

Continuing to Grow Together with Communities



Kazumasa Nagahori
President

Financial Results for Fiscal 2019

Looking back at fiscal 2019, in Saitama Prefecture, various activities had been under way in anticipation of the Tokyo 2020 Olympic and Paralympic Games, such as urban redevelopment and the establishment of industries, following the successful conclusion of Japan's first Rugby World Cup. However, in the second half of the fiscal year, the outlook became increasingly uncertain due to the impact of intensifying U.S.-China trade friction, in addition to a steady string of natural disasters such as Typhoon Hagibis (Typhoon No.19).

In 2020, the coronavirus disease 2019 (COVID-19) outbreak spread around the world, impacting supply chains in the manufacturing sector and other parts of the economy. In April, a state of emergency was announced for the first time in Japan. Various restrictions on economic activity, including self-quarantine and temporary business closure requests by the authorities, lasted for two months. These restrictions had a widespread impact on the daily lives of residents and businesses in Saitama Prefecture. The economy experienced substantial negative growth, marking its largest downturn since the global financial crisis of 2008.

Under these conditions, regional financial institutions like Musashino Bank play a crucial role in maintaining and creating regional industries and employment. Our role—and social significance—in these respects are once again being put to the test. In addition, monetary easing has persisted over the long term, while cashless transactions and digitalization are proceeding at an even faster pace than before. Regional financial institutions will need to establish sustainable business models that go beyond what has been tried before.

In Saitama Prefecture, the Bank's local market, the population is aging faster than any other prefecture in Japan. Expectations are growing on a daily basis toward the Bank's efforts to increase service levels to support the need for seamless inheritance and business succession, and its measures to promote regional revitalization and stimulation of the local economy in anticipation of a society with a declining population.

In addition to the foregoing issues, the financial sector has an even greater role to fulfill in tackling shared global issues such as climate change, human rights, poverty and economic disparity. Proactive and positive efforts to address the sustainable development goals (SDGs) have become an urgent priority.

In this environment, our deposits stood at ¥4,360.8 billion as of March 31, 2020, an increase of ¥72.4 billion from a year earlier. Assets in custody, such as investment trusts and insurance products, were ¥828.1 billion, an increase of ¥5.3 billion from a year ago.

Loans outstanding continued to increase firmly, up ¥49.0 billion from the previous fiscal year-end to ¥3,584.5 billion.

On the earnings front, the Bank recorded profit of ¥7.0 billion on a non-consolidated basis, up ¥2.3 billion year on year, and profit attributable to owners of parent of ¥8.0 billion on a consolidated basis, up ¥2.7 billion year on year.

Building Sustainable Business Models

In these and other ways, conditions in Japan and overseas have changed dramatically. In April 2013, the Bank formulated its 10-year long-term vision, the "Musashino Value-making Plan (MVP)." We have continued to work

single-mindedly to realize this vision.

Aiming to become “the region’s number one bank that creates new value in Saitama (The Value-making Bank),” we are determined to establish a business model where “the Bank remains close to customers and solves their issues, thereby achieving growth together with its customers.” Even after the change in the Bank’s previous president, our determination remains entirely unchanged.

To support the increasingly sophisticated and diversified needs of our customers, we seek to develop a shared understanding of issues in the course of our daily communication with customers, and apply the Group’s collective capabilities to solving those issues, while leveraging the strengths of the networks we have built over the years and our strong personal relationships with each customer. Moreover, we will deliver customer satisfaction that surpasses customers’ expectations by focusing on the creation of new businesses and services. In parallel, we aim to enhance our earnings capabilities.

Furthermore, as a local bank based in Saitama Prefecture, we cannot realize the Bank’s growth without ensuring the region’s sustained development. Amid an aging society with fewer children and a declining population, banks have an extremely significant role to play in energizing the economy and society and achieving regional revitalization. We will collaborate with various stakeholders including not only government as a matter of course, but also educational institutions and the non-profit sector. We will serve as a coordinator and work actively on priorities such as identifying and creating new local resources, promoting industry, and expanding the non-resident and resident populations. In addition, guided by the Musashino Bank Sustainable Development Goals Declaration, we are focusing on refining corporate governance, contributing to a sustainable regional economy and society, and proactive measures to address climate change and the environment. Through unwavering efforts to remain close to customers and communities and create new value, we will continue to build unique business models.

Medium-term Management Plan “MVP 70”

In April 2019, we launched a medium-term management plan called “MVP 70,” as our final step toward realizing our long-term vision “MVP.” Under this plan, we aim to be “a bank always close to customers and communities” and “a bank that cherishes employees and helps them grow.” With this in mind, we seek to accelerate and further consolidate the business model reforms we have been working to achieve over the past few years.

Branch Networks

Looking at specific initiatives, I would first like to discuss our branch networks. We have strengthened measures in areas with growth potential, such as central Tokyo and areas along Saitama Prefecture’s borders, while maintaining the networks that we have built out to date. In October 2019, we opened a branch in the Ikebukuro district of Tokyo. The Ikebukuro district has deep economic ties with Saitama Prefecture, and the new branch has been warmly received by customers and other stakeholders in the area.

