



Annual Report

2018

## Profile

Musashino Bank is the only regional bank whose operational base consists of Saitama Prefecture in the Tokyo metropolitan area. The prefecture lies immediately to the north of Tokyo, and many of its residents commute to work in the capital. Currently, 7.3 million (estimated) people live in Saitama, making it the country's fifth most populous prefecture after

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

## Corporate Philosophy

### "Working in harmony with the local community it serves"

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

### "Maintaining a deep respect toward customers"

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

#### Bank Data (non-consolidated basis, as of March 31, 2018)

Head Office:	333-13, OLS Building, Sakuragi-cho 4-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: 98 (Saitama Prefecture: 93 [of which 2 are sub-branches], outside Saitama Prefecture: 5)
Number of mortgage loan centers:	9
Employees:	2,170
Total assets:	¥4,546.0 billion
Deposits:	¥4,209.5 billion
Loans:	¥3,470.8 billion
Common stock:	¥45.7 billion
Capital adequacy ratio:	9.03%
Number of correspondent arrangements:	131
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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# Consolidated Financial Highlights

The Musashino Bank, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2018 and 2017

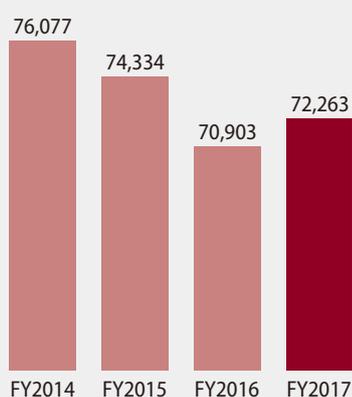
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Notes 1 and 2)
	2018	2017	2018
<b>At Year-end</b>			
Total Assets.....	¥4,560,693	¥4,507,139	\$42,928,210
Deposits including Negotiable Certificates of Deposit.....	4,194,337	4,127,056	39,479,829
Loans and Bills Discounted.....	3,457,846	3,412,133	32,547,496
Trading Account Securities and Securities.....	740,540	782,505	6,970,444
Total Net Assets.....	247,043	233,974	2,325,329
Capital Adequacy Ratio (based on domestic standards) (%).....	9.32	9.46	
<b>For the Year</b>			
Ordinary Income.....	¥ 72,263	¥ 70,903	\$ 680,186
Ordinary Expenses.....	56,530	58,015	532,097
Profit before Income Taxes.....	15,334	12,881	144,334
Profit attributable to owners of parent.....	10,917	9,762	102,758

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

2. U.S. dollar figures have been translated at the rate ¥106.24 to U.S.\$1, the prevailing market rate as of March 31, 2018.

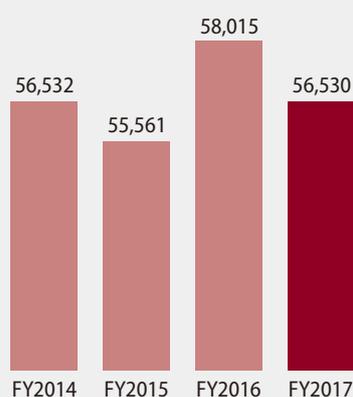
## Ordinary income

(¥ million)



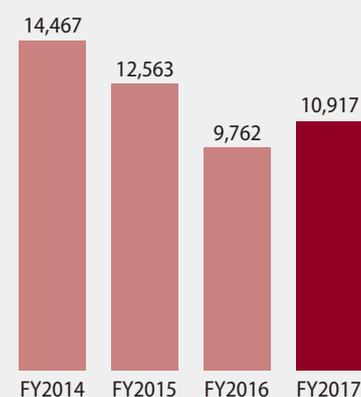
## Ordinary expenses

(¥ million)



## Profit attributable to owners of parent

(¥ million)



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

# Continuing to Work Together with People in the Region

■ Kikuo Kato  
*President*

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## 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.

