



ANNUAL REPORT 2020

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

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

Corporate Philosophy

"Working in harmony with the local community it serves"

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

"Maintaining a deep respect toward customers"

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

Bank Data (non-consolidated basis, as of March 31, 2020)

Head Office:	333-13, OLS Building, Sakuragi-cho 4-chome, Omiya-ku, Saitama
Home page:	http://www.musashinobank.co.jp
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:	2,051
Total assets:	¥4,659.3 billion
Deposits:	¥4,360.8 billion
Loans:	¥3,584.5 billion
Common stock:	¥45.7 billion
Capital adequacy ratio:	8.13%
Number of correspondent arrangements:	113
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

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Financial and Non-Financial Highlights

The Musashino Bank, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2020 and 2019

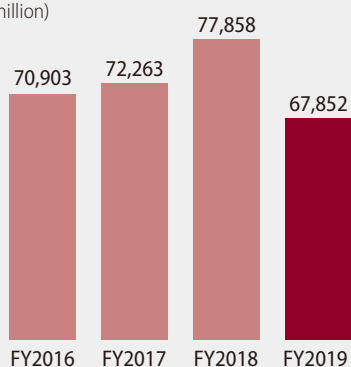
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Notes 1 and 2)
	2020	2019	2020
At Year-end			
Total assets.....	¥4,674,059	¥4,626,044	\$42,948,259
Deposits including negotiable certificates of deposit.....	4,343,879	4,282,860	39,914,353
Loans and bills discounted	3,571,715	3,522,130	32,819,213
Trading account securities and securities.....	624,188	654,442	5,735,441
Total net assets	235,458	239,214	2,163,539
Capital adequacy ratio (based on domestic standards) (%)	8.46	8.40	
For the Year			
Ordinary income.....	¥ 67,852	¥ 77,858	\$ 623,468
Ordinary expenses.....	59,106	66,487	543,104
Profit before income taxes	8,732	10,917	80,235
Profit attributable to owners of parent.....	8,066	5,345	74,116

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 the rate ¥108.83 to U.S.\$1, the prevailing exchange rate as of March 31, 2020.

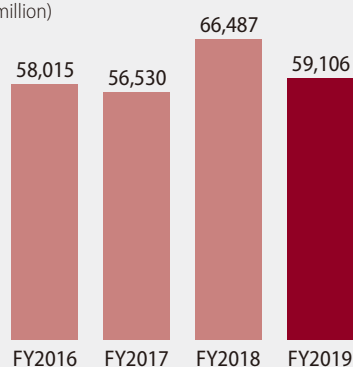
Ordinary income

(¥ million)



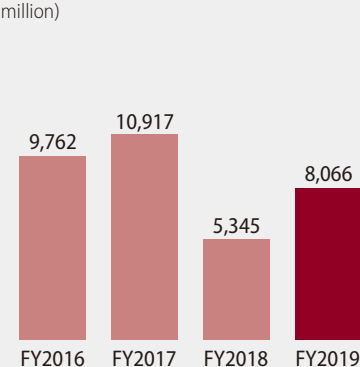
Ordinary expenses

(¥ million)



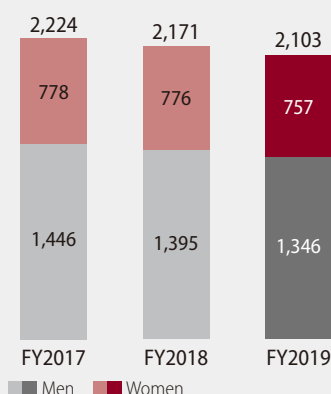
Profit attributable to owners of parent

(¥ 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



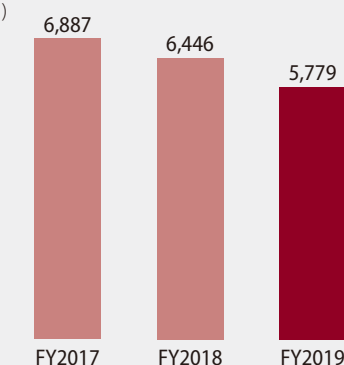
Ratio of female managers

(%)



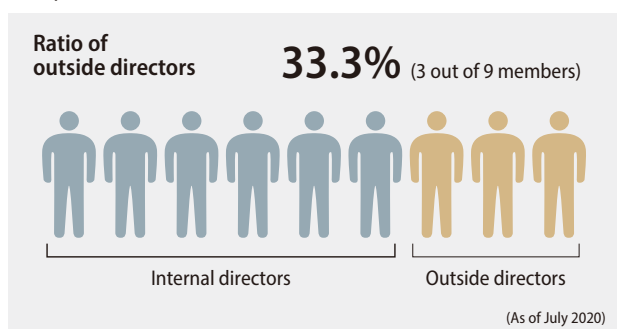
CO₂ emissions

(t)

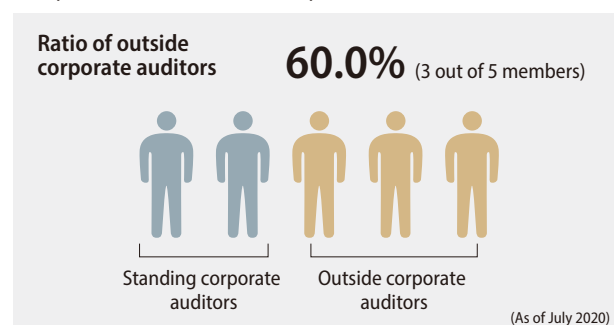


Governance

Composition of the Board of Directors

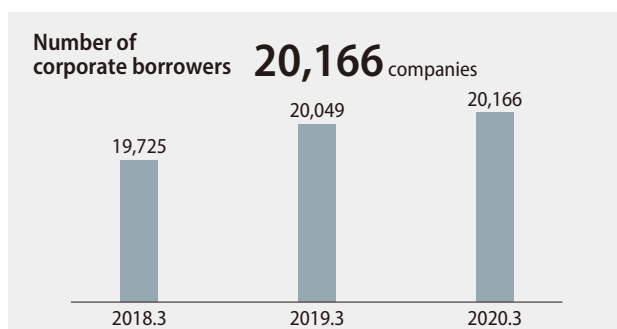


Composition of the Board of Corporate Auditors

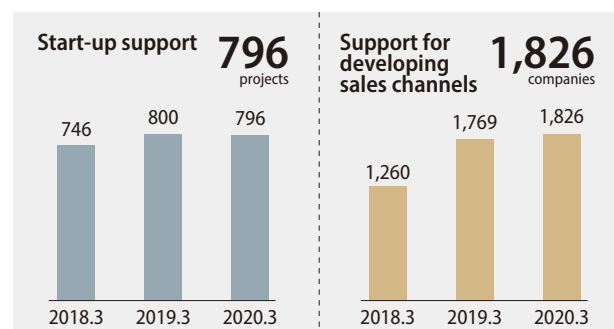


Social

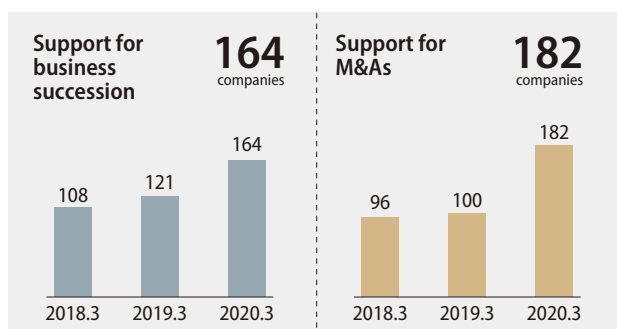
Customer base



Support for customers' core business activities



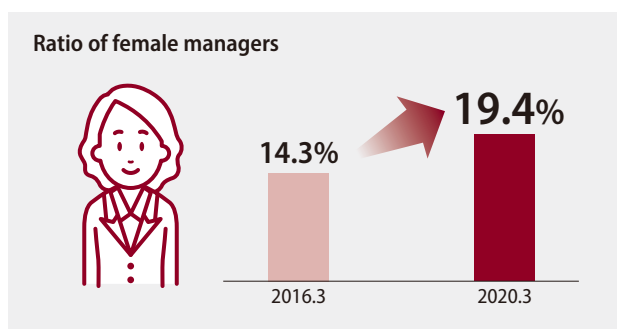
Solving issues such as business succession



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

Ratio of employees with disabilities



2.32%

(March 2020, Group-wide)

Promoting work-life balance

Childcare leave acquisition rate



100%

for both men and women

(Year ended March 31, 2020)

Contribution to local communities through our main business

SDGs private-placement bonds (Donation-type private-placement bonds)



