



# ***ANNUAL REPORT*** **2022**

The Musashino Bank, Ltd.



## 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, 7.33 million people (estimated) live in Saitama, making it the country's fifth most populous prefecture after

Tokyo, Kanagawa, Osaka, and Aichi. 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 70 years.

## 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, 2022)

Head Office:	10-8, Sakuragi-cho 1-chome, Omiya-ku, Saitama
Home page:	<a href="https://www.musashinobank.co.jp">https://www.musashinobank.co.jp</a>
Established:	March 6, 1952
Networks:	Number of branches: 99 (Saitama Prefecture: 93 [of which 2 are sub-branches], outside Saitama Prefecture: 6)
Number of mortgage loan centers:	9
Employees:	1,990
Total assets:	¥5,468.0 billion
Deposits:	¥4,797.6 billion
Loans:	¥3,854.3 billion
Common stock:	¥45.7 billion
Capital adequacy ratio:	8.11%
Number of correspondent arrangements:	112
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
The Musashino Harmony Co., Ltd.	Outsourcing of operational business
The Musashino Mirai Partners Co., Ltd.	Regional trading company business

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# Financial and Non-Financial Highlights

The Musashino Bank, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2022 and 2021

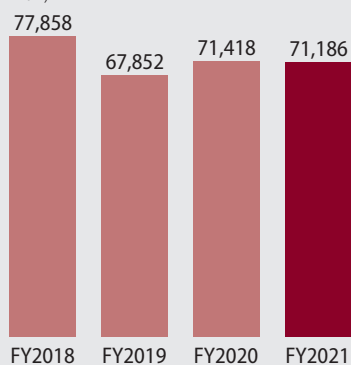
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Notes 1 and 2)
	2022	2021	2022
<b>At Year-end</b>			
Total assets.....	¥5,486,283	¥5,319,971	\$44,826,236
Deposits including negotiable certificates of deposit.....	4,781,100	4,657,956	39,064,466
Loans and bills discounted .....	3,841,638	3,789,948	31,388,496
Trading account securities and securities .....	735,266	683,441	6,007,566
Total net assets .....	250,554	249,179	2,047,177
Capital adequacy ratio (based on domestic standards) (%) .....	8.48	8.54	
<b>For the Year</b>			
Ordinary income.....	¥ 71,186	¥ 71,418	\$ 581,632
Ordinary expenses .....	57,693	58,611	471,387
Profit before income taxes .....	13,421	12,796	109,658
Profit attributable to owners of parent.....	9,001	8,022	73,544

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

2. U.S. dollar figures have been translated at a rate of ¥122.39 to U.S.\$1, the prevailing exchange rate as of March 31, 2022.

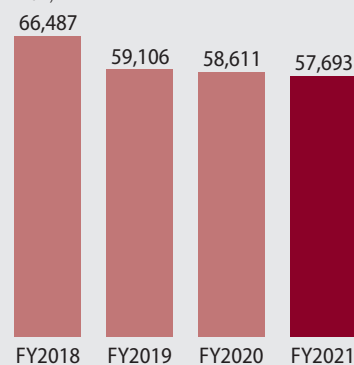
## Ordinary income

(¥ million)



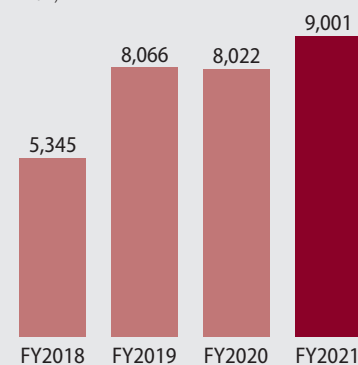
## Ordinary expenses

(¥ million)



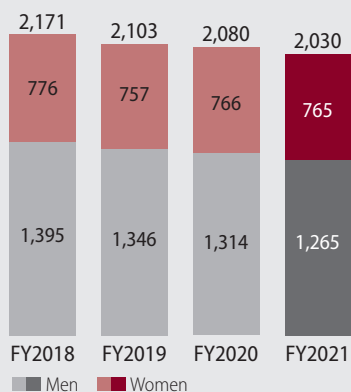
## Profit attributable to owners of parent

(¥ million)



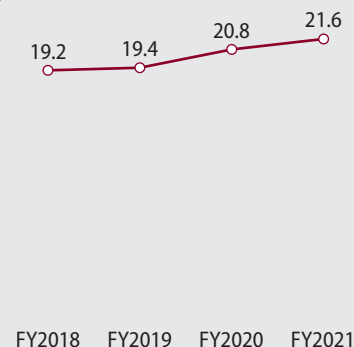
Forward-Looking Statements: This annual report contains forward-looking statements regarding the Bank's financial condition and results of operations. These forward-looking statements, which include the Bank's views and assumptions with respect to future events, involve certain risks and uncertainties.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

## Number of employees



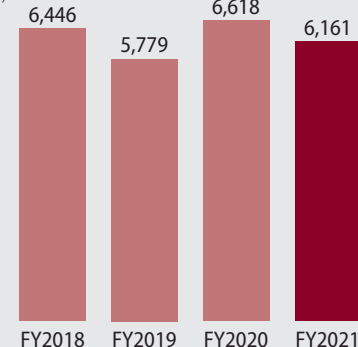
## Ratio of female managers

(%)



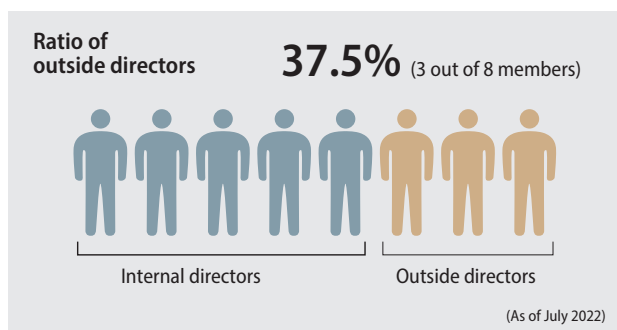
## CO<sub>2</sub> emissions

(t)

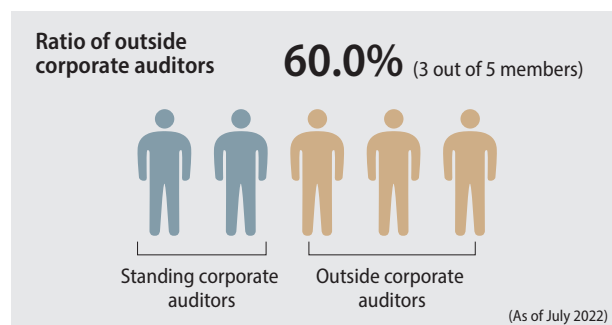


## Governance

### Composition of the Board of Directors

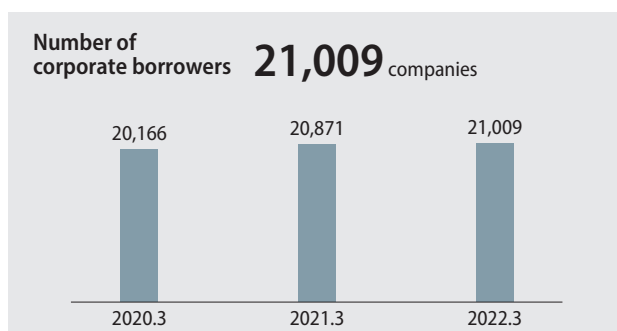


### Composition of the Board of Corporate Auditors

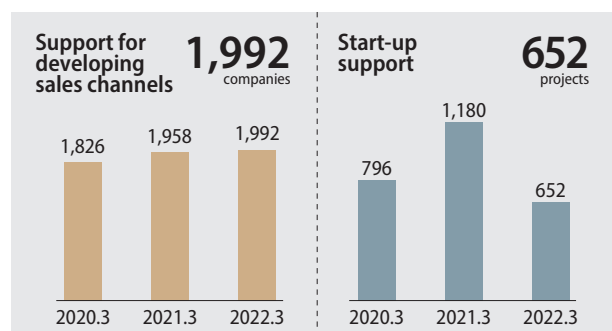


## Social

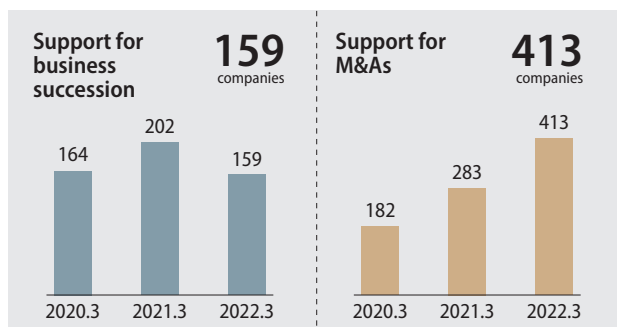
### Customer base



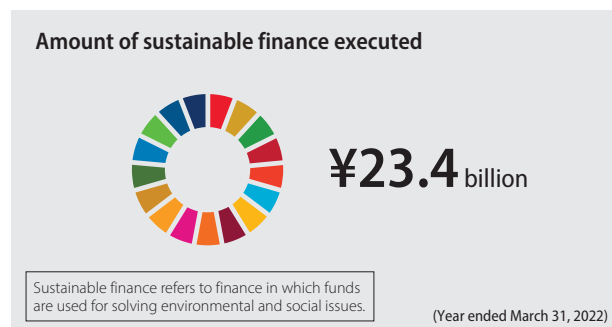
### Support for customers' core business activities



### Solving issues such as business succession



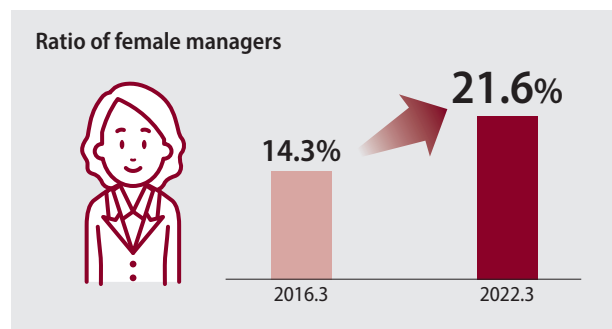
### Solving environmental and social issues



### Developing specialized human resources



### Promoting active roles for diverse human resources



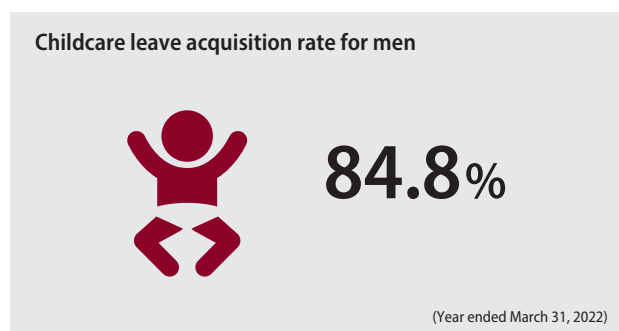
## External assessments of measures to promote active roles for diverse human resources



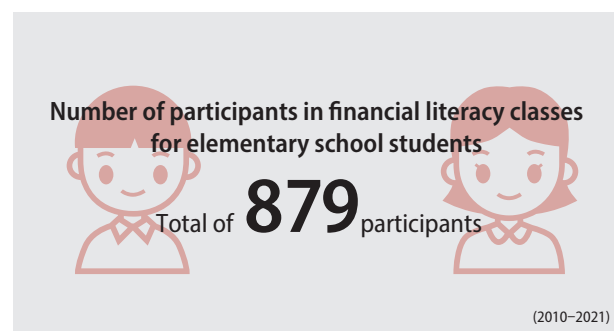
## Creating work opportunities for people with disabilities



