



# ANNUAL REPORT

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The Musashino Bank, Ltd.

# 2021



## 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, 7.34 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 approximately 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, 2021)

Head Office:	10-8, Sakuragi-cho 1-chome, Omiya-ku, Saitama
Home page:	<a href="http://www.musashinobank.co.jp">http://www.musashinobank.co.jp</a>
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:	2,031
Total assets:	¥5,300.8 billion
Deposits:	¥4,674.0 billion
Loans:	¥3,802.3 billion
Common stock:	¥47.1 billion
Capital adequacy ratio:	8.19%
Number of correspondent arrangements:	109
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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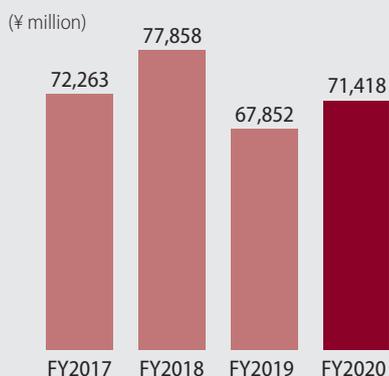
# Financial and Non-Financial Highlights

The Musashino Bank, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2021 and 2020

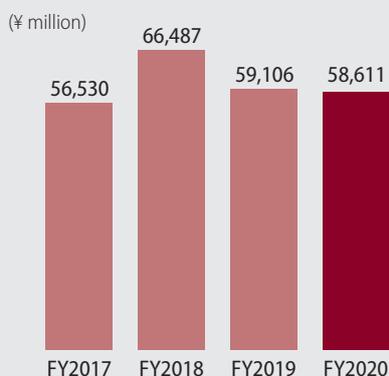
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Notes 1 and 2)
	2021	2020	2021
<b>At Year-end</b>			
Total assets.....	¥5,319,971	¥4,674,059	\$48,053,211
Deposits including negotiable certificates of deposit.....	4,657,956	4,343,879	42,073,489
Loans and bills discounted.....	3,789,948	3,571,715	34,233,114
Trading account securities and securities.....	683,441	624,188	6,173,254
Total net assets.....	249,179	235,458	2,250,736
Capital adequacy ratio (based on domestic standards) (%).....	8.54	8.46	
<b>For the Year</b>			
Ordinary income.....	¥ 71,418	¥ 67,852	\$ 645,091
Ordinary expenses.....	58,611	59,106	529,410
Profit before income taxes.....	12,796	8,732	115,581
Profit attributable to owners of parent.....	8,022	8,066	72,460

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 ¥110.71 to U.S.\$1, the prevailing exchange rate as of March 31, 2021.

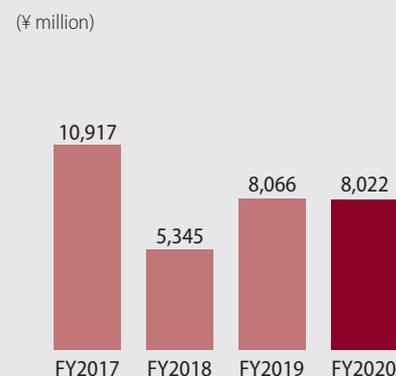
## Ordinary income



## Ordinary expenses

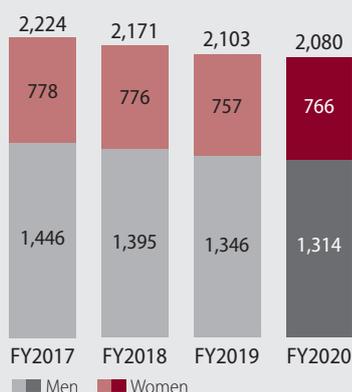


## Profit attributable to owners of parent



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.

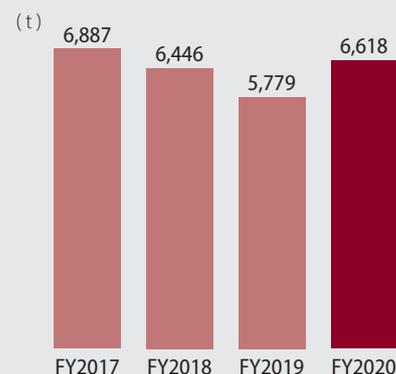
## Number of employees



## Ratio of female managers

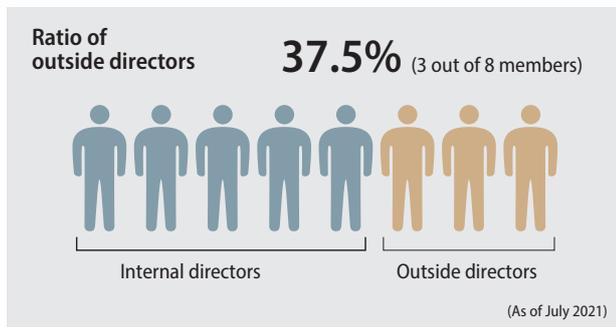


## CO<sub>2</sub> emissions



## Governance

Composition of the Board of Directors

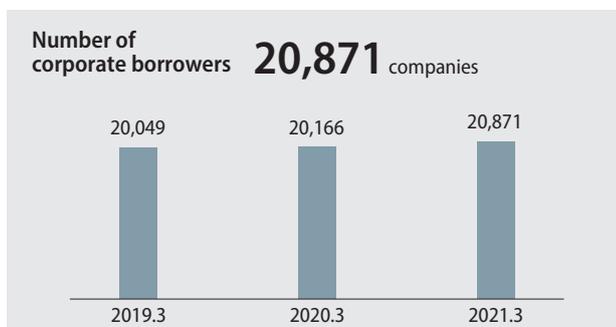


Composition of the Board of Corporate Auditors

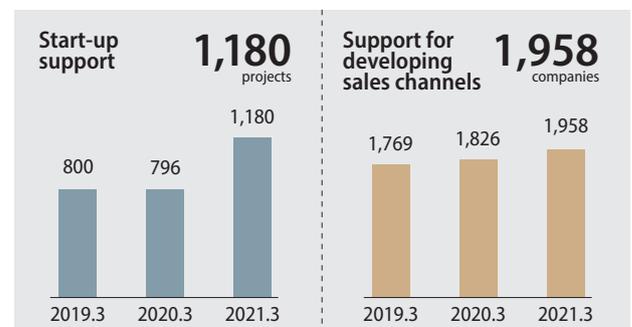


## Social

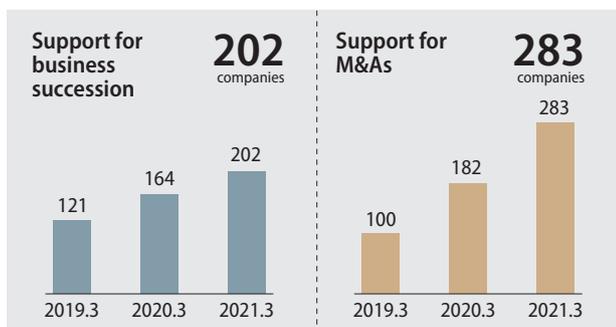
Customer base



Support for customers' core business activities



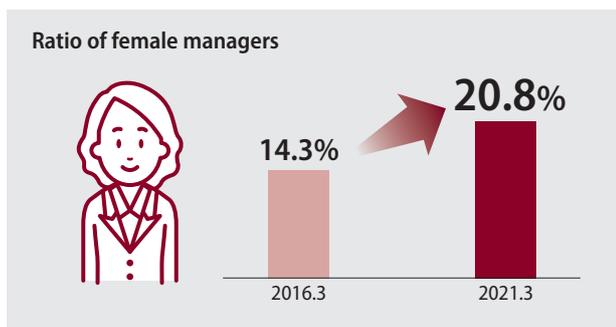
Solving issues such as business succession



Developing specialized human resources



Promoting active roles for diverse human resources



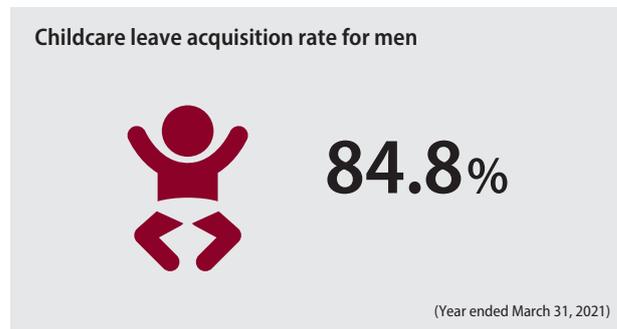
External assessments of measures to promote active roles for diverse human resources