Issue amount

Total of **¥6,920** million

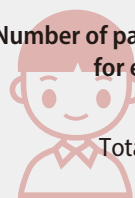
Donation amount

Approx. **¥13** million

(September 2018 to March 2020)

Financial literacy

Number of participants in financial literacy classes for elementary school students



Total of **871** participants



(2010–2019)

Support for promotion of local culture and art

Violin concerts at elementary schools within Saitama Prefecture

Total of **44** concerts (2009–2019)

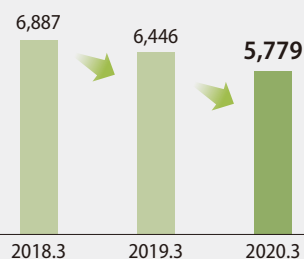
Concerts for customers

Total of **11** concerts (2007–2019)

CO₂ emissions



(Tons)



Greening activities

Subsidies provided by the Musashino Green Fund public trust



Total of **¥71.30** million

Total of **295**
environmental organizations
provided with assistance

(July 1992 to April 2020)

Environmentally friendly accounts

Environmentally friendly accounts that do not issue passbooks,
leading to reduced paper use

WebNote

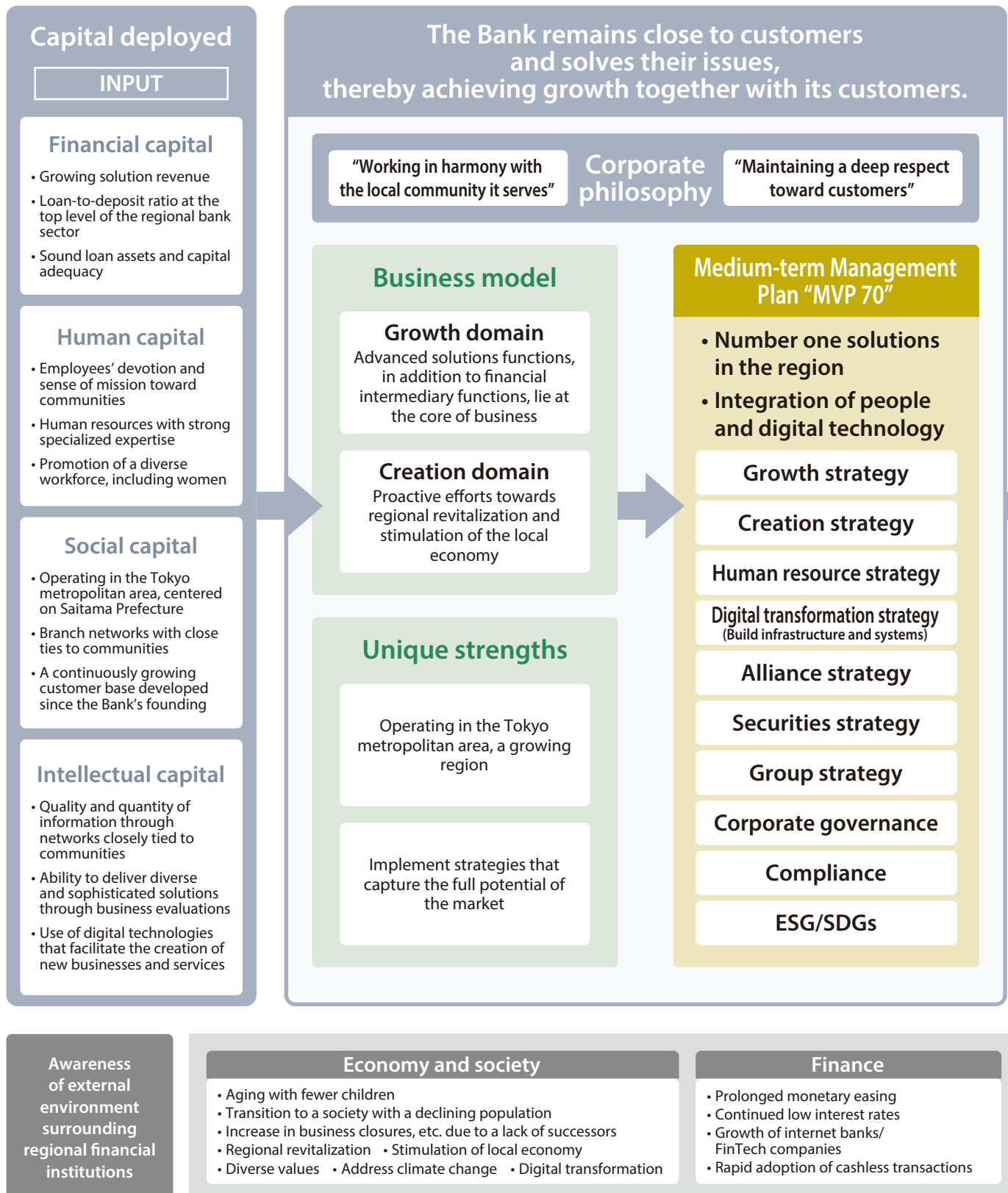


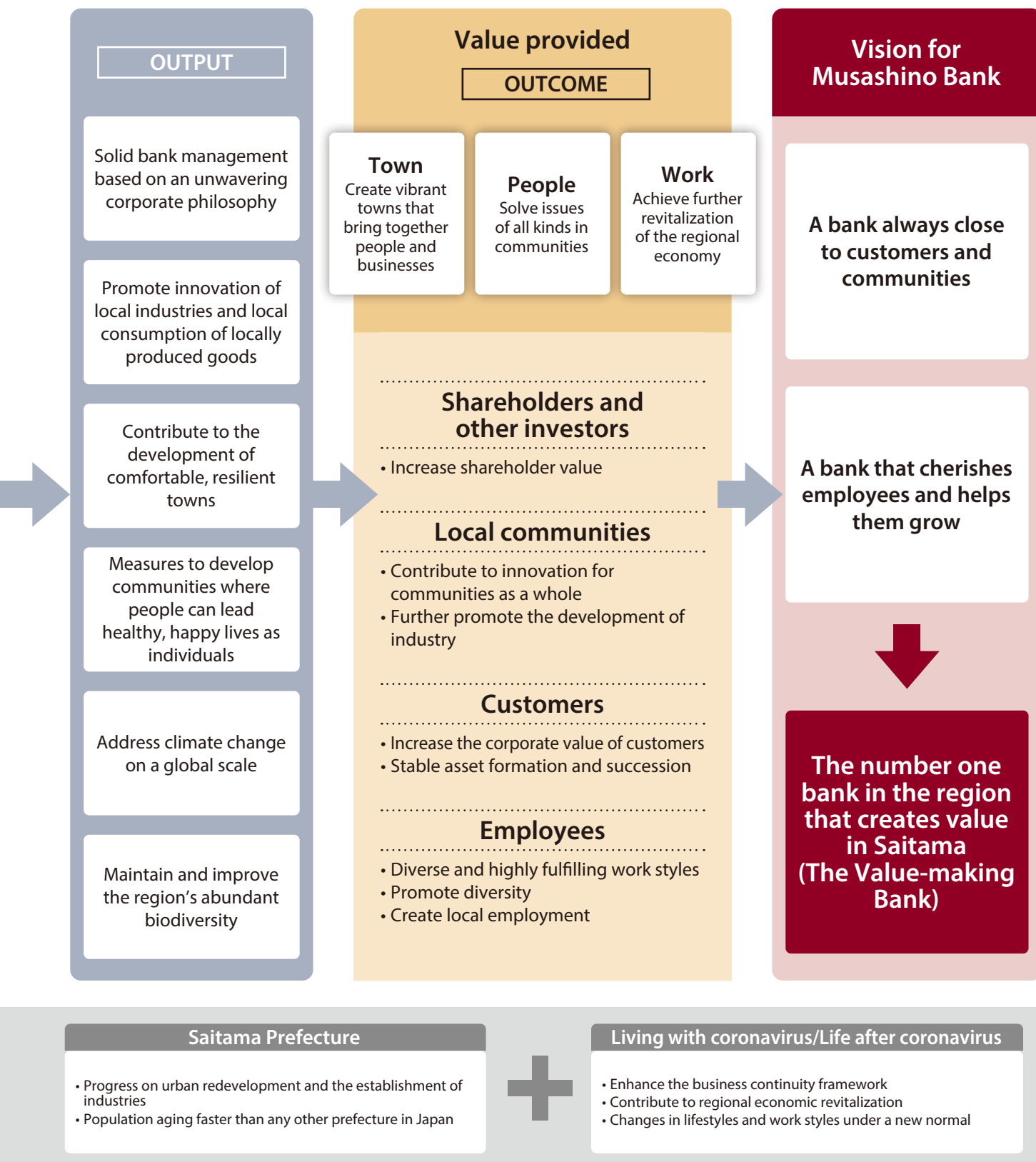
20,210
accounts

(As of March 31, 2020)

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.





