

B e i n s p i r e d

Trust and Smile

Grateful to the Region

# REVIEW OF OPERATIONS

## Operating Environment

In fiscal 2013, buoyed by the Japanese government's economic stimulus measures and the effects of the Bank of Japan's extensive monetary easing policies, the Japanese economy showed improvements in business confidence and corporate earnings as the correction of the yen's appreciation continued and stock prices recovered. The positive cycle generated not only helped improve business confidence and earnings, it spread far and wide, helping to improve production, income and spending. Last-minute demand prior to the consumption tax rate increase also had a contributory effect, leading to a steady recovery. Looking ahead, although the impact of the consumption tax rate increase and a reactionary decline to the last-minute demand are expected to exert downward economic pressure, adverse economic effects should be avoided due to economic stimulus measures such as public-sector investments, tax breaks and an improved income environment, thus bringing the focus on how quickly the economy can return to cruising speed.

Turning to the economy of Tottori Prefecture, there were continued signs of recovery including favorable public-sector investments, automobile sales, and tourism, as well as improvements in production activities and employment conditions. Looking ahead, while there are concerns over the impact of the consumption tax rate increase, an increase in the number of flights and in the airline routes that departs and arrives at the local airport and an increase in companies entering the prefecture are expected to lead to local economic revitalization and industrial development.

## Performance Review

On a consolidated basis, loans and bills discounted increased by ¥31,109 million to ¥674,070 million, primarily due to an increase in lending to small and medium-sized enterprises and individuals. The balance of securities came in at ¥195,108 million, up ¥6,848 million from the previous year-end on an increase in local government bonds. Deposits increased by ¥16,989 million to ¥883,004 million, primarily due to increases in both individual and corporate deposits.

Ordinary income decreased ¥866 million year-on-year to ¥18,053 million. Although interest income and fees and commissions increased, other operating income declined due to the absence of gains from sales of loan claims recorded in the previous fiscal year. Ordinary expenses decreased by ¥1,646 million to ¥15,317 million due to decreases in interest expenses and general and administrative expenses. As a result, ordinary profit increased by ¥781 million to ¥2,736 million, and net income by ¥591 million to ¥1,584 million.

## Outlook

Turning to the consolidated performance forecast for fiscal 2014, we aim to record ordinary profit of ¥2,900 million and net income of ¥2,000 million. Although it is difficult to expect a large increase in income as the current low interest rate phase is forecast to continue due to monetary easing and other factors, there are signs of economic recovery in the San'in region that includes Tottori Prefecture, our main operational base. We will aim to strengthen our on-site capabilities by increasing the number of salespeople and enhancing their quality, and work hard to improve management efficiency.

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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 ¥102.92 to US\$1.00, the exchange rate prevailing on March 31, 2014.