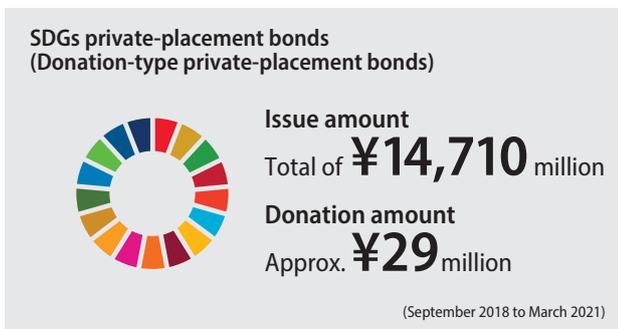
Creating work opportunities for people with disabilities



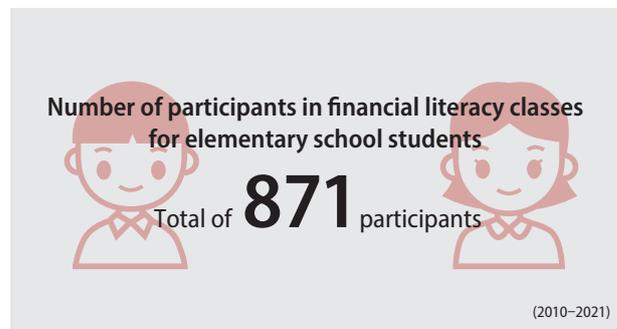
Promoting work-life balance



Contribution to local communities through our main business

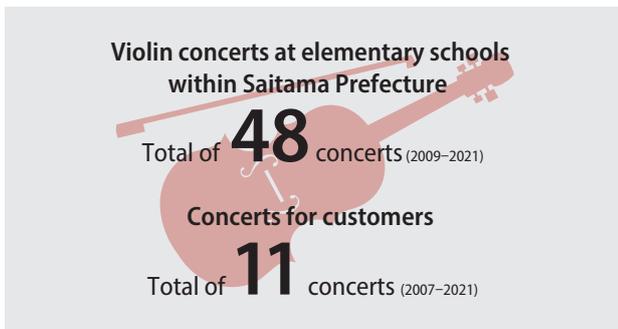


Financial literacy

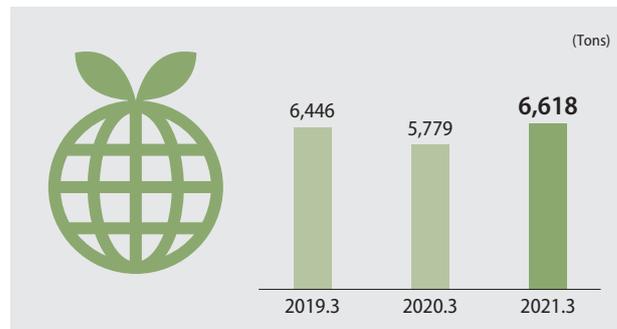


**Environment**

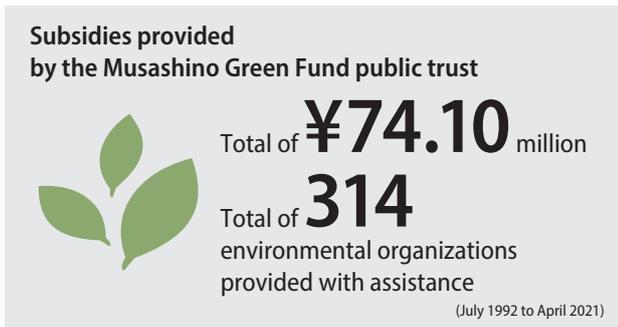
Support for promotion of local culture and art



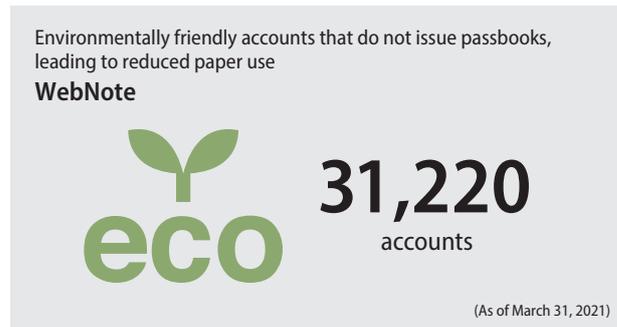
CO<sub>2</sub> emissions



Greening activities

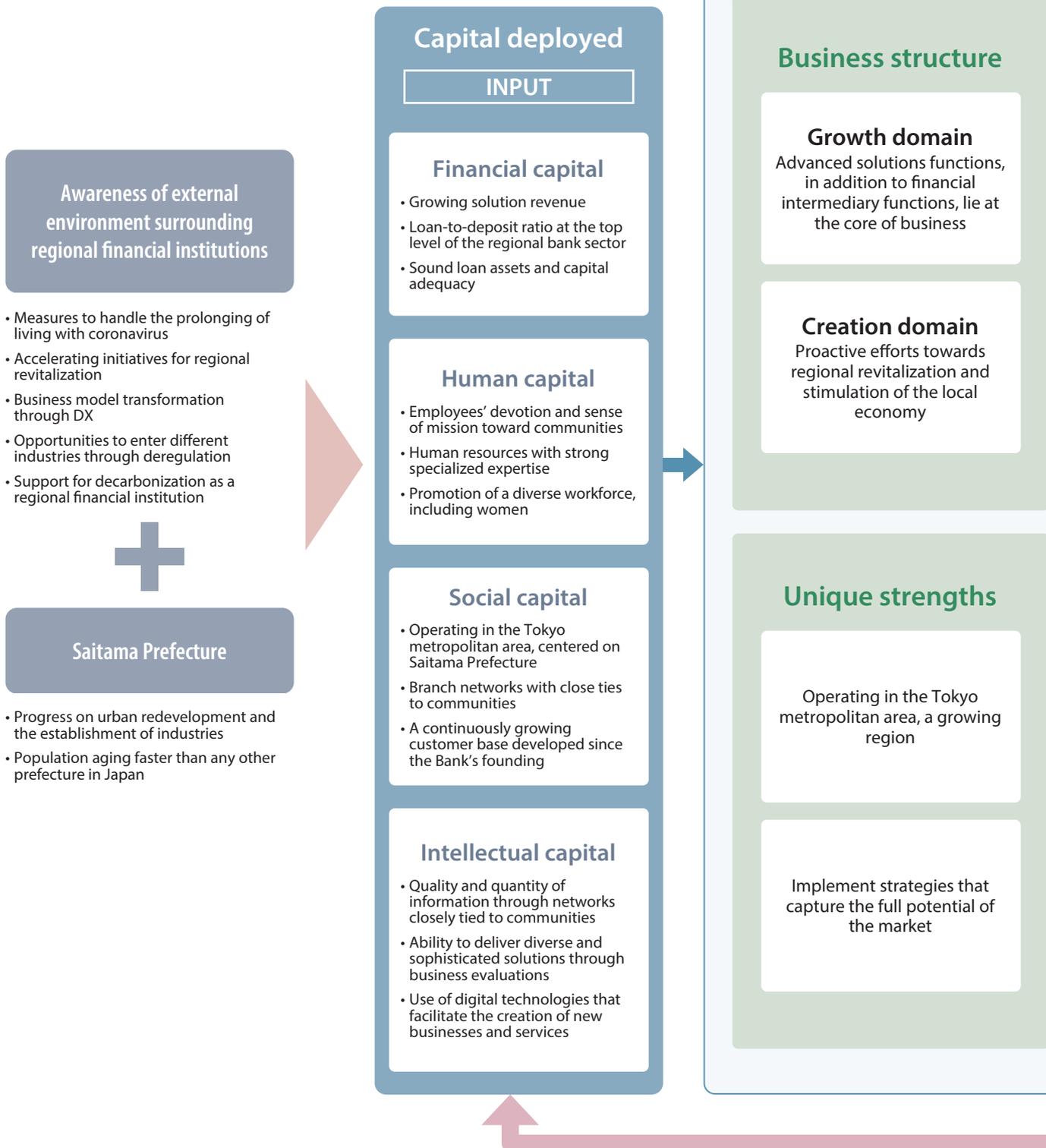


Environmentally friendly accounts



# 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.



The Bank remains close to customers and solves their issues,

## 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

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

##### Creation strategy

##### Human resource strategy

##### Alliance strategy

##### Securities strategy

##### Group strategy

##### Corporate governance

##### Compliance

##### ESG/SDGs

#### 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)

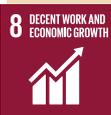
##### Corporate Governance as the Source of Sustainable Growth



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

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

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

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

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

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

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

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

In Saitama Prefecture, the Bank's local market, the population is aging faster than any other prefecture in Japan. Expectations are growing on a daily basis toward the Bank's efforts to advance services to support seamless inheritance and business succession, and its measures to promote regional revitalization and creation in anticipation

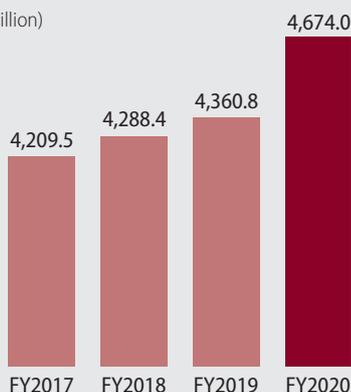
of a society with a declining population.