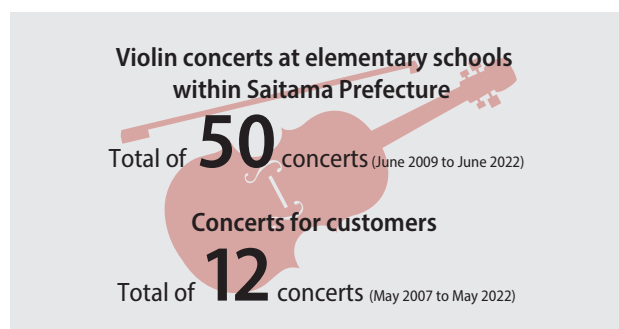
## Promoting work-life balance



## Financial literacy

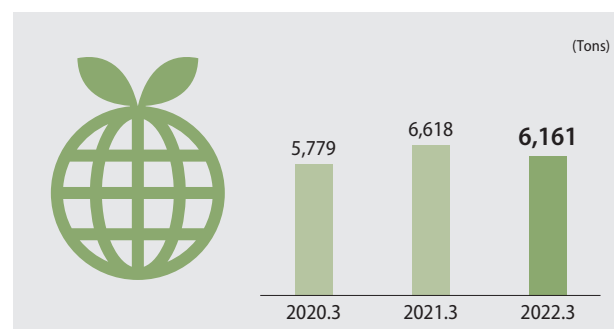


## Support for promotion of local culture and art

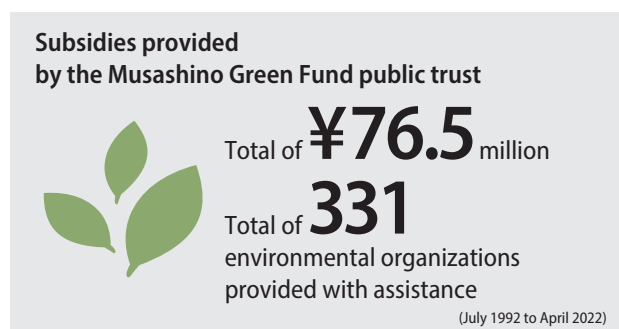


## Environment

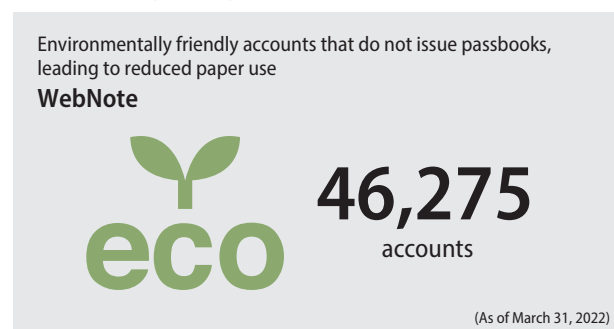
### CO<sub>2</sub> emissions



## Greening activities

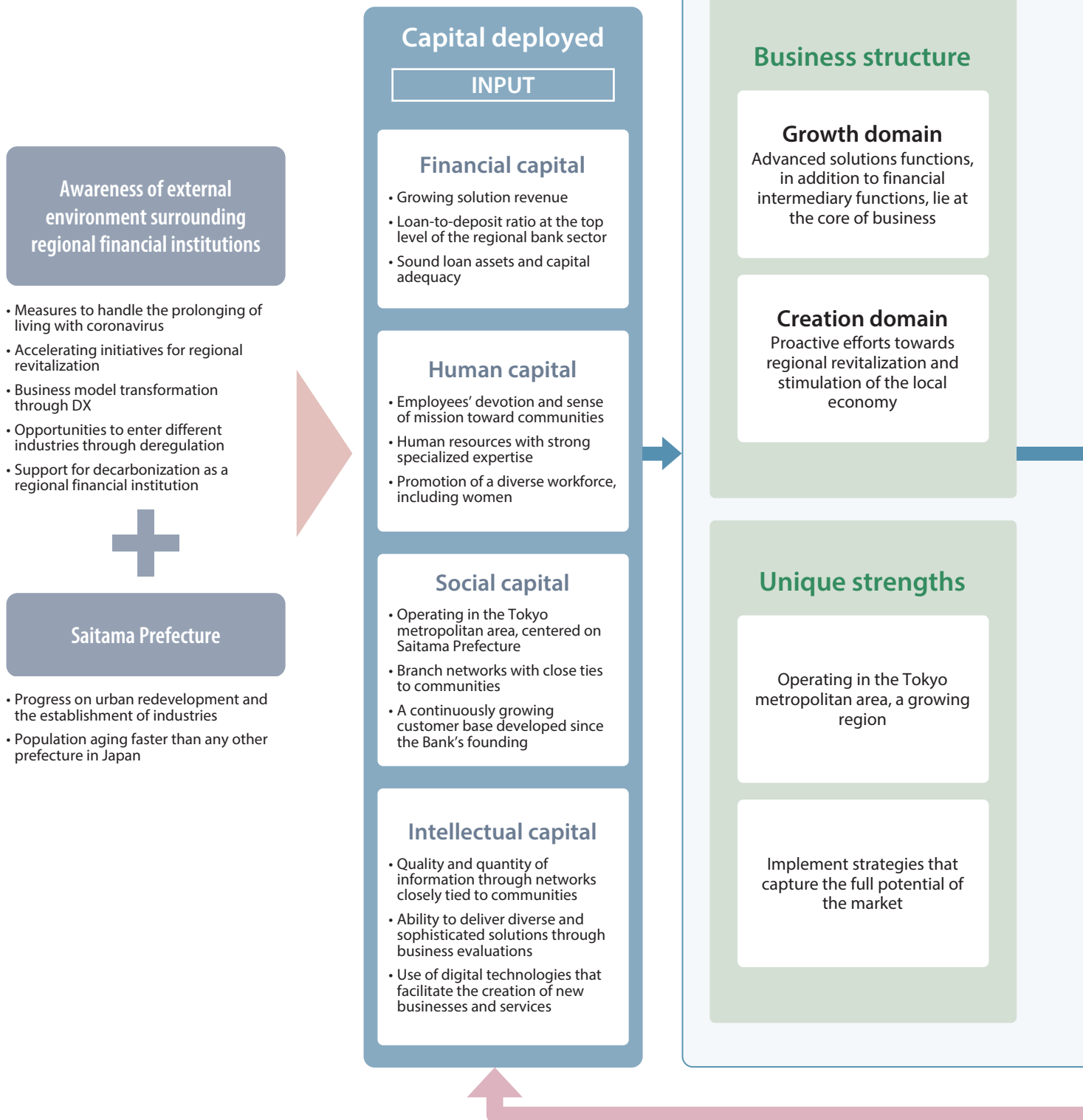


## Environmentally friendly accounts



## Musashino Bank's Value Creation Process

As the environment both in Japan and overseas changes significantly, the Bank will strive to capture the full potential of the Tokyo metropolitan area, centered on Saitama Prefecture, which is the Bank's operational base. The Bank will establish sustainable business models in the business domains of "growth" and "creation," with the goal of continuing to grow together with customers and communities.



## Business model

### OUTPUT

The number one bank in the region that creates value in Saitama

#### Medium-term Management Plan "MVP 70"

- Number one solutions in the region
- Integration of people and digital technology

##### Growth strategy

##### Creation strategy

##### Digital transformation strategy (Build infrastructure and systems)

##### Sustainability (ESG/SDGs)

##### Human resource strategy

##### Alliance strategy

##### Securities strategy

##### Group strategy

##### Management and administration systems

##### Compliance

#### Completion of the ideal business model

The Bank rigorously pursues a business model that reinvests in community development to earn the overwhelming satisfaction of customers and earnings from core business (interest income and fees and commissions) by resolving issues

#### Musashino Bank Sustainable Development Goals Declaration Vision for the Bank (Key Areas)

##### Corporate Governance as the Source of Sustainable Growth



##### Responding to Climate Change, Maintaining and Increasing Biodiversity



##### Sustainable Regional Economy



##### A Society in Which People Can Live Their Own Way for as Long as They Wish



## Value provided

### OUTCOME

#### Shareholders and other investors

- Increase shareholder value

#### Local communities

- Contribute to innovation for communities as a whole
- Further promote the development of industry

#### Customers

- Increase the corporate value of customers
- Stable asset formation and succession

#### Employees

- Diverse and highly fulfilling work styles
- Promote diversity
- Create local employment

#### Global environment

- Promoting decarbonization through investment and financing
- Store locations with consideration for the environment and biodiversity

thereby achieving growth together with its customers.



# Continuing to Grow Together with Communities



**Kazumasa Nagahori**  
*President*



## Business Environment

Looking back at fiscal 2021, measures for prevention of infection were in place twice—in April at the start of the fiscal year and at the end of the fiscal year from January to March, while a state of emergency was declared during summer. In this way, the economy and society were battered by the fourth to sixth waves of COVID-19, which has had wide-ranging impacts on the daily lives of residents of Saitama Prefecture and on business activities.

In addition to the prolonged pandemic, Russia's invasion of Ukraine in February 2022 sparked a surge in resource prices, while rising interest rates abroad led to yen depreciation. Such trends have continued to obscure the outlook for the economy.

Under this environment, we at Musashino Bank exhausted every effort to perform our core business as a financial intermediary function to support the community.

We are conducting ongoing interviews with all of our corporate clients, who number around 20,000 companies, asking them about the impacts of COVID-19, the Ukraine situation, and price escalation, among other issues, as we strive to provide smooth and prompt funding support. In addition, our branches and Head Office are working together, led by the Consulting Office, a specialized organization to support the main business, to provide rigorous support for 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.

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.

Moreover, digital transformation (DX) and cashless transactions 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 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. Strengthening sustainability management is an imminent issue.

## Opening of the New Head Office

In December 2021, we opened the new Head Office building after completing a four-year reconstruction project.

As a base of regional communication and co-creation, it will also realize new workstyle reforms to help improve productivity and added value, further consideration toward the environment and biodiversity, and enhanced resilience in anticipation of largescale disasters. In this way, it aims to become a symbol of sustainable growth for both Saitama Prefecture and the Musashino Bank.

## Building Sustainable Business Models

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,

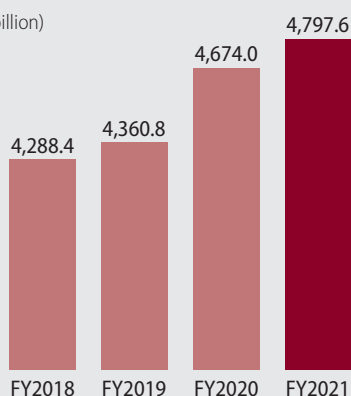
thereby achieving growth together with its customers.”

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.