**CONSOLIDATED BALANCE SHEETS**

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Assets</b>			
Cash and due from banks	¥ 61,125	¥ 68,045	\$ 593,908
Commercial paper and other debt purchased	—	33	—
Securities	195,108	188,260	1,895,725
Loans and bills discounted	674,070	642,961	6,549,456
Foreign exchange	461	579	4,479
Beneficiary rights on subordinated equity securities	10,303	10,584	100,107
Other assets	3,232	4,750	31,403
Tangible fixed assets	11,058	11,121	107,443
Intangible fixed assets	2,593	3,287	25,194
Net defined benefit asset	3,209	—	31,180
Deferred tax assets	2,814	4,093	27,342
Customers' liabilities for acceptances and guarantees	3,966	4,266	38,535
Reserve for possible loan losses	(5,208)	(5,137)	(50,602)
Reserve for possible losses on investment securities	(12)	(14)	(117)
Total assets	¥962,723	¥932,833	\$9,354,091
<b>Liabilities</b>			
Deposits	¥883,004	¥866,015	\$8,579,518
Negotiable certificates of deposit	2,000	—	19,433
Call money and bills sold	59	63	573
Borrowed money	13,098	5,269	127,264
Foreign exchange	—	1	—
Bonds	5,000	5,000	48,581
Other liabilities	8,066	6,933	78,372
Reserve for bonuses	510	453	4,955
Reserve for retirement benefits	—	1,744	—
Net defined benefit liability	1,976	—	19,199
Reserve for contingent losses	250	167	2,429
Reserve for reimbursement of dormant deposits	34	28	330
Reserve for sales promotion	12	10	117
Deferred tax liabilities for land revaluation	736	738	7,151
Acceptance and guarantees	3,966	4,266	38,535
Total liabilities	918,717	890,694	8,926,516
<b>Net assets</b>			
Common stock	9,061	9,061	88,039
Capital surplus	6,452	6,452	62,689
Retained earnings	25,545	24,445	248,202
Treasury stock	(525)	(510)	(5,101)
Total shareholders' equity	40,533	39,449	393,830
Net unrealized loss on available-for-sale securities, net of tax	1,216	1,656	11,815
Net deferred loss on hedging instruments	0	(0)	0
Land revaluation reserve	963	950	9,357
Remeasurements of defined benefit plans	1,204	—	11,698
Total accumulated other comprehensive income	3,384	2,606	32,880
Minority interests	87	81	845
Total net assets	44,005	42,138	427,565
Total liabilities and net assets	¥962,723	¥932,833	\$9,354,091

**CONSOLIDATED STATEMENTS OF INCOME**

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Income</b>			
Interest on:			
Loans and discounts	<b>¥10,728</b>	¥10,818	<b>\$104,236</b>
Securities	<b>2,156</b>	1,387	<b>20,948</b>
Others	<b>164</b>	182	<b>1,593</b>
Fees and commissions	<b>2,620</b>	2,559	<b>25,457</b>
Other operating income	<b>296</b>	3,173	<b>2,876</b>
Other income	<b>2,085</b>	795	<b>20,258</b>
Total income	<b>18,053</b>	18,919	<b>175,408</b>
<b>Expenses</b>			
Interest on:			
Deposits	<b>819</b>	955	<b>7,958</b>
Borrowings and rediscounts	<b>80</b>	80	<b>777</b>
Others	<b>352</b>	426	<b>3,420</b>
Fees and commissions	<b>1,354</b>	1,317	<b>13,156</b>
Other operating expenses	<b>280</b>	1,005	<b>2,721</b>
General and administrative expenses	<b>11,412</b>	11,856	<b>110,882</b>
Other expenses	<b>1,051</b>	1,640	<b>10,212</b>
Total expenses	<b>15,354</b>	17,282	<b>149,184</b>
<b>Income before income taxes</b>	<b>2,699</b>	1,636	<b>26,224</b>
<b>Income taxes</b>			
Current	<b>244</b>	122	<b>2,371</b>
Deferred	<b>864</b>	517	<b>8,395</b>
Total income taxes	<b>1,108</b>	640	<b>10,766</b>
Income before minority interests	<b>1,590</b>	996	<b>15,449</b>
<b>Minority interests</b>	<b>5</b>	3	<b>49</b>
<b>Net income</b>	<b>¥ 1,584</b>	¥ 993	<b>\$ 15,391</b>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Income before minority interests</b>	<b>¥1,590</b>	¥ 996	<b>\$15,449</b>
Other comprehensive income	<b>(440)</b>	6,956	<b>(4,275)</b>
Valuation difference on available-for-sale securities	<b>(447)</b>	6,953	<b>(4,343)</b>
Deferred gains or losses on hedges	<b>0</b>	0	<b>0</b>
Share of other comprehensive income of associates accounted for using equity method	<b>6</b>	2	<b>58</b>
Comprehensive income	<b>1,150</b>	7,952	<b>11,174</b>
Comprehensive income attributable to owners of the parent	<b>1,144</b>	7,949	<b>11,115</b>
Comprehensive income attributable to minority interests	<b>5</b>	3	<b>49</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Years ended March 31, 2014 and 2013