Continuing to Grow Together with Communities



Kazumasa Nagahori
President

Financial Results for Fiscal 2019

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

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

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

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

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

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

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

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

Building Sustainable Business Models

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

single-mindedly to realize this vision.

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

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

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

Medium-term Management Plan “MVP 70”

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

Branch Networks

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

Rebuilding Our Sales System

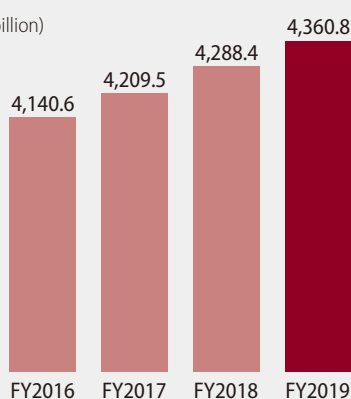
In order to establish a sales system to provide optimal solutions, we have clearly defined the roles of personnel assigned to each corporate and individual customer. Along with this, we will focus on improving the specialized expertise of the Bank’s employees, by encouraging them to obtain practical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

Initiatives for Corporate and Individual Customers

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

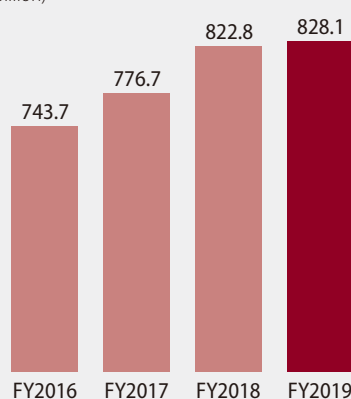
Deposits including negotiable certificates of deposit (non-consolidated)

(¥ billion)



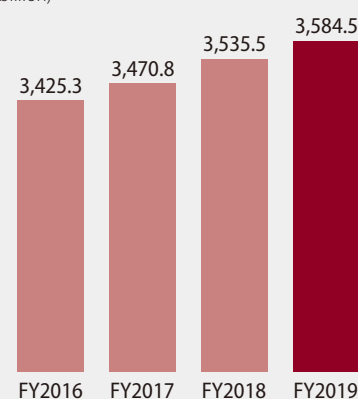
Assets in custody (non-consolidated)

(¥ billion)



Loans (non-consolidated)

(¥ billion)



Digital Transformation

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

Human Resource Development

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

Alliance Strategy

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

Refining Corporate Governance

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

Continuing to Grow Together with Communities

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

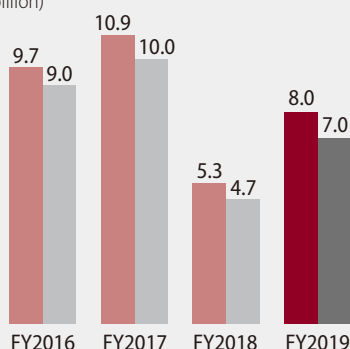
In closing, we kindly ask for your continued support and understanding.

K. Nagahori

Kazumasa Nagahori
President

Profit attributable to owners of parent/ Net income

(¥ billion)



■ Consolidated
■ Non-consolidated

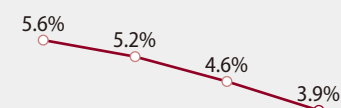
Dividend payout ratio and annual dividend

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

Shareholders return ratio

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

5-year average of consolidated ROE



FY2016 FY2017 FY2018 FY2019

■ Long-term Vision/Medium-term Management Plan

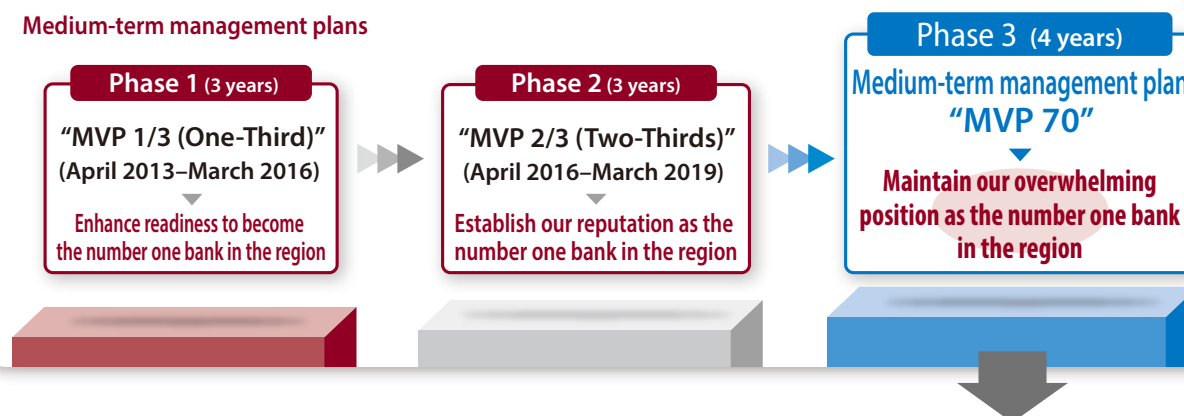
In 2013, the Bank formulated its long-term vision as a management indicator for the next 10 years. In April 2019, we started the medium-term management plan “MVP 70” as the final phase in this long-term vision. Aiming as a bank to remain close to our customers and communities at all times, and to value people and help them to grow, we will consolidate the business model reforms that we have carried out to date, and provide new added value to our local customers.

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



Medium-term Management Plan “MVP 70” Plan period: April 2019–March 2023

Our Vision

- A bank always close to customers and communities
- A bank that cherishes employees and helps them grow

The Bank rigorously pursues a business model that reinvests in community development to earn the overwhelming satisfaction of customers and earnings by resolving issues

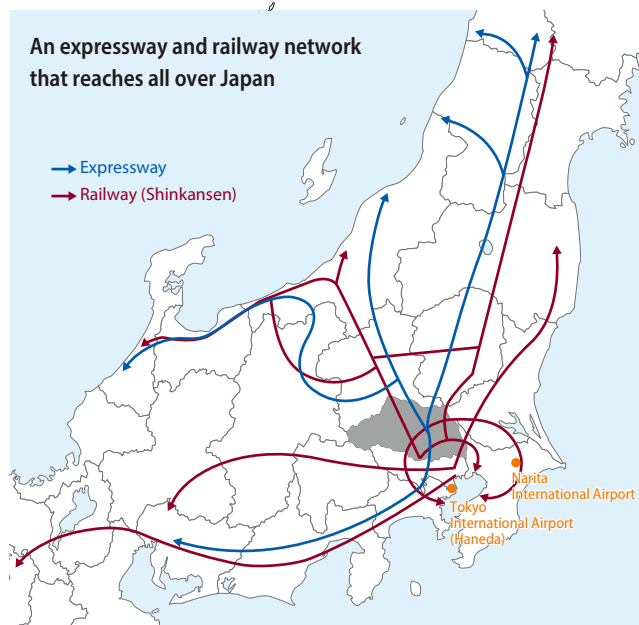
Key Strategies

- Growth strategy
- Creation strategy
- Human resource strategy
- Digital transformation strategy (Build infrastructure and systems)
- Alliance strategy
- Securities strategy
- Group strategy
- Management and administration systems, compliance, ESG/SDGs

Quantitative Results and Targets	FY2019	FY2022
Net earnings from core business	¥11.5 billion	¥15.0 billion
Earnings	¥7.0 billion	¥10.0 billion
Core OHR	74.38%	70% or less
ROE	3.09%	4% or more
Equity ratio	8.13%	8% level

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 2010 to 2019 standing at 688 companies, the highest in the country for 9 consecutive years. 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



As the Chiba-Musashino Alliance that started in March 2016 enters its fifth year, the two banks' coordinated projects and collaborations in many fields are accelerating. We aim to expand our operational alliance even further in areas such as joint establishment of sales offices in Tokyo, including the Ikebukuro Branch and the Hamamatsucho Office, and further expand sales collaboration in such areas as securities brokerage, inheritance and international operations. Furthermore, in an effort to resolve regional issues in Saitama and Chiba Prefectures and revitalize their local economies, we will focus on initiatives aiming to provide such revitalization, such as jointly holding relocation seminars and events promoting local consumption of locally produced goods.

