

REVIEW OF OPERATIONS

Operating Environment

Looking at the Japanese economy in fiscal 2018, although gradual recovery such as improved employment and income environments supported by strong business performance, there were wide-ranging impacts in the logistics and tourism industry due to the occurrence of natural disasters in each region. Furthermore, there is a sense of uncertainty in overseas economies due to factors such as the strengthening of the protectionist policy of the U.S. and concerns about deceleration in the Chinese economy which are having an impact on markets, and international developments will need to be watched closely.

In the financial sector, as fiscal policies in Europe and the U.S. moved from raising interest rates to maintaining the status quo, the Bank of Japan clarified a posture of continuing monetary easing toward achieving price stability targets. The low interest rate environment is expected to continue going forward.

Turning to the economy of Tottori Prefecture, while there was a rebound in production activity, a continuation of stable gradual recovery overall, including sturdy improvements in the employment situation, and a continuation of firm movement toward consumer spending. In this environment, the Bank expects revitalization of the local economy with the ease of tourism for the Sanin region due to improved access with the expected opening of all roads on the Tottori West Road of the SAN-IN EXPRESSWAY in May 2019.

Performance Review

The following is an overview of the Bank's performance in fiscal 2018 on a consolidated basis. Deposits increased \$11,999 million to \$948,766 million from the previous fiscal year-end, mainly as a result of increases in corporate deposits. Despite decreased lending for the public sector, loans increased \$11,638 million to \$774,214 million due to increased commercial and individual lending. The balance of securities came in at \$121,441 million, down \$23,266 million from the previous fiscal year-end due to a decrease in Japanese government bonds.

In terms of management results, ordinary income decreased ¥1,145 million to ¥14,256 million. This was mainly due to a decrease in other operating income stemming from a decrease in gains from the sale of Japanese government bonds and other bonds, in addition to a decrease in interest income in accordance with a decline in interest, despite an increase in other operating income from an increase in gains from sale of stock. Ordinary expenses decreased ¥922 million to ¥12,631 million, primarily due to a decline in fundraising expenses stemming from a decline in deposit interest, in addition to a decline in credit-related expenses. As a result, ordinary profit decreased ¥223 million to ¥1,625 million. Profit attributable to owners of parent declined ¥153 million to ¥952 million.

Outlook

In terms of consolidated performance forecasts for fiscal 2019, the Bank expects to record ordinary profit of around ¥1,600 million and profit of around ¥1,000 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 customeroriented operations through proactive local financing, support for businesses, and consulting.

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 ¥110.99 to US\$1.00, the exchange rate prevailing on March 31, 2019.

CONSOLIDATED BALANCE SHEETS

March 31, 2019 and 2018

Asserts 2019 2018 2019 Cash and due from banks **** 83,749 *** 73,788 \$ 754,563 Securities 121,441 144,707 1,094,162 Loans and bills discounted 774,214 762,576 6,975,529 Orber assets 13,817 5,972 124,489 Tangible fixed assets 11,159 11,381 100,541 Intangible fixed assets 911 716 8,208 Net defined benefit asset 7,284 6,708 65,628 Deferred tax assets 1,194 1,225 10,788 Reserve for possible loan losses (3,200) (3,681) (28,831) Reserve for possible losses on investment securities (11) (15) (99 Total assets ***1,019,339* **1,012,50* \$9,184,062 Lishilites ***1,019,339* **1,012,50* \$9,184,062 Call money and bills sold 61 5 5 Call money and bills sold 61 5 5 5 Orbergie schange 6		Millions of yen		Thousands of U.S. dollars
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Non-controlling interests 90 85 811 Total net assets 49,188 49,959 443,175				
Total net assets 49,188 49,959 443,175		· · · · · · · · · · · · · · · · · · ·		
		49,188	49,959	443,175
	Total liabilities and net assets	¥1,019,339	¥1,012,550	\$9,184,062