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized loss on available-for-sale securities	Net deferred loss on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance as of April 1, 2012</b>	¥9,061	¥6,452	¥23,949	¥(508)	¥38,955	¥(5,299)	¥(0)	¥925	¥ —	¥(4,374)	¥78	¥34,659
Changes during the year:												
Cash dividends			(471)		(471)							(471)
Net income			993		993							993
Purchase of treasury stock				(1)	(1)							(1)
Disposal of treasury stock			(0)	0	0							0
Transfer from land revaluation reserve			(25)		(25)							(25)
Net changes in items other than shareholders' equity						6,956	0	25	—	6,981	3	6,984
Total changes during the year	—	—	496	(1)	494	6,956	0	25	—	6,981	3	7,478
<b>Balance as of March 31, 2013</b>	9,061	6,452	24,445	(510)	39,449	1,656	(0)	950	—	2,606	81	42,138
Changes during the year:												
Cash dividends			(471)		(471)							(471)
Net income			1,584		1,584							1,584
Purchase of treasury stock				(16)	(16)							(16)
Disposal of treasury stock			(0)	0	0							0
Transfer from land revaluation reserve			(13)		(13)							(13)
Net changes in items other than shareholders' equity						(440)	0	13	1,204	777	5	783
Total changes during the year	—	—	1,099	(15)	1,083	(440)	0	13	1,204	777	5	1,867
<b>Balance as of March 31, 2014</b>	<b>¥9,061</b>	<b>¥6,452</b>	<b>¥25,545</b>	<b>¥(525)</b>	<b>¥40,533</b>	<b>¥ 1,216</b>	<b>¥ 0</b>	<b>¥963</b>	<b>¥1,204</b>	<b>¥ 3,384</b>	<b>¥87</b>	<b>¥44,005</b>

	Thousands of U.S. dollars (Note 3)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized loss on available-for-sale securities	Net deferred loss on hedging instruments	Land revaluation reserve	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance as of April 1, 2013</b>	\$88,039	\$62,689	\$237,515	\$(4,955)	\$383,298	\$16,090	\$(0)	\$9,230	\$ —	\$25,321	\$787	\$409,425
Changes during the year:												
Cash dividends			(4,576)		(4,576)							(4,576)
Net income			15,391		15,391							15,391
Purchase of treasury stock				(155)	(155)							(155)
Disposal of treasury stock			(0)	0	0							0
Transfer from land revaluation reserve			(126)		(126)							(126)
Net changes in items other than shareholders' equity						(4,275)	0	126	11,698	7,550	49	7,608
Total changes during the year	—	—	10,678	(146)	10,523	(4,275)	0	126	11,698	7,550	49	18,140
<b>Balance as of March 31, 2014</b>	<b>\$88,039</b>	<b>\$62,689</b>	<b>\$248,202</b>	<b>\$(5,101)</b>	<b>\$393,830</b>	<b>\$11,815</b>	<b>\$ 0</b>	<b>\$9,357</b>	<b>\$11,698</b>	<b>\$32,880</b>	<b>\$845</b>	<b>\$427,565</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 2,699	¥ 1,636	\$ 26,224
Depreciation	1,348	1,289	13,098
Increase (decrease) in reserve for possible loan losses	71	(725)	690
Equity in earnings of affiliates	(35)	(12)	(340)
Decrease in reserve for possible losses on investment securities	(1)	(1)	(10)
Increase (decrease) in reserve for bonuses	56	(10)	544
Decrease in reserve for retirement benefits	—	(17)	—
Decrease (increase) in net defined benefit asset	(112)	—	(1,088)
Increase (decrease) in net defined benefit liability	(6)	—	(58)
Increase (decrease) in reserve for reimbursement of dormant deposits	6	(4)	58
Increase in reserve for contingent losses	82	29	797
Interest income	(13,050)	(12,390)	(126,798)
Interest expenses	1,255	1,462	12,194
Losses on securities	(1,329)	(713)	(12,913)
Foreign exchange gains	(1)	(1)	(10)
Losses on disposal of fixed assets	21	36	204
Net increase in loans and bills discounted	(31,109)	(10,756)	(302,264)
Net increase in deposits	18,988	25,145	184,493
Net decrease in call loans and others	33	54	321
Net increase in call money and others	7,824	464	76,020
Net decrease (increase) in foreign exchange, assets	118	(191)	1,147
Net increase (decrease) in foreign exchange, liabilities	(1)	1	(10)
Interest received	13,294	12,309	129,168
Interest paid	(1,667)	(1,865)	(16,197)
Other, net	2,139	(8,059)	20,783
Subtotal	625	7,677	6,073
Income taxes paid	(262)	(151)	(2,546)
Net cash provided by operating activities	362	7,525	3,517
<b>Cash flows from investing activities</b>			
Purchases of securities	(70,916)	(209,555)	(689,040)
Proceeds from sale of securities	54,038	191,604	525,049
Proceeds from maturity of securities	10,708	14,102	104,042
Purchases of tangible fixed assets	(564)	(681)	(5,480)
Proceeds from sale of tangible fixed assets	22	—	214
Purchases of other assets	(85)	(2,387)	(826)
Net cash used in investing activities	(6,797)	(6,915)	(66,042)
<b>Cash flows from financing activities</b>			
Payments for redemption subordinated bonds and bonds with subscription rights to shares	—	(10,000)	—
Purchases of treasury stock	(16)	(1)	(155)
Proceeds from sale of treasury stock	0	0	0
Cash dividends paid	(471)	(469)	(4,576)
Net cash used in financing activities	(487)	(10,471)	(4,732)
Effect of exchange rate changes on cash and cash equivalents	1	1	10
Net increase (decrease) in cash and cash equivalents	(6,920)	(9,859)	(67,237)
Cash and cash equivalents at beginning of year	68,045	77,905	661,145
Cash and cash equivalents at end of year	¥61,125	¥ 68,045	\$593,908