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



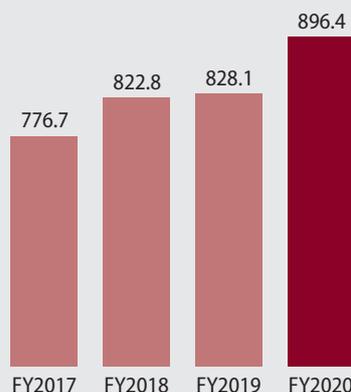
**Deposits including negotiable certificates of deposit (non-consolidated)**

(¥ billion)



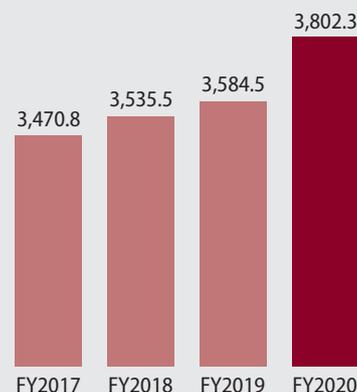
**Assets in custody (non-consolidated)**

(¥ billion)



**Loans (non-consolidated)**

(¥ billion)



## Building Sustainable Business Models

In these and other ways, conditions in Japan and overseas have changed dramatically. In April 2013, the Bank formulated its 10-year long-term vision. We have continued to work single-mindedly to realize this vision.

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

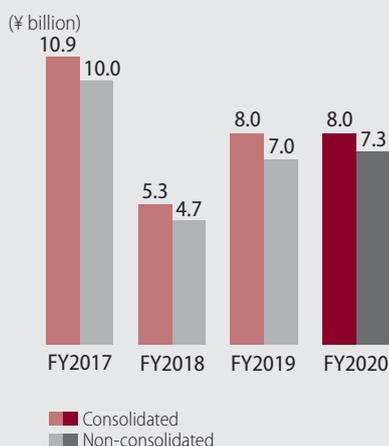
To support the increasingly sophisticated and diversified needs of our customers, we seek to develop a shared understanding of issues in the course of our daily communication with customers, and apply the Group’s collective capabilities to solving those issues, while leveraging the strengths of the networks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

services. In parallel, we aim to enhance our earnings capabilities.

Furthermore, as a local bank, we cannot realize the Bank’s growth without ensuring the region’s sustained development. Amid an aging society with fewer children and a declining population, banks have an extremely significant role to play in revitalizing the economy and society, meaning regional creation. The Bank will collaborate with various stakeholders including not only government as a matter of course, but also educational institutions and the non-profit sector. We will serve as a coordinator and work actively on priorities such as identifying and creating new local resources, promoting industry, and expanding the non-resident and resident populations.

In addition, guided by the Musashino Bank Sustainable Development Goals Declaration, we are focusing on refining corporate governance, contributing to a sustainable regional economy and society, and proactive measures to address climate change and the environment. We will continue to build unique business models through unwavering efforts to create new value, while remaining close to customers and communities.

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



### Dividend payout ratio and annual dividend

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

### Shareholders return ratio

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

### 5-year average of consolidated ROE



## Medium-term Management Plan “MVP 70”

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

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

### Branch Networks

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

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

### Rebuilding Our Sales System

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

Meanwhile, we will focus on improving the specialized expertise of the Bank’s employees, by encouraging them to obtain practical business know-how at our Head Office and branches based on the Training Solutions Program, the Bank’s own human resources program.

### Initiatives for Corporate and Individual Customers

The Bank has been responding to customer needs accurately by providing fine-tuned solutions with a diverse lineup of products and services.

For corporate clients, we launched a new

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

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

### Digital Transformation (DX)

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

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

### Creation Strategy and Regional Revitalization

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

## Human Resource Development

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

## Alliance Strategy

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

## Refining Corporate Governance

We believe corporate governance is the starting point for all of our efforts to increase corporate value. Based on this belief, we have actively brought onboard outside directors and outside corporate auditors equipped with a broad range of experience and knowledge, with the aim of ensuring even more highly transparent management.

Moreover, we are taking active steps to raise the sophistication of risk management, bolster compliance and address new issues such as anti-money laundering and cybersecurity. Another priority is to enhance communication with stakeholders.

## Toward Realization of a Sustainable Society

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

Meanwhile, in seeking to remain accountable

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

## Continuing to Grow Together with Communities

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

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

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



Kazumasa Nagahori  
President

## 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

**Phase 1 (3 years)**  
“MVP 1/3 (One-Third)”  
(April 2013–March 2016)  
Enhance readiness to become  
the number one bank in the region



**Phase 2 (3 years)**  
“MVP 2/3 (Two-Thirds)”  
(April 2016–March 2019)  
Establish our reputation as the  
number one bank in the region



**Phase 3 (4 years)**  
Medium-term management plan  
“MVP 70”  
Maintain our overwhelming  
position as the number one bank  
in the region

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

Key Strategies	Action Plan	Evaluation	Results (FY2020)
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: 20,871 companies</li> <li>Support for developing sales channels: 1,958 companies</li> <li>Support for business succession: 202 companies</li> <li>Support for M&amp;As: 283 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.: 836</li> <li>No. of customers with assets in custody: 107,962</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>Completely revamped smartphone application</li> <li>Completed branch-wide adoption of branch office system incorporating tablet devices</li> </ul>
Creation strategy	<ul style="list-style-type: none"> <li>Actively engage in regional revitalization</li> <li>Develop more sophisticated solutions in growth domains</li> </ul>		<ul style="list-style-type: none"> <li>Achieved sixth-order industrialization through projects undertaken since 2014</li> <li>Facilitated entry into agricultural sector by companies from different industries, etc.</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: 60</li> <li>No. of employees obtaining qualifications as 1st Grade Certified Skilled Professional of Financial Planning and Small and Medium Enterprise Management Consultant: 154</li> </ul>
Management and administration systems	<ul style="list-style-type: none"> <li>Achieve highly transparent corporate governance</li> <li>Implement initiatives involving ESG goals and SDGs</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> <li>Cumulative total of SDGs private-placement bonds: ¥14.7 billion</li> </ul>

### New Business Challenges

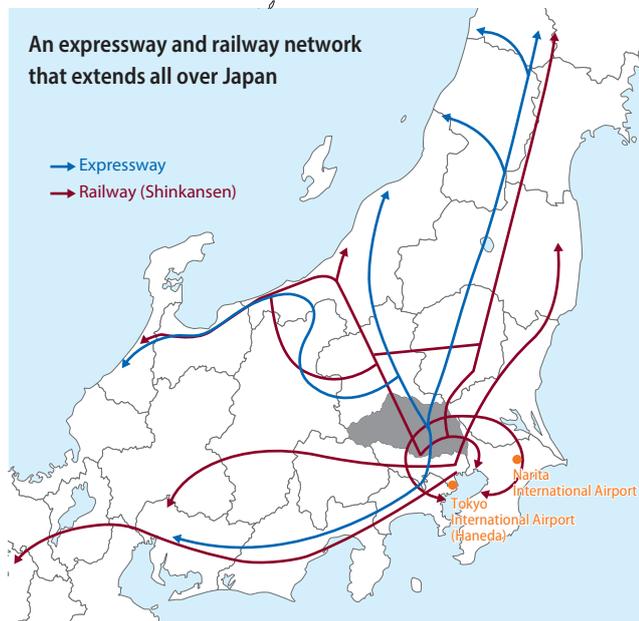
- Provide stronger core business support for local companies amid prolonged COVID-19 pandemic
- Build new business models that account for deregulation, etc.
- Accelerate the pace of digital transformation (DX) even further
- Take greater initiative in energizing the local economy and regional revitalization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

Quantitative Results and Targets	FY2019	FY2020	FY2022
Net earnings from core business	¥11.5 billion	¥14.8 billion	¥15.0 billion
Earnings	¥7.0 billion	¥7.3 billion	¥10.0 billion
Core OHR	74.38%	69.19%	70% or less
ROE	3.09%	3.14%	4% or more
Equity ratio	8.13%	8.19%	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 2011 to 2020 standing at 582 companies, the highest in the country for 10 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



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 issues such as increasing the sophistication of financial services and cashless banking while leveraging the benefits of wide-area partnerships. The joint venture TSUBASA Alliance Co., Ltd. was established in July 2020 and the AML (Anti-Money Laundering) Center in October 2020 to jointly conduct operations related to the prevention of money laundering and financing of terrorism, such as ongoing customer due diligence, while bringing together the knowledge and expertise of each bank.