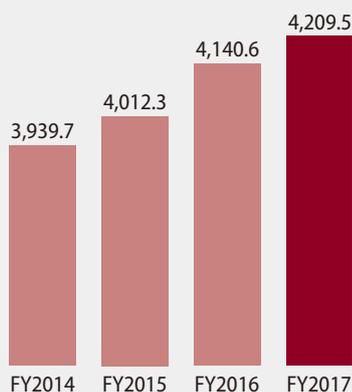
Moreover, in addition to enhancing the functions of the “Musashino Bank Application” smartphone app, aiming to create new services using FinTech, we are working with Chiba Bank and the T&I Innovation Center to build up our API platform, as well as working on partnerships with leading companies.

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.

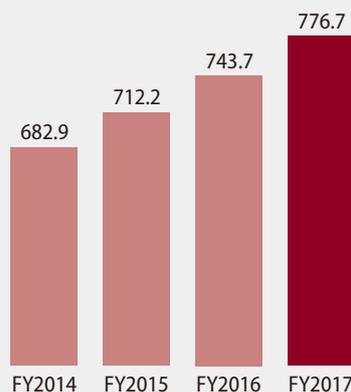
**Deposits including negotiable deposits**  
(non-consolidated)

(¥ billion)



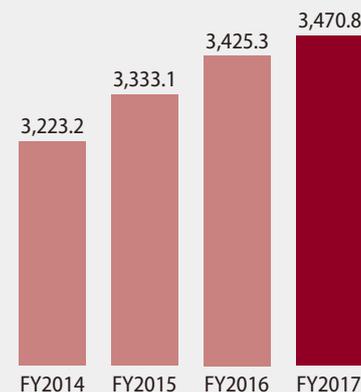
**Assets in custody**  
(non-consolidated)

(¥ 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.

## Continuing to Work Together with People in the Region

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.

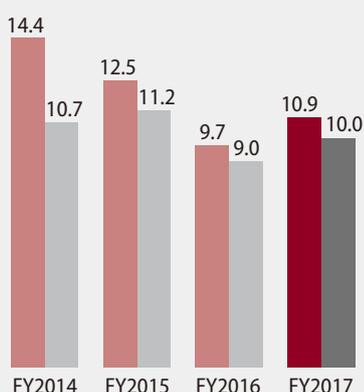
In closing, we kindly request your continued support and understanding.

