



Annual Report

2016

## Profile

Musashino Bank is the only regional bank whose operational base consists of Saitama Prefecture in the Tokyo metropolitan area. The prefecture lies immediately to the north of Tokyo, and many of its residents commute to work in the capital. Currently, 7.26 million (estimated) people live in Saitama, making it the country's fifth most populous prefecture after

Tokyo, Kanagawa, Osaka, and Aichi, and the population is still climbing. Since its establishment in 1952, Musashino Bank has been one of Saitama Prefecture's core financial institutions, and has played a major role in supporting the development of the regional economy and local industries for over six decades.

## Corporate Philosophy

### "Working in harmony with the local community it serves"

To contribute to the prosperity of the local community and to secure growth and development in partnership with the region.

### "Maintaining a deep respect toward customers"

To engage in bold management that anticipates change while providing the highest quality services throughout the organization as a whole.

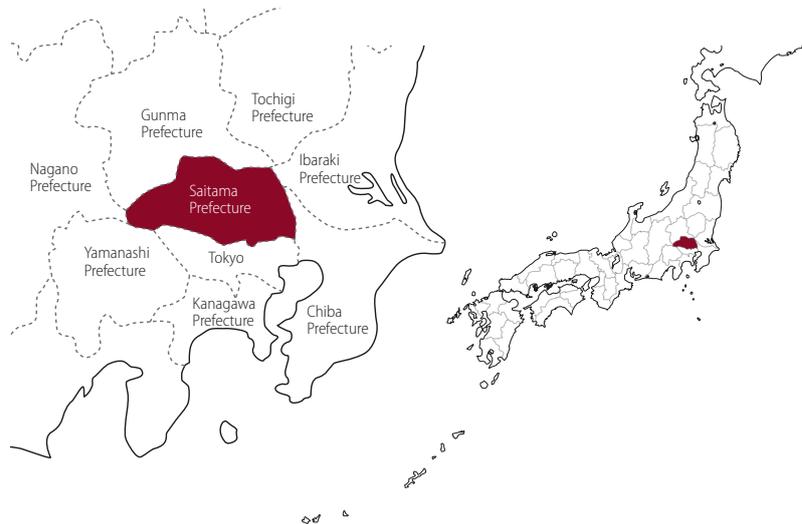
#### Bank Data (non-consolidated basis, as of March 31, 2016)

Head Office:	10-8, Sakuragi-cho 1-chome, Omiya-ku, Saitama
Home page:	<a href="http://www.musashinobank.co.jp">http://www.musashinobank.co.jp</a> (Japanese only)
Established:	March 6, 1952
Networks: (As of September 30, 2016)	Number of branches: 96 (Saitama Prefecture: 92 [of which 1 is a sub-branch], outside Saitama Prefecture: 4)
Number of mortgage loan centers:	9
Employees:	2,255
Total assets:	¥4,316.0 billion
Deposits:	¥4,012.3 billion
Loans:	¥3,333.1 billion
Common stock:	¥45.7 billion
Capital adequacy ratio:	9.81%
Number of correspondent arrangements:	178
Issued common stock:	33,805 thousand shares

#### Subsidiaries and Affiliated Companies

Name	Line of Business
The Bugin General Lease Co., Ltd.	General leases, installment-payment services, auto leasing services
The Bugin Guarantee Co., Ltd.	Loan guarantees for individuals
The Musashino Card Co., Ltd.	Credit card business (JCB, VISA), loans and loan guarantees related to card services
The Bugin System Service Co., Ltd.	Development, sale and maintenance of computer systems
The Bugin Economic Research Institute Co., Ltd.	Research into the regional economy, consultation, information services, and holding of seminars
The Bugin Capital Co., Ltd.	Management support for venture businesses

Head Office



## Contents

1	Message from the President	14	Initiatives Related to Revitalization of the Region
4	Consolidated Financial Highlights	15	Nurturing Growth Fields
5	About the Musashino Bank	16	Promoting the Region's Beauty
6	Long-term Vision/Medium-term Management Plan	17	Providing SME Management Assistance
7	Chiba-Musashino Alliance	19	Corporate Social Responsibility
8	Corporate Governance	20	Consolidated Balance Sheets
9	Risk Management	21	Consolidated Statements of Income and Comprehensive Income
10	Compliance	22	Consolidated Statements of Changes in Net Assets
11	Operational Base of Saitama Prefecture	24	Consolidated Statements of Cash Flows
12	Contributing to the Local Economy	25	Directory
13	Measures and Support for Regional Revitalization		

# “ More For You — For the Sake of Towns, Daily Living, and Smiling Faces”



■ Kikuo Kato  
*President*

## The Prefectural Economy

We anticipate the further invigoration of Saitama Prefecture's economy with investments ahead of the Tokyo Olympic and Paralympic Games in 2020. The Metropolitan Inter-City Expressway (Ken-O-do) and the extension of high-speed Shinkansen bullet train lines are set to enhance the convenient transport links to the rest of Japan, supporting accelerated relocations and capital investments by companies.

## Main Initiatives in Fiscal 2015

Fiscal 2015, the year ended March 31, 2016 was the final year of our medium-term management plan “MVP (Musashino Value-making Plan) 1/3 (One Third).” Based on this plan, we engaged in a range of initiatives to realize our growth strategy and regional revitalization.

To upgrade our branch network, we opened the Itabashi Branch in Itabashi Ward, Tokyo, which is immediately adjacent to Saitama Prefecture and has close economic ties with our region. We also renovated a number of existing branches

to make them easier for customers to use.

The Bank was the first financial institution in our region to introduce the Musashino Account Opening mobile phone application to enable retail customers to apply for new accounts using a smartphone. To support households bringing up children, we began offering housing loan even to income-earners on maternity leave via this channel.

We also launched the special “Musashino Vacant Housing Loan” in a bid to address the growing social issue of vacant residential properties.

For corporate customers, we focused efforts on evaluating the business viability of



Honjo Branch/Honjo Minami Branch  
New build and relocation/integration



Koshigaya Branch New build and relocation

SMEs based on accurately assessing their business scope and growth prospects and extending finance where possible not to easily relying on loan collateral or guarantees.

As a result of these initiatives, the balance of our corporate lending marketed as the Musashino SME Active Fund loans continued to grow steadily.

The Bank's Information Center actively collected, processed and provided information to serve the needs of our corporate clients in the region.

As part of our efforts to create regional value and to support the formulation and implementation of the public sector's Regional Comprehensive Strategy, we have set up the "Team for Promoting Towns, People and Job Revitalization" within our head office and have established the Musashino Fund to Promote Regional Revitalization.

We also concluded comprehensive partnership agreements to reinforce links with public-sector entities, aimed at improving public services for regional residents and addressing related issues.

## Financial Results Fiscal 2015

### Deposits and assets in custody (non-consolidated)

Deposits, etc. rose by ¥72.6 billion in fiscal 2015 to ¥4,012.3 billion, surpassing the ¥4 trillion mark for the first time.

Assets in custody such as investment trusts and insurance products grew by ¥29.3 billion to ¥712.2 billion.

### Loans (non-consolidated)

Loans outstanding continued to be robust, increasing by ¥109.9 billion year on year to ¥3,333.1 billion.

### Earnings

Net income was robust for the second year in a row, rising by ¥0.4 billion to ¥11.2 billion. This surpassed the target of ¥10 billion set under the MVP 1/3 (One-Third) plan for the three-year period starting in April 2013.

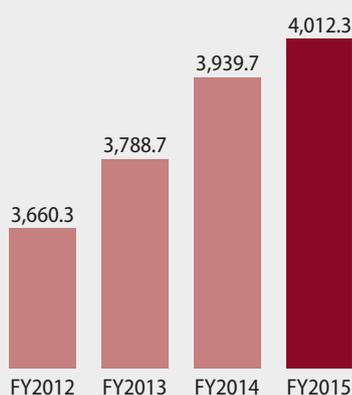
### Returns to shareholders

The Bank's basic policy on shareholder returns is to maintain consistent and stable dividends.

For fiscal 2015, based on the results achieved in the final year of the MVP 1/3 (One-Third) plan, we decided to pay an annual dividend of ¥90 per share.

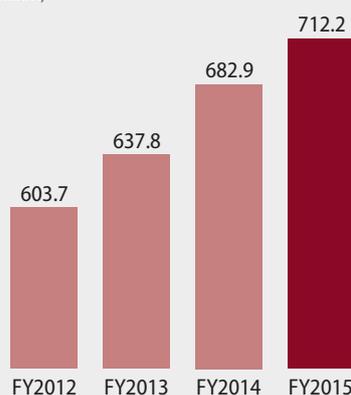
#### Deposits including negotiable deposits (non-consolidated)

(¥ billion)



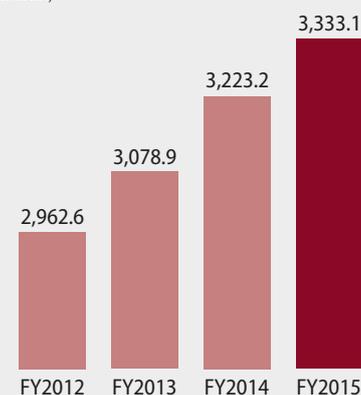
#### Assets in custody (non-consolidated)

(¥ billion)



#### Loans (non-consolidated)

(¥ billion)



## Return on equity (ROE)

The consolidated return on equity (ROE) was 5.9% on a 5-year average, and the non-consolidated ROE was 5.3%.

## Medium-term Management Plan “MVP 2/3 (Two-Thirds)”

In April 2016, we embarked on the Bank’s new medium-term management plan “MVP 2/3 (Two-Thirds).”

This plan marks the second phase of a long-term vision to be “the region’s number one bank that creates new value in Saitama.” Under this plan, we will continue to upgrade our branch network in Saitama Prefecture and Saitama border areas, while focusing on reinforcing sales capabilities so that we can supply customers with optimal financial solutions. We will also actively work to promote workforce diversity and the development of human resources, including female employees.

Through such initiatives, we aim to be the bank that people in the region will choose first to approach and consult when seeking answers to financial problems. To this end, we will seek to upgrade our services to customers and expand our points of contact with our entire customer base.

In March 2016, we entered into an agreement to form a comprehensive alliance with Chiba Bank, another regional bank, that operates mainly in Chiba Prefecture. Under this alliance, our two banks operating in the Tokyo metropolitan area will work together to further boost the value that we add for our respective regional communities by seeking to address local issues and by partnering for the benefit of our customers.



With the president of The Chiba Bank, Ltd.

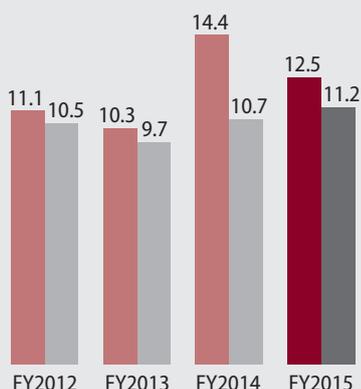
Looking ahead, the directors and employees of the Musashino Bank Group remain committed to earning the trust and meeting the expectations of our customers based on our “More For You — For the Sake of Towns, Daily Living, and Smiling Faces” brand message.

In closing, we kindly request your continued support and understanding.

Kikuo Kato  
President

### Net income

(¥ billion)



■ Consolidated  
■ Non-consolidated

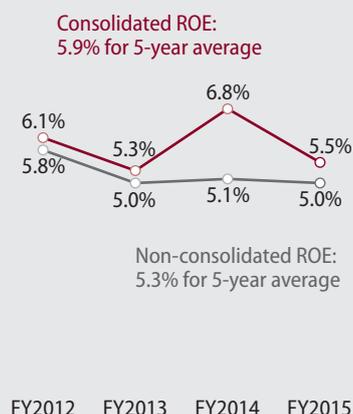
### Dividend payout ratio and annual dividend

	FY2012	FY2013	FY2014	FY2015
Dividend payout ratio (%)	22.46	25.79	24.84	26.74
Annual dividend (Yen)	70	75	80	90

### Shareholders return ratio

	FY2012	FY2013	FY2014	FY2015
Shareholders return ratio (%)	31.4	25.7	24.8	26.7

### ROE



○ Consolidated  
○ Non-consolidated

# Consolidated Financial Highlights

The Musashino Bank, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2016 and 2015

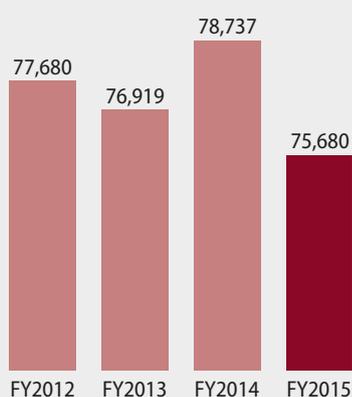
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Notes 1 and 2)
	2016	2015	2016
<b>At Year-end</b>			
Total Assets.....	¥4,328,909	¥4,257,062	\$38,417,723
Deposits including negotiable deposits.....	4,000,861	3,930,283	35,506,400
Loans and Bills Discounted.....	3,319,167	3,210,605	29,456,576
Trading Account Securities and Investment Securities.....	765,160	748,206	6,790,559
Total Net Assets.....	229,078	229,377	2,033,003
Capital Adequacy Ratio (based on domestic standards) (%).....	10.09	10.32	
<b>For the Year</b>			
Total Income.....	¥ 75,680	¥ 78,737	\$ 671,637
Total Expenses.....	55,584	56,645	493,297
Income before Income Taxes.....	20,095	22,091	178,339
Profit attributable to owners of parent.....	12,563	14,467	111,501

Notes 1. In this annual report, Japanese yen (in millions) and U.S. dollars (in thousands) are indicated with fractions omitted.

