

Continuing to Work Together with People in the Region



■ Kikuo Kato
President

The Prefectural Economy

We anticipate the further invigoration of Saitama Prefecture's economy with investments ahead of the Tokyo Olympic and Paralympic Games in 2020. Public investment and private capital investment projects in Saitama Prefecture are being progressively implemented in line with the development of transportation infrastructure such as the Metropolitan Inter-City Expressway (Ken-O-do).

Initiatives for Medium-term Management Plan "MVP 2/3 (Two-Thirds)"

In April 2016, we have started the Bank's medium-term management plan "MVP (Musashino Value-making Plan) 2/3 (Two-Thirds)," the second phase of its efforts to realize its long-term vision for turning itself into "the region's number one bank that creates new value in Saitama." Based on this plan, the Bank has engaged in a range of initiatives to realize its growth strategy and regional revitalization centered on providing optimal solutions to customers.

In January 2017, we opened the Oji Office and the Shibuya Office in order to further enhance our branch network. Also, in June 2017, we opened “Your Lounge Urawa,” in the Urawa Station West Exit area. This is our first next-generation model branch focused on individual customers.

In addition to enhancing consulting functions such as free consultations by attorneys and tax accountants, we are promoting the creation of branches modeled on unprecedented concepts such as collaboration with adjacent cafes.

For individual customers, we began offering a home loan with cancer insurance to help customers design high-quality life plans that provide them with a sense of security, while we also worked to enhance our lineup of investment trusts and other products to help people build up assets over the medium- to long-term.

We also enhanced our services, such as those related to inheritance and real estate trusts, for which needs continue to grow.

For corporate customers, we focused efforts on evaluating the business viability of SMEs based on accurately assessing their business scope and growth prospects and extending finance where possible not to easily relying on loan collateral or guarantees. We are steadily expanding our business achievements.

We also started offering the “Musashino Business Start-Up Support Loan” and the “Musashino Business Start-Up Support Service Pack” to support customers who have recently started a business. We are also working to provide optimal solutions depending on the customer’s growth stage,

such as business matching and M&A.

In addition, we began offering the “Musashino Bank Application” smartphone app which provides a variety of functions, and we are working with companies that are carrying out cutting-edge initiatives to create new services utilizing FinTech.

In order to help revitalize the region, we have strengthened collaboration with local governments to solve regional issues, and are focusing on supporting PFI projects implemented by local governments such as updating public infrastructure and facilities.

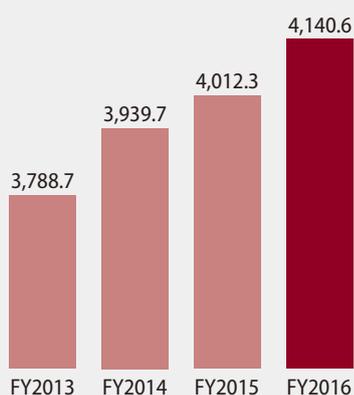
In addition, in May 2017 the Musashino Bank Group’s think tank the Bugin Economic Research Institute and the Kasukabe Future Life Laboratory began joint research effort, which is rare in Japan, and we proactively hold seminars and other events in partnership with local governments in Saitama Prefecture.

Under the Chiba-Musashino Alliance, the comprehensive alliance we entered into with Chiba Bank in March 2016, we have launched a variety of new operations in the asset management business, the inheritance-related business, the international business, and other areas.

In April 2017, we established Chiba-Musashino Alliance Co., Ltd., a jointly-owned company, to examine the alliance’s overall policy and medium- to long-term strategies. Going forward, we will continue to make the alliance more effective, and provide prompt high-value-added services to customers in the region.

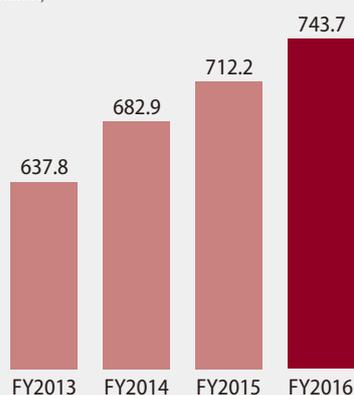
Deposits including negotiable deposits
(non-consolidated)

(¥ billion)



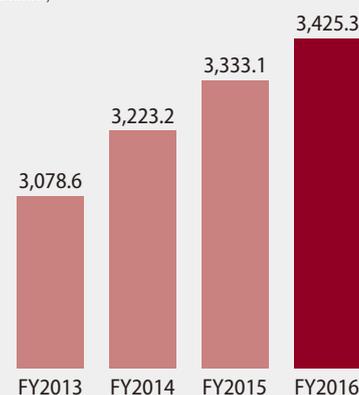
Assets in custody
(non-consolidated)

(¥ billion)



Loans
(non-consolidated)

(¥ billion)



Financial Results Fiscal 2016 (non-consolidated)

As of March 31, 2017, deposits, etc. were ¥4,140.6 billion, a year-on-year increase of ¥128.2 billion. Assets in custody, such as investment trusts and insurance products, were ¥743.7 billion, a year-on-year increase of ¥31.4 billion. Loans outstanding increased ¥92.1 billion year on year to ¥3,425.3 billion.

Profit attributable to owners of parent fell ¥2.2 billion year on year, due to the fact that market interest rates remained low due to negative interest rates, along with other factors. Still, this figure was ¥9.0 billion, and higher than our initial forecast, attributable to the increase in fees and commissions centered on solutions for corporate customers, as well as cost reductions and other factors.

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In April, 2017, Musashino Bank celebrated its 65th anniversary. In reaching this milestone, I would like to express my thanks to our shareholders and business partners for their support and loyalty over the years.

The environment surrounding financial institutions like Musashino Bank is undergoing significant changes, including the continual launch of new financial services that have not existed before using FinTech.

Furthermore, the responsibilities and roles required of financial institutions, such as a commitment to customer-oriented business operations (fiduciary duty) and enhanced financial intermediary capabilities, continue to become increasingly important.

Going forward, in order to meet the expectations of people in the region, the directors and employees of Musashino Bank will remain fully committed to their work based on the corporate philosophy of “Working in harmony with the local community it serves” and “Maintaining a deep respect toward customers” which has been in place since the Bank was founded.

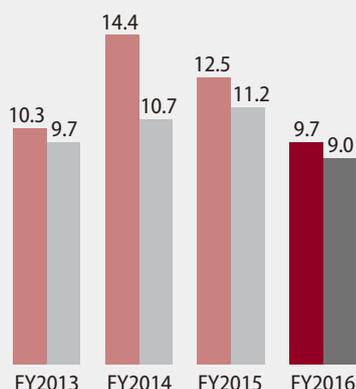
In closing, we kindly request your continued support and understanding.

Kikuo Kato
President



Profit attributable to owners of parent/ Net income

(¥ billion)



■ Consolidated
■ Non-consolidated

Dividend payout ratio and annual dividend

	FY2013	FY2014	FY2015	FY2016
Dividend payout ratio (%)	25.7	24.8	26.7	29.7
Annual dividend (Yen)	75	80	90	80

Shareholders return ratio

	FY2013	FY2014	FY2015	FY2016
Shareholders return ratio (%)	25.7	24.8	26.7	29.7

5-year average of consolidated ROE



FY2013 FY2014 FY2015 FY2016