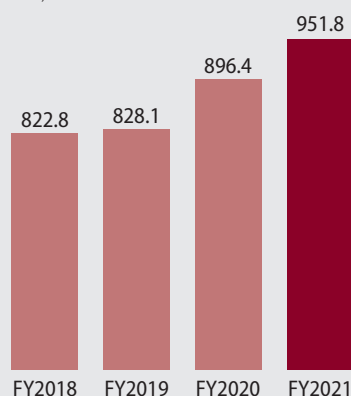
**Deposits including negotiable certificates of deposit (non-consolidated)**

(¥ billion)



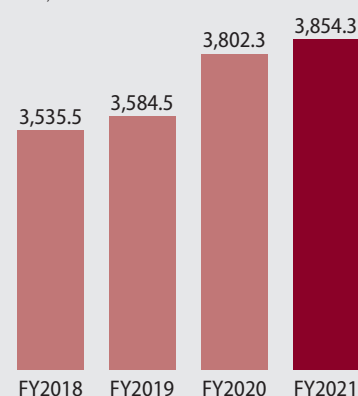
**Assets in custody (non-consolidated)**

(¥ billion)



**Loans (non-consolidated)**

(¥ billion)



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 proactive measures to realize a sustainable regional economy and society. We will continue to build unique business models through unwavering efforts to create new value, while remaining close to customers and communities.

## Medium-term Management Plan “MVP 70”

The Medium-term Management Plan “MVP 70” started in April 2019 as the final step in realizing the long-term vision. The plan has been in operation for three years, and is now in its final year.

We plan to complete the execution of the plan by further accelerating 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 setting up branches inside commercial facilities, 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.

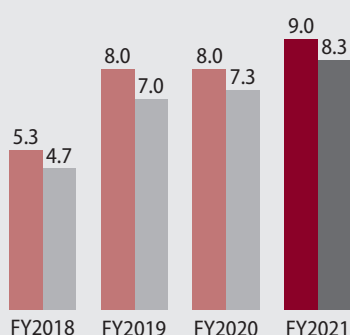
## Rebuilding Our Sales System

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 plan to complete the training of 120 professional human resources by the end of fiscal 2022, 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.

### Profit attributable to owners of parent/ Net income

(¥ billion)



■ Consolidated  
■ Non-consolidated

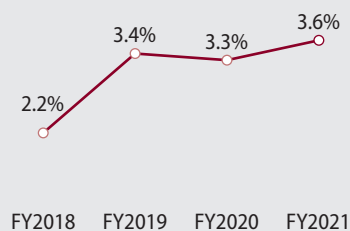
### Dividend payout ratio and annual dividend

	FY2018	FY2019	FY2020	FY2021
Dividend payout ratio (%)	57.0	37.7	36.6	36.2
Annual dividend (Yen)	80	80	80	90

### Shareholders return ratio

	FY2018	FY2019	FY2020	FY2021
Shareholders return ratio (%)	57.0	37.7	36.6	36.2

### Consolidated ROE



## 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 will further enhance solutions in response to issues such as recruitment and digital transformation (DX), while working on consulting in areas such as business succession through M&A and business restructuring using government subsidies.

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).

In October 2021, we became the first regional financial institution in the Tokyo metropolitan area to receive Digital Transformation Certification, followed in February 2022 by becoming the first regional bank to be certified under the Business Adaptation Plan under the Act on Strengthening Industrial Competitiveness.

In keeping with our recognition as a business operator taking on the challenge of DX, we are currently rolling out several focused initiatives by project teams simultaneously.

We will continue to engage with a sense of urgency in efforts to improve customer satisfaction while increasing productivity and efficiency, such as adopting a new branch office system that incorporates tablet devices, making it possible for customers to perform various banking transactions by using our Musashino Bank App smartphone application, and shifting to digital loan contracts.

We are also working to build and utilize a data warehouse as a necessary preparation for realizing personalized proposals for individual personal and corporate clients.

## Sustainability

The Bank is treating sustainability alongside DX as a top priority theme connected with the future, and is accelerating its initiatives under its “SDGs Declaration” and its “Basic Policy on Sustainability,” formulated in December 2021.

As a system for sustainability promotion, we have established the Sustainability Promotion Committee as a clear

commitment from management, and set up new dedicated organizations to supervise and promote cross-divisional initiatives.

Furthermore, as an initiative to encourage sustainability management among business operators in our hometown of Saitama, we are working to provide optimized support menus tailored to the status of initiatives in individual companies, as well as their scale, industry, and other characteristics, dramatically expanding our line-up of finance and consulting services.

In other efforts, we are also addressing the themes of biodiversity and natural capital, which are the subject of increasing global attention. At our new Head Office building, we have obtained biodiversity certification for greenery installations, and we are conducting leading initiatives as an example to business operators in Saitama Prefecture.

## 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 Tambo project utilizing fallow land 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.

Furthermore, in June 2022, the Bank established a regional trading company, The Musashino Mirai Partners. As the culmination of its creation strategy, the Bank will aim to solve local issues through business and build a local eco system that will bring about a beneficial economic cycle.

The Musashino Mirai Partners, which started operations in October 2022, will solve issues by connecting increasing needs for living support such as housekeeping services as people advance in age with locally operated services through a membership-based system.

Moreover, for business operators, we plan to develop support services that go beyond the traditional scope of business matching by banks, such as trial marketing by crowd funding.

## 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.

In the Chiba-Musashino Alliance, based on the new five-year plan starting from fiscal 2021, we aim to further accelerate alliance measures, such as financial instruments intermediary operations, structured finance and joint financing, as well as joint office initiatives within Tokyo.

The alliance made a strong start in the first fiscal year of the five-year plan with a total effect for both banks of ¥4.6 billion. We will accelerate our initiatives towards further engagement in the alliance business model.

Under the TSUBASA Alliance, we are striving to solve issues by utilizing the strengths of a wide-area nationwide alliance extending from Hokkaido to Okinawa.

We are making steady advances in collaboration on Fintech, cashless payments, and anti-money laundering. All of the alliance banks are dispatching human resources to a Business Strategy Department established at a joint venture to conduct business planning with timely themes such as DX and diversity.

## Securities Strategy

With regard to securities, the Bank aims to build a flexible portfolio in response to recent market trends and fund positions. We will manage our assets while taking interest risk into account amid an environment characterized by rising global interest rates and increased volatility in risk assets such as equities.

## 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 are working to ensure even more highly transparent management through measures such as actively bringing onboard a broad range of experience and knowledge possessed by outside directors and outside corporate auditors and working to ensure the effectiveness of the Board of Directors.

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.

## Continuing to Grow Together with Communities

In April 2022, Musashino Bank celebrated its 70th founding anniversary. In reaching this milestone, all of the Bank's officers and employees would like to extend our sincere thanks to our clients, the local community, and our shareholders for their support and loyalty.

The Bank started in April 1952 as a regional bank headquartered in Omiya City (currently Saitama City). Responding to expanding demand for finance as the post-war recovery hit full stride, the Bank started with eight branches in Saitama Prefecture, aiming to contribute to the development of the prefectural economy.

From that time up to the present, the Bank has continued to firmly support autonomous, independent management with the support of its stakeholders, under its unwavering Corporate Philosophy of "working in harmony with the local community it serves" and "maintaining a deep respect toward customers."

Now as we mark our 70th founding anniversary, our officers and employees are ready to work together with all of our stakeholders, including customers, shareholders, and the local community, to create the future of Saitama Prefecture with the same enterprising spirit and single-minded passion that has always characterized the Bank since its foundation.

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

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

The Bank started the medium-term management plan “MVP 70” in April 2019 as the final phase of its long-term vision to be “the number one bank in the region that creates value in Saitama,” focusing on objectives that include providing optimal solutions closely aligned to the needs of corporate and individual customers and developing highly specialized human resources.

### 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 plans



### Main Initiatives under the Medium-term Management Plan “MVP 70”

Key Strategies	Action Plan	Evaluation	Results (FY2021)
Growth strategy (corporate clients)	<ul style="list-style-type: none"> <li>Exhibit substantial expertise in respective customer segments</li> <li>Build a customer-oriented network</li> </ul>	Support involving diverse financing arrangements and business matching, seamless business succession and overseas expansion	<ul style="list-style-type: none"> <li>No. of corporate borrowers: 21,009 companies</li> <li>Support for developing sales channels: 1,992 companies</li> <li>Recruitment contracts: 72 cases</li> <li>Support for business succession: 159 companies</li> <li>Support for M&amp;As: 413 companies</li> </ul>
Growth strategy (individual customers)	<ul style="list-style-type: none"> <li>Carry out branch improvements with emphasis on communication with customers</li> </ul>	Inheritance and wealth succession, asset management and asset formation, life planning	<ul style="list-style-type: none"> <li>No. of applications filed for testamentary trusts, etc.: 843</li> <li>No. of customers with assets in custody: 111,742</li> </ul>
Digital transformation (DX)	<ul style="list-style-type: none"> <li>Develop more sophisticated digital services</li> <li>Reform overall banking operations to increase productivity</li> </ul>		<ul style="list-style-type: none"> <li>Enhanced smart phone app functions</li> <li>Built and utilized data warehouse</li> <li>Business Adaptation Plan Certification under the Act on Strengthening Industrial Competitiveness and Digital Transformation Certification</li> </ul>
Sustainability (ESG/SDGs)	<ul style="list-style-type: none"> <li>Strengthen system for sustainability promotion</li> <li>Encourage sustainability in local companies</li> </ul>		<ul style="list-style-type: none"> <li>Formulated Basic Policy on Sustainability, etc. Established Sustainability Promotion Office</li> <li>Expand lineup of finance and consulting products and services</li> <li>Head Office building acquired Japan Habitat Evaluation and Certification Program (JHEP) certification for biodiversity evaluation</li> </ul>
Creation strategy	<ul style="list-style-type: none"> <li>Solving issues through stimulation of the local economy in partnership with local governments, companies, and universities, etc.</li> <li>Creation of a virtuous cycle of local production for local consumption</li> </ul>		<ul style="list-style-type: none"> <li>Comprehensive alliance agreements between Saitama Prefecture and 16 municipalities</li> <li>Distributed over 400,000 copies of town walking maps for local tourist attractions</li> <li>Achieved sixth-order industrialization through projects undertaken since 2014</li> </ul>
Human resource strategy	<ul style="list-style-type: none"> <li>Develop professional talent</li> <li>Create a rewarding workplace organization</li> </ul>		<ul style="list-style-type: none"> <li>No. of hands-on professionals developed through the Training Solutions Program: 90</li> <li>No. of employees obtaining qualifications as 1st Grade Certified Skilled Professional of Financial Planning and Small and Medium Enterprise Management Consultant: 163</li> </ul>
Management and administration systems	<ul style="list-style-type: none"> <li>Achieve highly transparent corporate governance</li> </ul>		<ul style="list-style-type: none"> <li>Ratio of outside directors: 37.5%</li> <li>Ratio of outside corporate auditors: 60.0%</li> </ul>

### New Business Challenges

- Provide stronger core business support for local companies amid prolonged COVID-19 pandemic and price escalation
- Build new business models that account for deregulation, etc.
- Accelerate the pace of digital transformation (DX) even further
- Take greater initiative in energizing the local economy and regional revitalization
- Take action as a regional financial institution in addressing climate change and decarbonization

