

TOTTORI BANK REPORT

ANNUAL REPORT

2021



REVIEW OF OPERATIONS

Operating Environment

In fiscal 2020, the Japanese economy felt the impact of the spread of COVID-19 and was in an extremely difficult situation with significant decreases in areas such as personal consumption and capital investment. Measures to prevent the spread of the virus were taken nationwide and there were signs that the economy was picking up toward the middle of the fiscal year due to the subsidy for sustaining businesses and the government's tourism measures, but infections subsequently re-emerged due to the spread of a mutated strain and other factors and the outlook for the economy remains uncertain.

In the financial sector, the Nikkei Stock Average rebounded to enter the ¥30,000 range for the first time in almost 30 years in February 2021 and performed strongly as governments around the world enacted large-scale fiscal stimulus measures, financial regulations were loosened and expectations rose of normalization of economic activities with the spread of vaccinations after share prices had plummeted from March onward in the previous year.

Turning to the economy of Tottori Prefecture, while the economy continued to improve from May 2020 when the state of emergency was lifted, the impact of COVID-19 remains unpredictable due to factors such as the emergence of clusters from new mutations of the virus and rapid increases of the infected. The situation remains severe, particularly for service and consumption sectors such as eating and drinking establishments and lodging facilities.

Performance Review

The following is an overview of the Bank's performance in fiscal 2020 on a consolidated basis. Deposits increased ¥20,792 million to ¥955,368 million from the previous fiscal year-end, mainly as a result of increases in individual deposits. Lending increased ¥50,696 million to ¥828,708 million from the previous fiscal year-end due to increased lending to small and medium-sized enterprises, individuals and the public sector. The balance of securities came in at ¥121,973 million, up ¥18,059 million from the previous fiscal year-end mainly due to an increase in local government bonds.

In terms of management results, ordinary income decreased ¥257 million to ¥13,409 million from the previous fiscal year. This was mainly due to increases in fees and commissions and other operating income, despite decreases in interest and dividends on securities

and gain on sale of equity securities. Ordinary expenses decreased ¥420 million to ¥11,791 million from the previous fiscal year due to declines in credit-related expenses. As a result, ordinary profit increased ¥164 million to ¥1,618 million, and profit attributable to owners of parent increased ¥99 million to ¥996 million from the previous fiscal year.

Outlook

The environment encompassing regional financial institutions is changing drastically, as the local economy shrinks due to a declining population and falling birth-rates and aging society, as well as a decrease in the number of businesses, added to the extended period of ultra-low interest rates due to accommodative financial measures and the increasing competition in the financial services market due to the entry of competitors from other industries and businesses.

Moreover, as the impact of the COVID-19 pandemic currently spreads through a wide variety of industries, regional financial institutions are being required more than ever to revitalize local communities and display financial intermediary functions in addition to supporting resolution of business partners' issues and improving management by using our consulting functions to bring about sustainable development for regional societies.

Against this backdrop, the Bank has formulated "Co-Created Innovation," a medium-term management plan to run from three years from fiscal years 2021 to 2023, starting in April 2021.

Under this plan, the Bank will adopt the four priority strategies of "regional innovation," "management improvement innovation," "consulting innovation" and "digital innovation" drawing on its basic philosophy of contributing to regional societies and sound management, and overcome the difficulties posed by COVID-19 to create a bright and sustainable society.

The Bank has made strengthening human resources and improving productivity the foundation strategies to realize the various measures under the medium-term management plan and aims for consulting that supports the community and creates a bright future.

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 ¥110.71 to US\$1.00, the exchange rate prevailing on March 31, 2021.

