,590
Minority interests	3	0	32
Net income	¥ 993	¥ 442	\$ 10,558

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income before minority interests	¥ 996	¥ 443	\$10,590
Other comprehensive income	6,956	1,103	73,961
Valuation difference on available-for-sale securities	6,953	997	73,929
Deferred gains or losses on hedges	0	(0)	0
Revaluation reserve for land	—	106	—
Share of other comprehensive income of associates accounted for using equity method	2	(0)	21
Comprehensive income	7,952	1,546	84,551
Comprehensive income attributable to owners of the parent	7,949	1,546	84,519
Comprehensive income attributable to minority interests	3	0	32

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
	2013	2012	2013		2013	2012	2013
Shareholders' equity				Accumulated other comprehensive income			
Common stock				Net unrealized loss on available-for-sale securities			
Balance at beginning of year	¥ 9,061	¥ 9,061	\$ 96,342	Balance at beginning of year	¥ (5,299)	¥ (6,296)	\$ (56,342)
Changes during year	—	—	—	Changes during year:			
Balance at end of year	¥ 9,061	¥ 9,061	\$ 96,342	Net changes in items other than shareholders' equity	6,956	997	73,961
Capital surplus				Total changes during year	6,956	997	73,961
Balance at beginning of year	¥ 6,452	¥ 6,452	\$ 68,602	Balance at end of year	¥ 1,656	¥ (5,299)	\$ 17,608
Changes during year	—	—	—	Net deferred loss on hedging instruments			
Balance at end of year	¥ 6,452	¥ 6,452	\$ 68,602	Balance at beginning of year	¥ (0)	¥ (0)	\$ (0)
Retained earnings				Changes during year:			
Balance at beginning of year	¥23,949	¥23,981	\$254,641	Net changes in items other than shareholders' equity	0	(0)	0
Changes during year:				Total changes during year	0	(0)	0
Cash dividends	(471)	(473)	(5,008)	Balance at end of year	¥ (0)	¥ (0)	\$ (0)
Net income (loss)	993	442	10,558	Land revaluation reserve			
Disposal of treasury stock	(0)	(0)	(0)	Balance at beginning of year	¥ 925	¥ 819	\$ 9,835
Transfer from land revaluation reserve	(25)	—	(266)	Changes during year:			
Total changes during year	496	(31)	5,274	Net changes in items other than shareholders' equity	25	106	266
Balance at end of year	¥24,445	¥23,949	\$259,915	Total changes during year	25	106	266
Treasury stock				Balance at end of year	¥ 950	¥ 925	\$ 10,101
Balance at beginning of year	¥ (508)	¥ (382)	\$ (5,401)	Total accumulated other comprehensive income			
Changes during year:				Balance at beginning of year	¥ (4,374)	¥ (5,477)	\$ (46,507)
Purchase of treasury stock	(1)	(125)	(11)	Changes during year:			
Disposal of treasury stock	0	0	0	Net changes in items other than shareholders' equity	6,981	1,103	74,226
Total changes during year	(1)	(125)	(11)	Total changes during year	6,981	1,103	74,226
Balance at end of year	¥ (510)	¥ (508)	\$ (5,423)	Balance at end of year	¥ 2,606	¥ (4,374)	\$ 27,709
Total shareholders' equity				Minority interests			
Balance at beginning of year	¥38,955	¥39,112	\$414,195	Balance at beginning of year	¥ 78	¥ 78	\$ 829
Changes during year:				Changes during year:			
Cash dividends	(471)	(473)	(5,008)	Net changes in items other than shareholders' equity	3	0	32
Net income (loss)	993	442	10,558	Total changes during year	3	0	32
Purchase of treasury stock	(1)	(125)	(11)	Balance at end of year	¥ 81	¥ 78	\$ 861
Disposal of treasury stock	0	0	0	Total net assets			
Transfer from land revaluation reserve	(25)	—	(266)	Balance at beginning of year	¥34,659	¥33,712	\$368,517
Total changes during year	494	(157)	5,253	Changes during year:			
Balance at end of year	¥39,449	¥38,955	\$419,447	Cash dividends	(471)	(473)	(5,008)
				Net income (loss)	993	442	10,558
				Purchase of treasury stock	(1)	(125)	(11)
				Disposal of treasury stock	0	0	0
				Transfer from land revaluation reserve	(25)	—	(266)
				Net changes in items other than shareholders' equity	6,984	1,104	74,258
				Total changes during year	7,478	947	79,511
				Balance at end of year	¥42,138	¥34,659	\$448,038