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2019 and 2018

	Millions	Millions of yen	
	2019	2018	2019
Ordinary income			
Interest and dividends on securities:			
Loans and discounts	¥ 8,948	¥ 9,153	\$ 80,620
Securities	1,004	1,409	9,046
Others	222	243	2,000
Fees and commissions	2,644	2,594	23,822
Other operating income	493	1,519	4,442
Other income	943	481	8,496
Total ordinary income	14,256	15,401	128,444
Ordinary expenses			
Interest on:			
Deposits	412	535	3,712
Borrowings and rediscounts	50	50	450
Others	6	51	54
Fees and commissions	1,510	1,470	13,605
Other operating expenses	34	483	306
General and administrative expenses	9,960	9,971	89,738
Other expenses	653	990	5,883
Total ordinary expenses	12,631	13,553	113,803
Extraordinary losses	157	149	1,415
Profit before income taxes	1,467	1,698	13,217
Income taxes			
Current	123	412	1,108
Deferred	500	177	4,505
Refund of income taxes	(113)	_	(1.018)
Total income taxes	510	589	4,595
Profit	957	1,108	8,622
Profit attributable to non-controlling interests	5	3	45
Profit attributable to owners of parent	¥ 952	¥ 1,105	\$ 8,577

The Tottori Bank, Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit before minority interests	¥ 957	¥1,108	\$ 8,622
Other comprehensive income:	(1,165)	(466)	(10,496)
Valuation difference on available-for-sale securities	(601)	(425)	(5,415)
Deferred gains or losses on hedges	(0)	0	(0)
Remeasurements of defined benefit plans	$(5\overline{29})$	(112)	(4,766)
Share of other comprehensive income of associates accounted for			
using equity method	(34)	72	(306)
Comprehensive income	¥ (207)	¥ 642	\$ (1,865)
Comprehensive income attributable to owners of parent	¥ (212)	¥ 639	\$ (1,910)
Comprehensive income attributable to non-controlling interests	5	3	45

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2019 and 2018

						Millions o	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		Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net
Balance as of April 1, 2017	¥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)
Profit attributable to owners of 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
Balance as of March 31, 2018	9,061	6,452	29,770	(673)	44,611	2,232	0	1,062	1,966	5,262	85	49,959
Changes during the year:												
Cash dividends			(561)		(561)							(561)
Profit attributable to owners of parent			952		952							952
Purchase of treasury stock				(1)	(1)							(1)
Reversal of land revaluation			54		54							54
Net changes in items other than shareholders' equity						(636)	(0)	(54) (529)	(1,220)	5	(1,214)
Total changes during the year	_	_	445	(1)	443	(636)	(0)	(54)	(529)	(1,220)	5	(770)
Balance as of March 31, 2019	¥9,061	¥6,452	¥30,216	¥(675)	¥45,055	¥1,596	¥(0)	¥1,008	¥1,437	¥4,042	¥90	¥49,188

						Thousands of U	J.S. dollars					
	Shareholders' equity Acc					Accumulated of	ther comprel	nensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net
Balance as of March 31, 2018	\$81,638	\$58,131	\$268,222	\$(6,064)	\$401,937	\$20,110	\$ 0	\$9,568	\$17,713	\$ 47,410	\$766	\$450,122
Changes during the year:												
Cash dividends			(5,055)		(5,055)							(5,055)
Profit attributable to owners of parent			8,577		8,577							8,577
Purchase of treasury stock				(9)	(9)							(9)
Reversal of land revaluation			487		487							487
Net changes in items other than shareholders' equity						(5,730)	(0)	(487)	(4,766)	(10,992)	45	(10,938)
Total changes during the year	_	_	4,009	(9)	3,991	(5,730)	(0)	(487)	(4,766)	(10,992)	45	(6,938)
Balance as of March 31, 2019	\$81,638	\$58,131	\$272,241	\$(6,082)	\$405,937	\$14,380	\$(0)	\$9,082	\$12,947	\$ 36,418	\$811	\$443,175