Rebuilding Our Sales System

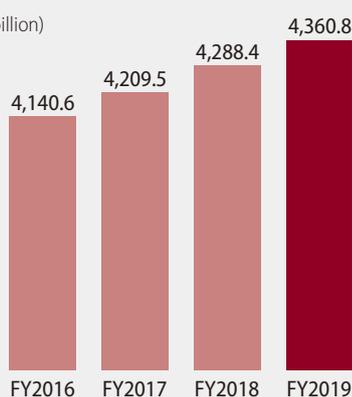
In order to establish a sales system to provide optimal solutions, we have clearly defined the roles of personnel assigned to each corporate and individual customer. Along with this, we will focus on improving the specialized expertise of the Bank’s employees, by encouraging them to obtain practical business know-how at our head office and branches based on the Training Solutions Program, the Bank’s own human resources program.

Initiatives for Corporate and Individual Customers

The Bank has been responding to customer needs accurately by providing fine-tuned solutions with a diverse lineup of products and services. In March 2019, the Bank became the first financial institution based in Saitama Prefecture to acquire a trust license. We have developed a full lineup of our own financial products such as testamentary trusts and monetary trusts, enabling us to support the need for seamless inheritance and business succession.

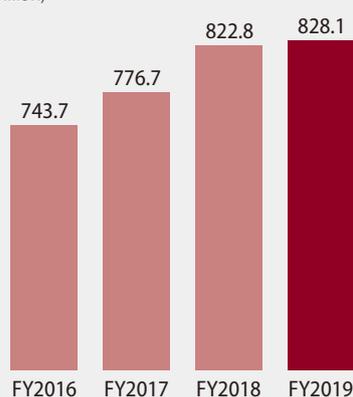
Deposits including negotiable certificates of deposit (non-consolidated)

(¥ billion)



Assets in custody (non-consolidated)

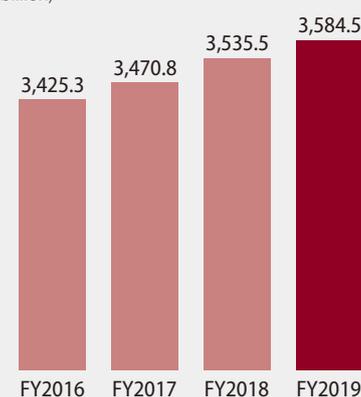
(¥ billion)



Loans

(non-consolidated)

(¥ billion)



Digital Transformation

The Bank is addressing digital transformation (DX), which has been advancing rapidly. Led by the Digital Transformation Office set up in October 2019, the Bank has been accelerating measures to enhance productivity by increasing service levels and carrying out administrative and business reforms. In order to increase service levels, we have been upgrading and expanding the banking functionality of the Musashino Bank App, our own smartphone app. Additionally, we have strategically made use of partnerships with different business types and other banks. Notably, we were the first regional bank to participate in AIRPOST, a platform for shared procedures built by megabanks, securities firms, life and non-life insurance companies, and other players. Through these initiatives, we aim to deliver even more user-friendly services in a timely manner. Moreover, we are pushing ahead with our next-generation branch transformation initiative as part of our efforts to enhance productivity through digitalization. With this initiative, we seek to transform our branches from administrative offices to centers for offering high-value-added consultations and other services. By developing branch procedures that are easy to follow through the use of tablets, we will strive to enhance communication with customers, visualize and share issues, and properly solve those issues. In parallel, we will work to enhance productivity further. Efforts will include reducing the Bank's overall work volume through such means as the digitalization of centralized head office operations.

Human Resource Development

The Bank believes that human resources are the key to differentiating itself from other financial institutions. We are working to create an environment where all employees, including younger staff and women, can improve their skills and abilities and obtain a high level of job satisfaction. We are also fully committed to promoting diversity. Proactive steps are being taken to enhance the work-life balance of employees, including encouraging staff to take all of their childcare leave.

Alliance Strategy

The Chiba-Musashino Alliance is a comprehensive alliance between The Chiba Bank, Ltd. and Musashino Bank, two banks based in the Tokyo metropolitan area. The TSUBASA Alliance is a wide-area alliance of 10 regional banks representing various areas across Japan. By fully harnessing the strengths of each of these alliances, the Bank will further accelerate its growth strategies.

Refining Corporate Governance

We believe corporate governance is the starting point for all of our efforts to increase corporate value. Based on this belief, we have actively brought onboard outside directors and outside corporate auditors with a broad range of experience and knowledge, with the aim of ensuring even more highly transparent management. Moreover, we are taking active steps to raise the sophistication of risk management, bolster compliance and address new issues such as anti-money laundering and cyber security. Another priority is to enhance communication with stakeholders.

Continuing to Grow Together with Communities

The Bank's corporate philosophy of "Working in harmony with the local community it serves" and "Maintaining a deep respect toward customers" has been in place since the Bank was founded. Based on this corporate philosophy, we will continue to work hand in hand with all stakeholders, including customers, shareholders, and the local community, along with employees and their family members, to achieve sustainable growth. In doing so, we seek to meet the expectations of all of our stakeholders.

In closing, we kindly ask for your continued support and understanding.

K. Nagahori

Kazumasa Nagahori
President

Profit attributable to owners of parent/ Net income

(¥ billion)



■ Consolidated
■ Non-consolidated

Dividend payout ratio and annual dividend

	FY2016	FY2017	FY2018	FY2019
Dividend payout ratio (%)	29.7	26.5	57.0	37.7
Annual dividend (Yen)	80	80	80	80

Shareholders return ratio

	FY2016	FY2017	FY2018	FY2019
Shareholders return ratio (%)	29.7	26.5	57.0	37.7

5-year average of consolidated ROE



FY2016 FY2017 FY2018 FY2019