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

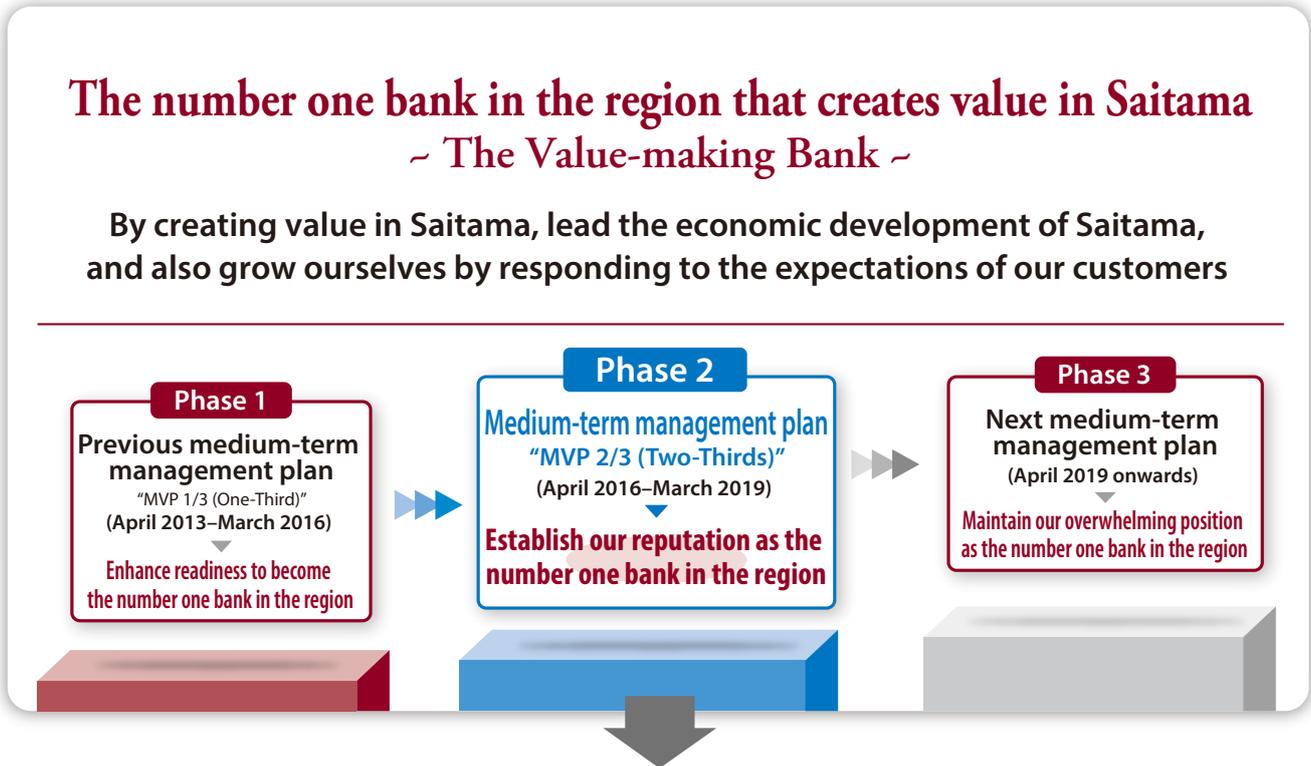
## ■ Long-term Vision/Medium-term Management Plan

In April 2016, the Bank started its 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 (The Value-making Bank) that creates new value in Saitama,” and has been working to further expand its contact with customers and provide optimal solutions.

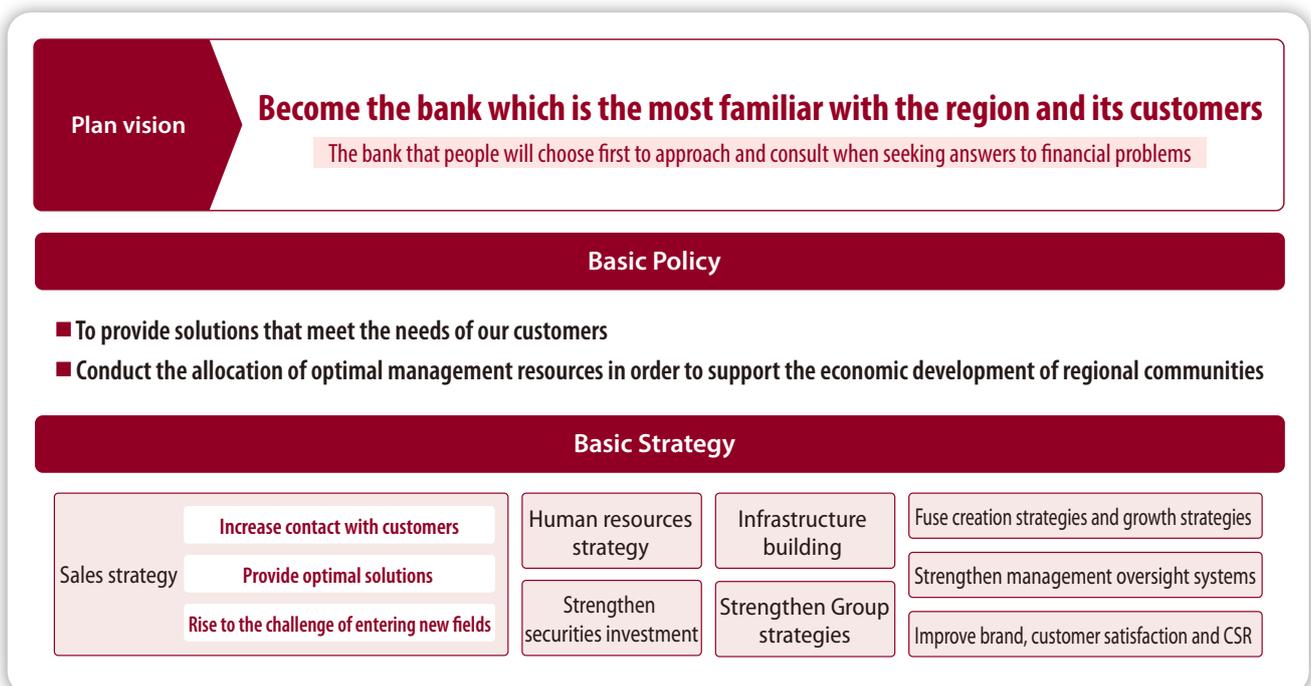
### Long-term Vision: “MVP (Musashino Value-making Plan)”