Financial Instruments Intermediary Business

Asset Management Operations

Inheritance-Related Services

International Operations

Joint Establishment of Sales Branches

Business Succession Support

TSUBASA Alliance



The TSUBASA Alliance is Japan's largest alliance of regional banks, with 10 regional banks participating in the alliance from various areas across Japan. As digitalization continues to advance, we are working together with other alliance partners in a wide range of fields, such as initiatives to increase the sophistication of financial services, and measures to address cashless transactions and anti-money laundering.

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

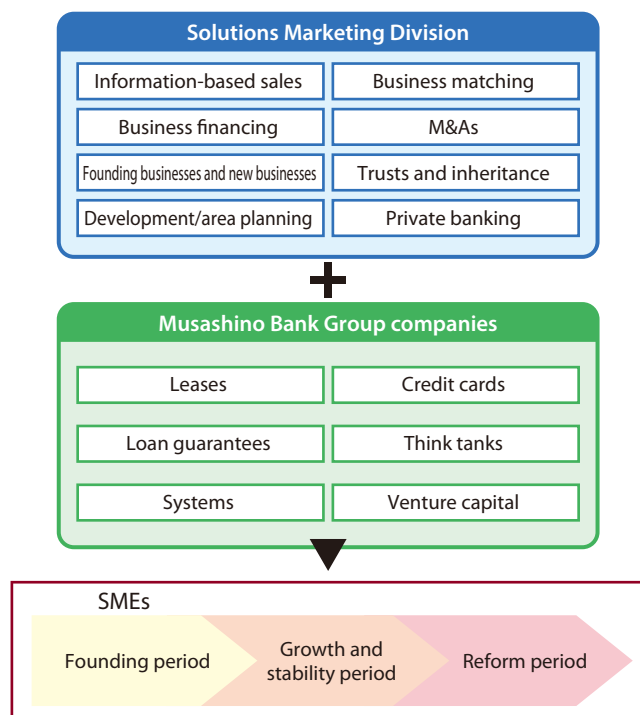
Main Initiatives

- Create platforms that promote increased service levels and cost reductions
- Initiatives to respond to cashless transactions, FinTech, and digitalization
- Collaboration on overseas-related operations
- Cost reduction through new technologies
- Initiatives for achieving the SDGs

■ Providing SME Management Assistance

Strengthening Solution Marketing

Through initiatives led by the Solutions Marketing Division, the Bank is working to create beneficial cycles in the local economy by providing diverse solutions to meet the needs of corporate clients at various stages in their business development. These include management innovation support through partnerships with external organizations, such as government institutions, as well as support for inheritance and business succession, and support for M&As.



Support for Start-Ups and New Entries

The Bank has developed its own unsecured, unguaranteed financial products for entrepreneurs whose businesses are younger than two years old. We have established a Start-Up Support Desk, and we use our uniquely capable network to provide information, support business plan formulation, and dispatch experts. We also provide detailed support through close cooperation between our “support team for start-ups and new entries” in our Head Office and branches.

Support for Manufacturing Companies

The Bank continuously implements initiatives to foster management and technological innovation and enhance productivity at companies in the manufacturing sector. Two of these initiatives are the Monozukuri Management Course, which presents insights into cutting-edge industry trends and related topics, and Digital Academy, which supports more highly specialized activities that address digitalization. Both of these initiatives have been well received.

Offering a Variety of Financing Methods

The Bank has focused on offering a variety of financing methods, including syndicated loans to diversify procurement methods and implement financial rationalization when a cooperative financing group has been formed by a number of financial institutions, project financing that provides funding after focusing on the cash flow of a business, private placement bonds that 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.

Support for Solving Various Issues by Utilizing Information

At the Information Center located in our Head Office, we collect information about business matching, real estate, the local area, and other matters, and use it to meet needs for sales channel expansion, market development, technology alliances, and establishment of offices, plants, and so forth. In addition, we obtained a license to operate a fee-charging employment placement business in September 2020, and we began employment placement operations in October.

Support for Overseas Expansion

We set up a Representative Office Registered in Singapore in August 2018. Through this office, we offer a wide range of services to support clients' activities in the ASEAN region, both those carrying out business expansion and those examining the launching of new businesses. Services include providing information through our local networks, and planning and holding various events.



The Musashino Bank, Ltd.,
Representative Office Registered in
Singapore

50 Raffles Place, #10-07 Singapore
Land Tower, Singapore 048623
TEL: +65-6323-6340
FAX: +65-6535-6341
singapore@musashinobank.co.jp

Supporting M&As, Inheritance, and Business Succession

To help customers with issues of inheritance and business succession, our highly knowledgeable expert staff offer proposals that are optimal for each customer. In March 2019, the Bank became the first financial institution based in Saitama Prefecture to acquire a trust license, enabling us to provide a full line of services such as testamentary trusts. In addition, for customers that wish to transfer their companies, we provide M&A support services to provide a smooth business succession.

Business Evaluation

The Bank does not rely excessively on financial data, collateral and guarantees—it is carrying out initiatives that prioritize business evaluation, including the business details and growth possibilities of each individual company. The number of borrowers based on a business evaluation stood at 7,000 companies as of March 2020.

Contributing to the Local Economy

Deposits from the Region

As of March 31, 2020, deposits from the region increased ¥99.3 billion year on year to ¥4,162.4 billion. The ratio of deposits from the region continued to be high, at 98.75% of the total balance of deposits.

The Bank's share of deposits within the prefecture as of March 31, 2020 is 13.18%.

Assets in Custody from the Region

As of March 31, 2020, assets in custody from the region increased ¥5.3 billion year on year to ¥827.2 billion. The breakdown comprises investment trusts of ¥110.8 billion, life insurance of ¥666.0 billion, and government bonds and other assets of ¥50.4 billion.

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

Loans to the Region

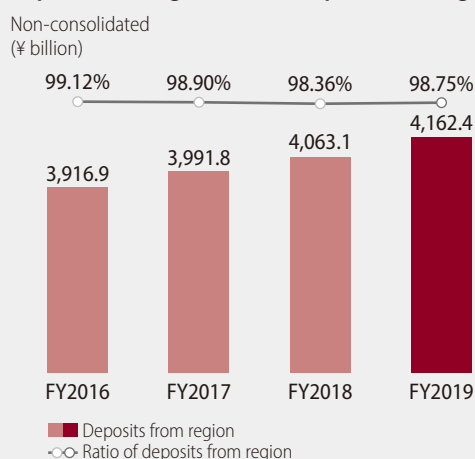
Loans to the region as of March 31, 2020 rose ¥52 billion to ¥3,062.5 billion, thereby maintaining a high loan-to-region ratio of 85.44%. The Bank's share of loans in the prefecture is 19.07%.

Towards a Sounder Financial Position

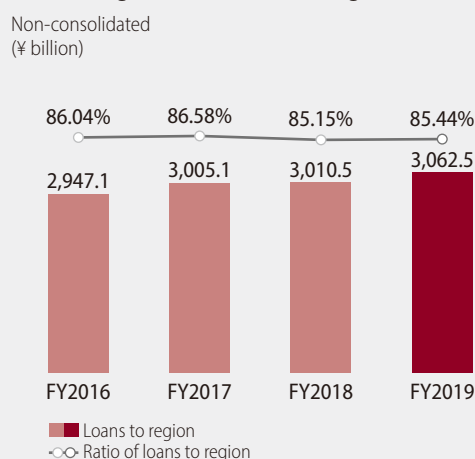
The Bank is strengthening its capital adequacy and reducing non-performing loans. The Bank has maintained a consolidated and non-consolidated capital adequacy ratio (Basel III domestic standard) of 8.46% and 8.13%, respectively, so we have continued to maintain a very sound financial position.

The Bank's non-performing loan ratio, based on standards established by the Financial Reconstruction Act, is 1.98%.