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

## ■ Providing SME Management Assistance

### Initiatives Related to SME Management Assistance

The Bank assumes locally rooted finance as its mission, and engages in the smooth supply of funds and management assistance matched to the growth stages of its customers. In the Consulting Office, which was newly established within the Head Office in October 2020, we provide comprehensive support to solve various management issues through dialogue with managers.

#### Helping companies solve their issues

- Funding
- Management strategies
- Consulting with managers
- Various types of consultation

### Support Team for Start-Ups and New Entries

Specialized teams at the Head Office and branch offices work together to support start-ups and new business entries. The Bank offers its unique financial products and services to help streamline the operations of start-ups and provide information. We also host seminars for women entrepreneurs and provide places for female managers to interact.

### Support for DX (Digital Transformation)

We conduct business matching with companies involved in digitalization to support corporate clients' productivity improvements and cost reductions through digitalization.

We have also held the Digital Engineering Academy in collaboration with the Research Institute of Industrial Technology at Toyo University. This supports the development of human resources skilled in digital technology at corporate clients.

### Support for Overseas Expansion

We set up a Representative Office Registered in Singapore to support corporate clients' overseas expansion and business development. We address local demands in a flexible manner through collaboration and cooperation with the overseas branches of Japanese banks and with overseas banks. In addition, we dispatched employees to JETRO Saitama, which was opened by JETRO in November 2019, and actively support the expansion of sales channels for companies in Saitama Prefecture while collaborating with the JETRO Saitama center.

### Human Resources Placement

We obtained a license as a fee-charging employment business and launched a human resource placement service in October 2020. We gather feedback on specific information about job postings including conditions such as salary and job location, and place human resources who suit the needs of individual companies.

#### Fiscal 2020 achievements (from October 2020 to March 2021)

- Number of requests for human resource placement: **384** (Approx. 4 times the plan)
- Number of contracts signed: **20** (Approx. 2 times the plan)
- Examples of contracts

Results	Human resources placed
Transportation industry	Candidates for managing administrative divisions
Building maintenance industry	Construction worksite management
Wholesale industry	Candidates for managing sales offices
Manufacturing and wholesale industry	Candidates for sales leadership

### Support for Sustainable Management

In March 2019, we formulated and released the Musashino Bank Sustainable Development Goals Declaration, and are working on developing sustainable regions through our main operations as well as familiarizing officers and employees with the objectives. Based on the Bank's experience of conducting pioneering initiatives for the SDGs through relationships with a large number of stakeholders, it believes there are high social expectations for it to be a leader in SDG promotion with corporate clients.

#### Initiatives to Support Sustainable Management

- Began offering the Musashino SDGs private placement bond, Mirai no Chikara
- First regional bank to form a Social Finance-type Syndicate Loan
- Began offering the Musashino Sustainability Link Loan
- Initiated SDGs consulting business

### Supporting M&As, Inheritance, and Business Succession

We have arranged consulting services to offer comprehensive support to address such concerns as succession issues, business succession and diversification. There is increasing need for consultations about M&A and we offer support that includes advice from the standpoint of practical operations and assistance for negotiations, business matching with corporate clients, and collaboration with external agencies and specialists, and help with corporate clients' business succession as well as maintaining and creating regional job opportunities.

#### Number of M&A consultations

FY2017	FY2018	FY2019	FY2020
132	157	307	415

## Contributing to the Local Economy

### Deposits from the Region

As of March 31, 2021, deposits from the region increased ¥455.5 billion year on year to ¥4,617.9 billion. The ratio of deposits from the region continued to be high, at 98.80% of the total balance of deposits.

The Bank's share of deposits within the prefecture as of March 31, 2021 is 13.19%.

### Assets in Custody from the Region

As of March 31, 2021, assets in custody from the region increased ¥68.3 billion year on year to ¥896.4 billion. The breakdown comprises investment trusts of ¥143.2 billion, life insurance of ¥707.3 billion, and government bonds and other assets of ¥45.8 billion.

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

### Loans to the Region

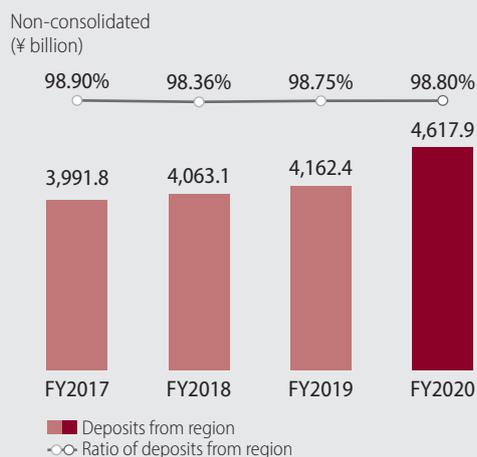
Loans to the region as of March 31, 2021 rose ¥222.6 billion to ¥3,285.1 billion, thereby maintaining a high loan-to-region ratio of 86.40%. The Bank's share of loans in the prefecture is 19.74%.

### Towards a Sounder Financial Position

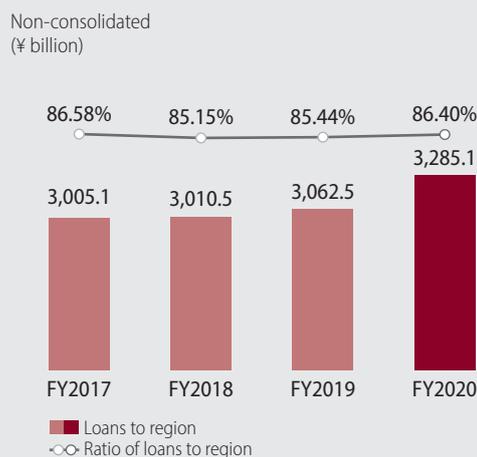
The Bank is strengthening its capital adequacy and reducing non-performing loans. The Bank has maintained a consolidated and non-consolidated capital adequacy ratio (Basel III domestic standard) of 8.54% and 8.19%, respectively, so we have continued to maintain a very sound financial position.

The Bank's non-performing loan ratio, based on standards established by the Financial Reconstruction Act, is 1.93%.

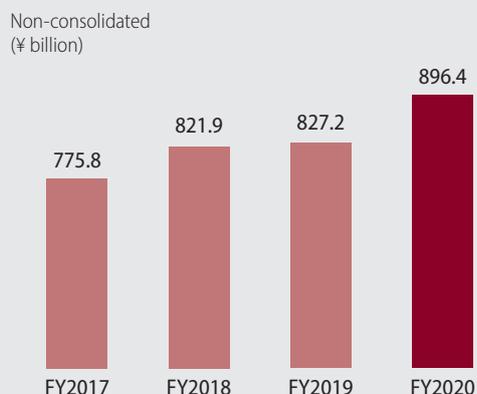
#### Deposits from region/Ratio of deposits from region



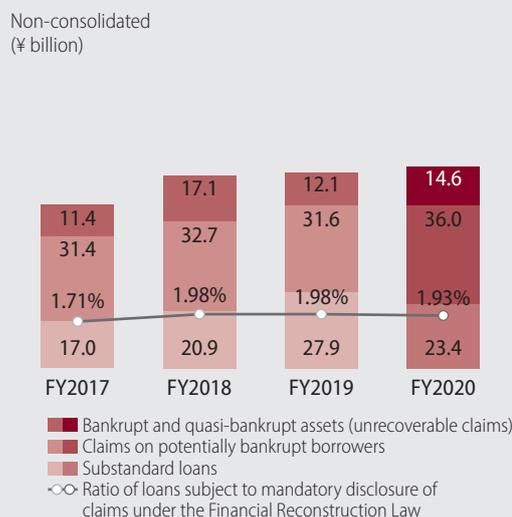
#### Loans to region/Ratio of loans to region



#### 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.



#### 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.



### Initiatives to Promote Sustainable Management

To achieve sustainable management, the Bank is working to improve the effectiveness of its initiatives and to enhance communication with stakeholders by systematically engaging in various measures that include global issues such as climate change and human rights.