2. U.S. dollar figures have been translated at the rate ¥112.68 to U.S.\$1, the prevailing market rate as of March 31, 2016.

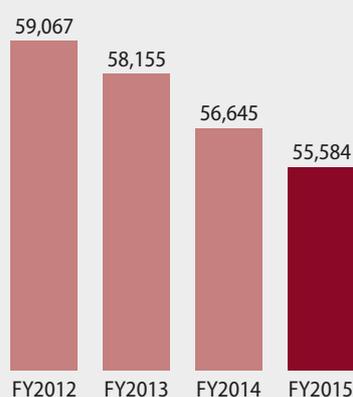
## Total income

(¥ million)



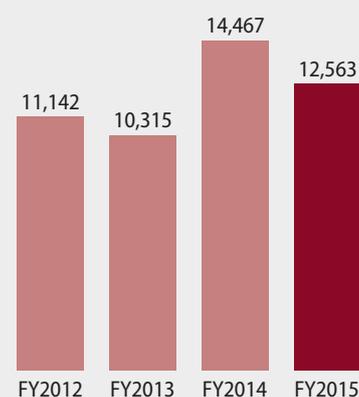
## Total expenses

(¥ million)



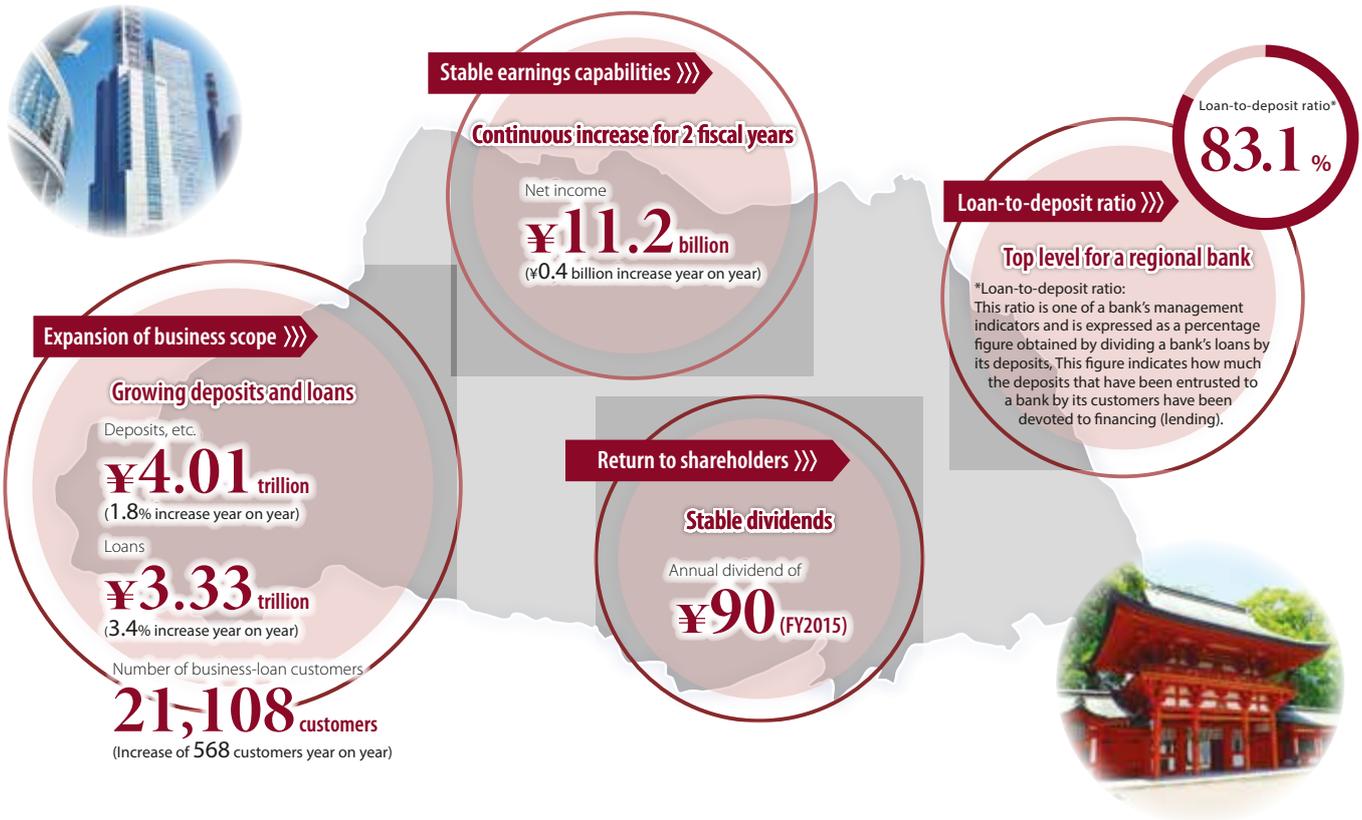
## Profit attributable to owners of parent

(¥ million)



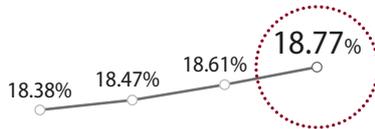
Forward-Looking Statements: This annual report contains forward-looking statements regarding the Bank's financial condition and results of operations. These forward-looking statements, which include the Bank's views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors.

# About the Musashino Bank



## Share of total loans is rising

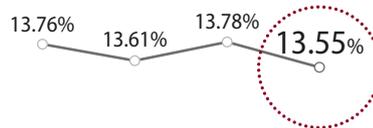
Share of total loans provided in Saitama Prefecture (%)



FY2012 FY2013 FY2014 FY2015

Source: Data from the Bank of Japan's Research and Statistics Department (Based on bank accounts of domestic banks)

Share of total deposits taken in Saitama Prefecture (%)



FY2012 FY2013 FY2014 FY2015

Source: Data from the Bank of Japan's Research and Statistics Department (Based on bank accounts of domestic banks)

## Characteristics of Saitama Prefecture

### Population (estimated)

**7.26 million people**  
 (Japan's fifth largest prefecture in terms of population)  
 Nationwide Census Early Release (2016)

### The number of private companies

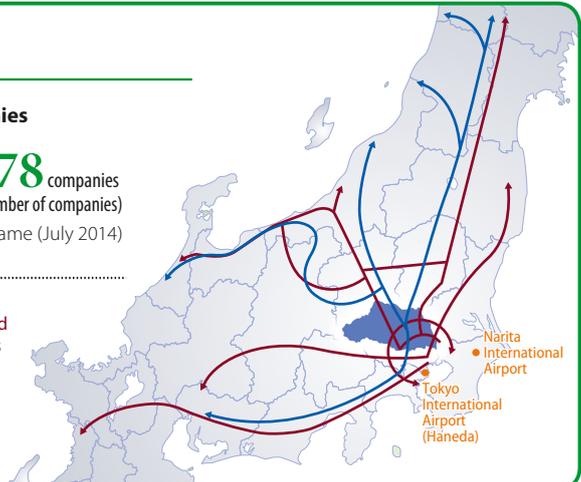
**249,078 companies**  
 (Japan's fifth largest prefecture in terms of number of companies)  
 Economic Census for Business Frame (July 2014)

### Total prefectural production (nominal)

**¥20.7 trillion**  
 (Japan's fifth largest prefecture in terms of production)  
 Prefectural Accounts (fiscal 2013)

Shinkansen railway and expressway networks

→ Expressway  
 → Railway (Shinkansen)



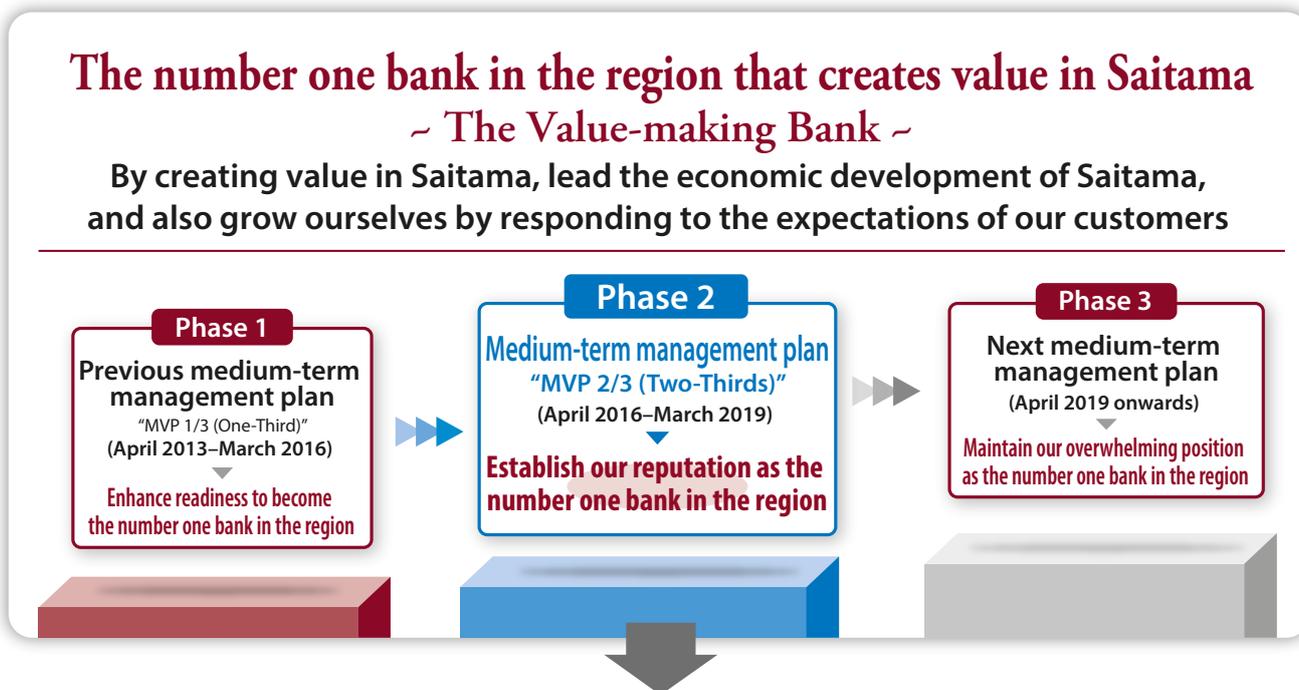
## ■ Long-term Vision/Medium-term Management Plan

In April 2016, the Bank started its medium-term management plan “MVP (Musashino Value-making Plan) 2/3 (Two-Thirds),” the second phase of its efforts to realize its long-term vision for turning itself into “the region’s number one bank (The Value-making Bank) that creates new value in Saitama,” and has been working to further expand its contact with customers and provide optimal solutions.