## 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 plan “MVP 2/3 (Two-Thirds)” Plan period: April 2016–March 2019



## Chiba-Musashino Alliance

As the Chiba-Musashino Alliance that started in March 2016 celebrates its 2nd-year anniversary, the two banks' coordinated projects and collaborations are accelerating. Musashino Bank and Chiba Bank will continue striving to further improve customer services and better contribute to regional revitalization.



### Main Initiatives for Individual Customers

#### FinTech

In March 2018, we entered into a partnership agreement about using an API FinTech platform with Chiba Bank and the T&I Innovation Center Co., Ltd.

#### Financial Instruments Intermediary Business

In August 2017 we started collaborating in the financial instruments intermediary business with the Chiba Bank Group's Chibagin Securities Co., Ltd. to meet our customers' sophisticated asset management needs.



A Chibagin Securities branch established inside one of our bases

#### Asset Management Operations

We are handling investment funds formed by Chibagin Asset Management Co., Ltd. to contribute to our customer's medium- to long-term asset-building and asset management.

#### Inheritance-Related Services

By collaborating as regards inheritance-related services, we are able to offer our customers a variety of one-stop, over-the-counter consultations, including as regards inheritance, estate liquidation and testamentary trusts, for which customer needs are increasing.

### Main Initiatives for Corporate Clients

#### International Operations

In August 2018, we opened a representative office in Singapore next to the representative office of Chiba Bank.



Together with the president of Chiba Bank at the representative office

#### Joint Establishment of Sales Branch

In June 2018, we jointly established a corporate sales branch in the town of Hamamatsucho in Tokyo's Minato Ward. We are catering to a wide range of client needs, including by arranging the mutual introduction of clients and by proposing joint financing projects.

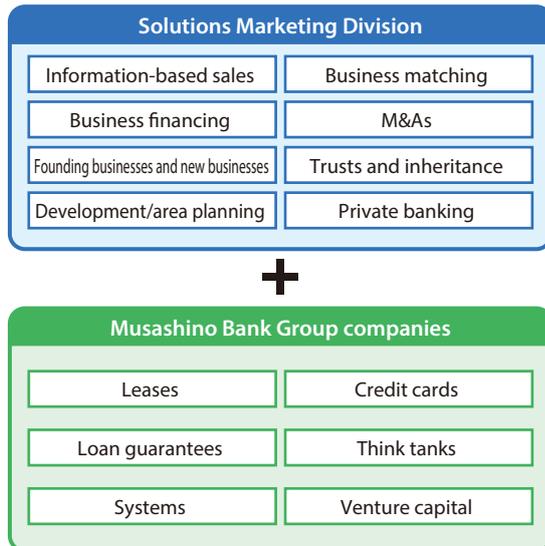
#### Business Succession Support

We established the Chiba-Musashino Alliance No. 1 Investment Business Limited Partnership joint fund with a total of ¥3 billion in venture capital from the two banks' groups, and are supporting corporate clients in carrying out smooth business succession operations through the temporary holding of shares by this joint fund.