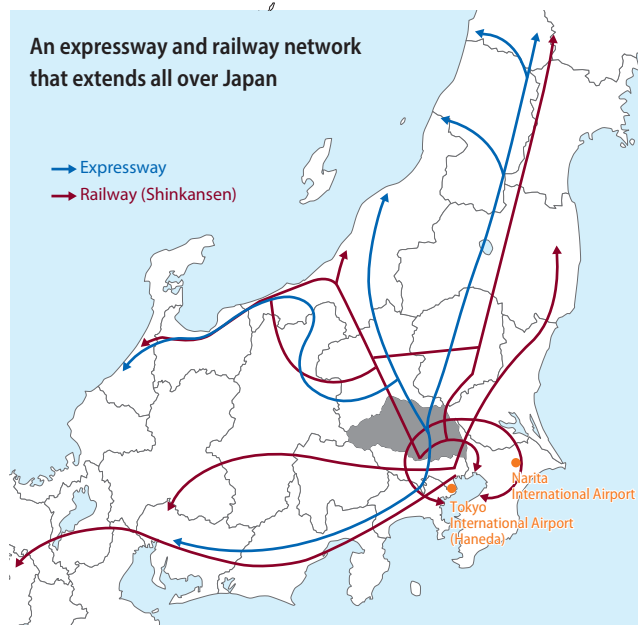
Quantitative Results and Targets	FY2019	FY2020	FY2021	FY2022
Net earnings from core business	¥11.5 billion	¥14.8 billion	¥15.9 billion	¥15.0 billion
Earnings	¥7.0 billion	¥7.3 billion	¥8.3 billion	¥10.0 billion
Core OHR	74.38%	69.19%	67.61%	70% or less
ROE	3.09%	3.14%	3.49%	4% or more
Equity ratio	8.13%	8.19%	8.11%	8% level



# Operational Base of Saitama Prefecture/Alliance Strategy

## Musashino Bank's Operational Base

The Bank's operational base is Saitama Prefecture, which has a high concentration of logistics and production bases due to its well-developed transportation infrastructure, including the Ken-O Expressway and a nexus for all six of the Shinkansen bullet train lines in East Japan. Total production in Saitama Prefecture is around ¥23 trillion, making it the fifth largest prefectural economy in Japan. A large number of companies have relocated there from outside the prefecture, with the net increase from corporate relocations over the 10-year period from 2012 to 2021 standing at 591 companies, the second highest in the country. In this environment, the Bank recognizes that its mission is to promote locally rooted finance, and we strive to provide our corporate clients with a smooth supply of funds and other support for their core operations.



## Alliance Strategy

Following the Chiba-Musashino Alliance, the Bank has now entered into the TSUBASA Alliance. While fully leveraging the benefits of wide-area partnerships, we will further accelerate strategic alliances, contributing to the sustainable growth of regional society through the provision of high-value-added financial services to customers while firmly retaining autonomy in management.

### Chiba-Musashino Alliance



The Bank has formulated a new five-year plan that began in April 2021 as the second phase on the fifth anniversary of the Chiba-Musashino Alliance, a comprehensive business alliance concluded with Chiba Bank in March 2016. We will refine the partnership into an alliance as a model for deeper regional banks collaboration.

### New Five-Year Plan

#### — Model for Deeper Regional Banks Collaboration — (fiscal 2021–fiscal 2025)

##### Mission:

Provide value-added and highly convenient services to customers and communities by integrating ideas from both banks

##### Vision:

Realize the evolution of regional banks as a frontrunner in regional banks collaboration

##### Alliance effect:

Total of ¥15 billion between both banks (fiscal 2021–fiscal 2025)

### TSUBASA Alliance



The TSUBASA Alliance, Japan's largest alliance of regional banks with participation from 10 banks representing different regions from Hokkaido to Okinawa, involves working together on new measures such as increasing the sophistication of financial services, digital transformation (DX), and cashless banking. Furthermore, we also utilize the strengths of this wide-area alliance to support customers with services such as M&A matching, overseas expansion, and new business development.

At the joint venture TSUBASA Alliance Co., Ltd., established in July 2020, the participating banks have dispatched representatives to bring together the knowledge of each bank and further increase the sophistication of alliance measures.

Moreover, in April 2022, we announced the TSUBASA Diversity and Inclusion Declaration. In August of the same year, we established the TSUBASA Cross Mentor Program, to nurture female leadership candidates through cooperation across participating banks aimed helping them to build careers and develop leadership skills.

- |                      |              |                        |
|----------------------|--------------|------------------------|
| • Musashino Bank     | • Chiba Bank | • Daishi Hokuetsu Bank |
| • Chugoku Bank       | • Iyo Bank   | • Toho Bank            |
| • North Pacific Bank | • Shiga Bank | • Bank of The Ryukyus  |
| • Gunma Bank         |              |                        |

## ■ Providing SME Management Assistance

### Promoting Locally Rooted Finance

The Bank recognizes the promotion of locally rooted finance as its mission, and works to implement smooth supply of funds and to its customers and to provide core business support.

The Bank has established systems for providing solutions for general management issues that customers face during their growth stages, through united efforts by its branches, Head Office, and group companies. It also provides finely tuned responses by leveraging its consulting functions while collaborating with external institutions as needed.

### Support for Start-Ups and New Entries

The Bank provides detailed support through close cooperation between our “support team for start-ups and new entries” in our Head Office and branches to assist start-ups and newly established companies.

### Offering a Variety of Financing Methods

The Bank has focused on offering a variety of financing methods, including project financing that provides funding after focusing on the cash flow of a business, private placement bonds that result in improving 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.

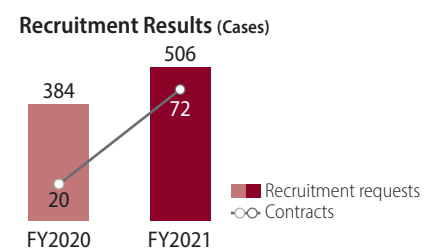
### Business Evaluation

Using business evaluation charts and business evaluation tools in conjunction with i Connect Partners, the Bank accurately grasps the management issues and potential needs of individual companies in order to further enhance core business support such as management planning, consulting and other services.

### Recruitment Service

We introduce the most suitable human resources who will contribute to our corporate client's business expansion and new business development.

Since January 2022, we have expanded the service to the area of job seeker support to provide comprehensive support for both job seekers and companies looking for personnel.



### Support for Overseas Expansion

We set up a Representative Office Registered in Singapore to support corporate clients' overseas expansion and business development and address local demands in a flexible manner. Moreover, we provide detailed support through our overseas network based on collaboration and cooperation.

In addition, we dispatch employees to JETRO Saitama, and actively support the expansion of sales channels for companies in Saitama Prefecture while collaborating with the JETRO Saitama center.

Funding

Overseas money transfers

Sales channel expansion

Export and import procedures

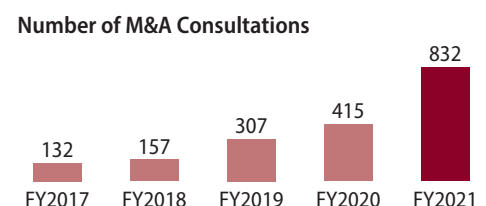
Various local information

### Support for Business Succession

We have arranged consulting services to offer comprehensive support to address such concerns as succession issues, business succession and diversification. We also provide support proactively in coordination with specialist institutions.

### M&A Support

We offer corporate clients optimal proposals for their future in collaboration with Nihon M&A Center Inc., the Saitama Prefectural Business Succession Support Center, and others.



### Establishment of a Regional Trading Company

In June 2022, we established the regional trading company Musashino Mirai Partners Co., Ltd. The company is working to provide lifestyle-related services for seniors and to support commercial distribution with a view to stimulating local industries, with an overall aim of building a local ecosystem that will provide local solutions to local issues and create a virtuous cycle for the economy.

Personal support business  
Membership-based lifestyle support services

Business supporting commercial distribution  
Crowd funding website



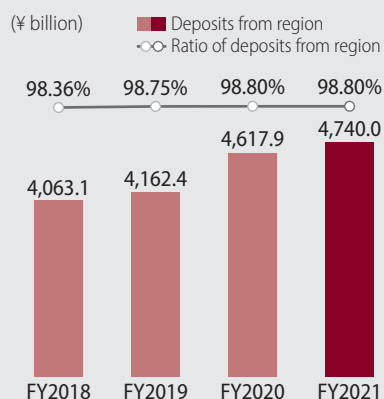
# Contributing to the Local Economy/Initiatives for Regional Revitalization

## Contributing to the Local Economy

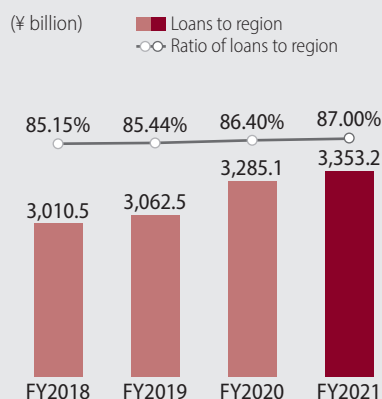
The Bank is working to provide various financial services that give consideration to local corporate and individual customers, and continuing to increase both deposits from the region and loans for the region.

The Bank is strengthening its capital adequacy and reducing non-performing loans towards a sounder financial position. Its non-performing loan ratio has gradually decreased, and is at a low level.

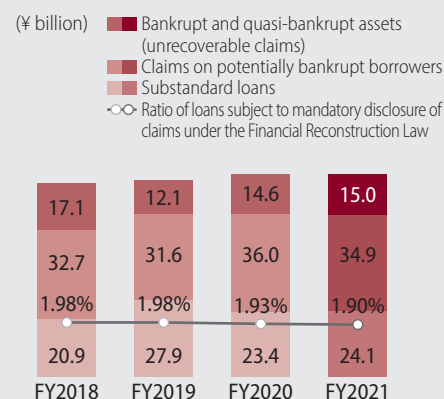
### Deposits from region/ Ratio of deposits from region (Non-consolidated)



### Loans to region/Ratio of loans to region (Non-consolidated)



### Non-performing loans (Non-consolidated)



\* "Region" refers to Saitama Prefecture and the areas bordering the prefecture which are a part of the economic and local-living sphere (the Kumegawa Branch, Itabashi Branch, Ikebukuro Branch, and Goka Branch sales areas).

## Initiatives for Regional Revitalization

As a regional financial institution, the Bank recognizes initiatives for regional revitalization to be one of the most important tasks, and not only supports the initiatives of local public entities but also collaborates with government administrations, private-sector companies, NPOs, educational institutions and other bodies to solve a variety of regional issues and to create regional value as one leader in regional creation.

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

**Prefectures** Saitama Prefecture

**Designated Municipalities** Saitama City

**Municipalities (in order of alliance formation)** Tsurugashima City, Toda City, Yokoze Town, Gyoda City, Kumagaya City, Kasukabe City, Konosu City, Hasuda City, Kitamoto City, Yorii Town, Ogano Town, Fujimi City, Kawagoe City, Fujimino City, Soka City

## Support through an industry-academia-government alliance

We help to solve corporate clients' managerial issues such as research development and management reorganization through alliances with eight universities located within the prefecture, focusing on fields such as manufacturing and industry, and advanced engineering and academic fields. Furthermore, the Bank is working on regional revitalization through tourism in cooperation with the Rikkyo University College of Tourism. Together we have created the "Bratte Series" of town walking maps, which has been published in 10 volumes.