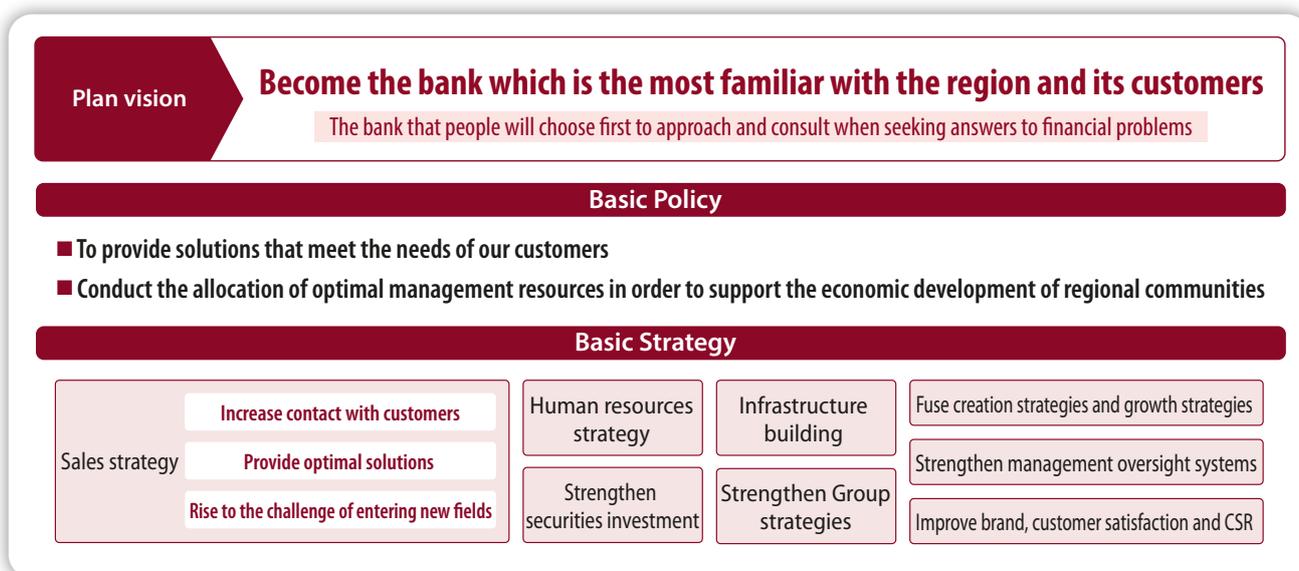
### Long-term Vision: “MVP (Musashino Value-making Plan)”

## The number one bank in the region that creates value in Saitama ~ The Value-making Bank ~

By creating value in Saitama, lead the economic development of Saitama, and also grow ourselves by responding to the expectations of our customers



### Medium-term management plan “MVP 2/3 (Two-Thirds)” Plan period: April 2016–March 2019

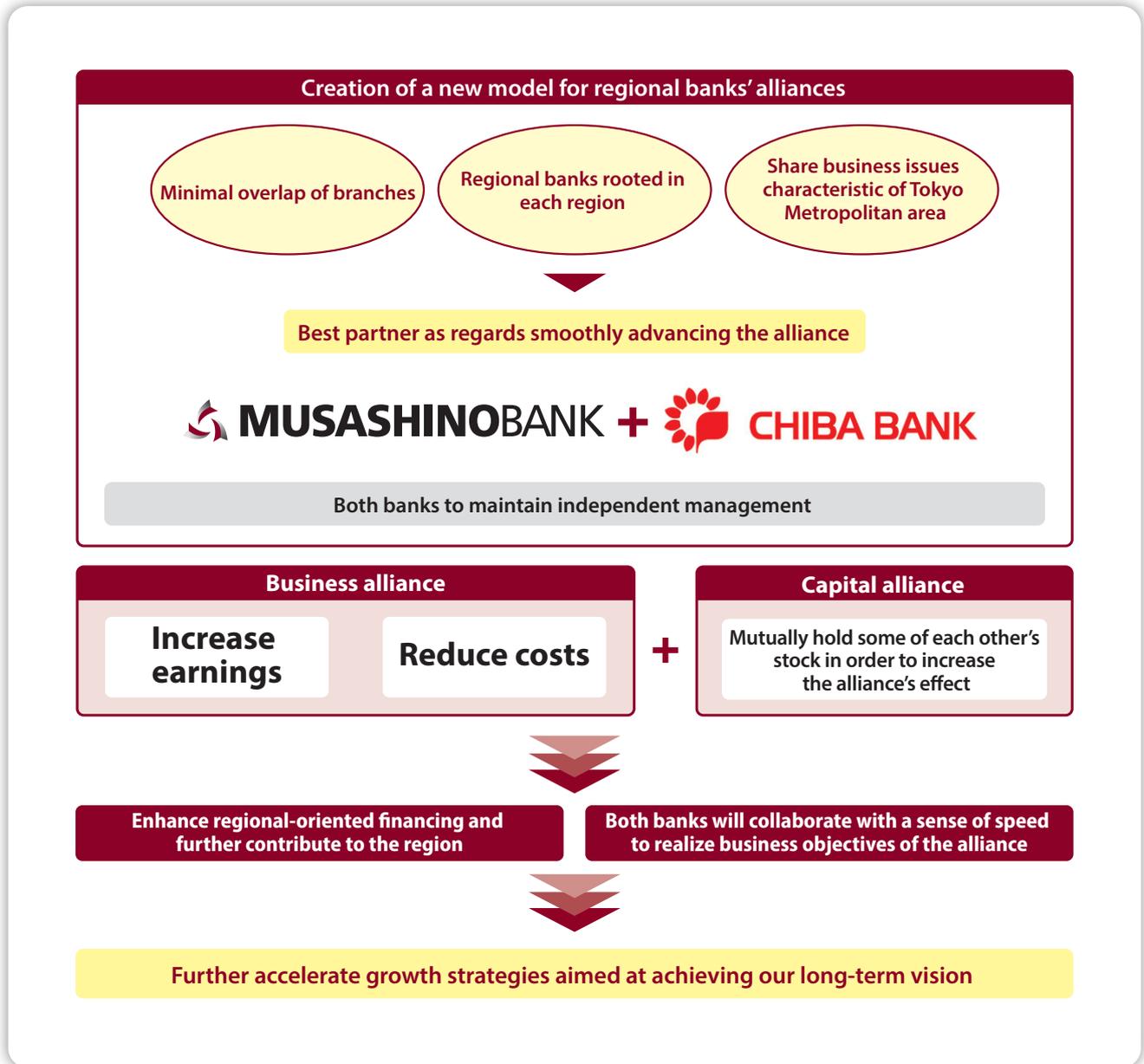


### Financial targets

Item	Target for Fiscal Year Ending March 2019
Balance of loans (year-end)	¥3,700.0 billion
Balance of deposits including assets in custody (year-end)	¥5,600.0 billion
Net income (non-consolidated)	¥ 10.5 billion
ROE (return on equity, consolidated five-year average)	Over 5%

## ■ Chiba-Musashino Alliance

In order to provide even more convenient services to customers in the region, and to make a further contribution to regional revitalization, in March 2016 we concluded a comprehensive alliance with Chiba Bank entitled the “Chiba-Musashino Alliance.”



Musashino Bank Head Office (Omiya-ku, Saitama City)

Chiba Bank Head Office (Chuo-ku, Chiba City)

# Corporate Governance

## Basic Stance

Musashino Bank recognizes that upgrading and expanding its corporate governance capabilities are key priorities of management. In addition to adhering strictly to a policy of compliance with statutory and regulatory requirements as well as in-house rules and regulations, every effort is made to ensure that the Board of Directors and the Board of Corporate Auditors stringently monitor directors in the execution of their duties.

Two outside directors and three outside auditors who pose no threat of conflicts of interest with shareholders have been elected, and they monitor and audit directors in the execution of their duties. They also take part in meetings of the Board of Directors where they are able to proactively voice their opinions and offer advice on management from a broad, independent and neutral perspective. This ensures that the management monitoring function is both objective and impartial.

Also, the Bank has adopted an executive officer system in order to reduce the number of directors and to ensure a speedier decision-making process. Directors delegate authority to executive officers, who are charged with the responsibility of swiftly and efficiently carrying out their duties as leaders of the Bank's mainstay divisions.

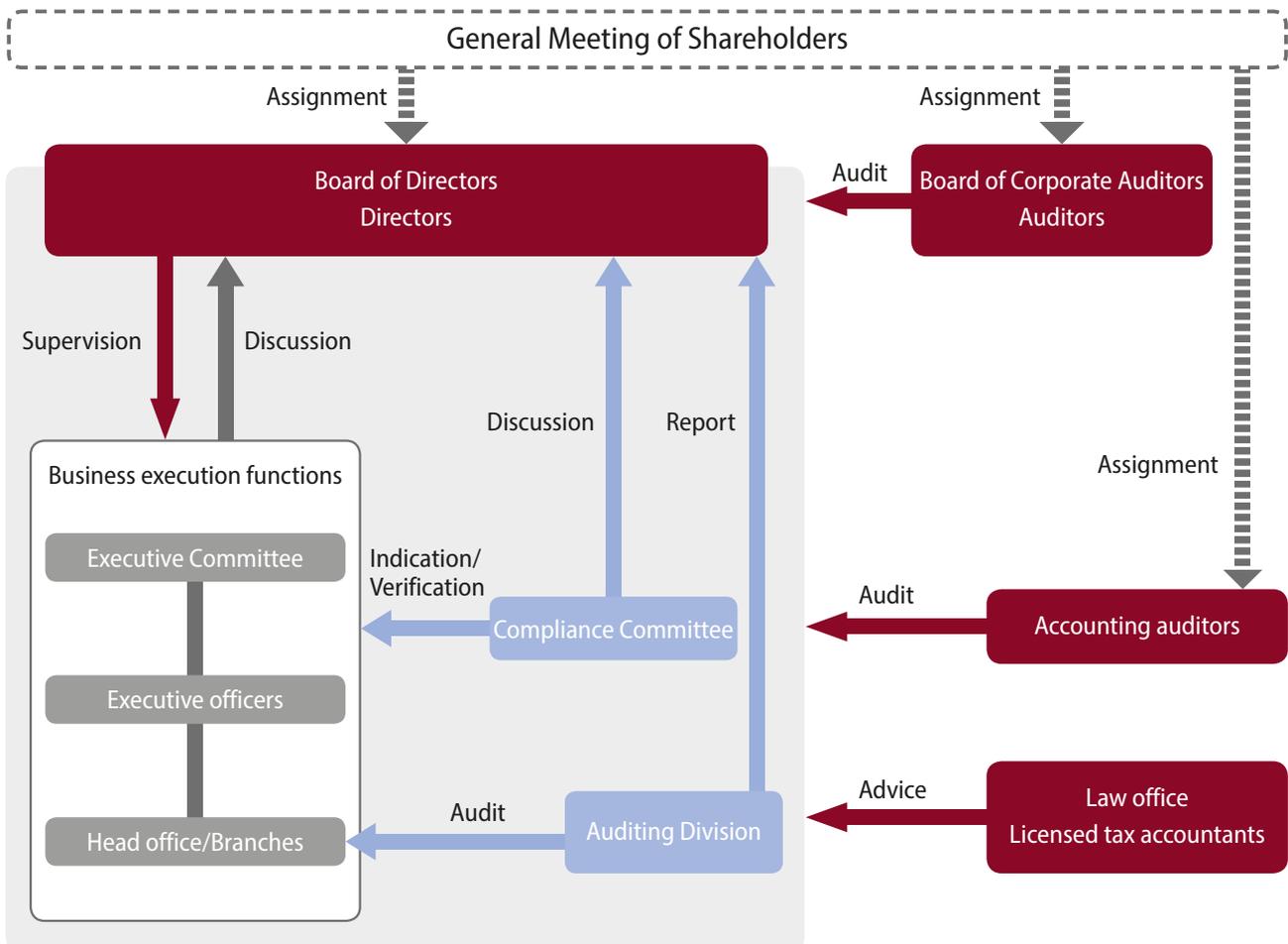
## Corporate Governance Structure

The Board of Directors is positioned as the ultimate decision-making body of the Bank. While strictly adhering to the Bank's variety of in-house rules and regulations, the introduction of an executive officer system allows the Bank to separate and clarify the management and business execution functions. A structure has therefore been put in place to allow directors and executive officers to go about their assigned duties and responsibilities.

Musashino Bank's management decision-making, business execution and oversight structure is presented as follows.

### Corporate Governance Structure

(As of March 31, 2016)



## **Risk Management Policy**

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As the risks associated with banking operations become increasingly varied and complex, the Bank has formulated a set of internal management policies that take into consideration the Bank's strategic targets, in order to ensure that the manner in which it manages its business is both sound and pertinent. Guided by these policies, the Bank works diligently to manage risk.

In specific terms, the Bank classifies all pertinent risks according to their nature and attributes. Classifications comprise (1) comprehensive risks; (2) credit risks; (3) market risks; (4) liquidity risks; and (5) operational risks (including administrative and system risks). These individual risks are then managed according to their particular characteristics and requirements.

