

TOTTORI BANK REPORT
ANNUAL REPORT 2015

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REVIEW OF OPERATIONS

Operating Environment

In fiscal 2014, although the Japanese economy was affected by the protracted impact of the consumption tax increase, the Nikkei Stock Average recovered due to an anticipated economic rebound resulting from further monetary easing by the Bank of Japan, government indication of the postponement of an additional consumption tax increase, and other factors. The economy continued its gradual recovery on the back of capital investment as well as corporate earnings remaining strong, especially for export-related companies, due to the advancing depreciation of the yen. Looking ahead, a steady recovery in consumer spending is expected as a result of wage increases in base pay thanks to ongoing improvements in corporate earnings and employment conditions, and this should be reflected in a rising domestic economy.

Turning to the economy of Tottori Prefecture, consumer spending was weak in the wake of the consumption tax increase, and rising procurement costs for raw materials following the yen's continuing depreciation affected the prefecture's economy, where most companies are dependent on domestic demand. Meanwhile, in addition to a series of announcements about companies bringing in their business from outside Tottori Prefecture, there are various planned developments that will revitalize the regional economy, including business uses of the international cargo-passenger boat terminal at Sakaiminato. Going forward, efforts to generate a positive economic cycle through inter-regional cooperation are hopeful based on comprehensive regional strategies formulated by each municipality.

Performance Review

On a consolidated basis, loans and bills discounted increased by ¥29,696 million to ¥703,766 million from the previous year-end, primarily due to increases in lending to small- and medium-sized enterprises and individuals. The balance of securities came in at ¥185,287 million, down ¥9,821 million on a decrease in local government bonds and corporate bonds.

Deposits increased ¥3,231 million to ¥886,235 million primarily due to increases in both individual and corporate deposits. Ordinary income decreased ¥739 million to ¥17,314 million. This was mainly due to increases in interest income and fees and commissions, however these were outweighed by a decrease in other operating income due to the absence of gains from sales of stock recorded in the previous fiscal year. Ordinary expenses decreased ¥1,370 million to ¥13,947 million due to decreases in credit-related costs and general and administrative expenses. As a result, ordinary profit increased by ¥631 million to ¥3,367 million, and net income by ¥553 million to ¥2,137 million.

Outlook

Turning to the consolidated performance forecast for fiscal 2015, the Bank expects to record ordinary profit of ¥2,700 million and net income of ¥1,800 million. This will be accomplished by appropriately responding to the rapidly declining birth rate and aging population, as well as falling population, and steadily putting various policies and measures into practice based on the three basic policies of “actively contributing to regional revitalization,” “improving customer satisfaction,” and “developing human resources who will be in charge of the region's and the Bank's future” under “*Kodo and Kaikaku II 27-29*,” our medium-term management plan that covers the three years from fiscal 2015 through fiscal 2017.

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 ¥120.17 to US\$1.00, the exchange rate prevailing on March 31, 2015.