CONSOLIDATED BALANCE SHEETS

March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets			
Cash and due from banks	¥ 96,634	¥ 85,119	\$ 872,857
Securities	121,973	103,914	1,101,734
Loans and bills discounted	828,708	778,012	7,485,394
Foreign exchange	755	442	6,820
Other assets	13,480	13,227	121,760
Tangible fixed assets	10,298	10,662	93,018
Intangible fixed assets	852	856	7,696
Net defined benefit asset	8,998	7,345	81,275
Deferred tax assets	861	1,544	7,777
Customers' liabilities for acceptances and guarantees	7,105	7,604	64,177
Reserve for possible loan losses	(3,746)	(3,775)	(33,836)
Reserve for possible losses on investment securities	(11)	(19)	(99)
Total assets	¥1,085,907	¥1,004,933	\$9,808,572
Liabilities			
Deposits	¥ 955,368	¥ 934,576	\$8,629,464
Call money and bills sold	64	60	578
Borrowed money	63,700	5,000	575,377
Foreign exchange	6	26	54
Other liabilities	7,189	6,871	64,935
Reserve for bonuses	458	461	4,137
Net defined benefit liability	1,614	1,663	14,579
Reserve for contingent losses	339	311	3,062
Reserve for reimbursement of dormant deposits	12	24	108
Reserve for sales promotion	24	19	217
Deferred tax liabilities for land revaluation	580	584	5,239
Acceptance and guarantees	7,105	7,604	64,177
Total liabilities	1,036,463	957,205	9,361,964
Net assets			
Common stock	9,061	9,061	81,844
Capital surplus	6,452	6,452	58,278
Retained earnings	31,184	30,645	281,673
Treasury stock	(677)	(676)	(6,115)
Total shareholders' equity	46,022	45,482	415,699
Valuation difference on available for sale securities	1,106	576	9,990
Deferred gains or losses on hedges	(0)	(0)	(0)
Land revaluation reserve	950	962	8,581
Remeasurements of defined benefit plans	1,261	615	11,390
Total accumulated other comprehensive income	3,319	2,154	29,979
Non-controlling interests	103	91	930
Total net assets	49,444	47,728	446,608
Total liabilities and net assets	¥1,085,907	¥1,004,933	\$9,808,572

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Ordinary income			
Interest and dividends on securities:			
Loans and discounts	¥ 9,067	¥ 8,861	\$ 81,899
Securities	556	900	5,022
Others	80	58	723
Fees and commissions	3,022	2,791	27,297
Other operating income	202	171	1,825
Other income	480	881	4,336
Total ordinary income	13,409	13,666	121,118
Ordinary expenses			
Interest on:			
Deposits	318	341	2,872
Borrowings and rediscounts	(0)	1	(0)
Others	0	4	0
Fees and commissions	1,523	1,530	13,757
Other operating expenses	11	17	99
General and administrative expenses	9,469	9,431	85,530
Other expenses	467	884	4,218
Total ordinary expenses	11,791	12,211	106,503
Ordinary profit	1,618	1,454	14,615
Extraordinary income	—	8	—
Extraordinary losses	79	100	714
Profit before income taxes	1,538	1,362	13,892
Income taxes			
Current	341	128	3,080
Deferred	189	443	1,707
Refund of income taxes	—	(107)	—
Total income taxes	530	464	4,787
Profit	1,008	898	9,105
Profit attributable to non-controlling interests	11	0	99
Profit attributable to owners of parent	¥ 996	¥ 897	\$ 8,996

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Profit before minority interests	¥1,008	¥ 898	\$ 9,105
Other comprehensive income:	1,176	(1,841)	10,622
Valuation difference on available-for-sale securities	469	(1,034)	4,236
Deferred gains or losses on hedges	(0)	0	(0)
Remeasurements of defined benefit plans	646	(822)	5,835
Share of other comprehensive income of associates accounted for using equity method	59	14	533
Comprehensive income	¥2,184	¥ (943)	\$19,727
Comprehensive income attributable to owners of parent	¥2,173	¥ (943)	\$19,628
Comprehensive income attributable to non-controlling interests	11	0	99

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2021 and 2020

	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, 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
Changes during the year:												
Cash dividends			(468)		(468)							(468)
Profit attributable to owners of parent			996		996							996
Purchase of treasury stock				(0)	(0)							(0)
Disposal of treasury stock			(0)	0	0							0
Reversal of land revaluation			11		11							11
Net changes in items other than shareholders' equity						529	(0)	(11)	646	1,165	11	1,177
Total changes during the year	—	—	539	(0)	539	529	(0)	(11)	646	1,165	11	1,716
Balance as of March 31, 2021	¥9,061	¥6,452	¥31,184	¥(677)	¥46,022	¥ 1,106	¥(0)	¥ 950	¥1,261	¥ 3,319	¥103	¥49,444

	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, 2020	\$81,844	\$58,278	\$276,804	\$(6,106)	\$410,821	\$5,203	\$(0)	\$8,689	\$ 5,555	\$19,456	\$822	\$431,108
Changes during the year:												
Cash dividends			(4,227)		(4,227)							(4,227)
Profit attributable to owners of parent			8,996		8,996							8,996
Purchase of treasury stock				(0)	(0)							(0)
Disposal of treasury stock			(0)	0	0							0
Reversal of land revaluation			99		99							99
Net changes in items other than shareholders' equity						4,778	(0)	(99)	5,835	10,523	99	10,631
Total changes during the year	—	—	4,869	(0)	4,869	4,778	(0)	(99)	5,835	10,523	99	15,500
Balance as of March 31, 2021	\$81,844	\$58,278	\$281,673	\$(6,115)	\$415,699	\$9,980	\$(0)	\$8,581	\$11,390	\$29,979	\$930	\$446,608