## **Management Structure by Type of Risk**

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### **(1) Comprehensive Risk Management**

In order to appropriately manage the wide variety of risks on a comprehensive basis, the Bank has established the Comprehensive Risk Management Department and is working to develop and improve its management structure. The Comprehensive Risk Management Department puts in place rules and criteria for determining the scope of comprehensive risk management, management methods, evaluation of new products and operations as well as the level of acceptable risk after taking into consideration management strategies, management capacity as well as business scale and characteristics. Based on these rules and criteria the ALM (Asset Liability Management) and other appropriate committees monitor and control risks. The results of these activities are reported to the Board of Directors and other relevant bodies on a regular basis.

### **(2) Credit Risk Management**

Musashino Bank has historically taken steps to maintain the independence of the Credit Screening Division and to build a stringent screening and management structure in order to maintain and strengthen the soundness of its assets. At the same time, the Bank has adopted a ranking system and endeavored to upgrade and expand its credit risk management capabilities as a part of its efforts to establish objective decisions and lending policies on an individual transaction counterparty basis.

### **(3) Market Risk Management**

Musashino Bank has established the Market Risk Management Department in order to appropriately manage market risks. Relevant steps are taken to ensure the independence of the Department from the Market Management Department and Business Promotion Division, and to establish and develop a structure that is capable of harnessing the checks-and-balances function. At the same time, the ALM and Credit Portfolio Management committees deliberate as and when required.

### **(4) Liquidity Risk Management**

Musashino Bank has established the Liquidity Risk Management and Cash Management departments in order to appropriately manage liquidity risk. While ensuring the independence of the Liquidity Risk Management Department from the Cash Management Department, Market Management Department and Business Promotion Division, every effort is made to establish and develop a structure that is capable of harnessing the checks-and-balances function. At the same time, the ALM Committee deliberates as and when required.

### **(5) Operational Risk Management**

Musashino Bank confronts broad and varied operational risks. In addition to classifying risks as (i) administrative risk, (ii) systems risk, and (iii) other operational risks (a. legal risk, b. human risk, c. tangible asset risk, and d. reputation risk), putting in place rules on an individual risk basis and promoting the management of each risk by the appropriate management department, the Bank has established the Operational Risk Management Department to undertake the management of operational risks on a comprehensive basis. The Bank also pushes forward measures aimed at establishing and developing a management structure that is capable of harnessing the checks-and-balances function with respect to each business division. Moreover, the Operational Risk Management Committee deliberates on issues as and when required.

## **Crisis Management / BCP Structure**

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Because bank services such as deposits and foreign exchange are services that are highly beneficial to society and the public, banks are strongly called on to ensure business continuity as a social responsibility they must fulfill, and this is recognized as an important management issue.

As a regional financial institution with its operational base in Saitama Prefecture, Musashino Bank has established a Business Continuity Plan (BCP) as part of its contingency planning to ensure operations will continue in the case of events that are likely to have a major impact on business continuity, such as large-scale earthquakes, system faults and pandemic influenza. The Bank has compiled manuals that establish concrete codes of behavior and countermeasures, and is working to ensure that all employees are thoroughly familiar with business continuity management measures to apply during emergencies.

The Bank carries out drills to train its employees in how to deal with emergencies such as large-scale earthquakes and damage to account-related systems. Systematic training like this enables the Bank to improve its BCP by enhancing its effectiveness and rectifying problems that emerge during drills.

### **Compliance Framework**

The social and public mission of the banking business makes high demands for operations based on fair and transparent corporate activities in compliance with laws, regulations, and social norms and in accordance with the principles of self-discipline and self-responsibility. Accordingly, the Bank considers the thorough compliance of its directors and employees in business operations to be a top priority, and to this end management is actively involved in the fulfillment of the Bank's social and public mission as the Bank works to strengthen its compliance framework through steps such as system improvements and the establishment of teaching methods.

In the future the Bank will further strengthen its corporate activities based on a strong sense of ethics and integrity and its management approach in accordance with principles of self-responsibility as it further strengthens the compliance framework so that the Bank's daily business activities and actions ensure compliance with laws, regulations, and social norms.

### **Basic Compliance Policy**

Musashino Bank's basic compliance policy entails that officers and employees go about their daily duties in accordance with the Bank's two fundamental management guidelines, namely its Corporate Philosophy and Code of Behavior.

Under its unwavering Corporate Philosophy, the Bank strives to work in harmony with the local community it serves while maintaining a deep respect toward customers. As a local bank in Saitama Prefecture, we continue to contribute to the local community and society. Furthermore, the Code of Behavior is founded on "the public mission of the bank" and stipulates "provision of high quality financial services," "compliance with laws, regulations, rules, etc.," "open business management through communication with society," "respecting the personalities of employees," "tackling environmental problems," "tackling social contribution activities," and "resolute responses to anti-social forces," and directors and employees go about their daily duties guided by these basic policies.

### **Compliance Management Structure**

The Legal Affairs Office of the Risk Management Division serves as the compliance management department for the Bank. This Office undertakes the uniform management of all legal issues relating to compliance while providing instructions based on investigation and research. At the same time, the Office coordinates with officers responsible for legal compliance appointed to all branches while working to strengthen the compliance structure. Regular meetings are held with the officers responsible for legal compliance appointed to each branch in order to improve the level of

compliance through the sharing of information and training and also, meetings are held each month with the officers responsible for legal compliance in the head office and each department. These meetings serve as a forum to deliberate on compliance issues and to share information.

In addition to the aforementioned, periodic compliance checks are undertaken at each branch by the officers responsible for legal compliance. In this manner, the Bank has put in place a mechanism that is capable of grasping the status of daily compliance management.

Furthermore, Musashino Bank has established the Compliance Committee with the president of the bank serving as the chairperson, which serves as the organization that checks the status of compliance on a Bank-wide basis while considering any and all other important matters through regular meetings. In addition, the committee evaluates and checks on the progress and implementation status of the "Compliance Program" approved by the Board of Directors.

### **Compliance Manual**

To ensure the compliance of its officers and employees, the Bank has distributed a compliance manual that has been approved by the Board of Directors to all of its officers and employees and is working to ensure that all staff members are fully aware of its contents.

The compliance manual contains sections on the Bank's Corporate Philosophy, Code of Behavior, and basic policies. It contains a section on compliance standards that stipulates the matters officers and employees should comply with, a section on the compliance framework that provides an explanation on various structures at the Bank including education and verification structures, a section on laws and regulations that require directors' and employees' compliance which contains an explanation on the laws and regulations that bank employees are required to be knowledgeable of, and a pick-up compliance section that provides a more detailed explanation on matters that should be prioritized in the conduct of daily work. The compliance manual serves as a standard for making decisions and taking actions in everyday business activities.

### **Elimination of Anti-Social Forces**

The Bank has stipulated the elimination of anti-social forces as a basic policy and is working toward blocking all relationships with anti-social forces. Furthermore, in accordance with the basic policy, we have established a manual which stipulates our specific initiatives for blocking relationships with anti-social forces, and we are endeavoring to educate the bank employees about this issue through training and other measures.

# Operational Base of Saitama Prefecture

## Well-developed Expressway and Railway Networks

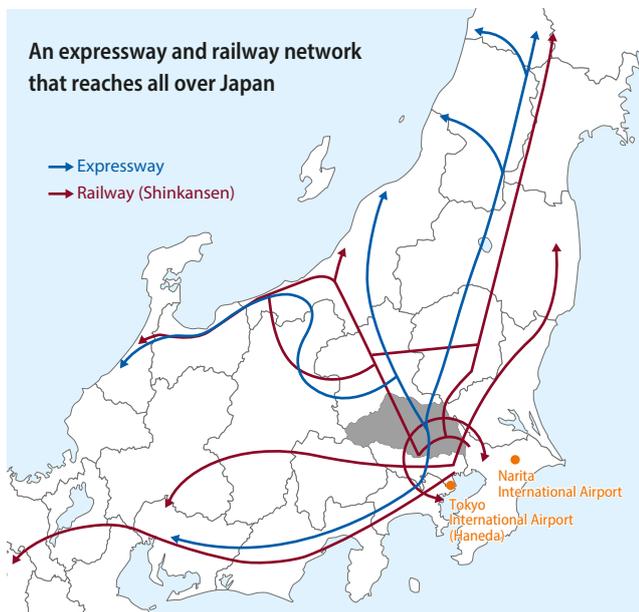
Saitama Prefecture is located in the heart of the huge market comprising the Tokyo metropolitan area, in which one-third of the population of Japan lives (approximately 40 million people). The prefecture also contains well-developed and advanced expressway and railway networks.



Hokuriku Shinkansen

Saitama is well-positioned as a transportation hub, with the Kan'etsu, Tohoku, and Joban expressways traversing north to south, and the Tokyo Gaikan Expressway and the Metropolitan Inter-City Expressway (Ken-O-do) traversing east to west. Moreover, there is now improved access to the Tomei Expressway and the Chuo Expressway with the fully opened Ken-O-do enhancing the convenient transport links to the rest of Japan.

As for railways, with our head office based in Omiya, the Bank is directly connected to major cities via the Hokkaido, Tohoku, Akita, Yamagata, Joetsu and Hokuriku Shinkansen (bullet train) network.



## A Favorable Climate and Topography

Located on the borders of Tokyo and six prefectures, Saitama Prefecture is an inland prefecture on the Kanto Plain, and all parts are less than 100 km from central Tokyo.

Saitama Prefecture covers 3,798 square kilometers and accounts for around 1% of Japan's land area. The area of prefectural land covered by mountains is less than the national average, while the area of lowlands and tableland is greater. Rivers account for 3.90% of the prefecture's area, the highest figure for a prefecture in the country.

It is very comfortable to live in because it has more clear days annually than anywhere else in Japan, and has few natural disasters.

## Fifth Largest Prefecture by Population

The population of Saitama Prefecture continues to increase every year. In 2016 the population had reached 7.26 million, making Saitama the fifth largest prefecture in Japan.

Moreover, the percentage of working-age people (aged 15 to 64) was 64.1% in 2013, and this figure was the third highest prefectural percentage in Japan. Conversely, the percentage of people aged 65 or older was 23.0%, and of these 9.7% are aged 75 or older, on a par with Okinawa Prefecture, the lowest figures in Japan. In other words, Saitama Prefecture is one of the youngest and most vigorous prefectures in the country.

## Collection of Diverse Manufacturing Industries

### Fifth Largest Economy in Japan

Saitama Prefecture is home to about 250,000 companies. Total prefectural production is about ¥20 trillion, making it the fifth largest prefectural economy in Japan.

Saitama Prefecture has a diversity of local industries with the automotive-related industry at its core. (For example, molds and castings are produced in Kawaguchi City, and optical equipment in Saitama City.)

Private companies	<b>249,078</b> (Japan's fifth largest prefecture in terms of number of companies) Economic Census for Business Frame (July 2014)
Total prefectural production (nominal)	<b>¥20.7 trillion</b> (Japan's fifth largest prefecture in terms of production) Prefectural Accounts (fiscal 2013)

## Contributing to the Local Economy

### Deposits from the Region

As of March 31, 2016, deposits from the region increased ¥11.3 billion year on year to ¥3,822.4 billion. The ratio of deposits from the region continued to be high, at 99.31% of the total balance of deposits.

Conversely, the Bank's share of deposits within the prefecture as of March 31, 2016 declined 0.23 of a percentage point to 13.55%.

### Assets in Custody from the Region

As of March 31, 2016, assets in custody from the region increased ¥32.0 billion year on year to ¥711.8 billion. The breakdown comprises investment trusts of ¥159.9 billion (up ¥2.7 billion), life insurance of ¥459.8 billion (up ¥58.6 billion), and government bonds and other assets of ¥92.1 billion (down ¥29.3 billion).

\* Investment trust figures are market value; life insurance figures are total sales.

### Loans to the Region

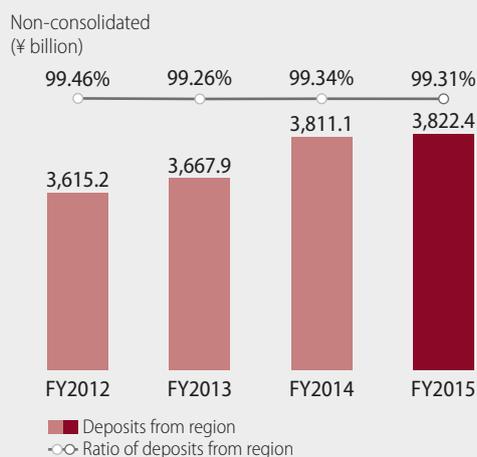
Loans to the region as of March 31, 2016 rose ¥87.2 billion to ¥2,865.5 billion, thereby maintaining a high loans to the region ratio of 85.97%. The Bank's share of loans in the prefecture improved 0.16 of a percentage point to 18.77%.

