

Continuing to Work Together with People in the Region

■ Kikuo Kato
President



The Prefectural Economy

With progress on private sector capital investment as well as public sector investment, Saitama Prefecture's economy is on a modest recovery track. With two years remaining until the 2020 Tokyo Olympic and Paralympic Games, we expect our various initiatives for achieving regional invigoration to gain speed going forward.

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

Based on the Bank's medium-term management plan "MVP (Musashino Value-Making Plan) 2/3 (Two-Thirds)," which covers the period from April 2016 to March 2019, and is the second phase of our efforts to realize our long-term vision of becoming "the region's number one bank that creates new value in Saitama," we have been quickly executing our growth strategy, including enhancing our branch network, providing optimal solutions, and bolstering our initiatives in new

business fields.

At the same time, under the Chiba-Musashino Alliance, which is our comprehensive alliance with Chiba Bank, in addition to developing various businesses such as the inheritance-related business and the financial instruments intermediary business, we are working on new initiatives, such as jointly establishing branches, as we aim to provide more convenience and high value-added products.

With respect to the branch network, in addition to making branches in Saitama Prefecture more convenient, having more branches open on holidays, and enhancing consulting-type branches, we have been opening branches in Tokyo with the aim of growing our business base in Tokyo. In June 2018, we opened the Shibuya Branch and the Hamamatsucho Office, and centered on these locations we will focus on our unique, locally-rooted finance in Tokyo as well, and also accumulate expertise in solutions, which we can then use to support our customers in Saitama Prefecture.

For individual customers, based on the “Basic Policy for Fiduciary Duty.” we announced in June 2017, we are working to develop our personnel and enhance our product lineup in order to sincerely respond to our customers’ individual asset management needs.

Partnering with Chibagin Securities of the Chiba Bank Group, we are working on the financial instruments intermediary business to address customers’ increasingly diverse and sophisticated asset management needs, and we are also working to enhance our services, including those related to inheritance and real estate trusts.

For corporate customers, based on business evaluations that accurately assess the business details and growth possibilities of individual SMEs, we are focusing on extending financing that does not excessively rely on loan collateral or guarantees, as well as technological innovations and other initiatives to support companies’ core business activities.

Also, in addition to offering optimal solutions depending on the customer’s growth stage, such as syndicated loans and other types of corporate finance, business matching and M&A, we are also helping corporate executives resolve their issues related to business succession through “Musashino Business Succession Support” and a joint fund with Chiba Bank.

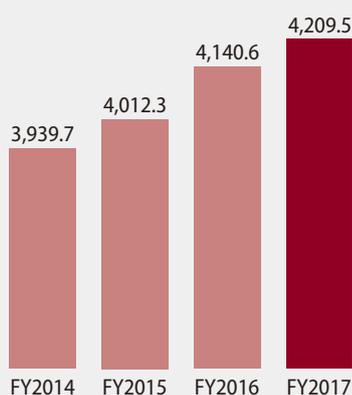
Moreover, in addition to enhancing the functions of the “Musashino Bank Application” smartphone app, aiming to create new services using FinTech, we are working with Chiba Bank and the T&I Innovation Center to build up our API platform, as well as working on partnerships with leading companies.

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.

We also aim to contribute to the creation of vibrant, livable cities by proactively being involved in redevelopment projects such as the Omiya Station East Exit area.

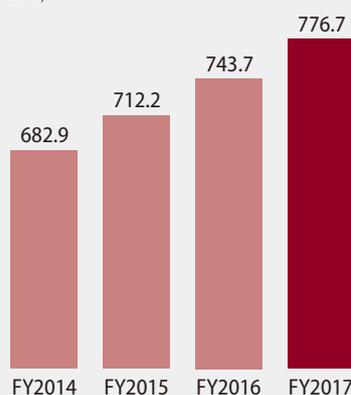
Deposits including negotiable deposits
(non-consolidated)

(¥ billion)



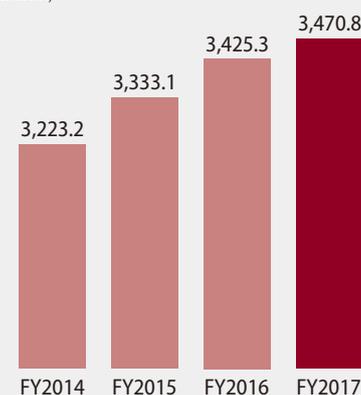
Assets in custody
(non-consolidated)

(¥ billion)



Loans
(non-consolidated)

(¥ billion)



Financial Results Fiscal 2017

While carrying out these initiatives, as of March 31, 2018 our deposits, etc. were ¥4,209.5 billion, a year-on-year increase of ¥68.9 billion. Assets in custody, such as investment trusts and insurance products, were ¥776.7 billion, a year-on-year increase of ¥33.0 billion. Loans outstanding increased ¥45.5 billion year on year to ¥3,470.8 billion.

As market interest rates remained low due to negative interest rates, profit attributable to owners of parent was ¥10.0 billion on a non-consolidated basis and ¥10.9 billion on a consolidated basis. This was attributable to the increase in fees and commissions, especially assets in custody and corporate-related fees, as well as other factors. Both income and profit increased compared to the previous fiscal year, and we appreciate all the support we received from our stakeholders.

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The internal and external environment surrounding Musashino Bank is undergoing significant changes, and we must establish a business model that will lead to better growth prospects and profitability, as well as further exhibit financial intermediary functions aimed at regional economic revitalization. We also have other various challenges,

including responding and adapting to FinTech, boosting productivity, and implementing work style reform.

In addition, financial institutions are now being asked to give consideration to perspective of ESG (Environment, Society, and Governance) more than ever before. For regional financial institutions like Musashino Bank, we are deeply aware of the fact that having a sustainable regional society is a condition for our existence, and we will continue to work with our stakeholders to push forward with our day-to-day operations.

Going forward, 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, the directors and employees of Musashino Bank will further commit themselves to their work and strive for sustainable growth and development together with everyone in the community. As a result, we will be able to meet the expectations of our customers, shareholders, the local community, and all other stakeholders.

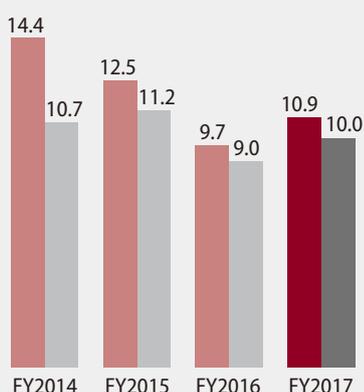
In closing, we kindly request your continued support and understanding.

Kikuo Kato
President



Profit attributable to owners of parent/ Net income

(¥ billion)



■ Consolidated
■ Non-consolidated

Dividend payout ratio and annual dividend

	FY2014	FY2015	FY2016	FY2017
Dividend payout ratio (%)	24.8	26.7	29.7	26.5
Annual dividend (Yen)	80	90	80	80

Shareholders return ratio

	FY2014	FY2015	FY2016	FY2017
Shareholders return ratio (%)	24.8	26.7	29.7	26.5

5-year average of consolidated ROE



FY2014 FY2015 FY2016 FY2017