The "Bratte Series"

## Creation of a new industry—The Minuma Tambo "Wheat" Senary (Sixth-Order) Industry Creation Project

In 2014, we started the "Minuma Tambo 'Wheat' Senary Industry Creation Project," aiming to create a new industry and revitalize wheat production at Minuma Tambo in Saitama City. The project has been working in collaboration with local food processors to commercialize products such as craft beer and bagels.



Craft beer

## Initiatives to solve local issues

Under a collaboration agreement with Saitama City, the Bank will provide its Head Office building as a temporary accommodation facility for 200 persons who have difficulty returning home in a major disaster. Furthermore, we will also provide food and water, blankets, and other supplies, as well as facilities such as toilets and running water.

Space to accommodate persons who have difficulty returning home in a major disaster



# Sustainability Management Initiatives

The Bank proactively embraces Environmental, Social, and Governance (ESG) perspectives in regard to its management, and focuses on initiatives that take sustainability into consideration. With a view to embedding these initiatives more deeply and making an even greater contribution to the region, we have formulated the Musashino Bank Sustainable Development Goals Declaration. Guided by this declaration, we will continue to make efforts towards realizing sustainable local communities while responding to our stakeholders.

## Musashino Bank Sustainable Development Goals Declaration

The Musashino Bank Group declares that all of its officers and employees will strive to contribute to achieving the objectives of the Sustainable Development Goals (SDGs).

- To contribute to the sustainable development of the regional economy, the Bank always exercises its financial intermediary functions and commitment to customer-oriented business operations.
- To contribute to the creation of a sustainable community including industry and employment, urban development and livability, the Bank engages in partnerships with various bodies, including municipal governments, companies and NPOs.
- The Bank regards issues such as climate change and human rights as having a direct effect on it, and seeks global sustainability.



## Vision for the Bank (Key Areas)

### Corporate Governance as the Source of Sustainable Growth

The Bank positions corporate governance as the source of sustainable growth, and aims to conduct steadfast bank management grounded on its management philosophy, which has remained unchanged since its founding.



### A Society in Which People Can Live Their Own Way for as Long as They Wish

The Bank will actively work to create a society in which all people can live in their own way, healthily and happily.



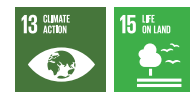
### Sustainable Regional Economy

The Bank will promote innovation in local industry and local production for local consumption, as well as contributing to the development of comfortable, strong towns and working to realize sustainable economic growth.



### Responding to Climate Change, Maintaining and Improving Biodiversity

The Bank will respond to global climate change and make efforts to maintain and improve the rich local biodiversity.



## Sustainability Management Initiatives

### Formulation of the Basic Policy on Sustainability, etc.

In December 2021, we formulated four policies for promoting sustainability management, which we will translate into more practical initiatives.

Name	Overview
Basic Policy on Sustainability	Under its Corporate Philosophy, “working in harmony with the local community it serves” and “maintaining a deep respect toward customers,” the Bank aims to achieve stimulation of the local economy and to provide both economic and social value from a medium- to long-term perspective.
Environmental Policy	All of our officers and employees are engaging with the issues of climate change, decarbonization, and biodiversity through business activities, adopting a global perspective while also giving consideration to the local characteristics of the Saitama region.
Investment and Financing Policy	We will avoid financing industrial and corporate sectors that have a negative impact on environmental, social, and economic sustainability.
Human Rights Policy	In all of our business activities, and provision of products and services, we will respect the human rights and diversity of all of our stakeholders.

### System for Sustainability Promotion

Along with the establishment of the Sustainability Promotion Committee in September 2021, we are creating a system for promoting sustainability management, including announcing our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In March 2022, we established the Sustainability Promotion Office as a department responsible for managing and promoting initiatives across the Musashino Bank Group, and we are now developing approaches with a sense of urgency.

## Response to the TCFD Recommendations

The Bank endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in September 2021. We have positioned climate change initiatives as an important management priority, and having built a governance and risk management system, we are striving to ascertain the opportunities and risks brought by climate change.

Furthermore, we conduct appropriate disclosure of information in accordance with the recommendations. In July 2022, we established new “Sustainable Finance Amount Targets” and “Greenhouse Gas (GHG) Emission Reduction Targets.”

### Sustainable Finance Amount Targets

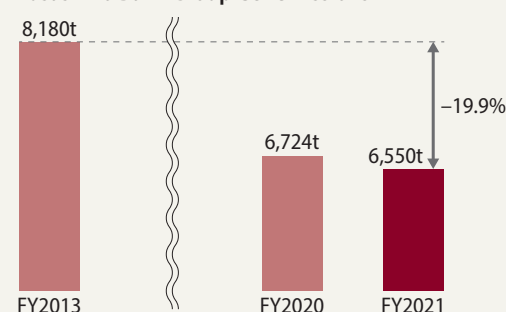
The Bank has set target amount for the execution of sustainable finance transactions that contribute to the decarbonization of local communities. We aim to execute a cumulative total of ¥1 trillion in sustainable finance transactions over the 10 years from fiscal 2021 to fiscal 2030.

In fiscal 2021, the Bank executed ¥23.4 billion in sustainable finance transactions. Sustainable finance is finance in which the funds are used for resolving environmental or social issues, and includes finance to support customers’ ESG or SDGs initiatives.

### Greenhouse Gas (GHG) Emission Reduction Targets (CO<sub>2</sub> emissions)

The Group’s CO<sub>2</sub> emissions are shown in the graph. The Group’s overall CO<sub>2</sub> emissions for fiscal 2021 (Scope 1 + Scope 2) were down 19.9% from fiscal 2013. Our CO<sub>2</sub> emissions target for 2030 is a reduction of 70% from fiscal 2013 levels.

#### Musashino Bank Group CO<sub>2</sub> emissions\*



\* Data is unavailable for certain affiliates.

#### Emissions by scope for the past three years

	FY2019	FY2020	FY2021
Scope 1	859	732	773
Scope 2	6,080	5,992	5,777
Scope 3*	—	—	—
Total CO <sub>2</sub> emissions	6,939	6,724	6,550

\* Scope 3 emissions have not yet been calculated.

## Initiatives to Encourage Customers’ Sustainability

To encourage sustainability management among local firms, we have a line-up of diverse finance and consulting services tailored to the status of initiatives in individual companies.

### Strengthening Support through Consulting

SDGs assessment support

Decarbonization consulting

SDGs consulting

Other

### Expand Finance and Loan Products

SDGs private placement bonds

Sustainability-linked loans

Sustainability framework loans

Other

## Biodiversity Initiatives

The Bank has focused on maintaining and improving biodiversity through initiatives aimed at promoting further greenery in the region, including the utilization of a public trust scheme. Social demands related to consideration for biodiversity are set to increase going forward, and the Bank aims to enhance its initiatives in this area further.

### Subsidies Provided by Musashino Bank Green Fund Public Trust

The Musashino Bank Green Fund public trust was established in July 1992 with the goal of contributing to the creation of beautiful and comfortable living environments by subsidizing activity funds for businesses that aid the preservation and creation of natural environments within Saitama Prefecture.

In April 2022, we provided a total of ¥2.41 million in subsidies to 17 organizations.

#### Businesses Eligible for Subsidies

1. Businesses that contribute to the preservation or creation of natural environments
2. Businesses related to the spread of awareness considered necessary for preservation or creation of natural environments
3. Investigative research necessary for promoting natural environment preservation and creation activities

# ■ Increasing the Value of Human Capital

Under the Medium-term Management Plan “MVP 70,” which started in 2019, the Bank aims to serve as “a bank always close to customers and communities” and “a bank that cherishes employees and helps them grow.”

Recognizing that it is human capital that is the source of corporate value, we have established coherent human resource development systems from young to senior employees, and we are making a concentrated effort to enable every employee to find motivation in working in their own way and achieve their potential by promoting work-life balance and diversity, and expanding opportunities for self-education and skills development, among other initiatives.

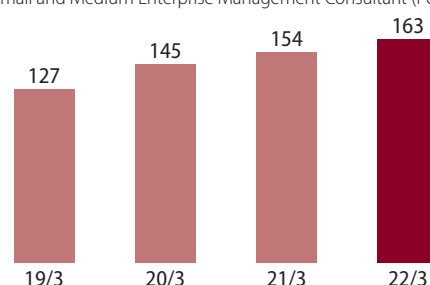
## Developing Specialists

One of the key measures of our human resource strategy under Medium-term Management Plan “MVP 70” is the introduction of a Training Solutions Program. Through the program, we are working to develop highly specialized human resources by having them obtain practical business know-how at our Head Office and branches. Over the four years to fiscal 2022, we have trained 120 personnel and assigned them to core branches.

We are also systematically developing reliable specialists such as financial planners and small and medium enterprise management consultants. In addition, we are encouraging employees to obtain qualifications to tackle advanced issues, such as “M&A Senior Expert” and “IT Passport.”

### Developing Reliable Specialists

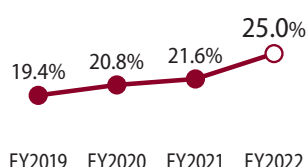
No. of 1st Grade Certified Skilled Professional of Financial Planning and Small and Medium Enterprise Management Consultant (Persons)



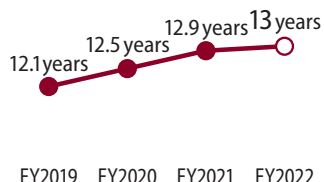
## Diversity Initiatives

In 2016, the Bank formulated a long-term vision to promote the active participation of human resources, setting numerical targets including a ratio of female managers and a ratio of annual paid leave used with the aim of creating a workplace where diverse human resources could flourish. In addition, we are engaged in various initiatives to improve customer satisfaction by utilizing the viewpoints and mindsets of diverse human resources to improve customer services.

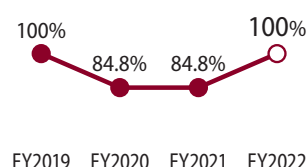
### Ratio of female managers



### Average length of service for women



### Ratio of men taking childcare leave



## Special Subsidiary The Musashino Harmony Co., Ltd.

The Musashino Harmony Co., Ltd. was established with the goal of increasing opportunities for people with disabilities to play a role. The company currently has seven employees and its operations include printing business cards and making novelty items.

We strive to create a workplace that is motivating for all employees by enabling them to use their special talents and providing solid support.

### Main Business Activities

- Novelty goods production services
- Office supplies such as rubber stamps
- Business card printing services
- Business process outsourcing services such as data input

## Workstyle Reform at Head Office Building

We have created office floors as open spaces without partitions, and each level being connected by an internal staircase. The design aims to stimulate communication with vertical and horizontal activity and enable even greater creativity. In addition, each level has a function-specific area to promote mental and physical health as well as self-improvement.