### Towards a Sounder Financial Position

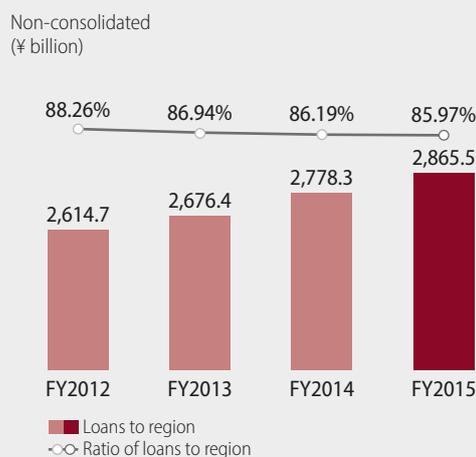
The Bank is strengthening its capital adequacy and reducing non-performing loans. The Bank has maintained a consolidated and non-consolidated capital adequacy ratio (Basel III domestic standard) of 10.09% and 9.81%, respectively, so we have continued to maintain a very sound financial position.

The Bank's non-performing loan ratio based on standards established by the Financial Reconstruction Act, declined by 0.19 of a percentage point to 2.02%.

#### Deposits from region/Ratio of deposits from region



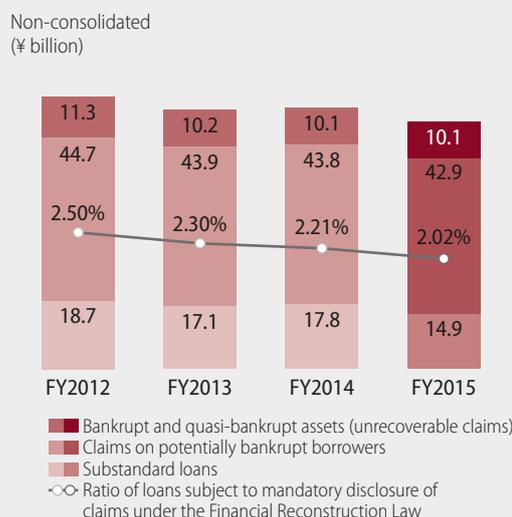
#### Loans to region/Ratio of loans to region



#### Assets in custody from region



#### Non-performing loans



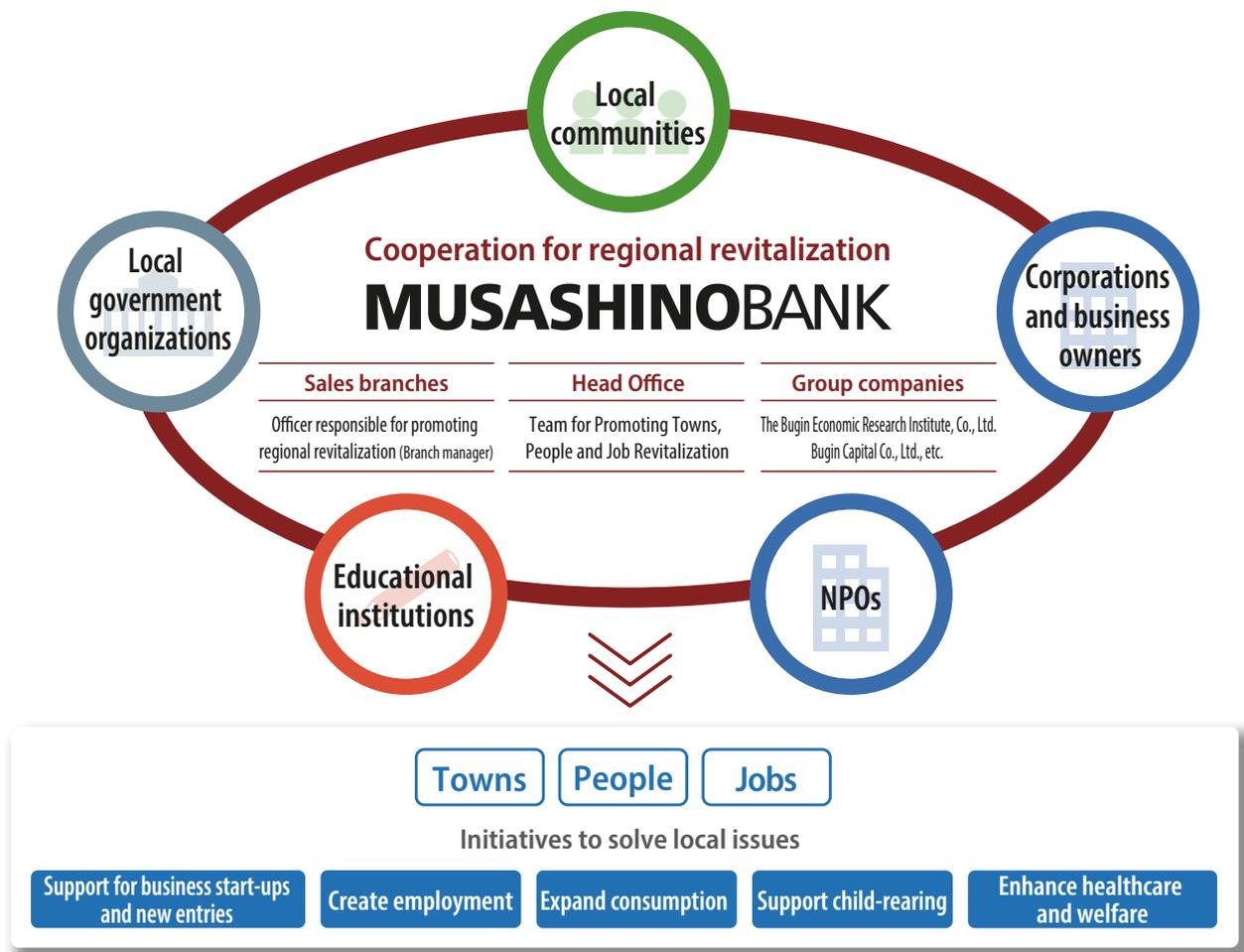
# Measures and Support for Regional Revitalization

## Promotion Structure

In April 2015, the Bank established the “Team for Promoting Towns, People and Job Revitalization” at the head office in order to formulate and support the promotion of the Regional Comprehensive Strategy being undertaken by local government organizations involved with the government’s “comprehensive strategy for towns, people, and job revitalization.” The Bank assigned all branch managers to be “the person in charge of promoting Regional Revitalization,” and built a structure for promoting Regional Revitalization throughout the Bank.

## Basic Stance

The Bank had already commenced working with local government organizations before this collaboration in formulating the Regional Comprehensive Strategy. Looking ahead, as a regional financial institution, the Bank recognizes these initiatives for Regional Community Revitalization to be one of the most important tasks, and supports the implementation of the Regional Comprehensive Strategy. Consequently, we are one participant in regional creation and have a policy of proactively collaborating with private-sector companies, NPOs, educational institutions and other bodies based on the relevant administrative policies to solve a variety of regional issues and to create regional value.



## Establishment of Musashino Fund to Promote Regional Revitalization

In August 2015, the Bank established the Musashino Fund to Promote Regional Revitalization, comprising a total of ¥500 million, together with the Bugin Capital Co., Ltd.

From the perspective of the comprehensive strategy for

regional revitalization, namely, supporting the core key companies for the region, the Bank is contributing to a positive cycle of the revitalization of towns, people and jobs by investing in the companies’ stocks and supporting growth in such a thorough manner.

# Initiatives Related to Revitalization of the Region

## Promoting Transactions with Local Governments

The Bank works to promote transactions with local governments and other bodies, and to enhance its consulting activities. It has business with every municipality in Saitama Prefecture.

In addition, as shown in the table below, the Bank serves as the designated financial institution for local governments and also meets the financing needs of small- and medium-sized enterprises as the program financing counter for various local public bodies.

Designated Financial Institution	Yokoze Town, Asaka Special District Authority, Soka-Yashio Fire Department, Goka Town, (Ibaraki Prefecture)
Financial Institution Handling General Receipts and Expenditure	Handling of public fund administration for Saitama Prefecture Public Sewage works Bureau
Designated Proxy Financial Institution	Saitama City, Asaka City, Hidaka City, Satte City

## Alliances and Partnerships with Local Government Organizations, etc.

The Bank promotes alliances and partnerships with local governments through comprehensive agreements with them and other bodies for regional revitalization and enhancement of citizen services.

Prefectures	Saitama Prefecture (October 2013)
Designated Municipalities	Saitama City (January 2016)
Municipalities	Tsurugashima City (December 2014), Toda City (April 2016), Yokoze Town (June 2016)
Business Groups	Satte City Society of commerce & industry (September 2015), Kawaguchi Chamber of Commerce & Industry (March 2016)



## Participation in Joint Industry-Business-Academia-Government Research on Policy Issues

The Bank has participated in joint research on policy issues sponsored by Sai-no-Kuni Regional Alliance for Human Development since fiscal 2014, and engages in research on solving issues faced by Saitama Prefecture together with members of the prefectural government, municipal governments, corporations, non-profit organizations, universities and other institutions.

### Research Areas

- <Fiscal 2014> (1) Big Data / Open Data Utilization Strategy  
(2) Regional Brand Promotion: Road to 2020 Olympics and Paralympics
- <Fiscal 2015> (1) Breakthrough Strategy for a Society with a Declining Population: Toward the Security of 7.05 Million Saitama Prefecture Residents in 2040  
(2) Identifying Patterns in Saitama Prefecture Vacant Housing Problem and Solution Recommendations
- <Fiscal 2016> (1) Comprehensive Town Management for Ultra-Aging Society: Designing Saitama's Near Future  
(2) Promoting "Saitama Style" Diverse Work Formats



Announcement of Fiscal 2015 Results

## Initiatives for PPP and PFI

Against the backdrop of a declining population, we are also working to improve the community services with which local government organizations are involved, to improve public services that utilize PPP\*1 and PFI\*2 schemes for such matters as the maintenance and administration of public facilities, and to support the creation of private-sector business opportunities.

\*1 PPP: Public-Private Partnership

\*2 PFI: Private Finance Initiative

## Support for NPOs

The Bank began offering the "Musashino NPO Support Loan," a specialized financial product, designed to solve a variety of issues faced by NPOs, and so are engaged in helping NPOs finance their activities.

In addition, in partnership with Saitama Prefecture the Bank provides integrated support for NPOs that are starting new businesses.

# Nurturing Growth Fields

## Activities in the Medical and Welfare Field

### Financing support

“Musashino Medical Partner” is a specialized financial product for medical institutions designed to be easy to utilize even for doctors newly establishing private practices. Through offering this product, we contribute to the advancement of regional medicine.

### Co-financing with the Japan Housing Finance Agency for serviced housing for elderly people

In February 2014, the Bank became the first financial institution in the Kanto region to conclude a co-financing agreement with the Japan Housing Finance Agency in the housing funding support field as regards financing the construction of shared-style serviced housing for elderly people.

## Activities in the Agricultural Field

### Support for management innovation

The Bugin Agricultural Management Course, a seminar for agricultural producers, was held seven times in 2015, and a total of 939 people in the agricultural industry participated. The curriculum includes tours of cutting edge agricultural and research facilities and lectures by various experts (university professors, supermarket buyers, etc.).

### Support for exploring new business opportunities

The Bank is actively involved in business matching to help agricultural producers expand their sales opportunities.

## Activities in the Kankyo (Environment) Field

Saitama Prefecture is blessed with a good climate and good terrain, and consequently is developing mega-solar and other renewable energy businesses in various locations.

### Support for solar power projects

The Bank offers the “Musashino Solar Power Project Support Loan: Blessings of the Sun,” which helps companies conduct solar power projects through utilization of feed-in tariff schemes for renewable energies.

### Environment-related loan products

The Bank offers “Nitoryu (Eco-Best)” and “Eco Private Placement Bonds,” financial products that support companies involved in eco-friendly businesses.

## Initiatives for Automotive Companies

The Bugin “Monozukuri” Management Course was held five times beginning in March 2015 for automotive parts manufacturers striving to become domestic and global leaders in their respective niche markets. The curriculum centered on strengthening technologies and forming alliances for entering overseas markets.



Bugin “Monozukuri” Management Course

## Leading-Edge Industry Initiatives

Saitama Prefecture, in partnership with the national government, has started the “Saitama Leading Edge Project” to cultivate leading-edge industries, and Musashino Bank is a participant in it. Working jointly with other prefectural financial institutions, we actively support the development and promotion of new industries.

