

Creating Shared Value



TOTTORI BANK REPORT  
ANNUAL REPORT

2018

# REVIEW OF OPERATIONS

## Operating Environment

Looking at the Japanese economy in fiscal 2017, exports and production continued to increase on the back of the economic recovery overseas and there were signs of a continued improvement in personal consumption against a backdrop of improved employment and income environments. Expectations also remain high of maintaining a sound position going forward with the outlook for Olympics-related infrastructure construction and redevelopment mainly in urban areas and continued capital expenditure for greater efficiency and automation, and research and development, to address work style reforms and labor shortages. Meanwhile, considering the risk of trade friction with China caused by the protectionist policy of the U.S., in addition to the rising geopolitical risks with North Korea and the Middle East, mean that international developments will need to be watched closely.

In the financial sector, central banks in Europe and the U.S. raised interest rates against the background of recovering economies. However, Japan saw a continued low interest rate environment which is likely to continue going forward with Bank of Japan indicating it will continue monetary easing toward achieving price stability targets.

Turning to the economy of Tottori Prefecture, there was a tendency toward gradual recovery as the employment situation improved and production activity showed signs of a gradual upturn. However, investment appeared to be at a standstill as signs of a recovery of some aspects of personal consumption, including retail sales, were weak. In this environment, the tourism industry is expected to energize the regional economy through tourism promotion backed by strong demand from inbound tourism, with moves to strengthen regional collaboration by the establishment in various areas of tourist destination management organizations and holding major events, such as the 1,300th anniversary of Daisen Temple on Mount Daisen.

## Performance Review

The following is an overview of the Bank's performance in fiscal 2017 on a consolidated basis. Deposits increased ¥9,884 million to ¥936,767 million from the previous fiscal year-end, mainly as a result of increases in individual deposits and corporate deposits. Loans and bills discounted increased by ¥24,143 million to ¥762,576 million from the previous fiscal year-end, partly due to a steady increase in lending to individuals as well as an increase in commercial lending. The balance of securities came in at ¥144,707 million, down ¥22,247 million from the previous fiscal year-end. This was mainly due to decreases in Japanese government bonds and other securities.

In terms of management results, ordinary income decreased ¥791 million to ¥15,401 million. This was mainly due to a decrease in interest income reflecting declines in interest on loans and discounts and interest on securities. Ordinary expenses decreased ¥689 million to ¥13,553 million, primarily due to reductions in general and administrative expenses, reflecting decreased property costs, despite an increase in credit-related costs. As a result, ordinary profit decreased ¥102 million to ¥1,848 million. Net income attributable to owners of the parent declined ¥203 million to ¥1,105 million.

## Outlook

In terms of consolidated performance forecasts for fiscal 2018, the Bank expects to record ordinary profit of around ¥1,500 million and net income attributable to owners of the parent of around ¥900 million on both a consolidated and non-consolidated basis. These forecasts reflect expectations for a continued low interest rate environment due to the continuation of the negative interest rate policy of the Bank of Japan. This impact should be partly offset by the Bank's customer-oriented operations through proactive local financing, support for businesses, and consulting.

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### 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 ¥106.24 to US\$1.00, the exchange rate prevailing on March 31, 2018.

**CONSOLIDATED BALANCE SHEETS**

March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Assets</b>			
Cash and due from banks	¥ 73,788	¥ 64,547	\$ 694,541
Securities	144,707	166,954	1,362,076
Loans and bills discounted	762,576	738,433	7,177,861
Foreign exchange	501	426	4,716
Beneficiary rights on subordinated equity securities	—	9,458	—
Other assets	5,972	5,503	56,212
Tangible fixed assets	11,381	11,776	107,125
Intangible fixed assets	716	619	6,739
Net defined benefit asset	6,708	6,264	63,140
Deferred tax assets	1,225	1,166	11,530
Customers' liabilities for acceptances and guarantees	8,668	7,287	81,589
Reserve for possible loan losses	(3,681)	(2,935)	(34,648)
Reserve for possible losses on investment securities	(15)	(14)	(141)
Total assets	¥1,012,550	¥1,009,490	\$9,530,779
<b>Liabilities</b>			
Deposits	¥ 936,767	¥ 926,883	\$8,817,460
Call money and bills sold	56	58	527
Borrowed money	8,700	14,000	81,890
Other liabilities	5,229	8,200	49,219
Reserve for bonuses	482	473	4,537
Net defined benefit liability	1,724	1,716	16,227
Reserve for contingent losses	265	293	2,494
Reserve for reimbursement of dormant deposits	39	45	367
Reserve for sales promotion	24	20	226
Deferred tax liabilities for land revaluation	631	631	5,939
Acceptance and guarantees	8,668	7,287	81,589
Total liabilities	962,591	959,610	9,060,533
<b>Net assets</b>			
Common stock	9,061	9,061	85,288
Capital surplus	6,452	6,452	60,730
Retained earnings	29,770	29,231	280,215
Treasury stock	(673)	(672)	(6,335)
Total shareholders' equity	44,611	44,073	419,908
Valuation difference on available-for-sale securities	2,232	2,586	21,009
Deferred gains or losses on hedges	0	(0)	0
Land revaluation reserve	1,062	1,058	9,996
Remeasurements of defined benefit plans	1,966	2,078	18,505
Total accumulated other comprehensive income	5,262	5,724	49,529
Non-controlling interests	85	82	800
Total net assets	49,959	49,879	470,247
Total liabilities and net assets	¥1,012,550	¥1,009,490	\$9,530,779