- Established the Sustainability Promotion Committee chaired by the president
- Issued a statement endorsing the proposals by the Task Force on Climate-related Financial Disclosures (TCFD)



## 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.

### Alliance with Ogano Town

We dispatched one employee to Ogano Town in October 2020 in response to the signing of a comprehensive alliance agreement. We have cooperated on creating policies in order to revitalize the town's economy and slow the population decline and on initiatives to promote the use of public facilities.

### Alliances with Kounosu City and Kitamoto City

Since October 2021, we have supported a demonstration project for community bicycles in both cities which have signed a comprehensive alliance agreement. This was proposed and coordinated by the Bank as a demonstration project for community bicycles over a wide area that will help energize regional tourism and improve convenience for residents.

## Initiatives for Growing Fields

In 2005, we were the first ones in Saitama Prefecture to establish a specialized team to solve issues in the medical and welfare fields. In addition to offering financing products specifically geared toward medical institutions, we hold various seminars for people from medical institutions and social welfare corporations based on various topics such as key points for systematic reform and business succession.

We have also established a specialized team dedicated to agricultural fields, and support new entries by companies from different industries, business matching for expanding sales channels, and new product development using locally produced goods.

### • Activities in Agricultural Fields

We utilize a network and information that only a regional bank could attain, and carry out a wide range of initiatives such as projects that will lead to matching with different industries and regional revitalization.



Supporting participation in smart rice farming using drones



Supporting tomato cultivation by local businesses using abandoned farmland

### • Support through an industry-Academia-Government Alliance

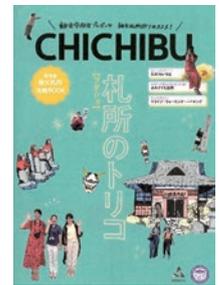
We help to solve corporate clients' managerial issues such as research development and management reorganization through an alliance with eight universities located within the prefecture.

### Collaborating Universities and their Main Specialist Field

Toyo University (Kawagoe City)	Manufacturing and industry fields
Rikkyo University (Niiza City)	Tourism industry
Bunri University of Hospitality (Sayama City)	Service industry
Saitama Prefectural University (Koshigaya City)	Nursing care and welfare fields
Saitama Institute of Technology (Fukaya City)	Electronics field
Nippon Institute of Technology (Miyashiro Town)	Advanced engineering such as AI, IoT, etc.
Saitama University (Saitama City)	A wide range from the humanities to the sciences
Heisei International University (Kazo City)	Health and sports fields

### • Cooperation with Rikkyo University College of Tourism

Since 2007, we have been engaged in the "Bratte-Saitama Project" for regional revitalization through tourism in Saitama Prefecture in an alliance with Rikkyo University. The "Bratte Series," a regional guidebook created under this project, has been published in 10 volumes.



The "Bratte Series"

## Environmental Initiatives

The Bank has declared that it will respond to global climate change and make efforts to maintain and improve the rich biodiversity of the region based on the awareness that a sustainable environment is a requirement for the sustainable development of the regional economy, society, and the Bank itself.

### Initiatives to Preserve the Environment through Our Main Business

As the Bank promotes environmental finance more than ever before, we are actively carrying out investment and finance in projects that contribute to sustainability. Looking ahead, we are working to assess the environmental risks in our loan portfolio and encourage companies to realize decarbonization in order to achieve carbon neutrality in 2050. Additionally, we are working on promoting the use of fuel cell electric vehicles, the purchase of items with low environmental loads, and the elimination of paper.

### Handling Biodiversity

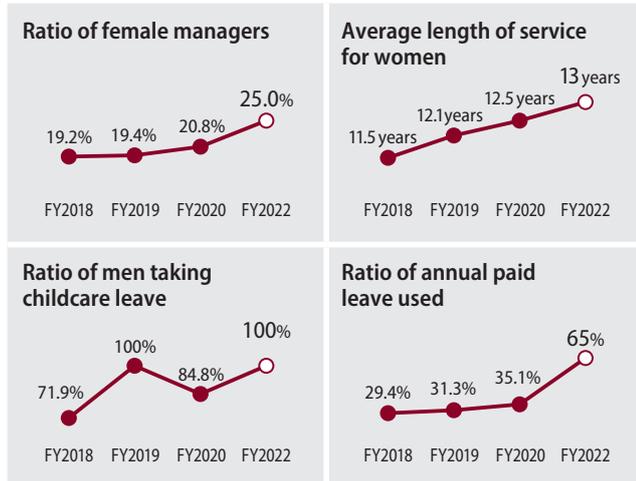
The Bank has focused on maintaining and improving biodiversity through initiatives aimed at promoting further greenery in the region, including the utilization of a public trust scheme.

The Musashino 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.

Over 29 years, we have contributed approximately ¥74.1 million to 314 organizations.

## 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.



## Responses for LGBT Individuals

In July 2021, we began offering special LGBT provision home loans that can be used by same-sex partners.

In order to increase options for LGBT individuals to obtain housing, loans can now be offered by calculating the borrowings and earnings of both partners based on set conditions in home loans.

## 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 six 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.

## Initiatives for Health Management

We support health management through routine check-ups and health guidance conducted by a resident nurse and introducing a working-hour interval system so that executives and employees can work healthily and comfortably in both mind and body.

In April 2021, the Bank was recognized as a 2021 Certified Health & Productivity Management Outstanding Organization (in the large enterprise category) in the Certified Health & Productivity Management Outstanding Organizations Recognition Program which is operated by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

## Other Initiatives

### Grand Opening of New Head Office

Our new Head Office, which will have its grand opening on December 13, 2021, will serve as a base of regional communication and co-creation. It will also realize new workstyle reforms to help improve productivity and job satisfaction, further consideration toward the environment and biodiversity, and enhanced resilience in anticipation of large-scale disasters. In this way, it aims to become a symbol of sustainable growth for both Saitama Prefecture and the Musashino Bank.



### Regional Communication and Co-Creation

In the regional revitalization space located on the 2nd floor, we will hold seminars and symposiums centered on various topics, while conveying the appeal of the local Saitama region on multi-displays. We will also newly establish areas in which to experience the digital transformation of smartphone apps and support local sports teams. In addition to this, we will open a coworking space and a cafe in an aim to create a place of regional communication and co-creation.

### Contributing to Sustainability

The Head Office is the first head office of a financial institution to receive certification from the Japan Habitat Evaluation and Certification Program (JHEP) for planting vegetation in consideration of local ecosystems.

The office also features equipment to properly control lights, air conditioning and sewage, and is equipped with solar panels on its roof, granting it functions equivalent to an A rank in CASBEE (Comprehensive Assessment System for Built Environment Efficiency).

## Initiatives to Improve Financial Literacy

The Bank proactively carries out activities to improve financial literacy. In addition to a tour of branch locations using virtual reality (VR) (the Musashino virtual bank tour), the homepage features content called the Musashino money school which makes it possible to have fun learning about money and banks, both of which can be used for financial education at home.

## Promoting Culture, Art, and Sports

We work on promoting culture and art such as music and theater for regional revitalization and the healthy development of children. For sports promotion, we support professional soccer team Omiya Ardija Ventus, professional baseball team Saitama Seibu Lions, professional basketball team Koshigaya Alphas, as well as professional table tennis team T.T Saitama, and provide support for sports teams and local athletes with roots in the region.

## Responses to COVID-19

In order to cooperate with steady vaccination against COVID-19 in the region, Musashino Bank conducted workplace vaccinations for all Musashino Bank Group employees (including temporary employees), as well as their families, who opted to be vaccinated.

Additionally, to alleviate the shortage of protective gear on medical frontlines, we contributed 200 pieces of protective gear to Saitama Prefecture and donated ¥3 million to Saitama Prefecture's COVID-19 countermeasure promotion fund.