In addition, the Bank intends to promote assistance in partnership with the Leading-Edge Industry Support Center of Saitama, which was established in May 2015.

## Saitama Prefecture Leading-Edge Project Initiative Areas

- |                 |              |            |
|-----------------|--------------|------------|
| • Nano-carbon   | • Robotics   | • Medicine |
| • Air and space | • New energy |            |

## Support for Standardization of Excellent Technologies and Products of Local Companies

The Bank provides support for standardization (adoption as the domestic or international standard) of the dimensions, manufacturing methods, and performance evaluation procedures, etc. of products developed by client companies.

In November 2015 we held the “Seminar on Use of the Standardization Program for Expanding Sales Channels” in partnership with the Ministry of Economy, Trade and Industry and Japan Standards Association, and introduced the standardization program.

- |                          |  |
|--------------------------|--|
| Domestic standards:      | Japan Industrial Standards (JIS)   |
| International standards: | International Organization for Standardization (ISO),<br>International Electrotechnical Commission (IEC) |

## Promoting the Region's Beauty

### Creation of a "Senary" Industry in Minuma Tanbo Area

Saitama City is a major consumer of wheat products, especially noodles, bread and pastries, but the area of wheat-growing in the city and amounts harvested have both been declining, so in September 2014, a project was launched to revive wheat production and turn it into a "senary" (i.e., primary + secondary + tertiary) industry, centering on the Minuma Tanbo area. A research group was established by agricultural producers, mainly in the Minuma area, and private-sector food product companies, as well as by people in a variety of other fields from the government, research institutions and other organizations, and efforts are now being made to make wheat production in Minuma Tanbo a "senary" industry.

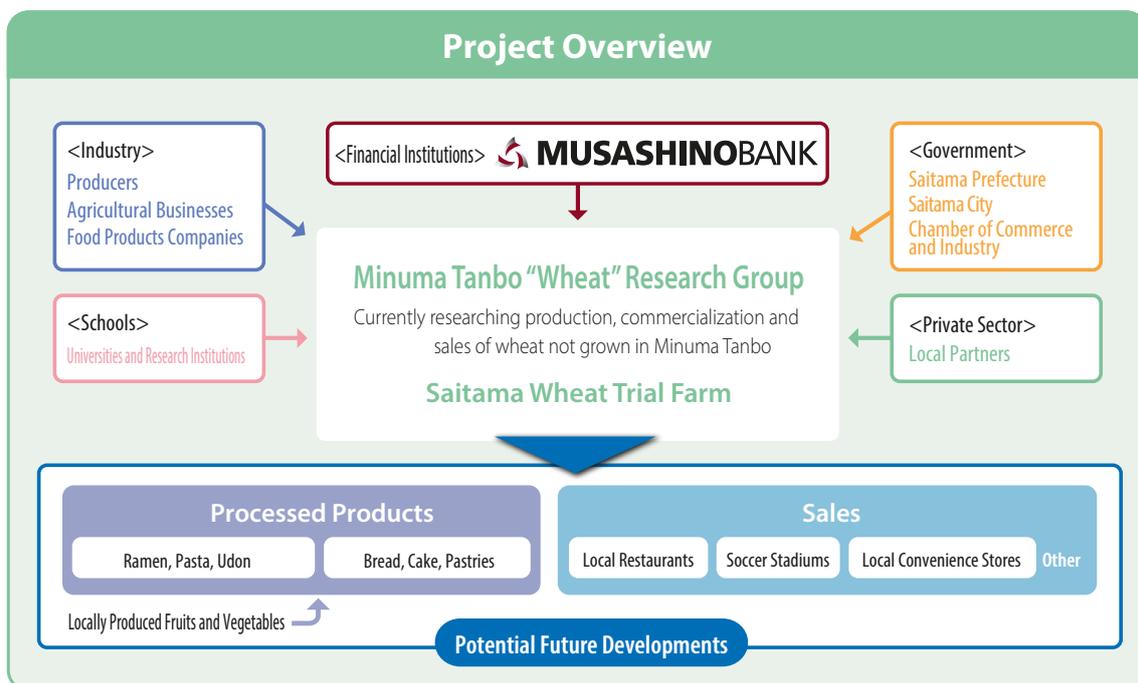
The Saitama Wheat Trial Farm opened in November 2015 as part of the project, began growing wheat and collected its first harvest in June 2016. The harvested wheat will be provided free of charge to food processing companies and restaurants in Saitama City and research and development will be conducted aimed at commercialization.



Saitama Wheat Trial Farm ready for harvest

### Senary (6th-Order) Industry

A management format in which Primary (1st-order) producers in agriculture, forestry and fishing effectively utilize rich local resources, and secondary (2nd-order) industries (processing and manufacturing) and tertiary (3rd-order) industries (distribution and sales) are developed, not only the supply of raw materials. It is an initiative to effectively utilize rich local resources to generate new added value.



# ■ Providing SME Management Assistance

## Policy Initiatives

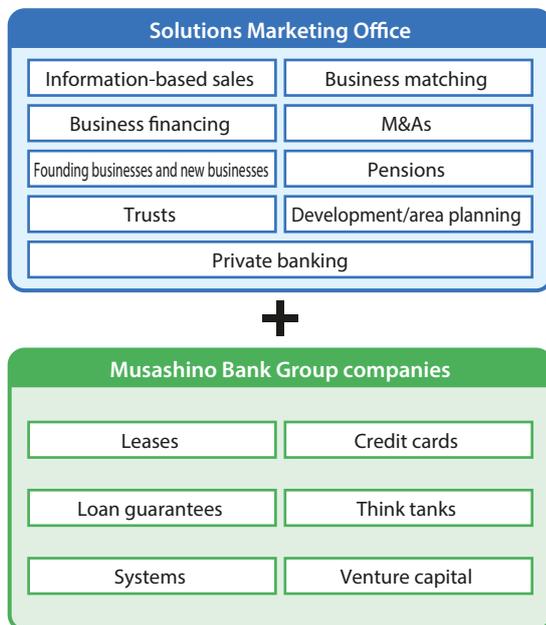
Under its Corporate Philosophy, the Bank strives to work in harmony with the local community while maintaining a deep respect toward customers. On this basis, the Bank's duty is to promote regional-oriented financing, and we implement this in practice by providing a smooth flow of funding to customers while also offering management support.

Against the backdrop of significant changes in the economic environment and elsewhere, we are seeing increasing societal demands for smooth flows of funding. In order to align ourselves with our customers' growth stages and to respond even more appropriately and in more detail, we strive to comply with the basic policy shown on the right.

On the basis of this basic policy, we are moving ahead in an organized and continuous manner with a variety of initiatives that offer management support to customers.

## Strengthening Solution Sales

The Bank established the Solutions Marketing Office at its head office in April 2016 in order to further strengthen solution-based sales and is working together with client companies and management to solve various problems and issues while also drawing on the resources of Group companies.



## Support for Start-ups and New Entries

The Bank recognizes that for the sustained development of the regional economy it is indispensable for start-ups and new entries to be done actively and continuously. Consequently, in October 2014 we created a "support team for start-ups and new entries" in Head Office. In collaboration with Saitama Prefecture credit guarantee companies, the Japan Finance Corporation and others, we offer wide-ranging support that includes financing-oriented support, formulating start-up plans, providing a variety of subsidy information, and holding seminars as well as taking advantage of various

prefectural system financing, such as "entrepreneurship funds" and others.

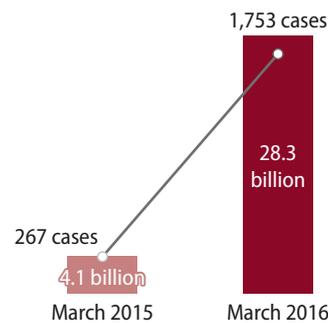
## Loan Initiatives that Prioritize Business Assessments

The Bank does not rely excessively on financial data, collateral and guarantees—it is strengthening its loans that prioritize the making of business viability assessments, including the business details and growth possibilities of each individual company.

The Musashino SME Active Fund (fund amount increased from ¥30.0 billion to ¥40.0 billion), a financing product started in December 2014 that emphasizes feasibility assessments, executed financing of ¥24.2 billion over the course of the year, for a cumulative total of ¥28.3 billion as of March 31, 2016. The product is used by a wide range of client companies.

## Cumulative Financing through Musashino SME Active Fund

(¥ billion)



## Offering a Variety of Financing Methods

In collaboration with Saitama Prefecture, various municipalities, Saitama Prefecture Credit Guarantee Corporation and others, the Bank has responded to the needs of its client companies and expanded its financing program lineup.

Moreover, the Bank has also focused on offering various new financing methods, including syndicated loans to diversify procurement methods and implement financial rationalization when a cooperative financing group has been formed by a number of financial institutions, project financing that provides funding after focusing on the cash flow of a business, private placement bonds that can be expected to improve the corporate image of a company conducting fund procurement, and Asset-Based Lending (ABL) that makes use of the customer's product inventory, accounts receivable or suchlike.

## Support for Solving Various Issues by Utilizing Information

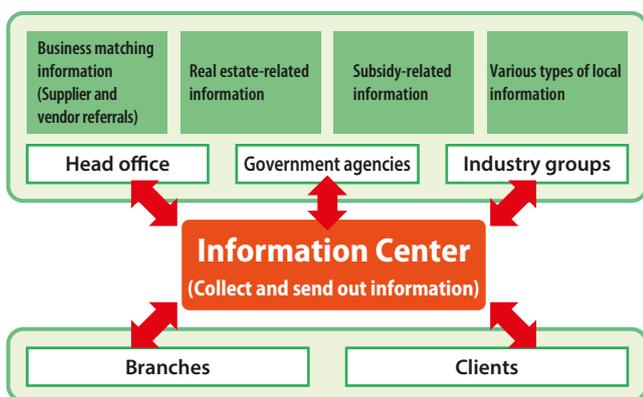
In line with expanding the Bank's consulting activities for its client companies, in April 2014 we established the Information Center in Head Office. We are significantly expanding our information volume and contracts, through the full-fledged operation of an information business.

The Information Center mainly collects business matching

information, information related to real estate, and a variety of regional information in order to respond to our clients' needs to expand their sales channels, develop markets, form technological collaborations, and open offices and build new plants. All this information that the Information Center disseminates is providing useful support to solve various business management issues.

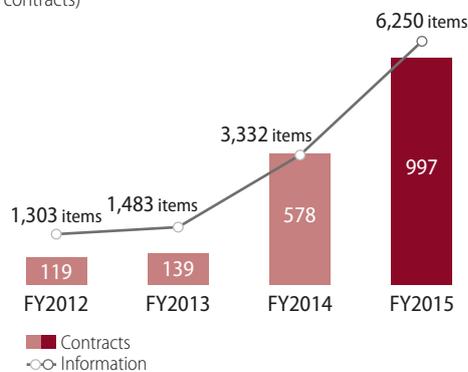
Incidentally, information items provided, including business matching, totaled approximately 6,300, 1.9 times more than the previous year, and contracts totaled approximately 1,000, as both information and contracts have been increasing significantly.

### Information Center



### Business Matching Information Items and Contracts

(No. of contracts)



(Since October 2014; contracts include paid business matching)

### Support for Overseas Expansion

We are also proactively assisting our corporate customers to expand business overseas. As of the end of March 2016, we had offered support in approximately 40 cases of companies expanding overseas, mainly to such ASEAN countries as Thailand, Vietnam, and the Philippines.

Furthermore, we assigned employees to the KASIKORNBANK in Thailand and to the Hong Kong branch of the Hachijuni Bank (a regional bank mainly based in Nagano Prefecture) to locally and directly handle consultations from companies that have already started doing business in these countries. Through participation in the regional bank alliance scheme of the Japan Bank for International Cooperation, we have formed business alliances with leading regional banks in Indonesia, India, the Philippines, Vietnam,

and the Mexico State Government and others, providing various forms of assistance, including opening accounts and providing local information.

In addition, we are utilizing government measures to actively help our clients enter overseas markets and develop their businesses overseas.

### Management Innovation Assistance with Government and Outside Institutions

In November 2012, the Bank was certified as a “Management Innovation Support Institution” by the Kanto Local Finance Bureau and Kanto Bureau of Economy, Trade and Industry. We offer highly specialized assistance programs for small and medium-sized companies and other clients.

### Support for Management Improvement and Business Revitalization

The Bank offers specialized support for client companies that require management improvement.

We provide advice to client companies on analyzing current conditions and improving management and help the companies formulate management improvement plans.

In addition, we provide support for management improvement in line with the specific conditions of client companies through partnerships with outside institutions and specialists like the Saitama Prefecture SME Assistance Council.