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥ 1,538	¥ 1,362	\$ 13,892
Depreciation	758	889	6,847
Increase (decrease) in reserve for possible loan losses	(29)	575	(262)
Equity in losses (earnings) of affiliates	(6)	(4)	(54)
Increase (decrease) in reserve for possible losses on investment securities	(7)	7	(63)
Increase (decrease) in reserve for bonuses	(3)	(30)	(27)
Decrease (increase) in net defined benefit asset	(744)	(1,273)	(6,720)
Increase (decrease) in net defined benefit liability	(27)	(25)	(244)
Increase (decrease) in reserve for reimbursement of dormant deposits	(11)	(21)	(99)
Increase (decrease) in reserve for contingent losses	27	11	244
Interest income	(9,704)	(9,821)	(87,652)
Interest expenses	318	347	2,872
Losses (gains) on securities	(307)	(449)	(2,773)
Foreign exchange losses (gains)	(0)	0	(0)
Losses (gains) on disposal of fixed assets	1	(2)	9
Net decrease (increase) in loans and bills discounted	(50,695)	(3,798)	(457,908)
Net increase (decrease) in deposits	20,791	(14,190)	187,797
Net increase (decrease) in call money and others	3	(0)	27
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	58,700	(100)	530,214
Net decrease (increase) in foreign exchange, assets	(313)	24	(2,827)
Net increase (decrease) in foreign exchange, liabilities	(20)	20	(181)
Interest received	9,475	10,019	85,584
Interest paid	(371)	(432)	(3,351)
Other, net	91	2,702	822
Subtotal	29,464	(14,188)	266,137
Income taxes paid	(110)	(115)	(994)
Refunds of corporate tax, etc.	107	113	966
Net cash provided by (used in) operating activities	29,461	(14,191)	266,110
Cash flows from investing activities			
Purchases of securities	(47,852)	(23,940)	(432,228)
Proceeds from sale of securities	21,666	29,298	195,700
Proceeds from maturity of securities	9,175	11,150	82,874
Purchases of tangible fixed assets	(203)	(227)	(1,834)
Proceeds from tangible fixed assets	—	59	—
Purchases of other assets	(266)	(261)	(2,403)
Net cash provided by (used in) investing activities	(17,479)	16,077	(157,881)
Cash flows from financing activities			
Purchases of treasury stock	(0)	(1)	(0)
Sales of treasury stock	0	—	0
Cash dividends paid	(466)	(514)	(4,209)
Net cash provided by (used in) financing activities	(467)	(516)	(4,218)
Effect of exchange rate changes on cash and cash equivalents	0	(0)	0
Net increase (decrease) in cash and cash equivalents	11,514	1,370	104,001
Cash and cash equivalents at beginning of year	85,119	83,749	768,847
Cash and cash equivalents at end of year	¥ 96,634	¥ 85,119	\$ 872,857

CORPORATE DATA

Corporate Data (as of March 31, 2021)

Founded: December 1921

Head Office:

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

Paid-in Capital:

¥9,061 million

Total Assets:

¥1,085,907 million

Total Deposits:

¥955,368 million

Number of Branches: 65

Number of Employees: 656

Major Shareholders

	Thousands of shares	Percentage of total shares
Custody Bank of Japan, Ltd. (Trust Account)	347	3.70
Meiji Yasuda Life Insurance Company	342	3.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	336	3.58
Sompo Japan Insurance Inc.	305	3.25
The Tottori Bank Employees' Shareholding Association	276	2.95
Custody Bank of Japan, Ltd. (Trust Account 4)	235	2.51
The Chugoku Electric Power Co., Inc.	229	2.45
MUFG Bank, Ltd.	185	1.97
Taiju Life Insurance Company Limited	168	1.79
Sanyo Shoji Co., Ltd.	113	1.21

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, 2021)

Representative Director and Chairman

Masahiko Miyazaki

Representative Director and President (Executive Officer)

Kouji Hirai

Director and Senior Managing Executive Officers

Tomohiro Fukuta

Itaru Irie

Director and Managing Executive Officer

Hironari Onozawa

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

Noriaki Satake

Toshihide Yagi

Nobuhiko Maene

Executive Officers

Masayuki Morita

Toru Ikeuchi

Naoshi Uchida

Shunichirou Miki

Hitoshi Umezane

Kazuhiro Kodani

Susumu Morita



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

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