

2020

Creating Shared Value

REVIEW OF OPERATIONS

Operating Environment

In fiscal 2019, the Japanese economy continued to show gradual signs of recovery within the year mainly due to the strength of domestic demand as well as improvements in the employment and income situations, despite weak export and production activity brought on by deceleration of the global economy.

However, careful attention must be given to the situation from here on, as the global spread of coronavirus disease 2019 (COVID-19) which became epidemic at the beginning of the year is having a profound effect on the economy.

In the financial sector, the Nikkei Stock Average momentarily rose to the ¥24,000 range in an environment of loose regulations, but plummeted to the ¥16,000 range in mid-March as a result of the “Corona Shock.” Although the Nikkei subsequently rebounded to the higher end of the ¥18,000 range by the end of the fiscal year against a backdrop of monetary-fiscal policies in countries around the world, the market environment remains unstable. Furthermore, the government introduced virtually interest-free, unsecured loans as a means of cash flow support for business operators and others whose sales decreased due to COVID-19, in addition to launching support measures such as cash handouts for business continuity. Yet the situation is critical, as there are growing concerns about the increase in bankruptcies particularly among small and medium-sized enterprises.

Turning to the economy of Tottori Prefecture, while the employment situation continued to improve, movement remained sluggish in areas such as consumption and production, due in part to the consumption tax hike and mild winter. Furthermore, the effects of the spread of COVID-19 were visible from the beginning of the year in various types of industries, forcing some factories to halt because importation of raw materials had stopped due to disruptions in supply chains in the manufacturing industry. Additionally, in the tourism industry, the number of tourists decreased due to stay-at-home requests from the government and a decline in inbound tourism demand, forcing a number of lodging facilities as well as eating and drinking establishments to close down.

Performance Review

The following is an overview of the Bank’s performance in fiscal 2019 on a consolidated basis. Deposits decreased ¥14,190 million to ¥934,576 million from the previous fiscal year-end, mainly as a result of decreases in corporate deposits. Despite decreased lending for the public sector, lending increased ¥3,798 million to ¥778,012 million from the previous fiscal year-end due to increased lending to small and medium-sized enterprises and individuals. The balance of securities came in at ¥103,914 million, down ¥17,527 million from the previous fiscal year-end mainly due to a decrease in other securities.

In terms of management results, ordinary income decreased ¥590 million to ¥13,666 million from the previous fiscal year. This was mainly due to a decrease in gains from the sale of Japanese government bonds and stocks, in addition to a decrease in interest income in accordance with a decline in interest. Ordinary expenses decreased ¥420 million to ¥12,211 million from the previous fiscal year due to a decline in operating expenses stemming from restrictions on personnel and property expenses, despite an increase in credit-related expenses. As a result, ordinary profit decreased ¥171 million to ¥1,454 million, while profit attributable to owners of parent decreased ¥55 million to ¥897 million from the previous fiscal year.

Outlook

In terms of consolidated performance forecasts for fiscal 2020, the Bank expects to record ordinary profit of around ¥1,100 million and profit attributable to owners of parent of around ¥700 million on both a consolidated and non-consolidated basis. These forecasts reflect expectations for a continued low interest environment due to the continuation of the negative interest rate policy of the Bank of Japan as well as the spread of COVID-19. This impact should be partly offset by the Bank’s customer-oriented operations through proactive local financing, support for business, 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 ¥108.83 to US\$1.00, the exchange rate prevailing on March 31, 2020.