### Support for Changing Business Sectors

Drawing on bank-wide assistance resources, including Group companies, the Bank provides optimal support for management improvement and revitalization and helps companies change their business sectors.

# Corporate Social Responsibility

## Protecting the Invaluable Assets of Customers

The Bank conducts various security measures to ensure online banking is used safely, including initiatives through our website and other media to raise customer awareness.

## Designing Highly People-Friendly Branches

Musashino Bank is enhancing its branch facilities and making them barrier-free so that they are more pleasant and convenient to use for customers. We have also equipped branch counters and teller windows with hearing aids, writing aids, communication boards and other devices so that transactions and procedures can be conducted without undue difficulty.



Writing aid



Hearing aid

## Support for Children, the Bearers of the Future

To support our region's children who are the bearers of the future, the Bank actively provides these children with opportunities to study the role of money and how banking works.



Work experience at Musashino Bank

To promote local culture and the arts, the Musashino Bank has been holding concerts by professional violinists in music rooms and other locations at elementary schools since fiscal 2009. By July 2016 approximately 2,400 children from 30 schools had attended these concerts.

To promote sports with the cooperation of coaches from J-League (Japanese soccer league) club OMIYA ARDIJA, with which the Musashino Bank concluded an official sponsorship agreement, we held soccer and baseball classes.

We also invited former players from the Saitama Seibu Lions to be the coaches for local boys baseball teams to attend.



A soccer class



## Protecting our Natural Environment

The Bank actively carries out activities for environmental protection and creation to pass on Saitama's rich and irreplaceable natural environment to the next generation.

We offer environment-related financial products, build and renovate branches with LED lighting, wall greening and other measures, and also support local greening promotion initiatives. Through the Musashino Green Fund, a charitable trust, we provided a total of ¥3.0 million in assistance to 16 organizations in fiscal 2016, and we continue to actively support the preservation and creation of natural environments for everyone in the prefecture.

The Bank also focuses on educating employees about the environment.



Removal of alien plants at the Mitsumata-numa Biotope

## Building a Workplace in which Diverse Human Resources can be Successful

The Bank established the Human Resources Activities Promotion Office in October 2015 to enhance diversity and develop workplace conditions that empower diverse personnel. We are also conducting initiatives to enhance work-life balance that include support for balancing work and home life, promotion of women's advancement through their promotion to managerial positions and support for the activities of middle-age and senior employees and employees with disabilities.

The Bank has formulated an action plan for developing employment conditions that enable women to participate and advance as managers based on the Women's Advancement Promotion Act (Act on Promotion of Women's Participation and Advancement in the Workplace) and is conducting initiatives based on the plan.

## Consolidated Balance Sheets

The Musashino Bank, Ltd. and Consolidated Subsidiaries As of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars*
	2016	2015	2016
<b>Assets</b>			
Cash and due from banks.....	¥ 149,402	¥ 196,684	\$ 1,325,902
Call loans and bills bought.....	—	5,000	—
Debt purchased.....	11,553	11,613	102,529
Trading securities.....	495	138	4,398
Money held in trust.....	1,490	1,500	13,223
Investment securities.....	764,664	748,068	6,786,160
Loans and bills discounted.....	3,319,167	3,210,605	29,456,576
Foreign exchange assets.....	2,315	2,005	20,549
Lease receivables and investment assets.....	19,125	17,992	169,736
Other assets.....	21,071	20,283	186,998
Property, plant and equipment.....	37,584	37,162	333,549
Intangible fixed assets.....	3,176	2,942	28,188
Net defined benefit assets.....	5,173	9,466	45,910
Deferred taxes assets.....	1,233	1,379	10,942
Customers' liabilities for acceptances and guarantees.....	7,730	8,141	68,605
Allowance for loans losses.....	(15,273)	(15,922)	(135,551)
<b>Total assets.....</b>	<b>¥4,328,909</b>	<b>¥4,257,062</b>	<b>\$38,417,723</b>
<b>Liabilities</b>			
Deposits, including negotiable certificates of deposits.....	¥4,000,861	¥3,930,283	\$35,506,400
Payables under securities lending transactions.....	7,257	—	64,405
Borrowed money.....	18,494	17,586	164,134
Foreign exchange liabilities.....	336	342	2,984
Corporate bonds.....	25,000	25,000	221,867
Other liabilities.....	23,490	24,458	208,475
Provision for bonuses.....	1,253	1,228	11,120
Provision for directors' bonuses.....	10	10	90
Net defined benefit liability.....	4,363	5,803	38,723
Provision for loss on interest repayment.....	57	85	507
Provision for reimbursement of deposits.....	539	474	4,785
Provision for point loyalty programs.....	68	68	609
Provision for other contingent losses.....	412	536	3,659
Deferred tax liabilities.....	5,727	9,214	50,830
Deferred tax liabilities for land revaluation.....	4,227	4,449	37,520
Acceptances and guarantees.....	7,730	8,141	68,605
<b>Total liabilities.....</b>	<b>¥4,099,830</b>	<b>¥4,027,684</b>	<b>\$36,384,719</b>
<b>Net assets</b>			
Capital stock.....	¥ 45,743	¥ 45,743	\$ 405,963
Capital surplus.....	38,351	38,351	340,355
Retained earnings.....	113,922	104,042	1,011,025
Treasury stock.....	(804)	(802)	(7,135)
<b>Total shareholders' equity.....</b>	<b>197,213</b>	<b>187,334</b>	<b>1,750,207</b>
Valuation difference on available-for-sale securities.....	27,116	32,976	240,652
Deferred gains or losses on hedges.....	(2,056)	(1,190)	(18,252)
Revaluation reserve for land.....	8,286	8,064	73,537
Remeasurements of defined benefit plans.....	(2,712)	1,073	(24,071)
<b>Total accumulated other comprehensive income.....</b>	<b>30,633</b>	<b>40,922</b>	<b>271,866</b>
Subscription rights to shares.....	74	58	659
Non-controlling interests.....	1,157	1,061	10,270
<b>Total net assets.....</b>	<b>229,078</b>	<b>229,377</b>	<b>2,033,003</b>
<b>Total liabilities and net assets.....</b>	<b>¥4,328,909</b>	<b>¥4,257,062</b>	<b>\$38,417,723</b>

\* U.S. dollar figures have been translated at the rate ¥112.68 to U.S.\$1, the prevailing market rate as of March 31, 2016.

# Consolidated Statements of Income and Comprehensive Income

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2016 and 2015

Consolidated Statements of Income	Millions of Yen		Thousands of U.S. Dollars*
	2016	2015	2016
<b>Income</b>			
Interest income:			
Interest on loans and discounts .....	¥38,460	¥39,932	\$341,321
Interest and dividends on securities.....	7,776	7,363	69,017
Other interest income.....	269	219	2,392
Fees and commissions .....	12,478	11,846	110,746
Other operating income.....	2,497	3,708	22,168
Other income.....	14,196	15,666	125,991
<b>Total income.....</b>	<b>75,680</b>	<b>78,737</b>	<b>671,637</b>
<b>Expenses</b>			
Interest expenses:			
Interest on deposits.....	1,801	1,860	15,989
Interest on borrowings and rediscounts.....	167	242	1,488
Other interest expenses .....	951	966	8,446
Fees and commissions .....	3,926	4,618	34,844
Other operating expenses .....	1,337	1,267	11,871
General and administrative expenses .....	36,206	37,751	321,324
Other expenses.....	11,192	9,939	99,333
<b>Total expenses.....</b>	<b>55,584</b>	<b>56,645</b>	<b>493,297</b>
Income before income taxes .....	20,095	22,091	178,339
<b>Income taxes</b>			
Current .....	5,332	5,626	47,328
Deferred.....	2,103	1,619	18,670
	7,436	7,245	65,998
Profit attributable to non-controlling interests .....	94	378	840
Profit attributable to owners of parent.....	¥12,563	¥14,467	\$111,501
Net profit per share (yen and dollars) .....	¥374.65	¥431.44	\$ 3.32

\* U.S. dollar figures have been translated at the rate ¥112.68 to U.S.\$1, the prevailing market rate as of March 31, 2016.

Consolidated Statements of Comprehensive Income	Millions of Yen		Thousands of U.S. Dollars*
	2016	2015	2016
Profit.....	¥ 12,658	¥14,846	\$112,341
Other comprehensive income:			
Net unrealized losses on securities.....	(5,857)	14,572	(51,986)
Unrealized gains on hedging derivatives.....	(866)	(191)	(7,686)
Reversal of revaluation reserve for land .....	222	460	1,970
Remeasurements of defined benefit plans.....	(3,785)	1,997	(33,594)
Total other comprehensive income .....	(10,287)	16,838	(91,296)
Comprehensive income.....	¥ 2,371	¥31,684	\$ 21,045
Comprehensive income attributable to:			
Shareholders of parent .....	¥ 2,275	¥31,250	\$ 20,190
Non-controlling interests.....	96	434	854

\* U.S. dollar figures have been translated at the rate ¥112.68 to U.S.\$1, the prevailing market rate as of March 31, 2016.

## Consolidated Statements of Changes in Net Assets

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2014 .....	¥45,743	¥38,351	¥ 89,584	¥(819)	¥172,859
Cumulative effect of accounting change .....			2,677		2,677
Balance as of April 1, 2014 (as restated) .....	45,743	38,351	92,261	(819)	175,537
Changes during the accounting period:					
Cash dividends.....			(2,682)		(2,682)
Net income .....			14,467		14,467
Purchases of treasury stock .....				(12)	(12)
Disposition of treasury stock .....		(4)		29	24
Transfer to capital surplus from retained earnings .....		4	(4)		—
Net changes in items other than stockholders' equity .....					
Total changes during the accounting period.....	—	—	11,780	16	11,797
Balance as of March 31, 2015 .....	45,743	38,351	104,042	(802)	187,334
Changes during the accounting period:					
Cash dividends.....			(2,682)		(2,682)
Net income .....			12,563		12,563
Purchases of treasury stock .....				(11)	(11)
Disposition of treasury stock .....		(0)		9	8
Transfer to capital surplus from retained earnings .....		0	(0)		—
Net changes in items other than stockholders' equity .....					
Total changes during the accounting period.....	—	—	9,880	(1)	9,878
Balance as of March 31, 2016 .....	¥45,743	¥38,351	¥113,922	¥(804)	¥197,213

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized gain on available-for-sale securities	Deferred loss under hedge accounting	Land excess	Retirement of benefit plans	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of March 31, 2014 .....	¥18,460	¥ (999)	¥7,603	¥ (924)	¥ 24,140	¥57	¥ 5,708	¥202,766
Cumulative effect of accounting change .....								2,677
Balance as of April 1, 2014 (as restated) .....	18,460	(999)	7,603	(924)	24,140	57	5,708	205,443
Changes during the accounting period:								
Cash dividends.....								(2,682)
Net income .....								14,467
Purchases of treasury stock .....								(12)
Disposition of treasury stock .....								24
Transfer to capital surplus from retained earnings .....								—
Net changes in items other than stockholders' equity .....	14,516	(191)	460	1,997	16,782	0	(4,646)	12,136
Total changes during the accounting period.....	14,516	(191)	460	1,997	16,782	0	(4,646)	23,934
Balance as of March 31, 2015 .....	32,976	(1,190)	8,064	1,073	40,922	58	1,061	229,377
Changes during the accounting period:								
Cash dividends.....								(2,682)
Net income .....								12,563
Purchases of treasury stock .....								(11)
Disposition of treasury stock .....								8
Transfer to capital surplus from retained earnings .....								—
Net changes in items other than stockholders' equity .....	(5,859)	(866)	222	(3,785)	(10,288)	16	95	(10,177)
Total changes during the accounting period.....	(5,859)	(866)	222	(3,785)	(10,288)	16	95	(298)
Balance as of March 31, 2016 .....	¥27,116	¥(2,056)	¥8,286	¥(2,712)	¥ 30,633	¥74	¥ 1,157	¥229,078

	Thousands of U.S. Dollars*				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders equity
Balance as of March 31, 2015 .....	\$405,963	\$340,355	\$ 923,341	\$(7,121)	\$1,662,538
Changes during the accounting period:					
Cash dividends.....			(23,809)		(23,809)
Net income .....			111,501		111,501
Purchases of treasury stock.....				(101)	(101)
Disposition of treasury stock.....		(8)		86	78
Transfer to capital surplus from retained earnings .....		8	(8)		—
Net changes in items other than stockholders' equity ...					
Total changes during the accounting period.....	—	—	87,684	(14)	87,669
Balance as of March 31, 2016 .....	<b>\$405,963</b>	<b>\$340,355</b>	<b>\$1,011,025</b>	<b>\$(7,135)</b>	<b>\$1,750,207</b>

	Thousands of U.S. Dollars*							
	Accumulated other comprehensive income							
	Unrealized gain on available-for-sale securities	Deferred loss under hedge accounting	Land excess	Retirement of benefit plans	Accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of March 31, 2015 .....	\$292,653	\$(10,566)	\$71,566	\$ 9,522	\$363,176	\$516	\$ 9,421	\$2,035,653
Changes during the accounting period:								
Cash dividends.....								(23,809)
Net income .....								111,501
Purchases of treasury stock.....								(101)
Disposition of treasury stock.....								78
Transfer to capital surplus from retained earnings .....								—
Net changes in items other than stockholders' equity ...	(52,001)	(7,686)	1,970	(33,594)	(91,310)	142	848	(90,319)
Total changes during the accounting period.....	(52,001)	(7,686)	1,970	(33,594)	(91,310)	142	848	(2,650)
Balance as of March 31, 2016 .....	<b>\$240,652</b>	<b>\$(18,252)</b>	<b>\$73,537</b>	<b>\$(24,071)</b>	<b>\$271,866</b>	<b>\$659</b>	<b>\$10,270</b>	<b>\$2,033,003</b>

\* U.S. dollar figures have been translated at the rate ¥112.68 to U.S.\$1, the prevailing market rate as of March 31, 2016.