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash flows from operating activities			
Income before income taxes	¥ 1,636	¥ 1,701	\$ 17,395
Depreciation	1,289	640	13,705
Decrease in reserve for possible loan losses	(725)	(1,967)	(7,709)
Equity in earnings of affiliates	(12)	11	(128)
Decrease in reserve for possible losses on investment securities	(1)	(39)	(11)
Decrease in reserve for bonuses	(10)	(23)	(106)
Decrease (increase) in reserve for retirement benefits	(17)	63	(181)
Decrease in reserve for reimbursement of dormant deposits	(4)	(1)	(43)
Increase in reserve for contingent losses	29	29	308
Interest income	(12,390)	(13,134)	(131,738)
Interest expenses	1,462	1,828	15,545
(Gains) losses on securities	(713)	(552)	(7,581)
Foreign exchange losses	(1)	0	(11)
Losses on disposal of fixed assets	36	21	383
Net increase in loans and bills discounted	(10,756)	(2,160)	(114,365)
Net increase in deposits	25,145	46,201	267,358
Net decrease in call loans and others	54	23	574
Net increase (decrease) in call money and others	464	(287)	4,934
Net decrease (increase) in foreign exchange, assets	(191)	183	(2,031)
Net increase (decrease) in foreign exchange, liabilities	1	(1)	11
Interest received	12,309	12,780	130,877
Interest paid	(1,865)	(1,799)	(19,830)
Other, net	(8,059)	11,995	(85,688)
Subtotal	7,677	55,514	81,627
Income taxes paid	(151)	(94)	(1,606)
Return of income taxes received	—	109	—
Net cash provided by operating activities	7,525	55,529	80,011
Cash flows from investing activities			
Purchases of securities	(209,555)	(229,817)	(2,228,123)
Proceeds from sale of securities	191,604	192,407	2,037,257
Proceeds from maturity of securities	14,102	10,157	149,942
Purchases of tangible fixed assets	(681)	(1,607)	(7,241)
Purchases of other assets	(2,387)	(33)	(25,380)
Net cash used in investing activities	(6,915)	(28,892)	(73,525)
Cash flows from financing activities			
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	—	5,000	—
Payments for redemption subordinated bonds and bonds with subscription rights to shares	(10,000)	(6,888)	(106,326)
Purchases of treasury stock	(1)	(125)	(11)
Proceeds from sale of treasury stock	0	0	0
Cash dividends paid	(469)	(472)	(4,987)
Net cash used in financing activities	(10,471)	(2,486)	(111,334)
Effect of exchange rate changes on cash and cash equivalents	1	(0)	11
Net increase in cash and cash equivalents	(9,859)	24,149	(104,827)
Cash and cash equivalents at beginning of year	77,905	53,755	828,336
Cash and cash equivalents at end of year	¥ 68,045	¥ 77,905	\$ 723,498

CORPORATE DATA

Corporate Data (as of March 31, 2013)

Founded: December 1921

Head Office:

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

Paid-in Capital:

¥9,061 million

Total Assets:

¥932,833 million

Total Deposits:

¥866,015 million

Number of Branches: 70

Number of Employees: 711

Major Shareholders

	Thousands of Shares	Percentage of Total Shares
Japan Trustee Services Bank, Ltd.	8,895	9.24
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
The Tottori Bank Employees' Shareholding Association	2,577	2.67
Sompo Japan Insurance Inc. (Trustee: Trust & Custody Services Bank, Ltd.)	2,342	2.43
The Chugoku Electric Power Co., Inc.	2,190	2.27
Mitsui Mutual Life Insurance Company Limited (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.)	1,065	1.10

Board of Directors, Corporate Auditors and Executive Officers (as of June 1, 2013)

**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

Kouji Hirai

Corporate Auditors

Yasuhiro Yoshida (standing)

Kazumasa Kuboi *

Shiro Sawa *

Yukio Taniguchi

* Outside Auditor

Managing Executive Officer

Yasushi Yamashita

Executive Officers

Hidekazu Shimoda

Noritaka Maeda

Atsushi Teratani

Kazunori Yoshida

Keigo Yamagami

Mutsumi Morita

Kazumi Tanaka

Hironari Onozawa

Service Network (as of July 1, 2013)

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



171, Eirakuonsen-cho,
Tottori 680-8686, Japan
Tel 0857-37-0264

<http://www.tottoribank.co.jp>