CONSOLIDATED BALANCE SHEETS

March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Assets			
Cash and due from banks	¥ 85,119	¥ 83,749	\$ 782,128
Securities	103,914	121,441	954,829
Loans and bills discounted	778,012	774,214	7,148,874
Foreign exchange	442	466	4,061
Other assets	13,227	13,817	121,538
Tangible fixed assets	10,662	11,159	97,969
Intangible fixed assets	856	911	7,865
Net defined benefit asset	7,345	7,284	67,491
Deferred tax assets	1,544	1,194	14,187
Customers' liabilities for acceptances and guarantees	7,604	8,311	69,870
Reserve for possible loan losses	(3,775)	(3,200)	(34,687)
Reserve for possible losses on investment securities	(19)	(11)	(175)
Total assets	¥1,004,933	¥1,019,339	\$9,233,970
Liabilities			
Deposits	¥ 934,576	¥ 948,766	\$8,587,485
Call money and bills sold	60	61	551
Borrowed money	5,000	5,100	45,943
Foreign exchange	26	6	239
Other liabilities	6,871	4,718	63,135
Reserve for bonuses	461	492	4,236
Net defined benefit liability	1,663	1,719	15,281
Reserve for contingent losses	311	300	2,858
Reserve for reimbursement of dormant deposits	24	45	221
Reserve for sales promotion	19	22	175
Deferred tax liabilities for land revaluation	584	605	5,366
Acceptance and guarantees	7,604	8,311	69,870
Total liabilities	957,205	970,151	8,795,415
Net assets			
Common stock	9,061	9,061	83,258
Capital surplus	6,452	6,452	59,285
Retained earnings	30,645	30,216	281,586
Treasury stock	(676)	(675)	(6,212)
Total shareholders' equity	45,482	45,055	417,918
Valuation difference on available-for-sale securities	576	1,596	5,293
Deferred gains or losses on hedges	(0)	(0)	(0)
Land revaluation reserve	962	1,008	8,839
Remeasurements of defined benefit plans	615	1,437	5,651
Total accumulated other comprehensive income	2,154	4,042	19,792
Non-controlling interests	91	90	836
Total net assets	47,728	49,188	438,556
Total liabilities and net assets	¥1,004,933	¥1,019,339	\$9,233,970

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Ordinary income			
Interest and dividends on securities:			
Loans and discounts	¥ 8,713	¥ 8,948	\$ 80,061
Securities	900	1,004	8,270
Others	206	222	1,893
Fees and commissions	2,791	2,644	25,646
Other operating income	171	493	1,571
Other income	881	943	8,095
Total ordinary income	13,666	14,256	125,572
Extraordinary income	8	—	74
Ordinary expenses			
Interest on:			
Deposits	342	413	3,143
Borrowings and rediscounts	—	50	—
Others	4	6	37
Fees and commissions	1,530	1,510	14,059
Other operating expenses	17	34	156
General and administrative expenses	9,431	9,960	86,658
Other expenses	884	653	8,123
Total ordinary expenses	12,211	12,631	112,203
Extraordinary losses	100	157	919
Profit before income taxes	1,362	1,467	12,515
Income taxes			
Current	128	123	1,176
Deferred	443	500	4,071
Refund of income taxes	(107)	(113)	(983)
Total income taxes	464	510	4,264
Profit	898	957	8,251
Profit attributable to non-controlling interests	0	5	0
Profit attributable to owners of parent	¥ 897	¥ 952	\$ 8,242

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit before minority interests	¥ 898	¥ 957	\$ 8,251
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,841)	(1,165)	(16,916)
Deferred gains or losses on hedges	0	(0)	0
Remeasurements of defined benefit plans	(822)	(529)	(7,553)
Share of other comprehensive income of associates accounted for using equity method	14	(34)	129
Comprehensive income	¥ (943)	¥ (207)	\$ (8,665)
Comprehensive income attributable to owners of parent	¥ (943)	¥ (212)	\$ (8,665)
Comprehensive income attributable to non-controlling interests	0	5	0

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2020 and 2019

	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, 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
Changes during the year:												
Cash dividends			(514)		(514)							(514)
Profit attributable to owners of parent			897		897							897
Purchase of treasury stock				(1)	(1)							(1)
Reversal of land revaluation			46		46							46
Net changes in items other than shareholders' equity						(1,019)	0	(46)	(822)	(1,887)	0	(1,887)
Total changes during the year	—	—	429	(1)	427	(1,019)	0	(46)	(822)	(1,887)	0	(1,460)
Balance as of March 31, 2020	¥9,061	¥6,452	¥30,645	¥(676)	¥45,482	¥ 576	¥(0)	¥ 962	¥ 615	¥2,154	¥91	¥47,728

	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, 2019	\$83,258	\$59,285	\$277,644	\$(6,202)	\$413,994	\$14,665	\$(0)	\$9,262	\$13,204	\$37,140	\$827	\$451,971
Changes during the year:												
Cash dividends			(4,723)		(4,723)							(4,723)
Profit attributable to owners of parent			8,242		8,242							8,242
Purchase of treasury stock				(9)	(9)							(9)
Reversal of land revaluation			423		423							423
Net changes in items other than shareholders' equity						(9,363)	0	(423)	(7,553)	(17,339)	0	(17,339)
Total changes during the year	—	—	3,942	(9)	3,924	(9,363)	0	(423)	(7,553)	(17,339)	0	(13,415)
Balance as of March 31, 2020	\$83,258	\$59,285	\$281,586	\$(6,212)	\$417,918	\$ 5,293	\$(0)	\$8,839	\$ 5,651	\$19,792	\$836	\$438,556