**CONSOLIDATED STATEMENTS OF INCOME**

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Income</b>			
Interest on:			
Loans and discounts	¥ 9,153	¥ 9,655	\$ 86,154
Securities	1,409	2,260	13,262
Others	243	197	2,287
Fees and commissions	2,594	2,782	24,416
Other operating income	1,519	897	14,298
Other income	481	398	4,527
Total income	15,401	16,192	144,964
<b>Expenses</b>			
Interest on:			
Deposits	535	647	5,036
Borrowings and rediscounts	50	52	471
Others	51	297	480
Fees and commissions	1,470	1,467	13,837
Other operating expenses	483	189	4,546
General and administrative expenses	9,971	11,056	93,854
Other expenses	990	529	9,319
Total expenses	13,553	14,242	127,570
Extraordinary losses	149	9	1,402
<b>Income before income taxes</b>	1,698	1,941	15,983
<b>Income taxes</b>			
Current	412	912	3,878
Deferred	177	(283)	1,666
Total income taxes	589	629	5,544
<b>Income before minority interests</b>	1,108	1,311	10,429
<b>Net income attributable to non-controlling interests</b>	3	3	28
<b>Net income</b>	¥ 1,105	¥ 1,308	\$ 10,401

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Income before minority interests</b>	¥1,108	¥ 1,311	\$10,429
Other comprehensive income	(466)	(2,146)	(4,386)
Valuation difference on available-for-sale securities	(425)	(2,385)	(4,000)
Deferred gains or losses on hedges	0	(0)	0
Remeasurements of defined benefit plans	(112)	233	(1,054)
Share of other comprehensive income of associates accounted for using equity method	72	5	678
<b>Comprehensive income</b>	¥ 642	¥ (835)	\$ 6,043
Comprehensive income attributable to owners of the parent	¥ 639	¥ (838)	\$ 6,015
Comprehensive income attributable to non-controlling interests	3	3	28

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2018 and 2017

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance as of April 1, 2016</b>	¥9,061	¥6,452	¥28,485	¥(670)	¥43,329	¥ 4,966	¥(0)	¥1,058	¥1,845	¥ 7,871	¥78	¥51,279
Changes during the year:												
Cash dividends			(561)		(561)							(561)
Net income attributable to owners of the parent			1,308		1,308							1,308
Purchase of treasury stock				(2)	(2)							(2)
Disposal of treasury stock			(0)	0	0							0
Net changes in items other than shareholders' equity						(2,380)	(0)	—	233	(2,146)	3	(2,143)
Total changes during the year	—	—	746	(2)	743	(2,380)	(0)	—	233	(2,146)	3	(1,399)
<b>Balance as of March 31, 2017</b>	9,061	6,452	29,231	(672)	44,073	2,586	(0)	1,058	2,078	5,724	82	49,879
Changes during the year:												
Cash dividends			(561)		(561)							(561)
Net income attributable to owners of the parent			1,105		1,105							1,105
Purchase of treasury stock				(1)	(1)							(1)
Reversal of land revaluation			(3)		(3)							(3)
Net changes in items other than shareholders' equity						(353)	0	3	(112)	(462)	3	(458)
Total changes during the year	—	—	539	(1)	537	(353)	0	3	(112)	(462)	3	79
<b>Balance as of March 31, 2018</b>	<b>¥9,061</b>	<b>¥6,452</b>	<b>¥29,770</b>	<b>¥(673)</b>	<b>¥44,611</b>	<b>¥ 2,232</b>	<b>¥ 0</b>	<b>¥1,062</b>	<b>¥1,966</b>	<b>¥ 5,262</b>	<b>¥85</b>	<b>¥49,959</b>