Wellness area for promoting health and wellness



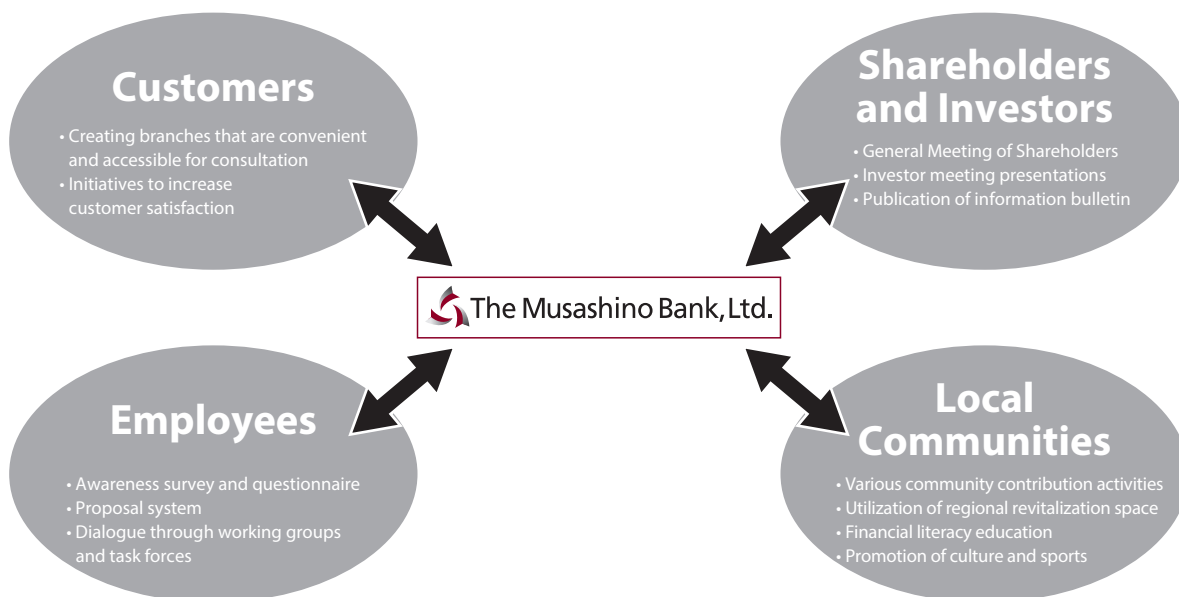
Library area for accumulating knowledge and engaging in self-directed study



Café area for relaxation and refreshment

## Communication with Stakeholders

Musashino Bank aims to promote higher quality business operations and corporate activities, and to increase its corporate value through communication with various stakeholders, including customers, shareholders and investors, employees, and local communities.



### Communication with Customers

We will focus on initiatives to enable all customers to use our services with greater confidence and comfort. By listening to customer feedback, we will strive to enhance our services and develop our human resources with a view to increasing customer satisfaction.

### Communication with Shareholders and Investors

We value the dialogue we have at general shareholders' meetings and investor meeting presentations. We also publish an integrated report and mini-disclosure booklet, as well as a website, in order to promote deeper understanding of the Bank and to disclose information appropriately.

### Communication with Employees

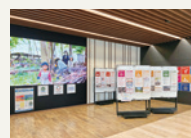
We are working to improve our operations by reflecting feedback from our employees through measures such as conducting awareness surveys and questionnaires, as well as operating a proposal system and so forth. We also create opportunities for dialogue between employees and management by calling for participation in working groups and task forces. In this way, we are actively incorporating employees' opinions in management.

### Communication with Local Communities

We actively engage in various community contribution activities, while also using the regional revitalization space at our Head Office to focus on regional communication and co-creation. Moreover, we are also actively engaged in initiatives such as financial literacy education and promotion of culture and sports.

#### Regional Revitalization Space — M's SQUARE

At the regional revitalization space, M's SQUARE, on the second floor of the Head Office building, we host panel exhibitions in coordination with local governments and organizations in Saitama Prefecture and disseminate information about the attractions of the region and challenges to be addressed.



SDGs panel exhibition



Exercise classes to promote health and wellness

#### Supporting Children, Who Are the Future

We actively provide opportunities for children to learn about the role of money and the banking business by providing a workplace experience for study and holding finance classes. We also continuously run career seminars and internships to encourage awareness of work among young people.



Financial literacy class for elementary school students



Career seminars for high school students



## Enhance Management Oversight Systems

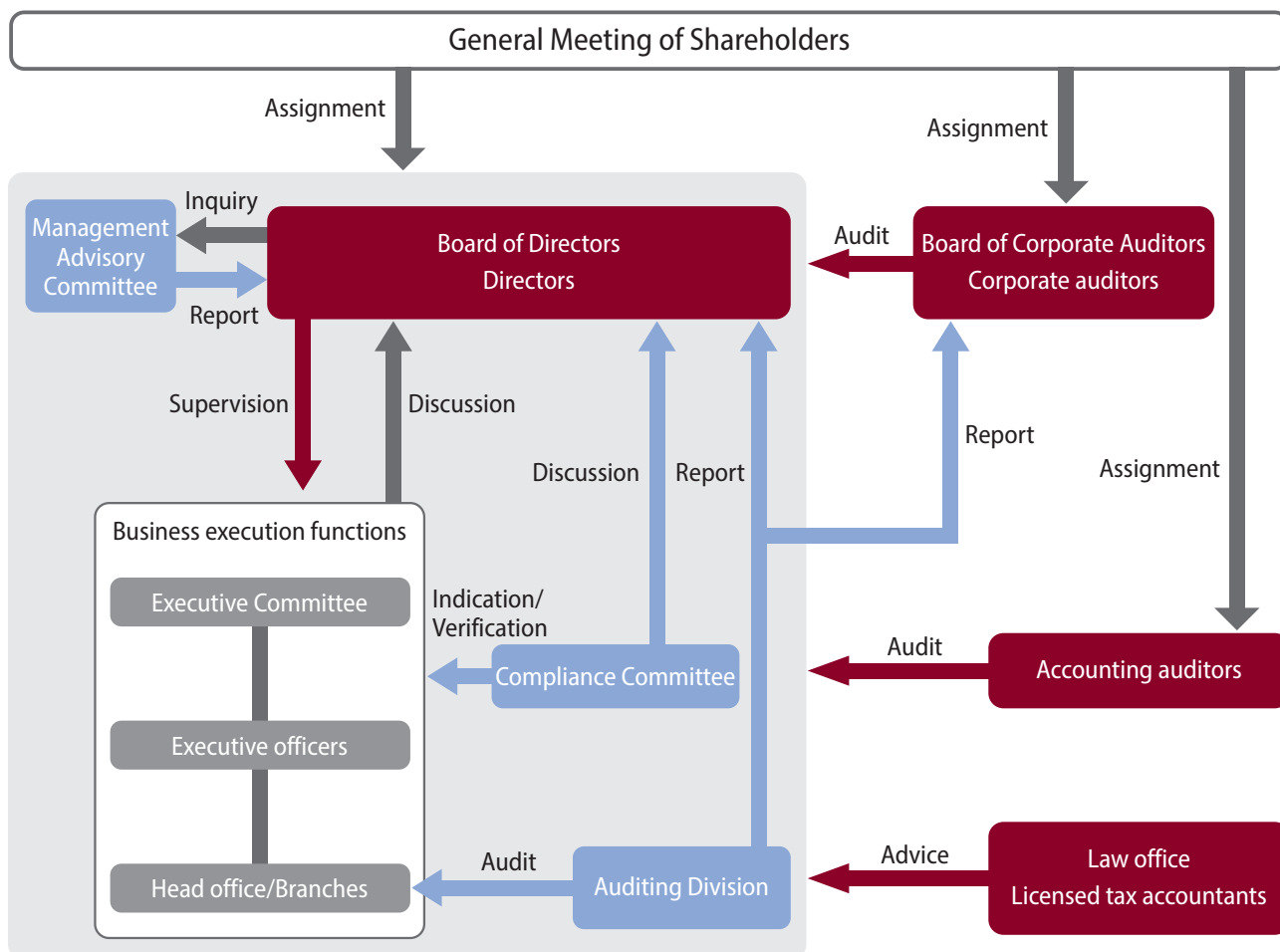
Musashino Bank recognizes that upgrading and expanding its corporate governance capabilities are key priorities of management. In addition to adhering strictly to a policy of compliance with statutory and regulatory requirements as well as in-house rules and regulations, every effort is made to ensure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

## Management Advisory Committee

The Management Advisory Committee was established as an advisory function to the Board of Directors. The committee is made up of eight people: three outside directors, including the committee chair, three external experts (the Bank's independent outside corporate auditors), and two internal directors. It deliberates on matters related to the selection, dismissal, and remuneration of directors. The Board of Directors reflects the deliberations of the committee in its decision-making.

## Corporate Governance Structure

(As of July 1, 2022)



## **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 meetings are also 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, and which contains an explanation of 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 of the 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.

## **Money Laundering—Countermeasures against Anti-Social Forces**

The Bank has positioned prevention of money laundering and financing of terrorism as important issues in its management strategy. We strive to implement countermeasures against money laundering and to eliminate anti-social forces, while working to build control structures to help with prevention through basic policies.

In addition, we provide ongoing training for all employees to help ensure that everyone is aware of relevant laws and regulations, and takes appropriate operational measures.



## Risk Management Policy

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

### (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 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 Framework

The Bank has established a Business Continuity Plan (BCP) as part of its contingency planning to ensure operations will continue in case of events such as a major earthquake, system disruption, or outbreak of pandemic influenza. The Bank has compiled manuals that establish concrete codes of behavior and countermeasures. In parallel, the Bank holds systematic drills to improve the responsiveness and awareness of all executives and employees. Additionally, the Bank makes improvements to address issues it identifies and related matters, as part of efforts to further increase the effectiveness of the BCP.

In response to the current coronavirus pandemic, the Bank set up an Emergency Response Headquarters immediately, in order to maintain financial intermediary functions as an essential service that is vital to people's daily lives. We have swiftly implemented response measures in line with constantly changing conditions.

## A Cyber Security Management Framework

We established the Cyber Security Management Subcommittee as a CSIRT within the Bank, with the aim of ensuring a highly effective cyber security framework that includes trying to prevent any impact from the occurrence of cyber attacks, and minimizing the damage and achieving an early-stage recovery if there is any. We are developing diverse activities for normal times and for emergencies (if some incident occurs).

#### \*CSIRT: Computer Security Incident Response Team

A general term for teams responsible for cyber security management within an organization. At the Bank, the Cyber Security Management Subcommittee and its secretariat are CSIRTs.

