

Continuing to Grow Together with Communities



Kazumasa Nagahori
President



Business Environment

Looking back at fiscal 2020, in April, the first state of emergency was announced and various restrictions on economic and social activity, including self-restraint from going outdoors and temporary business closure requests, lasted for two months. These restrictions had a widespread impact on the daily lives of residents in Saitama Prefecture and on business activities.

After the first state of emergency was lifted, despite a surge of infections over the summer, hopeful signs began to emerge by the fall of 2020 in economic and social activities, including increased demand in the manufacturing industry brought on by China's economic recovery during that year, and GDP shifted to growth in the second and third quarters.

However, on entering 2021, a second state of emergency was declared in January, and the situation once again became unpredictable due to the spread of the mutated virus, the GDP slipping back into negative growth in the fourth quarter in a downturn that surpassed the 2008 global financial crisis.

There remains an unshakeable sense of uncertainty about the way forward.

Under this environment, we at Musashino Bank exhausted every effort to perform our core business as a financial intermediary function to support the community. While continuing to interview all approximately 20,000 corporate clients about the impact of COVID-19, we worked on smooth and prompt funding support, and made new loans of ¥330.0 billion for approximately 12,000 companies up to March 2021.

Currently, to support the sustainable growth of each individual corporate client during the time of living with coronavirus, the Consulting Office, a specialized organization newly established in October 2020, is at the core as Head Office and branches work together to provide rigorous support for the main business undergoing business model transformation and business reconstruction.

Under these conditions, regional banks like Musashino Bank are once again being put to the test regarding their role and reason for existing while looking toward the maintenance and revitalization of regional industries and employment.

Meanwhile, monetary easing has persisted over the long term, while cashless transactions and digitalization are proceeding at an even faster pace than before, and there is a demand to establish business models that are not part of the traditional framework.

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 advance services to support seamless inheritance and business succession, and its measures to promote regional revitalization and creation in anticipation

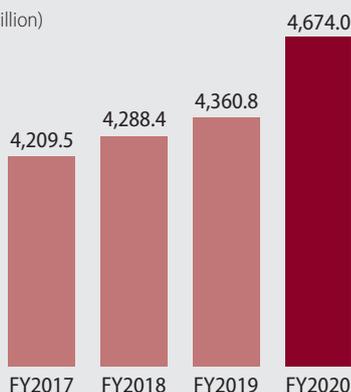
of a society with a declining population.

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



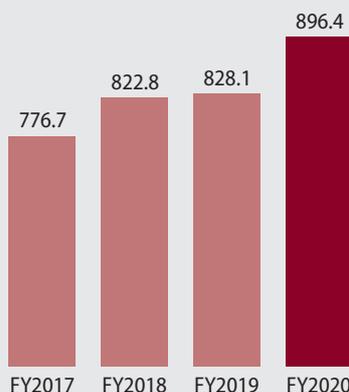
Deposits including negotiable certificates of deposit (non-consolidated)

(¥ billion)



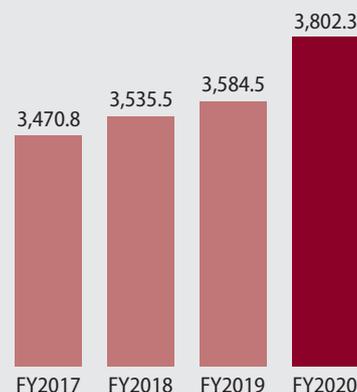
Assets in custody (non-consolidated)

(¥ billion)



Loans (non-consolidated)

(¥ billion)



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. 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 remain determined to establish a business model where “the Bank remains close to customers and solves their issues, thereby achieving growth together with its customers.”

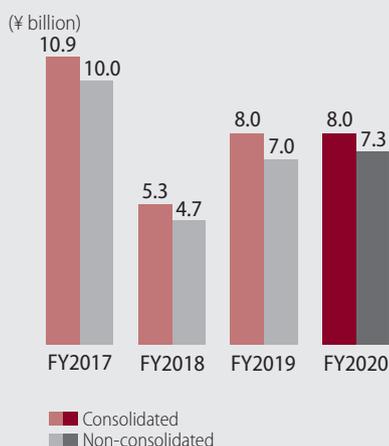
To support the increasingly sophisticated and diversified needs of our customers, we seek to develop a shared understanding of issues in the course of our daily communication with customers, and apply the Group’s collective capabilities to solving those issues, while leveraging the strengths of the networks 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, 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 revitalizing the economy and society, meaning regional creation. The Bank 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. We will continue to build unique business models through unwavering efforts to create new value, while remaining close to customers and communities.