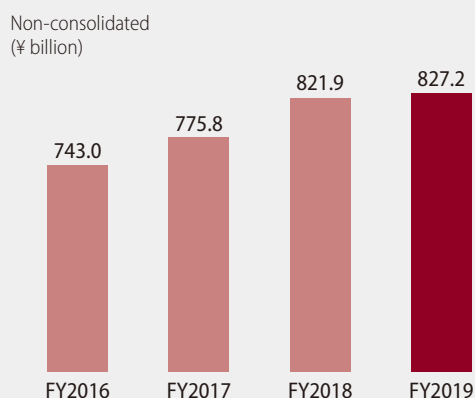
Deposits from region/Ratio of deposits from region



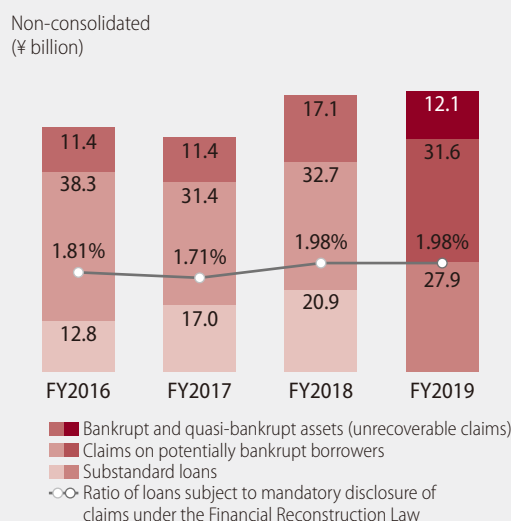
Loans to region/Ratio of loans to region



Assets in custody from region



Non-performing loans



* "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).

■ ESG/SDGs 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. (Corresponding SDGs: 16 and 17)



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. (Corresponding SDG: 3)



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. (Corresponding SDGs: 8, 9 and 11)



Responding to Climate Change, Maintaining and Increasing Biodiversity

The Bank will respond to global climate change and make efforts to maintain and improve the rich local biodiversity. (Corresponding SDGs: 13 and 15)



Specific Initiatives

- The Bank will work through investment and loans to encourage sustainable corporate conduct among business partners.
- The Bank will build a platform for industry revival and regional revitalization.
- The Bank will take steps to revitalize towns and suburban residential areas, and promote interest in sightseeing in the upland areas, etc.
- The Bank will implement health and productivity management.
- The Bank will focus on improving the financial literacy of customers of all ages.
- The Bank will lead efforts to pass on Saitama Prefecture's abundant biodiversity to the next generation.

Initiatives for Regional Revitalization

In addition to assisting initiatives by local government, the Bank works with government, corporations, NPOs, educational institutes, and other relevant people to solve various local issues and to create new value. We will make a concerted effort regarding the government's "comprehensive strategy for towns, people, and job revitalization."

In August 2019, the Bank newly formed the Regional Revitalization Consortium as a collaboration platform.

Alliances and Partnerships with Local Government Organizations, Etc.

Prefectures	Saitama Prefecture	
Designated Municipalities	Saitama City	
Municipalities	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

Initiatives for PPP and PFI

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

Regional Revitalization through Tourism

Based on an industry-academia collaboration agreement with Rikkyo University, the Bank is implementing a project to promote regional revitalization through tourism in Saitama Prefecture. In September 2020, the project put the spotlight on Chichibu, one of Saitama Prefecture's leading sightseeing destinations. It created a map highlighting a little-known local sightseeing resource: the Chichibu pilgrimage (*fudasho*) sites. Prepared based on the fresh insights and perspectives of university students, the publication has been well received as an innovative sightseeing map for the Chichibu area.



Promoting the Development of Industry by Uncovering Local Resources

Since 2014, the Bank has been working to revive wheat production in Saitama City and to promote the development of industry by making use of this wheat. The Bank has carried out activities such as creating prototypes of products made with locally grown wheat. In September 2020, a craft beer product made with wheat harvested in June 2020 was successfully completed in cooperation with a local brewery in Saitama City. The craft beer product is expected to help stimulate local personal consumption.



Environmental Initiatives

Initiatives to Preserve the Environment through Our Main Business

The Bank handles a large number of environment-related products, and conducts investment and financing for projects that contribute to sustainability, such as issuing Green Bonds (Daiwa Securities Group Head Office) and Sustainability Finance (Japan Railway Construction, Transport and Technology Agency).

Environmentally Conscious Branch Management

The Bank continuously strives to develop branches and offices that reflect consideration for biodiversity and other environmental priorities. Notably, native plant species formerly found in the local area are planted around administrative offices, among other locations.

The Bank is currently constructing its new Head Office. Plans call for the building to offer excellent environmental performance, while reflecting biodiversity considerations.

Additionally, in order to reduce CO₂ emissions, we have introduced electric vehicles into our Head Office sales vehicle fleet, in addition to making use of the Toyota Mirai, a next-generation fuel cell electric vehicle.

Collaboration with Local Companies

We use business cards and novelty items made with a special material containing eggshells. This material was developed by a local company. The use of this material helps to reduce the CO₂ emissions generated during the disposal of eggshells.

Supporting Efforts to Promote Greening

The Musashino Green Fund public trust has provided ¥71 million in assistance in total to 295 environmental organizations since its creation in 1992, proactively supporting greening activities in Saitama Prefecture.

Environmental Education for Employees

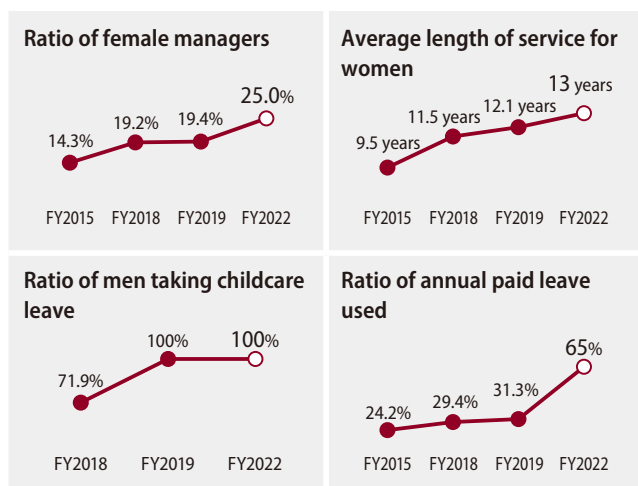
Each year, the Bank conducts natural environment preservation activities such as removing invasive plant species from the Mitsumata-numa Biotope along the Arakawa River in collaboration with Ecosystem Conservation Society – Saitama and the Arakawa Citizens Environmental Supporters.

Diversity Initiatives

Allowing diverse human resources of all genders and ages to advance and participate increases the competitive capabilities of a company and creates a source of new value creation. Based on this idea, the Bank has formulated the Basic Policy Regarding Promotion of Advancement and Participation by Human Resources and the long-term vision relating to promoting participation by human resources. Guided by these, we will focus on promoting the advancement and participation not only of women, but also of people with disabilities and seniors (career veterans).

Promoting Women's Participation and Advancement

The Bank has formulated an action plan based on the Act on Promotion of Women's Participation and Advancement. Initiatives to support women's career advancement include overseas observation and training and joint management skills seminars held with Chiba Bank.



Creating a Society Where Diverse Human Resources Can Participate

The Musashino Harmony Co., Ltd. is a special subsidiary established with the goal of increasing opportunities for people with disabilities to play a role. The company currently has six employees and its operations include printing business cards and making novelty items. We will strive to create a workplace that is motivating for all employees by enabling them to use their special talents and providing solid support.

Other Initiatives

Initiatives to Improve Financial Literacy

The Bank actively provides financial literacy classes and workplace experiences where participants can learn about the importance of money and the role of banks in society.



Musashino SDGs Private-Placement Bond "Mirai no Chikara"

We are offering the "Musashino SDGs Private-Placement Bond" which contributes to creating a sustainable regional community. Together with local companies, we are supporting organizations working to achieve SDGs such as educational institutions and NPOs.

Promotion of Culture, Art, and Sports

We are working to promote music, drama, and other aspects of culture and the arts with a view to stimulating local society and raising healthy children.

We are making an effort to promote sports. We support locally based sports teams, including the OMIYA ARDIJA J.LEAGUE (Japan Professional Football League) team, the Saitama Seibu Lions professional baseball team, and the Koshigaya Alphas professional basketball team; and we also provide support for local athletes.

Measures to Address Coronavirus Disease 2019 (COVID-19)

The Bank is working to prevent the spread of COVID-19 to its customers and employees, while continuing to provide financial services essential to daily life, such as the settlement of funds and withdrawal of deposits.

Moreover, the Bank has set up emergency consultation desks at all branches for an indefinite period and strives to supply funds efficiently to customers whose businesses have been affected by the COVID-19 pandemic. Concurrently, the Bank provides referrals to public assistance systems and support for the application process, and implements measures to facilitate business model transformation, including the adoption of e-commerce business and remote work.