## Consolidated Balance Sheets

The Musashino Bank, Ltd. and Consolidated Subsidiaries As of March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars*
	2022	2021	2022
<b>Assets</b>			
Cash and due from banks.....	¥ 790,922	¥ 739,970	\$ 6,462,309
Monetary claims bought.....	816	613	6,667
Trading securities.....	51	62	417
Money held in trust.....	1,491	1,494	12,182
Securities.....	735,215	683,379	6,007,149
Loans and bills discounted .....	3,841,638	3,789,948	31,388,496
Foreign exchanges .....	3,701	3,157	30,239
Lease receivables and investments in leases .....	19,534	21,245	159,605
Other assets.....	38,226	33,796	312,329
Tangible fixed assets.....	56,163	48,069	458,886
Buildings, net .....	27,617	8,535	225,648
Land.....	25,363	25,363	207,231
Leased assets, net .....	8	13	65
Construction in progress.....	—	11,995	—
Other tangible fixed assets .....	3,174	2,161	25,933
Intangible fixed assets.....	5,125	4,533	41,874
Software.....	4,882	4,253	39,889
Leased assets .....	52	78	425
Other intangible fixed assets .....	190	201	1,552
Retirement benefit asset .....	8,518	8,986	69,597
Deferred tax assets.....	1,103	1,126	9,012
Customers' liabilities for acceptances and guarantees.....	4,965	5,315	40,567
Allowance for loan losses .....	(21,191)	(21,730)	(173,143)
<b>Total assets.....</b>	<b>¥5,486,283</b>	<b>¥5,319,971</b>	<b>\$44,826,236</b>

	Millions of Yen		Thousands of U.S. Dollars*
	2022	2021	2022
<b>Liabilities</b>			
Deposits .....	¥4,757,810	¥4,586,566	\$38,874,173
Negotiable certificates of deposit .....	23,290	71,390	190,293
Call money and bills sold .....	33,657	35,427	274,998
Cash collateral received for securities lent .....	17,476	20,158	142,789
Borrowed money .....	358,392	311,228	2,928,278
Foreign exchanges .....	218	223	1,781
Borrowed money from trust account .....	5,735	3,283	46,858
Other liabilities .....	24,766	25,504	202,353
Provision for bonuses .....	1,138	1,152	9,298
Provision for bonuses for directors (and other officers) .....	37	12	302
Retirement benefit liability .....	2,964	3,255	24,218
Provision for retirement benefits for directors (and other officers) .....	27	32	221
Provision for loss on interest repayment .....	44	42	360
Provision for reimbursement of deposits .....	196	320	1,601
Provision for point card certificates .....	109	96	891
Provision for contingent loss .....	307	318	2,508
Provision for share-based compensation .....	80	78	654
Deferred tax liabilities .....	284	2,159	2,320
Deferred tax liabilities for land revaluation .....	4,227	4,227	34,537
Acceptances and guarantees .....	4,965	5,315	40,567
<b>Total liabilities</b> .....	<b>5,235,729</b>	<b>5,070,791</b>	<b>42,779,059</b>
<b>Net assets</b>			
Share capital .....	45,743	45,743	373,748
Capital surplus .....	38,353	38,352	313,367
Retained earnings .....	148,605	142,286	1,214,192
Treasury shares .....	(893)	(911)	(7,296)
<b>Total shareholders' equity</b> .....	<b>231,809</b>	<b>225,471</b>	<b>1,894,019</b>
Valuation difference on available-for-sale securities .....	10,476	15,099	85,595
Deferred gains or losses on hedges .....	124	(311)	1,013
Revaluation reserve for land .....	8,286	8,286	67,702
Remeasurements of defined benefit plans .....	(210)	559	(1,716)
<b>Total accumulated other comprehensive income</b> .....	<b>18,676</b>	<b>23,634</b>	<b>152,594</b>
Share acquisition rights .....	38	47	310
Non-controlling interests .....	29	26	237
<b>Total net assets</b> .....	<b>250,554</b>	<b>249,179</b>	<b>2,047,177</b>
<b>Total liabilities and net assets</b> .....	<b>¥5,486,283</b>	<b>¥5,319,971</b>	<b>\$44,826,236</b>

\* U.S. dollar figures have been translated at the rate ¥122.39 to U.S.\$1, the prevailing market rate as of March 31, 2022.

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2022 and 2021

Consolidated Statements of Income	Millions of Yen		Thousands of U.S. Dollars*
	2022	2021	2022
<b>Ordinary income</b> .....	<b>¥71,186</b>	¥71,418	<b>\$581,632</b>
Interest income .....	<b>39,714</b>	39,380	<b>324,487</b>
Interest on loans and discounts .....	<b>33,232</b>	32,478	<b>271,525</b>
Interest and dividends on securities .....	<b>5,591</b>	6,615	<b>45,682</b>
Interest on call loans and bills bought .....	<b>0</b>	(6)	<b>0</b>
Interest on deposits with banks .....	<b>0</b>	0	<b>0</b>
Other interest income .....	<b>889</b>	293	<b>7,264</b>
Trust fees .....	<b>68</b>	55	<b>556</b>
Fees and commissions .....	<b>15,172</b>	14,808	<b>123,964</b>
Other ordinary income .....	<b>2,561</b>	2,167	<b>20,925</b>
Other income .....	<b>13,670</b>	15,005	<b>111,692</b>
Recoveries of written off receivables .....	<b>372</b>	579	<b>3,039</b>
Other .....	<b>13,297</b>	14,426	<b>108,644</b>
<b>Ordinary expenses</b> .....	<b>57,693</b>	58,611	<b>471,387</b>
Interest expenses .....	<b>1,053</b>	1,274	<b>8,604</b>
Interest on deposits .....	<b>433</b>	538	<b>3,538</b>
Interest on negotiable certificates of deposit .....	<b>5</b>	12	<b>41</b>
Interest on call money and bills sold .....	<b>140</b>	188	<b>1,144</b>
Interest expenses on cash collateral received for securities lent .....	<b>53</b>	100	<b>433</b>
Interest on borrowings and rediscounts .....	<b>41</b>	39	<b>335</b>
Other interest expenses .....	<b>378</b>	395	<b>3,088</b>
Fees and commissions payments .....	<b>4,032</b>	4,016	<b>32,944</b>
Other ordinary expenses .....	<b>1,771</b>	1,741	<b>14,470</b>
General and administrative expenses .....	<b>34,845</b>	35,473	<b>284,705</b>
Other expenses .....	<b>15,990</b>	16,105	<b>130,648</b>
Provision of allowance for loan losses .....	<b>2,564</b>	4,283	<b>20,949</b>
Other .....	<b>13,426</b>	11,821	<b>109,699</b>
<b>Ordinary profit</b> .....	<b>13,492</b>	12,807	<b>110,238</b>
<b>Extraordinary income</b> .....	<b>—</b>	0	<b>—</b>
Gain on disposal of non-current assets .....	<b>—</b>	0	<b>—</b>
<b>Extraordinary losses</b> .....	<b>70</b>	11	<b>572</b>
Loss on disposal of non-current assets .....	<b>25</b>	11	<b>204</b>
Impairment losses .....	<b>45</b>	—	<b>368</b>
<b>Profit before income taxes</b> .....	<b>13,421</b>	12,796	<b>109,658</b>
Income taxes—current .....	<b>4,147</b>	4,148	<b>33,883</b>
Income taxes—deferred .....	<b>269</b>	622	<b>2,198</b>
Total income taxes .....	<b>4,417</b>	4,771	<b>36,090</b>
<b>Profit</b> .....	<b>9,004</b>	8,025	<b>73,568</b>
<b>Profit attributable to non-controlling interests</b> .....	<b>2</b>	3	<b>16</b>
<b>Profit attributable to owners of parent</b> .....	<b>¥ 9,001</b>	¥ 8,022	<b>\$ 73,544</b>

\* U.S. dollar figures have been translated at the rate ¥122.39 to U.S.\$1, the prevailing market rate as of March 31, 2022.

Consolidated Statements of Comprehensive Income	Millions of Yen		Thousands of U.S. Dollars*
	2022	2021	2022
<b>Profit</b> .....	<b>¥ 9,004</b>	¥ 8,025	<b>\$ 73,568</b>
Other comprehensive income .....	<b>(4,957)</b>	8,381	<b>(40,502)</b>
Valuation difference on available-for-sale securities .....	<b>(4,623)</b>	4,555	<b>(37,773)</b>
Deferred gains or losses on hedges .....	<b>435</b>	1,142	<b>3,554</b>
Remeasurements of defined benefit plans, net of tax .....	<b>(769)</b>	2,682	<b>(6,283)</b>
<b>Comprehensive income</b> .....	<b>¥ 4,046</b>	¥16,406	<b>\$ 33,058</b>
Comprehensive income attributable to			
Owners of parent .....	<b>¥ 4,043</b>	¥16,403	<b>\$ 33,034</b>
Non-controlling interests .....	<b>2</b>	3	<b>16</b>

\* U.S. dollar figures have been translated at the rate ¥122.39 to U.S.\$1, the prevailing market rate as of March 31, 2022.

# Consolidated Statements of Changes in Equity

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2022 and 2021

	Millions of Yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2020.....	¥45,743	¥38,352	¥136,947	¥(909)	¥220,133
Changes during period:					
Dividends of surplus .....			(2,682)		(2,682)
Profit attributable to owners of parent.....			8,022		8,022
Purchase of treasury shares .....				(2)	(2)
Disposal of treasury shares.....		—		—	—
Net changes in items other than shareholders' equity ...					
Total changes during period.....	—	—	5,339	(2)	5,337
Balance as of March 31, 2021 .....	¥45,743	38,352	142,286	(911)	225,471
Changes during period:					
Dividends of surplus .....			(2,682)		(2,682)
Profit attributable to owners of parent.....			9,001		9,001
Purchase of treasury shares .....				(4)	(4)
Disposal of treasury shares.....		1		22	24
Net changes in items other than shareholders' equity ...					
Total changes during period.....	—	1	6,318	18	6,338
Balance as of March 31, 2022 .....	¥45,743	¥38,353	¥148,605	¥(893)	¥231,809

	Millions of Yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance as of April 1, 2020.....	¥10,543	¥(1,454)	¥8,286	¥(2,122)	¥15,253	¥47	¥23	¥235,458
Changes during period:								
Dividends of surplus .....								(2,682)
Profit attributable to owners of parent.....								8,022
Purchase of treasury shares .....								(2)
Disposal of treasury shares.....								—
Net changes in items other than shareholders' equity ...	4,555	1,142	—	2,682	8,381	—	3	8,384
Total changes during period.....	4,555	1,142	—	2,682	8,381	—	3	13,721
Balance as of March 31, 2021 .....	15,099	(311)	8,286	559	23,634	47	26	249,179
Changes of items during period:								
Dividends of surplus .....								(2,682)
Profit attributable to owners of parent.....								9,001
Purchase of treasury shares .....								(4)
Disposal of treasury shares.....								24
Net changes of items other than shareholders' equity ...	(4,623)	435	—	(769)	(4,957)	(8)	2	(4,964)
Total changes during period.....	(4,623)	435	—	(769)	(4,957)	(8)	2	1,374
Balance as of March 31, 2022 .....	¥10,476	¥ 124	¥8,286	¥ (210)	¥18,676	¥38	¥29	¥250,554

	Thousands of U.S. Dollars*				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2021 .....	\$373,748	\$313,359	\$1,162,562	\$(7,443)	\$1,842,234
Changes during period:					
Dividends of surplus .....			(21,914)		(21,914)
Profit attributable to owners of parent.....			73,544		73,544
Purchase of treasury shares .....				(33)	(33)
Disposal of treasury shares.....		8		180	196
Net changes in items other than shareholders' equity ...					
Total changes during period.....	—	8	51,622	147	51,785
Balance as of March 31, 2022 .....	\$373,748	\$313,367	\$1,214,192	\$(7,296)	\$1,894,019

	Thousands of U.S. Dollars*							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance as of March 31, 2021 .....	\$123,368	\$(2,541)	\$67,702	\$ 4,567	\$193,104	\$384	\$212	\$2,035,942
Changes during period:								
Dividends of surplus .....								(21,914)
Profit attributable to owners of parent.....								73,544
Purchase of treasury shares .....								(33)
Disposal of treasury shares.....								196
Net changes in items other than shareholders' equity ...	(37,773)	3,554	—	(6,283)	(40,502)	(65)	16	(40,559)
Total changes during period.....	(37,773)	3,554	—	(6,283)	(40,502)	(65)	16	11,226
Balance as of March 31, 2022 .....	\$ 85,595	\$ 1,013	\$67,702	\$(1,716)	\$152,594	\$310	\$237	\$2,047,177

\* U.S. dollar figures have been translated at the rate ¥122.39 to U.S.\$1, the prevailing market rate as of March 31, 2022.