# Corporate Governance

## Enhance Management Oversight Systems

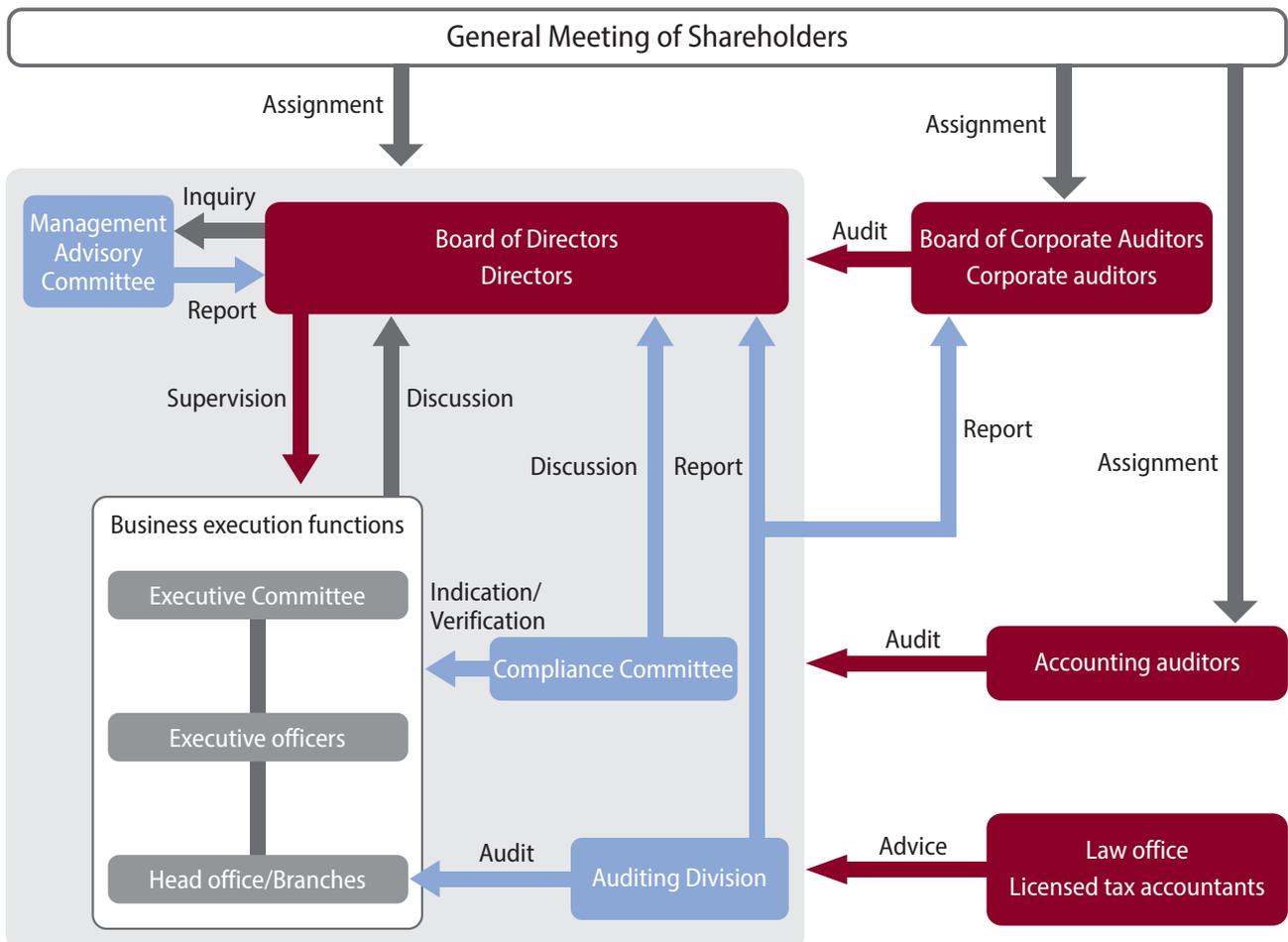
Musashino Bank recognizes that upgrading and expanding its corporate governance capabilities are key priorities of management. In addition to adhering strictly to a policy of compliance with statutory and regulatory requirements as well as in-house rules and regulations, every effort is made to ensure 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 July 1, 2021)



## 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, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars*
	2021	2020	2021
<b>Assets</b>			
Cash and due from banks.....	¥ 739,970	¥ 374,688	\$ 6,683,859
Monetary claims bought.....	613	510	5,537
Trading securities.....	62	48	560
Money held in trust.....	1,494	1,494	13,495
Securities.....	683,379	624,140	6,172,694
Loans and bills discounted.....	3,789,948	3,571,715	34,233,114
Foreign exchanges.....	3,157	5,191	28,516
Lease receivables and investments in leases.....	21,245	21,103	191,898
Other assets.....	33,796	35,043	305,266
Tangible fixed assets.....	48,069	42,224	434,188
Buildings, net.....	8,535	8,843	77,093
Land.....	25,363	25,363	229,094
Leased assets, net.....	13	20	117
Construction in progress.....	11,995	6,391	108,346
Other tangible fixed assets.....	2,161	1,605	19,519
Intangible fixed assets.....	4,533	4,375	40,945
Software.....	4,253	4,068	38,416
Leased assets.....	78	104	705
Other intangible fixed assets.....	201	201	1,816
Retirement benefit asset.....	8,986	5,341	81,167
Deferred tax assets.....	1,126	3,218	10,171
Customers' liabilities for acceptances and guarantees.....	5,315	4,795	48,008
Allowance for loan losses.....	(21,730)	(19,831)	(196,279)
<b>Total assets.....</b>	<b>¥5,319,971</b>	<b>¥4,674,059</b>	<b>\$48,053,211</b>

	Millions of Yen		Thousands of U.S. Dollars*
	2021	2020	2021
<b>Liabilities</b>			
Deposits .....	¥4,586,566	¥4,210,049	\$41,428,651
Negotiable certificates of deposit .....	71,390	133,830	644,838
Call money and bills sold .....	35,427	30,422	319,998
Cash collateral received for securities lent .....	20,158	16,137	182,079
Borrowed money .....	311,228	11,890	2,811,200
Foreign exchanges .....	223	358	2,014
Borrowed money from trust account .....	3,283	1,043	29,654
Other liabilities .....	25,504	19,954	230,368
Provision for bonuses .....	1,152	1,133	10,406
Provision for bonuses for directors (and other officers) .....	12	11	108
Retirement benefit liability .....	3,255	3,452	29,401
Provision for retirement benefits for directors (and other officers) .....	32	39	289
Provision for loss on interest repayment .....	42	52	379
Provision for reimbursement of deposits .....	320	366	2,890
Provision for point card certificates .....	96	88	867
Provision for contingent loss .....	318	256	2,872
Provision for share-based compensation .....	78	60	705
Allowance for demolition of non-current assets .....	—	329	—
Deferred tax liabilities .....	2,159	99	19,501
Deferred tax liabilities for land revaluation .....	4,227	4,227	38,181
Acceptances and guarantees .....	5,315	4,795	48,008
<b>Total liabilities</b> .....	<b>5,070,791</b>	<b>4,438,601</b>	<b>45,802,466</b>
<b>Net assets</b>			
Share capital .....	45,743	45,743	413,179
Capital surplus .....	38,352	38,352	346,419
Retained earnings .....	142,286	136,947	1,285,214
Treasury shares .....	(911)	(909)	(8,229)
<b>Total shareholders' equity</b> .....	<b>225,471</b>	<b>220,133</b>	<b>2,036,591</b>
Valuation difference on available-for-sale securities .....	15,099	10,543	136,383
Deferred gains or losses on hedges .....	(311)	(1,454)	(2,809)
Revaluation reserve for land .....	8,286	8,286	74,844
Remeasurements of defined benefit plans .....	559	(2,122)	5,049
<b>Total accumulated other comprehensive income</b> .....	<b>23,634</b>	<b>15,253</b>	<b>213,477</b>
Share acquisition rights .....	47	47	425
Non-controlling interests .....	26	23	235
<b>Total net assets</b> .....	<b>249,179</b>	<b>235,458</b>	<b>2,250,736</b>
<b>Total liabilities and net assets</b> .....	<b>¥5,319,971</b>	<b>¥4,674,059</b>	<b>\$48,053,211</b>

\* U.S. dollar figures have been translated at the rate ¥110.71 to U.S.\$1, the prevailing market rate as of March 31, 2021.