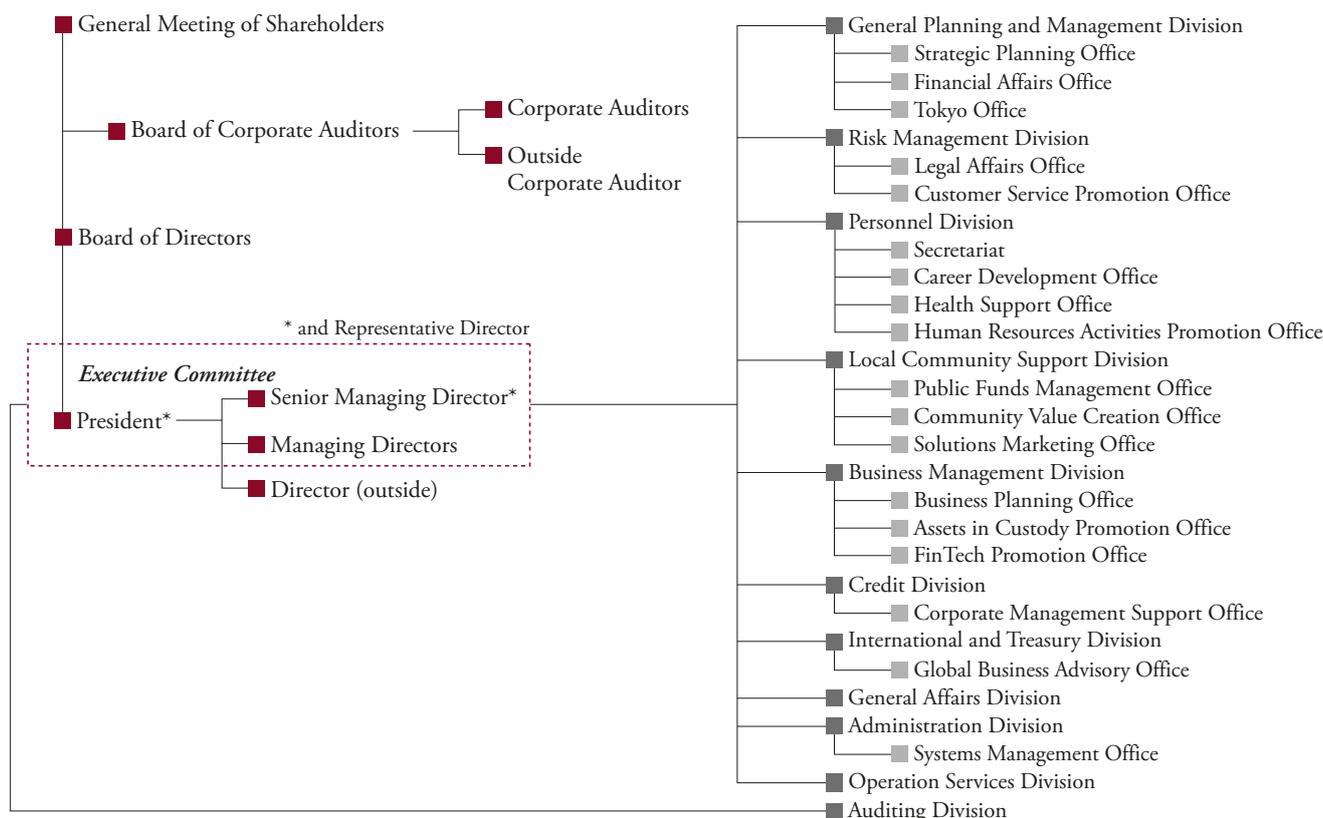
# Consolidated Statements of Cash Flows

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars*
	2016	2015	2016
<b>Cash flows from operating activities</b>			
Income before income taxes .....	¥ 20,095	¥ 22,091	\$ 178,339
Depreciation .....	2,634	2,506	23,381
Amortization of negative goodwill.....	—	9	—
Gain on negative goodwill.....	—	(2,660)	—
Increase (decrease) in reserve for possible loan losses.....	(648)	(2,055)	(5,752)
Increase (decrease) in reserve for employees' bonuses.....	24	9	219
Increase (decrease) in reserve for directors' bonuses .....	(0)	0	(6)
Decrease (increase) in net defined benefit asset.....	(416)	(726)	(3,692)
Increase (decrease) in net defined benefit liability .....	(1,769)	(125)	(15,699)
Increase (decrease) in reserve for loss on interest refunded .....	(28)	(3)	(251)
Increase (decrease) in reserve for reimbursement of dormant deposits....	64	90	572
Increase (decrease) in reserve for point loyalty programs.....	0	4	1
Increase (decrease) in reserve for contingent losses.....	(123)	(76)	(1,097)
Interest income .....	(46,506)	(47,516)	(412,731)
Interest expenses.....	2,921	3,069	25,924
Loss (gain) on investment securities.....	(1,673)	(1,431)	(14,850)
Loss (gain) on money held in trust .....	7	(3)	70
Foreign exchanges loss (gain).....	3,563	(4,521)	31,621
Loss (gain) on disposition of fixed assets.....	22	86	200
Net decrease (increase) in trading account securities.....	(357)	(105)	(3,173)
Net decrease (increase) in loans and bills discounted .....	(108,561)	(144,582)	(963,452)
Net increase (decrease) in deposits.....	13,658	144,378	121,212
Net increase (decrease) in negotiable certificate of deposits.....	56,919	5,567	505,143
Net increase (decrease) in payables under securities lending transactions...	7,257	—	64,405
Net increase (decrease) in borrowed money (excluding subordinated loans) ....	907	1,632	8,056
Net decrease (increase) in due from banks (excluding due from the Bank of Japan) ...	21,913	3,049	194,473
Net decrease (increase) in call loans and others.....	5,060	(653)	44,908
Net increase (decrease) in call money .....	—	(926)	—
Net decrease (increase) in foreign exchange, assets.....	(310)	1,314	(2,752)
Net increase (decrease) in foreign exchange, liabilities .....	(6)	165	(54)
Interest received .....	47,318	48,750	419,939
Interest paid .....	(3,048)	(3,140)	(27,054)
Other, net .....	(3,798)	(2,197)	(33,714)
Subtotal.....	15,120	22,001	134,186
Income taxes paid.....	(5,901)	(5,052)	(52,369)
Net cash provided by (used in) operating activities .....	9,219	16,949	81,817
<b>Cash flows from investing activities</b>			
Purchases of securities .....	(226,673)	(337,375)	(2,011,655)
Proceeds from sales of securities.....	89,658	274,557	795,688
Proceeds from maturities of securities.....	108,437	111,547	962,346
Decrease in money held in trust .....	0	0	0
Purchases of tangible fixed assets .....	(1,918)	(1,736)	(17,029)
Proceeds from tangible fixed assets .....	0	15	3
Purchases of intangible fixed assets .....	(1,379)	(1,092)	(12,239)
Payments for execution of asset retirement obligations .....	(17)	(17)	(151)
Payments for investments in subsidiaries .....	—	(2,411)	—
Net cash provided by (used in) investing activities .....	(31,892)	43,486	(283,037)
<b>Cash flows from financing activities</b>			
Repayment of subordinated loans.....	—	(9,000)	—
Cash dividends paid .....	(2,682)	(2,682)	(23,809)
Cash dividends paid to minority shareholders .....	(0)	(3)	(6)
Purchase of treasury stock.....	(11)	(12)	(101)
Proceeds from sales of treasury stock .....	—	0	—
Net cash provided by (used in) financing activities .....	(2,694)	(11,698)	(23,917)
Net increase (decrease) in cash and cash equivalents .....	(25,368)	48,738	(225,137)
Cash and cash equivalents at beginning of year.....	174,200	125,462	1,545,973
Cash and cash equivalents at end of year.....	¥ 148,831	¥ 174,200	\$ 1,320,835

\* U.S. dollar figures have been translated at the rate ¥112.68 to U.S.\$1, the prevailing market rate as of March 31, 2016.

## Organization Chart (as of July 1, 2016)



## Board of Directors, Corporate Auditors and Executive Officers (as of July 1, 2016)

### President

Kikuo Kato

### Senior Managing Director

Hideo Machida

### Managing Directors

Motonobu Nakamura  
Koichi Akagi  
Kazuya Koyama  
Kazumasa Nagahori  
Toshiyuki Shirai

### Directors

Emi Ishida (outside)  
Takeshi Higuchi (outside)

### Corporate Auditors

Makoto Ishikawa (standing)  
Yoshiro Kenmochi (standing)  
Atsumu Kuroishi (outside)  
Tomio Kezuka (outside)  
Kenji Tamura (outside)

### Managing Executive Officer

Yuichi Tanaka

### Executive Officers

Takafumi Hoshina  
Kenji Sakamoto  
Isamu Takeuchi  
Susumu Kurosawa  
Ritsu Kumagai  
Masaharu Saito  
Ken Otomo

## Investor Information (as of March 31, 2016)

### Common Stock

Authorized: 80,000 thousand shares

Issued: 33,805 thousand shares

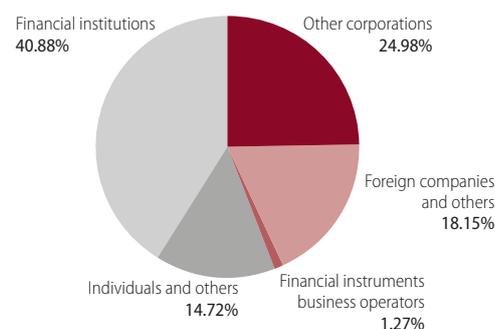
Number of Shareholders: 11,861

### Major Shareholders

Name	Number of shares	Shares held as a percentage of total outstanding shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,482,800	7.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,218,987	3.60
Japan Trustee Services Bank, Ltd. (trust account 4)	1,217,900	3.60
CBNY-GOVERNMENT OF NORWAY (Standing proxy: Citibank Japan Ltd.)	782,710	2.31
The Master Trust Bank of Japan, Ltd. (trust account)	752,300	2.22
Meiji Yasuda Life Insurance Company	735,858	2.17
Musashino Bank Industries Employees' Stockholding Association	730,986	2.16
Sumitomo Life Insurance Company	702,900	2.07
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	646,100	1.91
Japan Trustee Services Bank, Ltd. (trust account 9)	564,200	1.66

\* Shareholding percentages are rounded down to two decimal places.

### Number of Shares Held by Type of Shareholders



Notes: 1. Some treasury stock is contained in "Individuals and others."  
2. "Other corporations" includes a unit of 14 shares under the name of Japan Securities Depository Center, Inc.



The Musashino Bank, Ltd.

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Saitama 330-0854

Phone: +81-48-641-6111

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## Brand Message

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# *More For You*

もっと、街・暮らし・笑顔のために

The Musashino Bank's brand message is "More for You."

The Bank personnel consider "What can I do for everyone?" and "What kind of service do I want to give everyone?"

"Everyone" includes the Bank's customers, the members of local communities, our shareholders, and friends of the Bank, together with their families.

Accordingly, the Musashino Bank aspires to implement the actions of providing everyone with better services and of contributing to our local communities.

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