# Consolidated Statements of Cash Flows

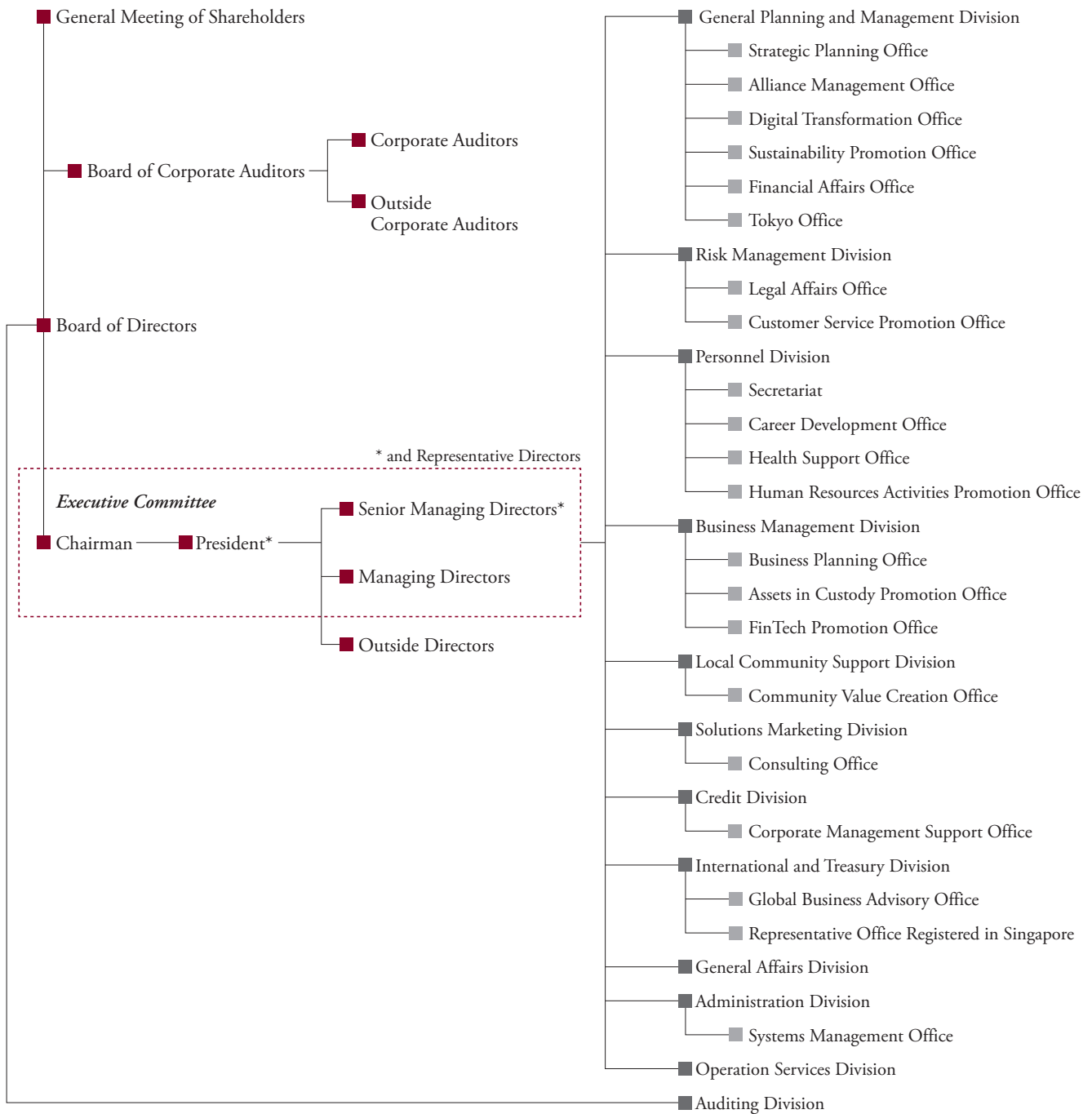
The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars*
	2022	2021	2022
<b>Cash flows from operating activities</b>			
Profit before income taxes .....	¥ 13,421	¥ 12,796	\$ 109,658
Depreciation .....	3,087	2,711	25,223
Impairment losses.....	45	—	368
Share of loss (profit) of entities accounted for using equity method.....	(5)	(2)	(41)
Increase (decrease) in allowance for loan losses .....	(538)	1,898	(4,396)
Increase (decrease) in provision for bonuses.....	(13)	18	(106)
Increase (decrease) in provision for bonuses for directors (and other officers) ...	25	0	204
Decrease (increase) in retirement benefit asset .....	(552)	(450)	(4,510)
Increase (decrease) in retirement benefit liability .....	(208)	(191)	(1,699)
Increase (decrease) in provision for retirement benefits for directors (and other officers)...	(4)	(7)	(33)
Increase (decrease) in provision for loss on interest repayment.....	1	(9)	8
Increase (decrease) in provision for reimbursement of deposits .....	(124)	(46)	(1,013)
Increase (decrease) in provision for point card certificates.....	12	7	98
Increase (decrease) in provision for contingent loss.....	(10)	61	(82)
Increase (decrease) in provision for share-based compensation.....	2	17	16
Increase (decrease) in allowance for demolition of non-current assets .....	—	(329)	—
Interest income .....	(39,714)	(39,380)	(324,487)
Interest expenses.....	1,053	1,274	8,604
Loss (gain) related to securities .....	(89)	(1,694)	(727)
Loss (gain) on money held in trust .....	4	2	33
Foreign exchange losses (gains).....	(3,377)	(2,029)	(27,592)
Loss (gain) on disposal of non-current assets .....	25	10	204
Net decrease (increase) in trading securities .....	10	(13)	82
Net decrease (increase) in loans and bills discounted .....	(51,689)	(218,233)	(422,330)
Net increase (decrease) in deposits.....	171,244	376,517	1,399,167
Net increase (decrease) in negotiable certificates of deposit.....	(48,100)	(62,440)	(393,006)
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ...	47,164	299,337	385,358
Net decrease (increase) in due from banks (excluding due from Bank of Japan)...	(95)	0	(776)
Net decrease (increase) in call loans .....	(202)	(102)	(1,650)
Net increase (decrease) in call money .....	(1,769)	5,005	(14,454)
Net increase (decrease) in cash collateral received for securities lent.....	(2,682)	4,020	(21,914)
Net decrease (increase) in foreign exchanges—assets.....	(543)	2,033	(4,437)
Net increase (decrease) in foreign exchanges—liabilities .....	(5)	(134)	(41)
Net increase (decrease) in borrowed money from trust account .....	2,452	2,239	20,034
Interest received .....	40,087	39,896	327,535
Interest paid .....	(1,124)	(1,406)	(9,184)
Other, net .....	1,836	3,557	15,001
Subtotal.....	129,621	424,934	1,059,082
Income taxes refund .....	23	2,160	188
Income taxes paid.....	(5,314)	(1,392)	(43,419)
Net cash provided by (used in) operating activities.....	124,330	425,702	1,015,851
<b>Cash flows from investing activities</b>			
Purchase of securities.....	(222,577)	(309,024)	(1,818,588)
Proceeds from sale of securities.....	84,263	81,587	688,479
Proceeds from redemption of securities .....	81,021	178,329	661,990
Increase in money held in trust.....	(5)	(5)	(41)
Purchase of tangible fixed assets.....	(11,570)	(7,110)	(94,534)
Proceeds from sale of property, plant and equipment .....	—	7	—
Purchase of intangible assets.....	(1,932)	(1,518)	(15,786)
Payments for asset retirement obligations .....	(11)	(1)	(90)
Net cash provided by (used in) investing activities .....	(70,810)	(57,734)	(578,560)
<b>Cash flows from financing activities</b>			
Dividends paid.....	(2,682)	(2,682)	(21,914)
Purchase of treasury shares .....	(4)	(2)	(33)
Proceeds from sale of treasury shares .....	24	—	196
Net cash provided by (used in) financing activities.....	(2,663)	(2,685)	(21,758)
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>50,856</b>	<b>365,282</b>	<b>415,524</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>739,274</b>	<b>373,991</b>	<b>6,040,314</b>
<b>Cash and cash equivalents at end of period.....</b>	<b>¥ 790,130</b>	<b>¥ 739,274</b>	<b>\$ 6,455,838</b>

\* U.S. dollar figures have been translated at the rate ¥122.39 to U.S.\$1, the prevailing market rate as of March 31, 2022.



## Organization Chart (as of July 1, 2022)



## Board of Directors, Corporate Auditors and Executive Officers (as of July 1, 2022)

Chairman	Managing Directors	Corporate Auditors	Managing Executive Officers	Executive Officers
Kikuo Kato	Ken Otomo	Yuichi Tanaka (standing)	Masaharu Saito	Manabu Okabe
<b>President</b>	Tsutomu Kainuma	Susumu Kurosawa (standing)	Kazuhiro Wakabayashi	Hiroshi Amada
Kazumasa Nagahori	<b>Directors</b>	Tomio Kezuka (outside)	Takao Miyazaki	Masahiro Asano
<b>Senior Managing Director</b>	Ryuichi Mitsuoka (outside)	Kenji Tamura (outside)		Yukio Kurosu
Toshiyuki Shirai	Yukimitsu Sanada (outside)	Hayato Yoshida (outside)		Hideaki Takeuchi
	Ayako Kobayashi (outside)			Toshitaka Matsuura
				Noboru Iijima
				Kiyoshi Takizawa
				Kenichi Komoriya

## Investor Information (as of March 31, 2022)

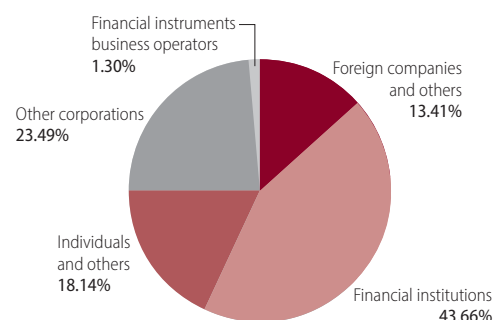
<b>Common Stock</b>	Authorized: 80,000 thousand shares
	Issued: 33,805 thousand shares
<b>Number of Shareholders</b>	12,732

### Major Shareholders

Name	Number of shares (Thousands of shares)	Shares held as a percentage of total outstanding shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,049	12.07
Custody Bank of Japan, Ltd. (trust account)	2,586	7.71
Custody Bank of Japan, Ltd. (trust account 4)	1,256	3.74
The Chiba Bank, Ltd.	925	2.75
Meiji Yasuda Life Insurance Company	735	2.19
Musashino Bank Industries Employees' Stockholding Association	729	2.17
MUFG Bank, Ltd.	727	2.16
SUMITOMO LIFE INSURANCE COMPANY	702	2.09
Maeda Glass Co., Ltd.	582	1.73
Nippon Life Insurance Company	507	1.51

\* 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 shares under the name of Japan Securities Depository Center, Inc.



The Musashino Bank, Ltd.

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Phone: +81-48-641-6111

## Brand Message

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# *More For You*

The Musashino Bank's brand message is "More for You."  
The Bank personnel always ask themselves  
"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 provide  
everyone with better services and to contribute to  
our local communities.

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