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2021 and 2020

Consolidated Statements of Income	Millions of Yen		Thousands of U.S. Dollars*
	2021	2020	2021
<b>Ordinary income</b> .....	<b>¥71,418</b>	¥67,852	<b>\$645,091</b>
Interest income .....	<b>39,380</b>	38,872	<b>355,704</b>
Interest on loans and discounts .....	<b>32,478</b>	32,560	<b>293,361</b>
Interest and dividends on securities .....	<b>6,615</b>	6,115	<b>59,751</b>
Interest on call loans and bills bought .....	<b>(6)</b>	(25)	<b>(54)</b>
Interest on deposits with banks .....	<b>0</b>	0	<b>0</b>
Other interest income .....	<b>293</b>	222	<b>2,647</b>
Trust fees .....	<b>55</b>	15	<b>497</b>
Fees and commissions .....	<b>14,808</b>	14,209	<b>133,755</b>
Other ordinary income .....	<b>2,167</b>	1,836	<b>19,574</b>
Other income .....	<b>15,005</b>	12,918	<b>135,534</b>
Recoveries of written off receivables .....	<b>579</b>	373	<b>5,230</b>
Other .....	<b>14,426</b>	12,544	<b>130,304</b>
<b>Ordinary expenses</b> .....	<b>58,611</b>	59,106	<b>529,410</b>
Interest expenses .....	<b>1,274</b>	2,479	<b>11,508</b>
Interest on deposits .....	<b>538</b>	847	<b>4,860</b>
Interest on negotiable certificates of deposit .....	<b>12</b>	26	<b>108</b>
Interest on call money and bills sold .....	<b>188</b>	746	<b>1,698</b>
Interest expenses on cash collateral received for securities lent .....	<b>100</b>	443	<b>903</b>
Interest on borrowings and rediscounts .....	<b>39</b>	38	<b>352</b>
Other interest expenses .....	<b>395</b>	376	<b>3,568</b>
Fees and commissions payments .....	<b>4,016</b>	3,838	<b>36,275</b>
Other ordinary expenses .....	<b>1,741</b>	1,484	<b>15,726</b>
General and administrative expenses .....	<b>35,473</b>	35,400	<b>320,414</b>
Other expenses .....	<b>16,105</b>	15,902	<b>145,470</b>
Provision of allowance for loan losses .....	<b>4,283</b>	4,164	<b>38,687</b>
Other .....	<b>11,821</b>	11,738	<b>106,774</b>
<b>Ordinary profit</b> .....	<b>12,807</b>	8,745	<b>115,681</b>
<b>Extraordinary income</b> .....	<b>0</b>	1	<b>0</b>
Gain on disposal of non-current assets .....	<b>0</b>	1	<b>0</b>
<b>Extraordinary losses</b> .....	<b>11</b>	15	<b>99</b>
Loss on disposal of non-current assets .....	<b>11</b>	15	<b>99</b>
<b>Profit before income taxes</b> .....	<b>12,796</b>	8,732	<b>115,581</b>
Income taxes—current .....	<b>4,148</b>	1,054	<b>37,467</b>
Income taxes—deferred .....	<b>622</b>	(415)	<b>5,618</b>
Total income taxes .....	<b>4,771</b>	638	<b>43,095</b>
<b>Profit</b> .....	<b>8,025</b>	8,094	<b>72,487</b>
<b>Profit attributable to non-controlling interests</b> .....	<b>3</b>	27	<b>27</b>
<b>Profit attributable to owners of parent</b> .....	<b>¥ 8,022</b>	¥ 8,066	<b>\$ 72,460</b>

\* U.S. dollar figures have been translated at the rate ¥110.71 to U.S.\$1, the prevailing market rate as of March 31, 2021.

Consolidated Statements of Comprehensive Income	Millions of Yen		Thousands of U.S. Dollars*
	2021	2020	2021
<b>Profit</b> .....	<b>¥ 8,025</b>	¥ 8,094	<b>\$ 72,487</b>
Other comprehensive income .....	<b>8,381</b>	(8,883)	<b>75,702</b>
Valuation difference on available-for-sale securities .....	<b>4,555</b>	(7,847)	<b>41,144</b>
Deferred gains or losses on hedges .....	<b>1,142</b>	(0)	<b>10,315</b>
Remeasurements of defined benefit plans, net of tax .....	<b>2,682</b>	(1,035)	<b>24,225</b>
<b>Comprehensive income</b> .....	<b>¥16,406</b>	¥ (789)	<b>\$148,189</b>
Comprehensive income attributable to			
Owners of parent .....	<b>¥16,403</b>	¥ (817)	<b>\$148,162</b>
Non-controlling interests .....	<b>3</b>	27	<b>27</b>

\* U.S. dollar figures have been translated at the rate ¥110.71 to U.S.\$1, the prevailing market rate as of March 31, 2021.

# Consolidated Statements of Changes in Equity

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2021 and 2020

	Millions of Yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019.....	¥45,743	¥38,291	¥131,563	¥(906)	¥214,692
Changes 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
Purchase of share of consolidated subsidiaries treasury stock .....		59			59
Net changes in items other than shareholders' equity ...					
Total changes during period.....	—	60	5,383	(3)	5,441
Balance as of March 31, 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.....		—		—	—
Purchase of share of consolidated subsidiaries treasury stock .....		—			—
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

	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, 2019.....	¥18,391	¥(1,453)	¥8,286	¥(1,087)	¥24,137	¥66	¥318	¥239,214
Changes 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
Purchase of share of consolidated subsidiaries treasury stock .....								59
Net changes in items other than shareholders' equity ...	(7,847)	(0)	—	(1,035)	(8,884)	(18)	(294)	(9,197)
Total changes 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
Changes of items during period:								
Dividends of surplus .....								(2,682)
Profit attributable to owners of parent.....								8,022
Purchase of treasury shares .....								(2)
Disposal of treasury shares.....								—
Purchase of shares of consolidated subsidiaries treasury stock .....								—
Net changes of 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

	Thousands of U.S. Dollars*				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2020 .....	\$413,179	\$346,419	\$1,236,989	\$(8,211)	\$1,988,375
Changes during period:					
Dividends of surplus .....			(24,225)		(24,225)
Profit attributable to owners of parent.....			72,460		72,460
Purchase of treasury shares .....				(18)	(18)
Disposal of treasury shares.....		—		—	—
Purchase of share of consolidated subsidiaries treasury stock .....		—			—
Net changes in items other than shareholders' equity ...					
Total changes during period.....	—	—	48,225	(18)	48,207
Balance as of March 31, 2021 .....	<b>\$413,179</b>	<b>\$346,419</b>	<b>\$1,285,214</b>	<b>\$(8,229)</b>	<b>\$2,036,591</b>

	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, 2020 .....	\$ 95,231	\$(13,133)	\$74,844	\$(19,167)	\$137,774	\$425	\$208	\$2,126,800
Changes during period:								
Dividends of surplus .....								(24,225)
Profit attributable to owners of parent.....								72,460
Purchase of treasury shares .....								(18)
Disposal of treasury shares.....								—
Purchase of share of consolidated subsidiaries treasury stock .....								—
Net changes in items other than shareholders' equity ...	41,144	10,315	—	24,225	75,702	—	27	75,729
Total changes during period.....	41,144	10,315	—	24,225	75,702	—	27	123,936
Balance as of March 31, 2021 .....	<b>\$136,383</b>	<b>\$ (2,809)</b>	<b>\$74,844</b>	<b>\$ 5,049</b>	<b>\$213,477</b>	<b>\$425</b>	<b>\$235</b>	<b>\$2,250,736</b>

\* U.S. dollar figures have been translated at the rate ¥110.71 to U.S.\$1, the prevailing market rate as of March 31, 2021.