Enhance Management Oversight Systems

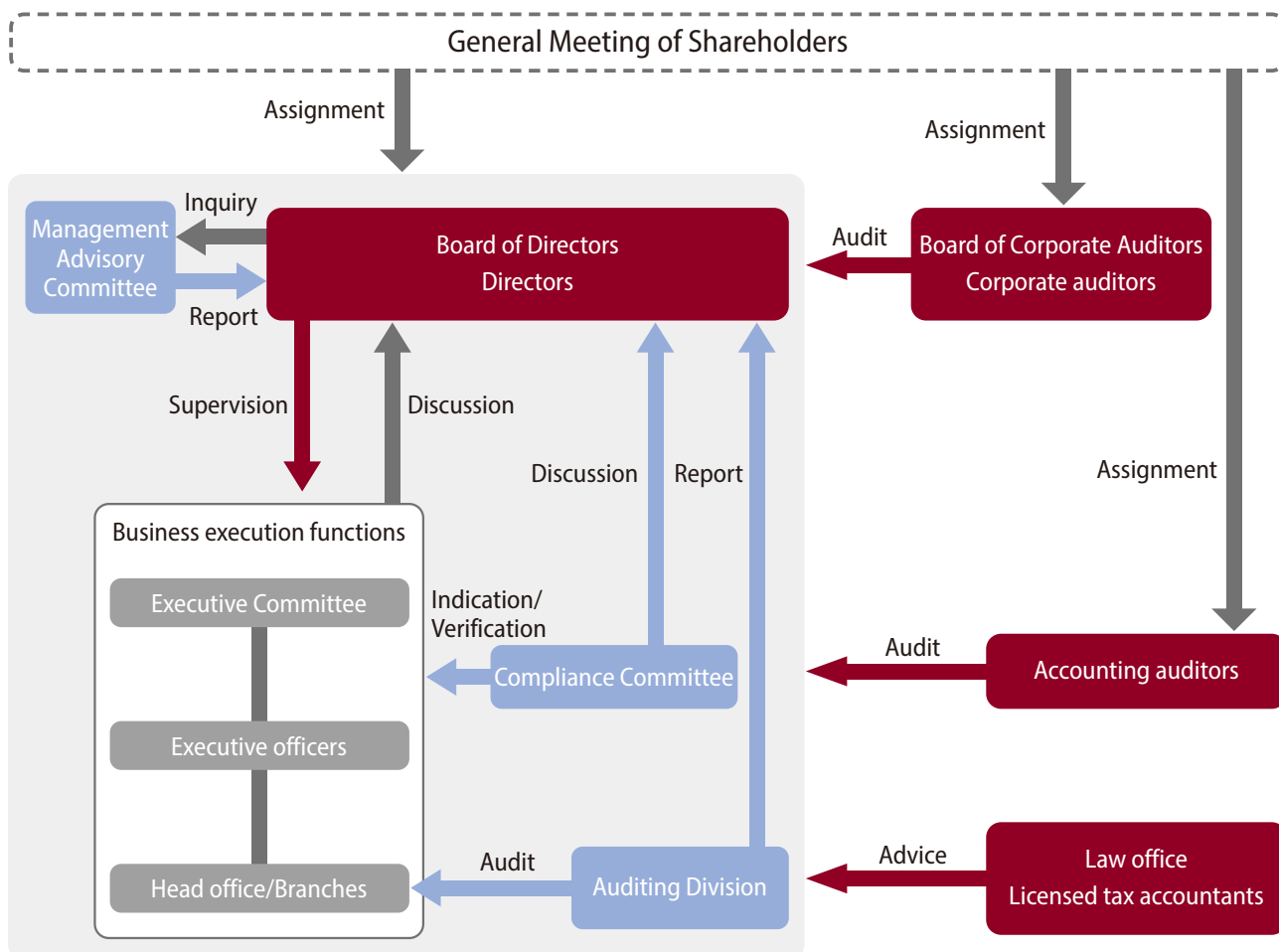
Musashino Bank recognizes that upgrading and expanding its corporate governance capabilities are key priorities of management. In addition to adhering strictly to a policy of compliance with statutory and regulatory requirements as well as in-house rules and regulations, every effort is made to ensure 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 seven people: three outside directors, including the committee chair, two 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 June 30, 2020)



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, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars*
	2020	2019	2020
Assets			
Cash and due from banks	¥ 374,688	¥ 347,398	\$ 3,442,874
Monetary claims bought	510	12,634	4,686
Trading account securities	48	62	441
Money held in trust	1,494	1,490	13,728
Securities	624,140	654,380	5,735,000
Loans and bills discounted	3,571,715	3,522,130	32,819,213
Foreign exchanges	5,191	2,560	47,698
Lease receivables and investment assets	21,103	21,320	193,908
Other assets	35,043	34,473	321,998
Tangible fixed assets	42,224	36,767	387,981
Buildings, net	8,843	9,584	81,255
Land	25,363	25,322	233,052
Lease assets	20	24	184
Construction in progress	6,391	347	58,725
Other tangible fixed assets	1,605	1,488	14,748
Intangible fixed assets	4,375	3,910	40,200
Software	4,068	3,656	37,379
Lease assets	104	80	956
Other intangible fixed assets	201	173	1,847
Net defined benefit asset	5,341	6,732	49,077
Deferred tax assets	3,218	1,004	29,569
Customers' liabilities for acceptances and guarantees	4,795	4,200	44,060
Allowance for loan losses	(19,831)	(23,023)	(182,220)
Total assets	¥4,674,059	¥4,626,044	\$42,948,259

	Millions of Yen		Thousands of U.S. Dollars*
	2020	2019	2020
Liabilities			
Deposits	¥4,210,049	¥4,125,430	\$38,684,637
Negotiable certificates of deposit	133,830	157,430	1,229,716
Call money and bills sold	30,422	30,522	279,537
Payables under securities lending transactions	16,137	21,151	148,277
Borrowed money	11,890	10,933	109,253
Foreign exchanges	358	199	3,290
Borrowed money from trust account	1,043	—	9,584
Other liabilities	19,954	24,519	183,350
Provision for bonuses	1,133	1,148	10,411
Provision for directors' bonuses	11	9	101
Net defined benefit liability	3,452	3,542	31,719
Provision for directors' retirement benefits	39	30	358
Provision for loss on interest repayment	52	44	478
Provision for reimbursement of deposits	366	493	3,363
Provision for point card certificates	88	85	809
Provision for contingent loss	256	198	2,352
Provision for share-based compensation	60	67	551
Allowance for demolition of non-current assets	329	611	3,023
Deferred tax liabilities	99	1,983	910
Deferred tax liabilities for land revaluation	4,227	4,227	38,840
Acceptances and guarantees	4,795	4,200	44,060
Total liabilities	4,438,601	4,386,830	40,784,719
Net assets			
Capital stock	45,743	45,743	420,316
Capital surplus	38,352	38,291	352,403
Retained earnings	136,947	131,563	1,258,357
Treasury shares	(909)	(906)	(8,352)
Total shareholders' equity	220,133	214,692	2,022,724
Valuation difference on available-for-sale securities	10,543	18,391	96,876
Deferred gains or losses on hedges	(1,454)	(1,453)	(13,360)
Revaluation reserve for land	8,286	8,286	76,137
Remeasurements of defined benefit plans	(2,122)	(1,087)	(19,498)
Total accumulated other comprehensive income	15,253	24,137	140,154
Subscription rights to shares	47	66	432
Non-controlling interests	23	318	211
Total net assets	235,458	239,214	2,163,539
Total liabilities and net assets	¥4,674,059	¥4,626,044	\$42,948,259

* U.S. dollar figures have been translated at the rate ¥108.83 to U.S.\$1, the prevailing market rate as of March 31, 2020.

Consolidated Statements of Income and Comprehensive Income

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2020 and 2019

Consolidated Statements of Income	Millions of Yen		Thousands of U.S. Dollars*
	2020	2019	2020
Ordinary income	¥67,852	¥77,858	\$623,468
Interest income	38,872	41,193	357,181
Interest on loans and discounts	32,560	33,176	299,182
Interest and dividends on securities	6,115	7,794	56,189
Interest on call loans and bills bought	(25)	(17)	(230)
Interest on deposits with banks	0	0	0
Other interest income	222	240	2,040
Trust fees	15	—	138
Fees and commissions	14,209	13,856	130,561
Other ordinary income	1,836	1,892	16,870
Other income	12,918	20,915	118,699
Recoveries of written-off claims	373	822	3,427
Other	12,544	20,093	115,262
Ordinary expenses	59,106	66,487	543,104
Interest expenses	2,479	2,622	22,779
Interest on deposits	847	788	7,783
Interest on negotiable certificates of deposit	26	26	239
Interest on call money and bills sold	746	797	6,855
Interest on payables under securities lending transactions	443	469	4,071
Interest on borrowings and rediscounts	38	57	349
Interest on bonds	—	65	—
Other interest expenses	376	417	3,455
Fees and commissions payments	3,838	3,958	35,266
Other ordinary expenses	1,484	1,646	13,636
General and administrative expenses	35,400	34,923	325,278
Other expenses	15,902	23,337	146,118
Provision of allowance for loan losses	4,164	11,831	38,262
Other	11,738	11,505	107,856
Ordinary profit	8,745	11,371	80,355
Extraordinary income	1	1	9
Gain on disposal of non-current assets	1	1	9
Extraordinary losses	15	455	138
Loss on disposal of non-current assets	15	15	138
Other	—	439	—
Profit before income taxes	8,732	10,917	80,235
Income taxes—current	1,054	5,905	9,685
Income taxes—deferred	(415)	(363)	(3,813)
Total income taxes	638	5,541	5,862
Profit	8,094	5,376	74,373
Profit attributable to non-controlling interests	27	31	248
Profit attributable to owners of parent	¥ 8,066	¥ 5,345	\$ 74,116

* U.S. dollar figures have been translated at the rate ¥108.83 to U.S.\$1, the prevailing market rate as of March 31, 2020.