# CORPORATE DATA

## *Corporate Data* (as of March 31, 2014)

**Founded:** December 1921

**Head Office:**

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

**Paid-in Capital:**

¥9,061 million

**Total Assets:**

¥962,723 million

**Total Deposits:**

¥883,004 million

**Number of Branches:** 66

**Number of Employees:** 698

### *Major Shareholders*

	Thousands of Shares	Percentage of Total Shares
Japan Trustee Services Bank, Ltd.	8,855	9.20
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	2,581	2.68
Sompo Japan Insurance Inc. (Trustee: Trust & Custody Services Bank, Ltd.)	2,342	2.43
The Chugoku Electric Power Co., Inc.	2,294	2.38
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.)	1,075	1.11

## *Board of Directors, Corporate Auditors and Executive Officers* (as of June 1, 2014)

### *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

Hideo Adachi

Kouji Hirai

### *Director*

Akiko Yamawaki \*

\* Outside Director

### *Corporate Auditors*

Yasuhiro Yoshida (standing)

Kazumasa Kuboi \*

Shiro Sawa \*

Yukio Taniguchi

\* Outside Auditor

### *Managing Executive Officer*

Kazunori Yoshida

### *Executive Officers*

Noritaka Maeda

Atsushi Teratani

Keigo Yamagami

Mutsumi Morita

Kazumi Tanaka

Hironari Onozawa

Jun Nakano

Tomohiro Fukuta

## *Service Network* (as of July 1, 2014)

### *Money Exchange Offices*

Head Office

Tottori Ekinan Branch

Tottori Nishi Branch

Koyama Branch

Kurayoshi Branch

Kurayoshi Chuo Branch

Yonago Branch

Yonago Chuo Branch

Hatagasaki Branch

Sakaimitato Branch

Matsue Branch

Izumo Branch

Okayama Branch

Tsuyama Branch

Hiroshima Branch

Osaka Branch



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