Profit attributable to owners of parent/ Net income



Dividend payout ratio and annual dividend

	FY2017	FY2018	FY2019	FY2020
Dividend payout ratio (%)	26.5	57.0	37.7	36.6
Annual dividend (Yen)	80	80	80	80

Shareholders return ratio

	FY2017	FY2018	FY2019	FY2020
Shareholders return ratio (%)	26.5	57.0	37.7	36.6

5-year average of consolidated ROE



Medium-term Management Plan “MVP 70”

The Medium-term Management Plan “MVP 70” that started in April 2019 as the final step in realizing the long-term vision has operated for two years and is now facing a turning point.

We seek to accelerate and further consolidate the business model reforms we have been working to achieve over the past few years, underpinned by our aim of serving as “a bank always close to customers and communities” and “a bank that cherishes employees and helps them grow.”

Branch Networks

Looking at specific initiatives, I would first like to discuss our branch networks. We aim to provide services optimally tailored to our customers, pursuing approaches aligned with characteristics of localities such as by organizing neighboring branches into business units and adopting a branch within a branch structure, while maintaining the network we have built to date.

In addition, we are continuing to strengthen our efforts in areas with growth potential, particularly in Ikebukuro, Shibuya and elsewhere in central Tokyo, and in locations bordering Saitama Prefecture.

Rebuilding Our Sales System

We have been making progress in establishing a sales system that provides optimal solutions. This has involved clearly defining roles of personnel assigned to our respective corporate and individual customers.

Meanwhile, 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.

For corporate clients, we launched a new

recruitment service in October 2020, matching employers to executive candidates and highly skilled professionals, and this has been particularly well-received, in addition to providing services that include consulting related to government subsidies for business restructuring and supporting digitalization efforts.

For individual customers, we support the need for seamless inheritance and business succession with a full lineup of our own financial products that include testamentary trusts and monetary trusts and continue to focus on services that include our financial instruments intermediary operations in addressing their asset formation and asset management needs.

Digital Transformation (DX)

We have been actively enlisting a range of ever-evolving technologies with the aim of facilitating further growth in the rapidly progressing and developing field of digital transformation (DX).

We have also been successively implementing functional enhancements since January 2021, such as adopting a new branch office system that incorporates tablet devices and making it possible for customers to perform various banking transactions by using our Musashino Bank App smartphone application rather than physically visiting our branch locations. In addition, we will continue to engage with a sense of speed in efforts to improve customer satisfaction while increasing productivity and efficiency, such as by shifting to digital contracts and other paperless procedures, and developing remote access environments in operating activities.

Creation Strategy and Regional Revitalization

We continue to focus on developing business models of local production for local consumption and creating virtuous cycles for regional economies in partnership with government administrations, private-sector companies, NPOs, such as the Minuma Tanbo project utilizing fallow rice paddy fields in Saitama City, which was initiated in 2014, and a project to energize the local economy through tourism in an industry-academic partnership with Rikkyo University.

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, both of which are based in the Tokyo metropolitan area. The TSUBASA Alliance is a wide-area alliance of 10 regional banks representing various areas across Japan. We are striving to further accelerate efforts under our growth strategy by fully harnessing the strengths of each of these alliances.

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 equipped 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 cybersecurity. Another priority is to enhance communication with stakeholders.

Toward Realization of a Sustainable Society

We are committed to addressing shared global challenges such as climate change and decarbonization, while also contributing to local economies and society through community-based finance.

Meanwhile, in seeking to remain accountable

to stakeholders through transparent processes, we established the Sustainability Promotion Committee chaired by the President and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021 to accelerate efforts throughout the Bank.

Continuing to Grow Together with Communities

The grand opening of our new Head Office building is scheduled for December 2021, subsequent to completion in September. We apologize for any inconvenience that may have been caused over the four years since 2017. That said we are eager to step forward together with our stakeholders in looking toward the future of Saitama as we furthermore serve those throughout the “Musashino” business territory, just as we have been doing over the last half century through the former Head Office.

Going forward, under its unwavering Corporate Philosophy of “working in harmony with the local community it serves” and “maintaining a deep respect toward customers,” which it has promoted since its inception in 1952, the Bank will make it clear to everyone that while taking on a bold stance, we have evolved to contribute further to Saitama’s growth and furthermore serve a socially significant role as a regional bank.

Finally, we will strive to achieve sustainable growth by meeting the expectations of each and every one of our stakeholders, including our customers, shareholders, local community residents, employees and their family members.



Kazumasa Nagahori
President