Consolidated Statements of Comprehensive Income	Millions of Yen		Thousands of U.S. Dollars*
	2020	2019	2020
Profit	¥ 8,094	¥ 5,376	\$ 74,373
Other comprehensive income	(8,883)	(10,516)	(81,623)
Valuation difference on available-for-sale securities	(7,847)	(10,361)	(72,103)
Deferred gains or losses on hedges	(0)	(173)	(0)
Remeasurements of defined benefit plans, net of tax	(1,035)	18	(9,510)
Comprehensive income	¥ (789)	¥ (5,140)	\$ (7,250)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ (817)	¥ (5,173)	\$ (7,507)
Comprehensive income attributable to non-controlling interests	27	33	248

* U.S. dollar figures have been translated at the rate ¥108.83 to U.S.\$1, the prevailing market rate as of March 31, 2020.

Consolidated Statements of Changes in Equity

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2020 and 2019

	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance as of April 1, 2018.....	¥45,743	¥38,291	¥128,901	¥(900)	¥212,036
Changes of items during period:					
Dividends of surplus			(2,682)		(2,682)
Profit attributable to owners of parent.....			5,345		5,345
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares.....		(0)		0	0
Transfer to capital surplus from retained earnings		0	(0)		—
Purchase of shares of consolidated subsidiaries treasury stock		—			—
Net changes of items other than shareholders' equity ...					
Total changes of items during period	—	—	2,662	(6)	2,656
Balance as of March 31, 2019	45,743	38,291	131,563	(906)	214,692
Changes of items during period:					
Dividends of surplus			(2,682)		(2,682)
Profit attributable to owners of parent.....			8,066		8,066
Purchase of treasury shares				(42)	(42)
Disposal of treasury shares.....		1		39	40
Transfer to capital surplus from retained earnings		—	—		—
Purchase of shares of consolidated subsidiaries treasury stock		59			59
Net changes of items other than shareholders' equity ...					
Total changes of items during period	—	60	5,383	(3)	5,441
Balance as of March 31, 2020	¥45,743	¥38,352	¥136,947	¥(909)	¥220,133

	Millions of Yen							
	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	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			
Balance as of April 1, 2018.....	¥ 28,754	¥(1,279)	¥8,286	¥(1,105)	¥ 34,655	¥ 66	¥ 285	¥247,043
Changes of items during period:								
Dividends of surplus								(2,682)
Profit attributable to owners of parent.....								5,345
Purchase of treasury shares								(6)
Disposal of treasury shares.....								0
Transfer to capital surplus from retained earnings								—
Purchase of shares of consolidated subsidiaries treasury stock								—
Net changes of items other than shareholders' equity ...	(10,363)	(173)	—	18	(10,518)	—	32	(10,485)
Total changes of items during period	(10,363)	(173)	—	18	(10,518)	—	32	(7,829)
Balance as of March 31, 2019	18,391	(1,453)	8,286	(1,087)	24,137	66	318	239,214
Changes of items during period:								
Dividends of surplus								(2,682)
Profit attributable to owners of parent.....								8,066
Purchase of treasury shares								(42)
Disposal of treasury shares.....								40
Transfer to capital surplus from retained earnings								—
Purchase of shares of consolidated subsidiaries treasury stock								59
Net changes of items other than shareholders' equity ...	(7,847)	(0)	—	(1,035)	(8,884)	(18)	(294)	(9,197)
Total changes of items during period	(7,847)	(0)	—	(1,035)	(8,884)	(18)	(294)	(3,755)
Balance as of March 31, 2020	¥ 10,543	¥(1,454)	¥8,286	¥(2,122)	¥ 15,253	¥ 47	¥ 23	¥235,458

	Thousands of U.S. Dollars*				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2019	\$420,316	\$351,842	\$1,208,885	\$(8,325)	\$1,972,728
Changes of items during period:					
Dividends of surplus			(24,644)		(24,644)
Profit attributable to owners of parent.....			74,116		74,116
Purchase of treasury shares				(386)	(386)
Disposal of treasury shares.....		9		358	368
Transfer to capital surplus from retained earnings		—	—		—
Purchase of shares of consolidated subsidiaries treasury stock		542			542
Net changes of items other than shareholders' equity ...					
Total changes of items during period	—	551	49,462	(28)	49,995
Balance as of March 31, 2020	\$420,316	\$352,403	\$1,258,357	\$(8,352)	\$2,022,724

	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	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of March 31, 2019	\$168,988	\$(38,160)	\$76,137	\$ (9,988)	\$221,786	\$ 606	\$ 2,922	\$2,198,052
Changes of items during period:								
Dividends of surplus								(24,644)
Profit attributable to owners of parent.....								74,116
Purchase of treasury shares								(386)
Disposal of treasury shares.....								368
Transfer to capital surplus from retained earnings								—
Purchase of shares of consolidated subsidiaries treasury stock								542
Net changes of items other than shareholders' equity ...	(72,103)	(0)	—	(9,510)	(81,632)	(165)	(2,701)	(84,508)
Total changes of items during period	(72,103)	(0)	—	(9,510)	(81,632)	(165)	(2,701)	(34,503)
Balance as of March 31, 2020	\$ 96,876	\$(13,360)	\$76,137	\$(19,498)	\$140,154	\$ 432	\$ 211	\$2,163,539

* U.S. dollar figures have been translated at the rate ¥108.83 to U.S.\$1, the prevailing market rate as of March 31, 2020.