CONSOLIDATED BALANCE SHEETS

March 31, 2015 and 2014

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2015 | 2014 | 2015 |
| Assets | | | |
| Cash and due from banks | ¥ 54,883 | ¥ 61,125 | \$ 456,711 |
| Securities | 185,287 | 195,108 | 1,541,874 |
| Loans and bills discounted | 703,766 | 674,070 | 5,856,420 |
| Foreign exchange | 366 | 461 | 3,046 |
| Beneficiary rights on subordinated equity securities | 10,021 | 10,303 | 83,390 |
| Other assets | 3,163 | 3,232 | 26,321 |
| Tangible fixed assets | 10,836 | 11,058 | 90,172 |
| Intangible fixed assets | 1,926 | 2,593 | 16,027 |
| Net defined benefit asset | 5,490 | 3,209 | 45,685 |
| Deferred tax assets | — | 2,814 | — |
| Customers' liabilities for acceptances and guarantees | 3,586 | 3,966 | 29,841 |
| Reserve for possible loan losses | (4,345) | (5,208) | (36,157) |
| Reserve for possible losses on investment securities | (14) | (12) | (117) |
| Total assets | ¥974,969 | ¥962,723 | \$8,113,248 |
| Liabilities | | | |
| Deposits | ¥886,235 | ¥883,004 | \$7,374,844 |
| Negotiable certificates of deposit | 2,000 | 2,000 | 16,643 |
| Call money and bills sold | 61 | 59 | 508 |
| Borrowed money | 15,528 | 13,098 | 129,217 |
| Foreign exchange | 0 | — | 0 |
| Bonds | 5,000 | 5,000 | 41,608 |
| Other liabilities | 8,634 | 8,066 | 71,848 |
| Reserve for bonuses | 488 | 510 | 4,061 |
| Net defined benefit liability | 1,609 | 1,976 | 13,389 |
| Reserve for contingent losses | 229 | 250 | 1,906 |
| Reserve for reimbursement of dormant deposits | 62 | 34 | 516 |
| Reserve for sales promotion | 14 | 12 | 117 |
| Deferred tax liabilities | 165 | — | 1,373 |
| Deferred tax liabilities for land revaluation | 664 | 736 | 5,526 |
| Acceptance and guarantees | 3,586 | 3,966 | 29,841 |
| Total liabilities | 924,282 | 918,717 | 7,691,454 |
| Net assets | | | |
| Common stock | 9,061 | 9,061 | 75,402 |
| Capital surplus | 6,452 | 6,452 | 53,691 |
| Retained earnings | 27,049 | 25,545 | 225,089 |
| Treasury stock | (669) | (525) | (5,567) |
| Total shareholders' equity | 41,895 | 40,533 | 348,631 |
| Net unrealized loss on available-for-sale securities, net of tax | 5,476 | 1,216 | 45,569 |
| Net deferred loss on hedging instruments | 0 | 0 | 0 |
| Land revaluation reserve | 1,025 | 963 | 8,530 |
| Remeasurements of defined benefit plans | 2,205 | 1,204 | 18,349 |
| Total accumulated other comprehensive income | 8,707 | 3,384 | 72,456 |
| Minority interests | 84 | 87 | 699 |
| Total net assets | 50,687 | 44,005 | 421,794 |
| Total liabilities and net assets | ¥974,969 | ¥962,723 | \$8,113,248 |

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2015 and 2014

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2015 | 2014 | 2015 |
| Income | | | |
| Interest on: | | | |
| Loans and discounts | ¥10,591 | ¥10,728 | \$ 88,133 |
| Securities | 3,138 | 2,156 | 26,113 |
| Others | 187 | 164 | 1,556 |
| Fees and commissions | 2,713 | 2,620 | 22,576 |
| Other operating income | 148 | 296 | 1,232 |
| Other income | 918 | 2,085 | 7,639 |
| Total income | 17,696 | 18,053 | 147,258 |
| Expenses | | | |
| Interest on: | | | |
| Deposits | 750 | 819 | 6,241 |
| Borrowings and rediscounts | 101 | 80 | 840 |
| Others | 343 | 352 | 2,854 |
| Fees and commissions | 1,393 | 1,354 | 11,592 |
| Other operating expenses | 132 | 280 | 1,098 |
| General and administrative expenses | 10,983 | 11,412 | 91,396 |
| Other expenses | 273 | 1,051 | 2,272 |
| Total expenses | 13,980 | 15,354 | 116,335 |
| Income before income taxes | 3,716 | 2,699 | 30,923 |
| Income taxes | | | |
| Current | 864 | 244 | 7,190 |
| Deferred | 717 | 864 | 5,967 |
| Total income taxes | 1,581 | 1,108 | 13,156 |
| Income before minority interests | 2,134 | 1,590 | 17,758 |
| Minority interests | (2) | 5 | (17) |
| Net income | ¥ 2,137 | ¥ 1,584 | \$ 17,783 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2015 and 2014

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|------------------------------|
| | 2015 | 2014 | 2015 |
| Income before minority interests | ¥2,134 | ¥1,590 | \$17,758 |
| Other comprehensive income | 5,329 | (440) | 44,346 |
| Valuation difference on available-for-sale securities | 4,254 | (447) | 35,400 |
| Deferred gains or losses on hedges | 0 | 0 | 0 |
| Revaluation reserve for land | 68 | — | 566 |
| Remeasurements of defined benefit plans | 1,001 | — | 8,330 |
| Share of other comprehensive income of associates accounted for using equity method | 5 | 6 | 42 |
| Comprehensive income | ¥7,464 | ¥1,150 | \$62,112 |
| Comprehensive income attributable to owners of the parent | ¥7,466 | ¥1,144 | \$62,129 |
| Comprehensive income attributable to minority interests | (2) | 5 | (17) |