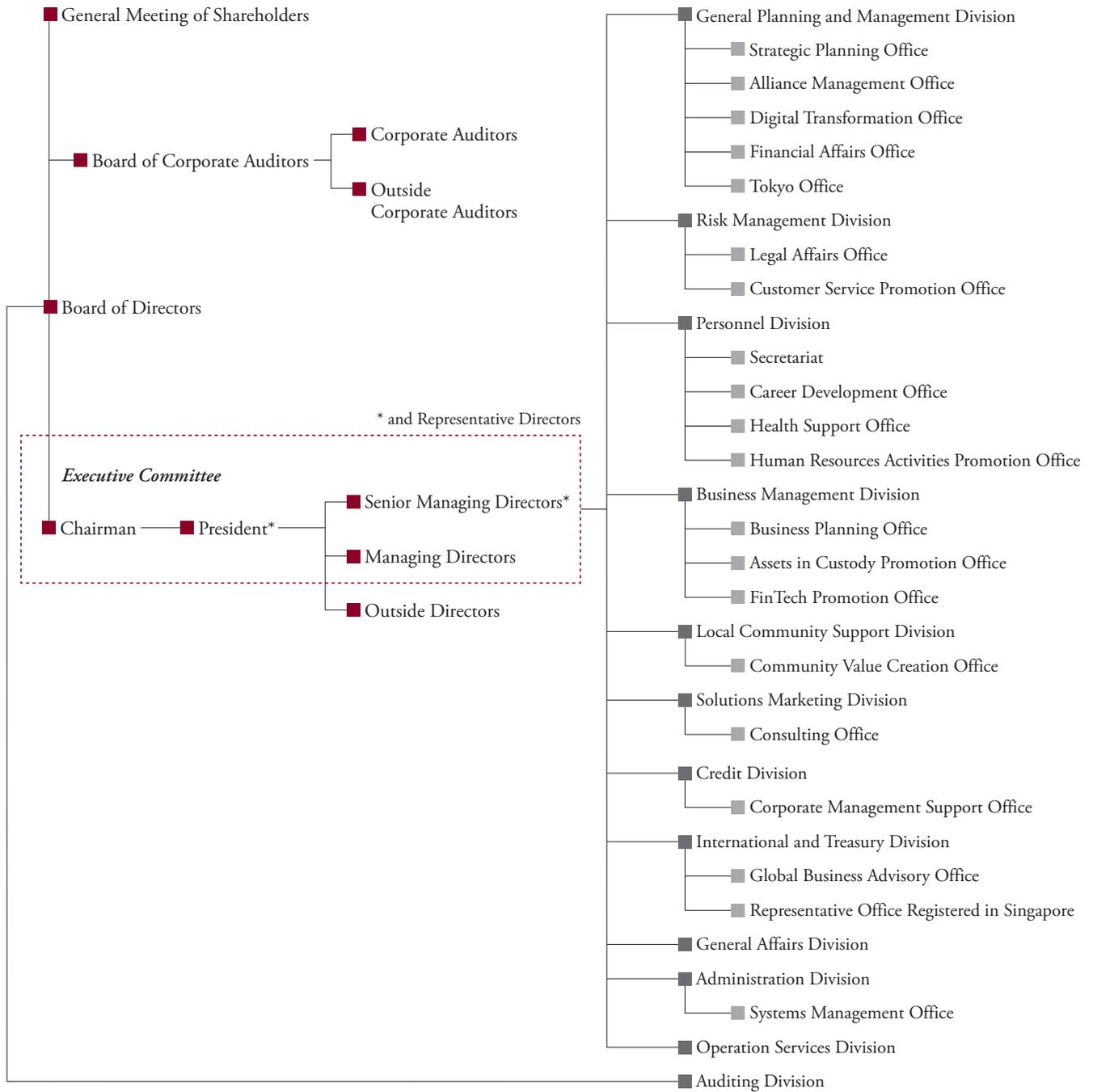
# Consolidated Statements of Cash Flows

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars*
	2021	2020	2021
<b>Cash flows from operating activities</b>			
Profit before income taxes .....	¥ 12,796	¥ 8,732	\$ 115,581
Depreciation .....	2,711	2,870	24,487
Share of loss (profit) of entities accounted for using equity method .....	(2)	(7)	(18)
Increase (decrease) in allowance for loan losses .....	1,898	(3,191)	17,144
Increase (decrease) in provision for bonuses .....	18	(14)	163
Increase (decrease) in provision for bonuses for directors (and other officers) .....	0	1	0
Decrease (increase) in retirement benefit asset .....	(450)	(476)	(4,065)
Increase (decrease) in retirement benefit liability .....	(191)	(96)	(1,725)
Increase (decrease) in provision for retirement benefits for directors (and other officers) .....	(7)	9	(63)
Increase (decrease) in provision for loss on interest repayment .....	(9)	8	(81)
Increase (decrease) in provision for reimbursement of deposits .....	(46)	(126)	(415)
Increase (decrease) in provision for point card certificates .....	7	3	63
Increase (decrease) in provision for contingent loss .....	61	58	551
Increase (decrease) in provision for share-based compensation .....	17	(6)	154
Increase (decrease) in allowance for demolition of non-current assets .....	(329)	(282)	(2,972)
Interest income .....	(39,380)	(38,872)	(355,704)
Interest expenses .....	1,274	2,479	11,508
Loss (gain) related to securities .....	(1,694)	(8)	(15,301)
Loss (gain) on money held in trust .....	2	3	18
Foreign exchange losses (gains) .....	(2,029)	1,123	(18,327)
Loss (gain) on disposal of non-current assets .....	10	13	90
Net decrease (increase) in trading securities .....	(13)	13	(117)
Net decrease (increase) in loans and bills discounted .....	(218,233)	(49,584)	(1,971,213)
Net increase (decrease) in deposits .....	376,517	84,619	3,400,930
Net increase (decrease) in negotiable certificates of deposit .....	(62,440)	(23,600)	(563,996)
Net increase (decrease) in borrowed money (excluding subordinated borrowings) .....	299,337	957	2,703,794
Net decrease (increase) in due from banks (excluding due from Bank of Japan) .....	0	9,915	0
Net decrease (increase) in call loans .....	(102)	12,123	(921)
Net increase (decrease) in call money .....	5,005	(100)	45,208
Net increase (decrease) in cash collateral received for securities lent .....	4,020	(5,013)	36,311
Net decrease (increase) in foreign exchanges—assets .....	2,033	(2,630)	18,363
Net increase (decrease) in foreign exchanges—liabilities .....	(134)	158	(1,210)
Net increase (decrease) in borrowed money from trust account .....	2,239	1,043	20,224
Interest received .....	39,896	40,021	360,365
Interest paid .....	(1,406)	(2,596)	(12,700)
Other, net .....	3,557	(326)	32,129
Subtotal .....	424,934	37,219	3,838,262
Income taxes refund .....	2,160	—	19,510
Income taxes paid .....	(1,392)	(6,509)	(12,573)
Net cash provided by (used in) operating activities .....	425,702	30,710	3,845,199
<b>Cash flows from investing activities</b>			
Purchase of securities .....	(309,024)	(237,880)	(2,791,293)
Proceeds from sale of securities .....	81,587	32,422	736,943
Proceeds from redemption of securities .....	178,329	223,679	1,610,776
Increase in money held in trust .....	(5)	(9)	(45)
Purchase of tangible fixed assets .....	(7,110)	(7,006)	(64,222)
Proceeds from sale of property, plant and equipment .....	7	13	63
Purchase of intangible assets .....	(1,518)	(1,661)	(13,711)
Payments for asset retirement obligations .....	(1)	(114)	(9)
Net cash provided by (used in) investing activities .....	(57,734)	9,441	(521,489)
<b>Cash flows from financing activities</b>			
Dividends paid .....	(2,682)	(2,682)	(24,225)
Dividends paid to non-controlling interests .....	—	(0)	—
Purchase of treasury shares .....	(2)	(42)	(18)
Purchase of treasury shares of subsidiaries .....	—	(262)	—
Proceeds from sale of treasury shares .....	—	40	—
Net cash provided by (used in) financing activities .....	(2,685)	(2,947)	(24,253)
Net increase (decrease) in cash and cash equivalents .....	365,282	37,204	3,299,449
Cash and cash equivalents at beginning of period .....	373,991	336,786	3,378,114
Cash and cash equivalents at end of period .....	¥ 739,274	¥ 373,991	\$ 6,677,572

\* U.S. dollar figures have been translated at the rate ¥110.71 to U.S.\$1, the prevailing market rate as of March 31, 2021.

## Organization Chart (as of July 1, 2021)



## Board of Directors, Corporate Auditors and Executive Officers (as of July 1, 2021)

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

## Investor Information (as of March 31, 2021)

**Common Stock** Authorized: 80,000 thousand shares  
Issued: 33,805 thousand shares

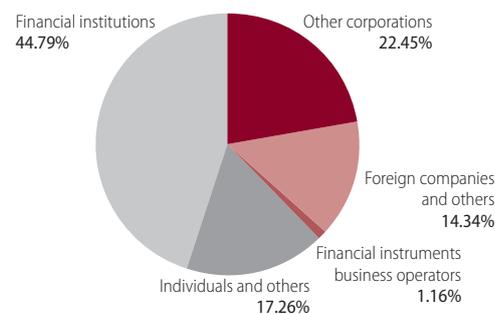
**Number of Shareholders** 12,203

### Major Shareholders

Name	Number of shares (Thousands of shares)	Shares held as a percentage of total outstanding shares (%)
Custody Bank of Japan, Ltd. (trust account)	2,661	7.93
The Master Trust Bank of Japan, Ltd. (trust account)	2,089	6.22
Custody Bank of Japan, Ltd. (trust account 4)	1,247	3.72
The Chiba Bank, Ltd.	925	2.75
Meiji Yasuda Life Insurance Company	735	2.19
Musashino Bank Industries Employees' Stockholding Association	730	2.17
MUFG Bank, Ltd.	727	2.16
SUMITOMO LIFE INSURANCE COMPANY	702	2.09
Maeda Glass Co., Ltd.	579	1.72
Nippon Life Insurance Company	50	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 a unit of 14 shares under the name of Japan Securities Depository Center, Inc.





The Musashino Bank, Ltd.

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## 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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