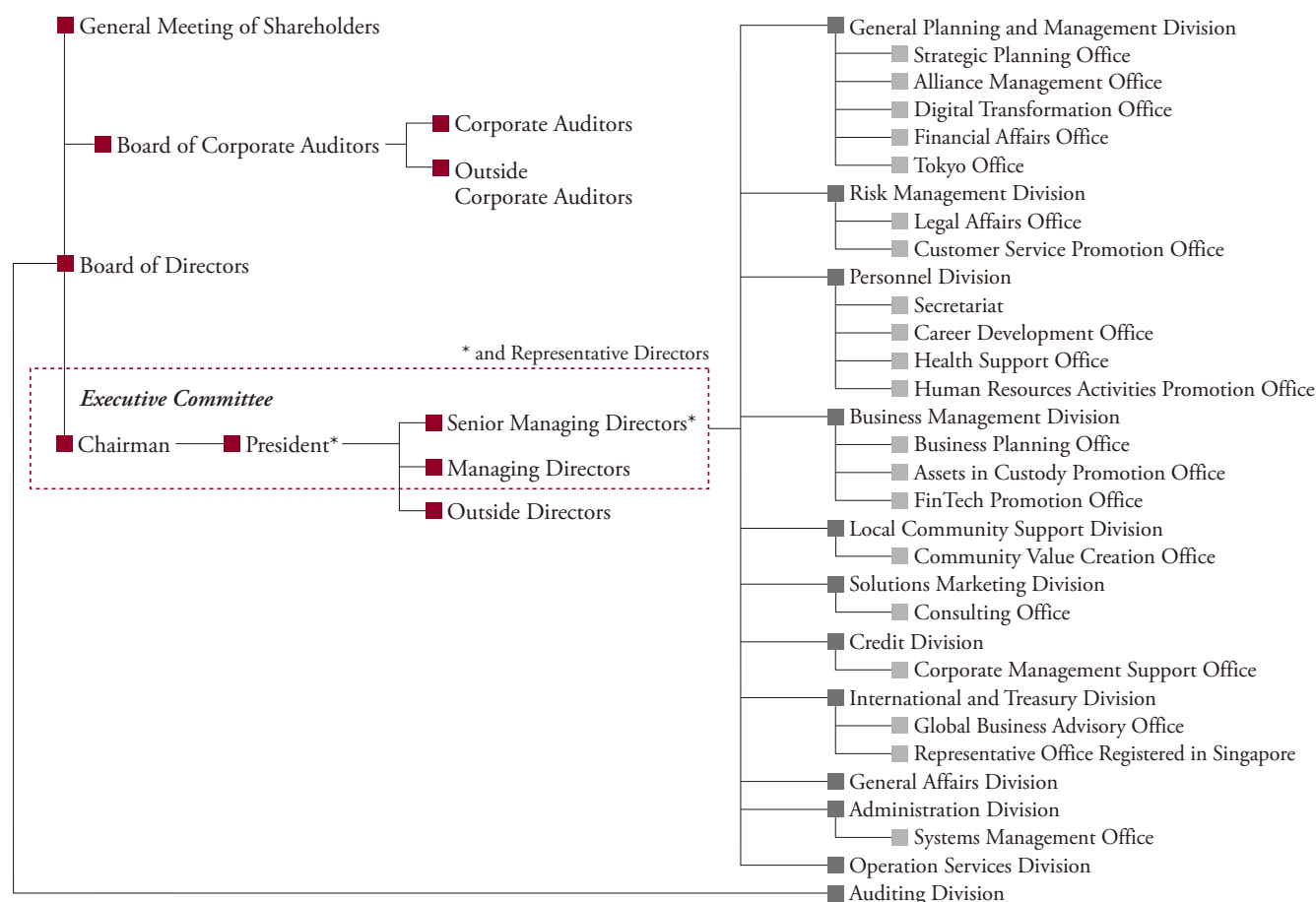
Consolidated Statements of Cash Flows

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars*
	2020	2019	2020
Cash flows from operating activities			
Profit before income taxes	¥ 8,732	¥ 10,917	\$ 80,235
Depreciation	2,870	2,387	26,371
Share of (profit) loss of entities accounted for using equity method	(7)	(11)	(64)
Increase (decrease) in allowance for loan losses	(3,191)	9,645	(29,321)
Increase (decrease) in provision for bonuses	(14)	(61)	(129)
Increase (decrease) in provision for directors' bonuses	1	(1)	9
Decrease (increase) in net defined benefit asset	(476)	(466)	(4,374)
Increase (decrease) in net defined benefit liability	(96)	(269)	(882)
Increase (decrease) in provision for directors' retirement benefits	9	1	83
Increase (decrease) in provision for loss on interest repayment	8	(15)	74
Increase (decrease) in provision for reimbursement of deposits	(126)	(158)	(1,158)
Increase (decrease) in provision for point card certificates	3	6	28
Increase (decrease) in provision for contingent loss	58	(21)	533
Increase (decrease) in provision for share-based compensation	(6)	28	(55)
Increase (decrease) in allowance for demolition of non-current assets	(282)	317	(2,591)
Loss (gain) on fund management	(38,872)	(41,193)	(357,181)
Financing expenses	2,479	2,622	22,779
Loss (gain) related to securities	(8)	(6,830)	(74)
Loss (gain) on money held in trust	3	8	28
Foreign exchange losses (gains)	1,123	(1,872)	10,319
Loss (gain) on disposal of non-current assets	13	14	119
Net decrease (increase) in trading account securities	13	301	119
Net decrease (increase) in loans and bills discounted	(49,584)	(64,284)	(455,610)
Net increase (decrease) in deposits	84,619	94,512	777,534
Net increase (decrease) in negotiable certificates of deposit	(23,600)	(5,990)	(216,852)
Net increase (decrease) in payables under securities lending transactions...	(5,013)	(477)	(46,063)
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ...	957	217	8,794
Net decrease (increase) in deposits (excluding deposits paid to Bank of Japan)	9,915	(10,174)	91,105
Net decrease (increase) in call loans	12,123	(2,075)	111,394
Net increase (decrease) in call money	(100)	8,334	(919)
Net decrease (increase) in foreign exchanges—assets	(2,630)	2,391	(24,166)
Net increase (decrease) in foreign exchanges—liabilities	158	(39)	1,452
Net increase (decrease) in borrowed money from trust account	1,043	—	9,584
Proceeds from fund management	40,021	41,752	367,739
Payments for finance	(2,596)	(2,583)	(23,854)
Other, net	(326)	(987)	(2,995)
Subtotal	37,219	35,946	341,992
Income taxes paid	(6,509)	(4,617)	(59,809)
Net cash provided by (used in) operating activities	30,710	31,328	282,183
Cash flows from investing activities			
Purchase of securities	(237,880)	(187,262)	(2,185,794)
Proceeds from sales of securities	32,422	80,015	297,914
Proceeds from redemption of securities	223,679	188,064	2,055,306
Decrease (increase) in money held in trust	(9)	(9)	(83)
Purchase of tangible fixed assets	(7,006)	(775)	(64,376)
Proceeds from sales of property, plant and equipment	13	1	119
Purchase of intangible assets	(1,661)	(1,965)	(15,262)
Payments for asset retirement obligations	(114)	(14)	(1,048)
Net cash provided by (used in) investing activities	9,441	78,054	86,750
Cash flows from financing activities			
Increase (decrease) in subordinated borrowings	—	(5,000)	—
Redemption of subordinated bonds	—	(15,000)	—
Cash dividends paid	(2,682)	(2,682)	(24,644)
Dividends paid to non-controlling interests	(0)	(0)	(0)
Purchase of treasury shares	(42)	(6)	(386)
Purchase of treasury shares of subsidiaries	(262)	—	(2,407)
Proceeds from sales of treasury shares	40	0	368
Net cash provided by (used in) financing activities	(2,947)	(22,689)	(27,079)
Net increase (decrease) in cash and cash equivalents	37,204	86,694	341,854
Cash and cash equivalents at beginning of period	336,786	250,092	3,094,606
Cash and cash equivalents at end of period	¥ 373,991	¥ 336,786	\$3,436,470

* U.S. dollar figures have been translated at the rate ¥108.83 to U.S.\$1, the prevailing market rate as of March 31, 2020.

Organization Chart (as of October 1, 2020)



Board of Directors, Corporate Auditors and Executive Officers (as of July 1, 2020)

Chairman	Senior Managing Directors	Directors	Corporate Auditors	Executive Officers
Kikuo Kato	Kazuya Koyama	Emi Ishida (outside)	Yoshio Kenmochi (standing)	Ichiro Noda
President	Toshiyuki Shirai	Takeshi Higuchi (outside)	Yuichi Tanaka (standing)	Tadashi Uehara
Kazumasa Nagahori	Managing Directors	Ryuichi Mitsuoka (outside)	Atsumu Kuroishi (outside)	Kazuhiro Wakabayashi
	Susumu Kurosawa		Tomio Kezuka (outside)	Takao Miyazaki
	Ken Otomo		Kenji Tamura (outside)	Manabu Okabe
			Managing Executive Officers	Yutaka Amada
			Masaharu Saito	
			Tsutomu Kainuma	

Investor Information (as of March 31, 2020)

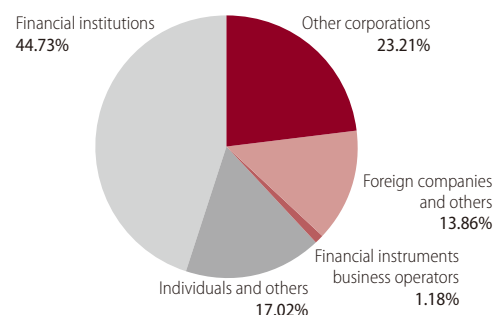
Common Stock	Authorized: 80,000 thousand shares
	Issued: 33,805 thousand shares
Number of Shareholders	11,574

Major Shareholders

Name	Number of shares	Shares held as a percentage of total outstanding shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,828,900	8.43
The Master Trust Bank of Japan, Ltd. (trust account)	1,864,900	5.56
Japan Trustee Services Bank, Ltd. (trust account 4)	1,242,400	3.70
The Chiba Bank, Ltd.	925,000	2.75
Meiji Yasuda Life Insurance Company	735,858	2.19
The Bank of Mitsubishi UFJ, Ltd.	727,587	2.16
Musashino Bank Industries Employees' Stockholding Association	703,692	2.09
Sumitomo Life Insurance Company	702,900	2.09
Japan Trustee Services Bank, Ltd. (trust account 5)	598,500	1.78
Maeda Glass Co., Ltd.	576,900	1.72

* Shareholding percentages are rounded down to two decimal places.

Number of Shares Held by Type of Shareholders



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



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Brand Message

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.