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2019 and 2018

	Millions	s of yen	Thousands of U.S. dollars
-	2019	2018	2019
Cash flows from operating activities			
Profit before income taxes	¥ 1,467	¥ 1,698	\$ 13,217
Depreciation	913	876	8,226
Increase (decrease) in reserve for possible loan losses	(481)	746	(4,334)
Equity in losses (earnings) of affiliates	(5)	(5)	(45)
Increase (decrease) in reserve for possible losses on investment securities	(3)	1	(27)
Increase (decrease) in reserve for bonuses	9	9	81
Decrease (increase) in net defined benefit asset	(1,359)	(629)	(12,244)
Increase (decrease) in net defined benefit liability	17	32	153
Increase (decrease) in reserve for reimbursement of dormant deposits	6	(5)	54
Increase (decrease) in reserve for contingent losses	34	(28)	306
Interest income	(10,175)	(10,807)	(91,675)
Interest expenses	471	637	4,244
Losses (gains) on securities	(876)	(655)	(7,893)
Foreign exchange losses (gains)	(0)	0	(0)
Losses (gains) on disposal of fixed assets	17	6	153
Net decrease (increase) in loans and bills discounted	(11,638)	(24,142)	(104,856)
Net increase (decrease) in deposits	11,999	9,884	108,109
Net increase (decrease) in call money and others	(595)	(5,301)	(5,361)
Net decrease (increase) in foreign exchange, assets	35	(75)	315
Net increase (decrease) in foreign exchange, liabilities	6	_	54
Interest received	10,303	10,703	92,828
Interest paid	(582)	(753)	(5,244)
Other, net	(7,969)	6,629	(71,799)
Subtotal	(8,406)	(11,178)	(75,737)
Income taxes paid	(277)	(656)	(2,496)
Net cash provided by (used in) operating activities	(8,683)	(11,834)	(78,232)
Cash flows from investing activities			
Purchases of securities	(10,069)	(15,137)	(90,720)
Proceeds from sale of securities	14,428	14,996	129,994
Proceeds from maturity of securities	18,889	22,509	170,187
Purchases of tangible fixed assets	(582)	(382)	(5,244)
Purchases of other assets	(457)	(346)	(4,117)
Net cash provided by (used in) investing activities	22,208	21,639	200,090
Cash flows from financing activities			
Repayment of subordinated borrowings	(3,000)	_	(27.029)
Purchases of treasury stock	(1)	(1)	(9)
Cash dividends paid	(562)	(561)	(5,064)
Net cash provided by (used in) financing activities	(3,564)	(563)	(32,111)
Effect of exchange rate changes on cash and cash equivalents	0	(0)	0
Net increase (decrease) in cash and cash equivalents	9,960	9,241	89,738
Cash and cash equivalents at beginning of year	73,788	64,547	664,817
Cash and cash equivalents at end of year	¥ 83,749	¥ 73,788	\$ 754,563
		*	

CORPORATE DATA

Corporate Data (as of March 31, 2019)

¥948,766 million

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Head Office:		Thousands of shares	Percentage of total shares
171, Eirakuonsen-cho,	Japan Trustee Services Bank, Ltd. (Trust Account)	397	4.24
Tottori 680-8686, Japan	Meiji Yasuda Life Insurance Company	342	3.65
Paid-in Capital: ¥9,061 million	Sompo Japan Nipponkoa Insurance Inc.	305	3.25
	The Tottori Bank Employees' Shareholding Association	262	2.80
Total Assets: ¥1,019,339 million	The Master Trust Bank of Japan, Ltd. (Trust Account)	249	2.65
	Japan Trustee Services Bank, Ltd. (Trust Account 4)	235	2.50
Total Deposits: ¥948 766 million	The Chugoku Electric Power Co., Inc.	229	2.44

MUFG Bank, Ltd. Number of Branches: Mitsui Life Insurance Company Limited Number of Employees: 696 Japan Trustee Services Bank, Ltd. (Trust Account 5)

129 1.37 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, 2019)

Representative Director and

Chairman

Masahiko Miyazaki

Representative Director and President (Executive Officer)

Kouji Hirai

Director and Managing Executive Officers

Keigo Yamagami Hironari Onozawa Tomohiro Fukuta

Directors

Akiko Yamawaki * Takeshi Ashizaki * Mitsuharu Kitamura *

* Outside Director

Corporate Auditors

Masahiro Taguchi (standing) Keiichi Takahashi * Hiroo Nakayama *

Taketoshi Enomoto *

* Outside Auditor

Managing Executive Officers

222

168

2.37

1.79

Hirohisa Katsui Itaru Irie Noriaki Satake

Executive Officers

Masayuki Morita Futoshi Chimura Toru Ikeuchi Naoshi Uchida Toshihide Yagi Nobuhiko Maene

Service Network (as of July 19, 2019)

Money Exchange Offices

Kurayoshi Branch Sakaiminato Branch Head Office

Yonago Main Office Osaka Branch Tottori Nishi Branch