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2015 and 2014

| | 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 |
| Balance as of April 1, 2013 | ¥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 |
| Balance as of March 31, 2014 | 9,061 | 6,452 | 25,545 | (525) | 40,533 | 1,216 | 0 | 963 | 1,204 | 3,384 | 87 | 44,005 |
| Cumulative effects of changes in accounting policies | | | (73) | | (73) | | | | | | (0) | (74) |
| Restated balance | 9,061 | 6,452 | 25,471 | (525) | 40,459 | 1,216 | 0 | 963 | 1,204 | 3,384 | 86 | 43,931 |
| Changes during the year: | | | | | | | | | | | | |
| Cash dividends | | | (565) | | (565) | | | | | | | (565) |
| Net income | | | 2,137 | | 2,137 | | | | | | | 2,137 |
| Purchase of treasury stock | | | | (143) | (143) | | | | | | | (143) |
| Disposal of treasury stock | | | (0) | 0 | 0 | | | | | | | 0 |
| Transfer from land revaluation reserve | | | 6 | | 6 | | | | | | | 6 |
| Net changes in items other than shareholders' equity | | | | | | 4,259 | 0 | 62 | 1,001 | 5,322 | (2) | 5,320 |
| Total changes during the year | — | — | 1,578 | (143) | 1,435 | 4,259 | 0 | 62 | 1,001 | 5,322 | (2) | 6,755 |
| Balance as of March 31, 2015 | ¥9,061 | ¥6,452 | ¥27,049 | ¥(669) | ¥41,895 | ¥5,476 | ¥ 0 | ¥1,025 | ¥2,205 | ¥8,707 | ¥84 | ¥50,687 |

| | 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 |
| Balance as of March 31, 2014 | \$75,402 | \$53,691 | \$212,574 | \$(4,369) | \$337,297 | \$10,119 | \$0 | \$8,014 | \$10,019 | \$28,160 | \$724 | \$366,190 |
| Cumulative effects of changes in accounting policies | | | (607) | | (607) | | | | | | (0) | (616) |
| Restated balance | 75,402 | 53,691 | 211,958 | (4,369) | 336,681 | 10,119 | 0 | 8,014 | 10,019 | 28,160 | 716 | 365,574 |
| Changes during the year: | | | | | | | | | | | | |
| Cash dividends | | | (4,702) | | (4,702) | | | | | | | (4,702) |
| Net income | | | 17,783 | | 17,783 | | | | | | | 17,783 |
| Purchase of treasury stock | | | | (1,190) | (1,190) | | | | | | | (1,190) |
| Disposal of treasury stock | | | (0) | 0 | 0 | | | | | | | 0 |
| Transfer from land revaluation reserve | | | 50 | | 50 | | | | | | | 50 |
| Net changes in items other than shareholders' equity | | | | | | 35,441 | 0 | 516 | 8,330 | 44,287 | (17) | 44,271 |
| Total changes during the year | — | — | 13,131 | (1,190) | 11,941 | 35,441 | 0 | 516 | 8,330 | 44,287 | (17) | 56,212 |
| Balance as of March 31, 2015 | \$75,402 | \$53,691 | \$225,089 | \$(5,567) | \$348,631 | \$45,569 | \$0 | \$8,530 | \$18,349 | \$72,456 | \$699 | \$421,794 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2015 and 2014

