

Creating Shared Value



TOTTORI BANK REPORT

ANNUAL REPORT

2019

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 customer-oriented 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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets			
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
Foreign exchange	466	501	4,199
Other 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	10,758
Customers' liabilities for acceptances and guarantees	8,311	8,668	74,881
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	¥1,012,550	\$9,184,062
Liabilities			
Deposits	¥ 948,766	¥ 936,767	\$8,548,212
Call money and bills sold	61	56	550
Borrowed money	5,100	8,700	45,950
Foreign exchange	6	—	54
Other liabilities	4,718	5,229	42,508
Reserve for bonuses	492	482	4,433
Net defined benefit liability	1,719	1,724	15,488
Reserve for contingent losses	300	265	2,703
Reserve for reimbursement of dormant deposits	45	39	405
Reserve for sales promotion	22	24	198
Deferred tax liabilities for land revaluation	605	631	5,451
Acceptance and guarantees	8,311	8,668	74,881
Total liabilities	970,151	962,591	8,740,887
Net assets			
Common stock	9,061	9,061	81,638
Capital surplus	6,452	6,452	58,131
Retained earnings	30,216	29,770	272,241
Treasury stock	(675)	(673)	(6,082)
Total shareholders' equity	45,055	44,611	405,937
Valuation difference on available-for-sale securities	1,596	2,232	14,380
Deferred gains or losses on hedges	(0)	0	(0)
Land revaluation reserve	1,008	1,062	9,082
Remeasurements of defined benefit plans	1,437	1,966	12,947
Total accumulated other comprehensive income	4,042	5,262	36,418
Non-controlling interests	90	85	811
Total net assets	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 of yen		Thousands of U.S. dollars
	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

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	(529)	(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 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
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.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
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 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)

Founded: December 1921

Head Office:

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

Paid-in Capital:

¥9,061 million

Total Assets:

¥1,019,339 million

Total Deposits:

¥948,766 million

Number of Branches: 65

Number of Employees: 696

Major Shareholders

	Thousands of shares	Percentage of total shares
Japan Trustee Services Bank, Ltd. (Trust Account)	397	4.24
Meiji Yasuda Life Insurance Company	342	3.65
Sompo Japan Nipponkoa Insurance Inc.	305	3.25
The Tottori Bank Employees' Shareholding Association	262	2.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	249	2.65
Japan Trustee Services Bank, Ltd. (Trust Account 4)	235	2.50
The Chugoku Electric Power Co., Inc.	229	2.44
MUFG Bank, Ltd.	222	2.37
Mitsui Life Insurance Company Limited	168	1.79
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

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

Head Office	Kurayoshi Branch	Sakaiminato Branch
Tottori Nishi Branch	Yonago Main Office	Osaka Branch



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

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