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance as of March 31, 2017</b>	\$85,288	\$60,730	\$275,141	\$(6,325)	\$414,844	\$24,341	\$0	\$9,959	\$19,559	\$53,878	\$772	\$469,494
Changes during the year:												
Cash dividends			(5,280)		(5,280)							(5,280)
Net income attributable to owners of the parent			10,401		10,401							10,401
Purchase of treasury stock				(9)	(9)							(9)
Reversal of land revaluation			(28)		(28)							(28)
Net changes in items other than shareholders' equity						(3,323)	0	28	(1,054)	(4,349)	28	(4,311)
Total changes during the year	—	—	5,073	(9)	5,055	(3,323)	0	28	(1,054)	(4,349)	28	744
<b>Balance as of March 31, 2018</b>	<b>\$85,288</b>	<b>\$60,730</b>	<b>\$280,215</b>	<b>\$(6,335)</b>	<b>\$419,908</b>	<b>\$21,009</b>	<b>\$0</b>	<b>\$9,996</b>	<b>\$18,505</b>	<b>\$49,529</b>	<b>\$800</b>	<b>\$470,247</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 1,698	¥ 1,941	\$ 15,983
Depreciation	876	1,347	8,245
Increase (decrease) in reserve for possible loan losses	746	(77)	7,022
Equity in losses (earnings) of affiliates	(5)	(8)	(47)
Increase (decrease) in reserve for possible losses on investment securities	1	(0)	9
Increase (decrease) in reserve for bonuses	9	(12)	85
Decrease (increase) in net defined benefit asset	(629)	(433)	(5,921)
Increase (decrease) in net defined benefit liability	32	81	301
Increase (decrease) in reserve for reimbursement of dormant deposits	(5)	(7)	(47)
Increase (decrease) in reserve for contingent losses	(28)	48	(264)
Interest income	(10,807)	(12,113)	(101,723)
Interest expenses	637	998	5,996
Losses (gains) on securities	(655)	(378)	(6,165)
Foreign exchange losses (gains)	0	0	0
Losses (gains) on disposal of fixed assets	6	5	56
Net decrease (increase) in loans and bills discounted	(24,142)	(16,888)	(227,240)
Net increase (decrease) in deposits	9,884	18,441	93,035
Net increase (decrease) in call money and others	(5,301)	(927)	(49,896)
Net decrease (increase) in foreign exchange, assets	(75)	51	(706)
Net increase (decrease) in foreign exchange, liabilities	—	(5)	—
Interest received	10,703	12,203	100,744
Interest paid	(753)	(1,084)	(7,088)
Other, net	6,629	(2,115)	62,396
Subtotal	(11,178)	1,066	(105,215)
Income taxes paid	(656)	(648)	(6,175)
Net cash provided by (used in) operating activities	(11,834)	418	(111,389)
<b>Cash flows from investing activities</b>			
Purchases of securities	(15,137)	(60,965)	(142,479)
Proceeds from sale of securities	14,996	15,097	141,152
Proceeds from maturity of securities	22,509	29,035	211,869
Purchases of tangible fixed assets	(382)	(1,232)	(3,596)
Proceeds from sales of property, plant and equipment	—	0	—
Purchases of other assets	(346)	(127)	(3,257)
Net cash provided by (used in) investing activities	21,639	(18,191)	203,680
<b>Cash flows from financing activities</b>			
Redemption of subordinated bonds	—	(5,000)	—
Purchases of treasury stock	(1)	(2)	(9)
Proceeds from sale of treasury stock	—	0	—
Cash dividends paid	(561)	(561)	(5,280)
Net cash provided by (used in) financing activities	(563)	(5,563)	(5,299)
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)	(0)
Net increase (decrease) in cash and cash equivalents	9,241	(23,336)	86,982
Cash and cash equivalents at beginning of year	64,547	87,884	607,558
Cash and cash equivalents at end of year	¥ 73,788	¥ 64,547	\$ 694,541



# CORPORATE DATA

## *Corporate Data* (as of March 31, 2018)

**Founded:** December 1921

**Head Office:**

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

**Paid-in Capital:**

¥9,061 million

**Total Assets:**

¥1,012,550 million

**Total Deposits:**

¥936,767 million

**Number of Branches:** 66

**Number of Employees:** 711

### *Major Shareholders*

	Thousands of shares	Percentage of total shares
Japan Trustee Services Bank, Ltd. (Trust Account)	392	4.19
Meiji Yasuda Life Insurance Company	342	3.65
Sompo Japan Nipponkoa Insurance Inc.	305	3.25
The Tottori Bank Employees' Shareholding Association	258	2.75
Japan Trustee Services Bank, Ltd. (Trust Account 4)	231	2.47
The Chugoku Electric Power Co., Inc.	229	2.44
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	222	2.37
The Master Trust Bank of Japan, Ltd.	182	1.95
Mitsui Life Insurance Company Limited	168	1.79
Japan Trustee Services Bank, Ltd. (Trust Account 5)	120	1.28

Note: The Bank conducted a 10-to-1 share consolidation of its common stock on October 1, 2016.

## *Board of Directors, Corporate Auditors and Executive Officers* (as of July 1, 2018)

**Representative Director and  
Chairman**

Masahiko Miyazaki

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

Kouji Hirai

**Directors and  
Senior Managing Executive  
Officers**

Makoto Akiyama

Hideo Adachi

**Director and  
Managing Executive Officer**

Kazunori Yoshida

**Directors**

Akiko Yamawaki \*

Takeshi Ashizaki \*

Kazuhiko Nishikawa \*

\* Outside Director

**Corporate Auditors**

Yasuhiro Yoshida (standing)

Kazumasa Kuboi \*

Keiichi Takahashi \*

Yukio Taniguchi

\* Outside Auditor

**Managing Executive Officers**

Keigo Yamagami

Hironari Onozawa

Tomohiro Fukuta

**Executive Officers**

Hirohisa Katsui

Itaru Irie

Noriaki Satake

Masayuki Morita

Futoshi Chimura

Toru Ikeuchi

## *Service Network* (as of July 19, 2018)

### *Money Exchange Offices*

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



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