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2015 | 2014 | 2015 |
| Cash flows from operating activities | | | |
| Income before income taxes | ¥ 3,716 | ¥ 2,699 | \$ 30,923 |
| Depreciation | 1,368 | 1,348 | 11,384 |
| Increase (decrease) in reserve for possible loan losses | (862) | 71 | (7,173) |
| Equity in earnings of affiliates | (50) | (35) | (416) |
| Decrease in reserve for possible losses on investment securities | 1 | (1) | 8 |
| Increase (decrease) in reserve for bonuses | (22) | 56 | (183) |
| Decrease (increase) in net defined benefit asset | (1,444) | (112) | (12,016) |
| Increase (decrease) in net defined benefit liability | 65 | (6) | 541 |
| Increase (decrease) in reserve for reimbursement of dormant deposits | 27 | 6 | 225 |
| Increase in reserve for contingent losses | (20) | 82 | (166) |
| Interest income | (13,917) | (13,050) | (115,811) |
| Interest expenses | 1,196 | 1,255 | 9,953 |
| Losses on securities | (74) | (1,329) | (616) |
| Foreign exchange gains | (2) | (1) | (17) |
| Losses on disposal of fixed assets | 14 | 21 | 117 |
| Net increase in loans and bills discounted | (29,695) | (31,109) | (247,108) |
| Net increase in deposits | 3,231 | 18,988 | 26,887 |
| Net decrease in call loans and others | — | 33 | — |
| Net increase in call money and others | 2,432 | 7,824 | 20,238 |
| Net decrease (increase) in foreign exchange, assets | 95 | 118 | 791 |
| Net increase (decrease) in foreign exchange, liabilities | 0 | (1) | 0 |
| Interest received | 13,910 | 13,294 | 115,753 |
| Interest paid | (1,228) | (1,667) | (10,219) |
| Other, net | 589 | 2,139 | 4,901 |
| Subtotal | (20,667) | 625 | (171,981) |
| Income taxes paid | (478) | (262) | (3,978) |
| Net cash provided by operating activities | (21,145) | 362 | (175,959) |
| Cash flows from investing activities | | | |
| Purchases of securities | (67,160) | (70,916) | (558,875) |
| Proceeds from sale of securities | 61,890 | 54,038 | 515,020 |
| Proceeds from maturity of securities | 21,393 | 10,708 | 178,023 |
| Purchases of tangible fixed assets | (426) | (564) | (3,545) |
| Proceeds from sale of tangible fixed assets | — | 22 | — |
| Purchases of other assets | (85) | (85) | (707) |
| Sales of other assets | 0 | — | 0 |
| Net cash used in investing activities | 15,610 | (6,797) | 129,899 |
| Cash flows from financing activities | | | |
| Purchases of treasury stock | (143) | (16) | (1,190) |
| Proceeds from sale of treasury stock | 0 | 0 | 0 |
| Cash dividends paid | (565) | (471) | (4,702) |
| Net cash used in financing activities | (708) | (487) | (5,892) |
| Effect of exchange rate changes on cash and cash equivalents | 2 | 1 | 17 |
| Net increase (decrease) in cash and cash equivalents | (6,241) | (6,920) | (51,935) |
| Cash and cash equivalents at beginning of year | 61,125 | 68,045 | 508,654 |
| Cash and cash equivalents at end of year | ¥ 54,883 | ¥ 61,125 | \$ 456,711 |

CORPORATE DATA

Corporate Data (as of March 31, 2015)

Founded: December 1921

Head Office:

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

Paid-in Capital:

¥9,061 million

Total Assets:

¥974,969 million

Total Deposits:

¥886,235 million

Number of Branches: 67

Number of Employees: 700

Major Shareholders

| | Thousands of Shares | Percentage of Total Shares |
|--|------------------------|-------------------------------|
| Japan Trustee Services Bank, Ltd. | 9,270 | 9.63 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3,704 | 3.85 |
| Meiji Yasuda Life Insurance Company | 3,426 | 3.56 |
| Sompo Japan Nipponkoa Insurance Inc. | 3,051 | 3.17 |
| The Tottori Bank Employees' Shareholding Association | 2,529 | 2.62 |
| The Chugoku Electric Power Co., Inc. | 2,294 | 2.38 |
| Mitsui Life Insurance Company Limited | 1,681 | 1.74 |
| Shinsei Bank, Limited | 1,247 | 1.29 |
| The Master Trust Bank of Japan, Ltd. | 1,138 | 1.18 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 1,097 | 1.14 |

Board of Directors, Corporate Auditors and Executive Officers (as of June 1, 2015)

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 Senior Managing Executive Officers

Makoto Akiyama
Kouji Hirai

Director and Managing Executive Officer

Hideo Adachi

Director

Akiko Yamawaki *

* Outside Director

Corporate Auditors

Yasuhiro Yoshida (standing)
Kazumasa Kuboi *
Shiro Sawa *
Yukio Taniguchi

* Outside Auditor

Managing Executive Officers

Kazunori Yoshida
Atsushi Teratani

Executive Officers

Keigo Yamagami
Mutsumi Morita
Kazumi Tanaka
Hironari Onozawa
Jun Nakano
Tomohiro Fukuta

Service Network (as of July 27, 2015)

Money Exchange Offices

| | | |
|-----------------------|--------------------|------------------|
| Head Office | Yonago Branch | 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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