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from operating activities			
Profit before income taxes	¥ 1,362	¥ 1,467	\$ 12,515
Depreciation	889	913	8,169
Increase (decrease) in reserve for possible loan losses	575	(481)	5,283
Equity in losses (earnings) of affiliates	(4)	(5)	(37)
Increase (decrease) in reserve for possible losses on investment securities	7	(3)	64
Increase (decrease) in reserve for bonuses	(30)	9	(276)
Decrease (increase) in net defined benefit asset	(1,273)	(1,359)	(11,697)
Increase (decrease) in net defined benefit liability	(25)	17	(230)
Increase (decrease) in reserve for reimbursement of dormant deposits	(21)	6	(193)
Increase (decrease) in reserve for contingent losses	11	34	101
Interest income	(9,821)	(10,175)	(90,242)
Interest expenses	347	471	3,188
Losses (gains) on securities	(449)	(876)	(4,126)
Foreign exchange losses (gains)	0	(0)	0
Losses (gains) on disposal of fixed assets	(2)	17	(18)
Net decrease (increase) in loans and bills discounted	(3,798)	(11,638)	(34,898)
Net increase (decrease) in deposits	(14,190)	11,999	(130,387)
Net increase (decrease) in call money and others	(100)	(595)	(919)
Net decrease (increase) in foreign exchange, assets	24	35	221
Net increase (decrease) in foreign exchange, liabilities	20	6	184
Interest received	10,019	10,303	92,061
Interest paid	(432)	(582)	(3,969)
Other, net	2,702	(7,969)	24,828
Subtotal	(14,188)	(8,406)	(130,368)
Income taxes paid	(115)	(277)	(1,057)
Refunds of corporate tax, etc.	113	—	1,038
Net cash provided by (used in) operating activities	(14,191)	(8,683)	(130,396)
Cash flows from investing activities			
Purchases of securities	(23,940)	(10,069)	(219,976)
Proceeds from sale of securities	29,298	14,428	269,209
Proceeds from maturity of securities	11,150	18,889	102,453
Purchases of tangible fixed assets	(227)	(582)	(2,086)
Proceeds from tangible fixed assets	59	—	542
Purchases of other assets	(261)	(457)	(2,398)
Net cash provided by (used in) investing activities	16,077	22,208	147,726
Cash flows from financing activities			
Repayment of subordinated borrowings	—	(3,000)	—
Purchases of treasury stock	(1)	(1)	(9)
Cash dividends paid	(514)	(562)	(4,723)
Net cash provided by (used in) financing activities	(516)	(3,564)	(4,741)
Effect of exchange rate changes on cash and cash equivalents	(0)	0	(0)
Net increase (decrease) in cash and cash equivalents	1,370	9,960	12,588
Cash and cash equivalents at beginning of year	83,749	73,788	769,540
Cash and cash equivalents at end of year	¥ 85,119	¥ 83,749	\$ 782,128

CORPORATE DATA

Corporate Data (as of March 31, 2020)

Founded: December 1921

Head Office:

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

Paid-in Capital:

¥9,061 million

Total Assets:

¥1,004,933 million

Total Deposits:

¥934,576 million

Number of Branches: 65

Number of Employees: 666

Major Shareholders

	Thousands of shares	Percentage of total shares
Japan Trustee Services Bank, Ltd. (Trust Account)	417	4.46
Meiji Yasuda Life Insurance Company	342	3.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	312	3.34
Sompo Japan Nipponkoa Insurance Inc.	305	3.25
The Tottori Bank Employees' Shareholding Association	264	2.82
Japan Trustee Services Bank, Ltd. (Trust Account 4)	235	2.51
The Chugoku Electric Power Co., Inc.	229	2.45
MUFG Bank, Ltd.	222	2.37
Taiju Life Insurance Company Limited	168	1.79
Japan Trustee Services Bank, Ltd. (Trust Account 5)	134	1.43

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, 2020)

**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

Takeshi Ashizaki *
Mitsuharu Kitamura *
Chitose Yabuta *

* Outside Director

Corporate Auditors

Masahiro Taguchi (standing)
Keiichi Takahashi *
Hiroo Nakayama *
Taketoshi Enomoto *

* Outside Auditor

Managing Executive Officers

Itaru Irie
Noriaki Satake

Executive Officers

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

Service Network (as of July 31, 2020)

Money Exchange Offices

Head Office

Tottori Nishi Branch

Kurayoshi Branch

Yonago Main Office

Sakaiminato Branch

Osaka Branch



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