## Strengthening Solution Marketing

### Promotion Structure

In April 2018, we established the Solution Marketing Division in order to further strengthen solution-based sales. The Bank is working together with client companies and management to solve various problems and issues while also drawing on the functional capabilities of Group companies.



### Support for Overseas Expansion

Through our overseas networks formed by alliances and partnerships, we are responding to diverse needs that include assisting our client companies to expand their business overseas, or to further develop our own existing businesses.

Furthermore, we opened a Representative Office in Singapore in August 2018 (as our sole overseas office). As a result, from Singapore we can flexibly support clients' activities in the ASEAN region, both those carrying out business expansion and those examining the launching of new businesses.

### M&A and Business Succession

In order to help local companies carry out smooth business succession, we have been offering a one-stop service ranging from the creation of an optimal plan, to the proposal towards realization of that plan. In addition, we have been contributing to maintain and create regional employment through the utilization of M&As.

## Offering a Variety of Financing Methods

The Bank has focused on offering a variety of financing methods, including syndicated loans to diversify procurement methods and implement financial rationalization when a cooperative financing group has been formed by a number of financial institutions, project financing that provides funding after focusing on the cash flow of a business, private placement bonds that result in improving the corporate image of a company conducting fund procurement, and Asset-Based Lending (ABL) that makes use of the customer's product inventory, accounts receivable or suchlike.

## Providing SME Management Assistant

### Support for Start-Ups and New Entries

The Bank recognizes that for the sustained development of the regional economy it is indispensable for start-ups and new entries to be done actively and continuously. Consequently, we are working with a "support team for start-ups and new entries" in Head Office and with branches to strengthen our efforts in this area.

### Business Evaluation

The Bank does not rely excessively on financial data, collateral and guarantees—it is carrying out initiatives that prioritize business evaluation, including the business details and growth possibilities of each individual company. The number of borrowers based on a business evaluation have increased to approximately 20% of our total lending (as of March 2018).

### Supporting Excellent Technologies and Products

We support the client's core businesses by utilizing public schemes such as standardization and intellectual property that evaluates and visualizes client companies' superior technologies and products.

# Operational Base of Saitama Prefecture

## Features and Attractiveness of Saitama Prefecture

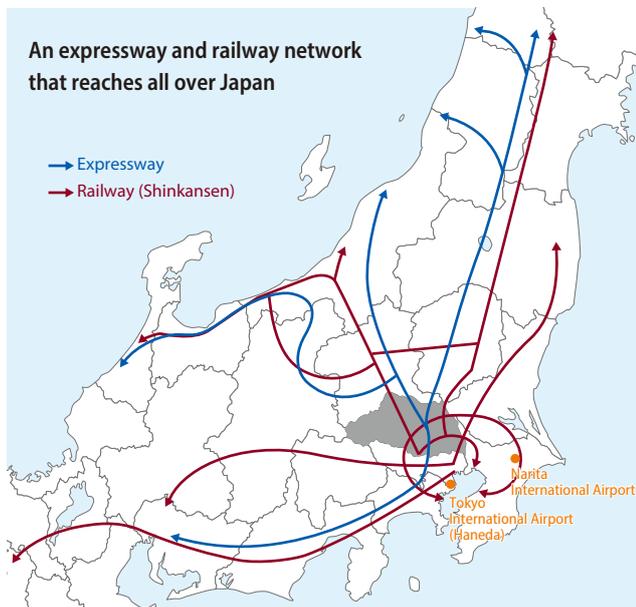
Saitama Prefecture, the Bank's operating base, has a vibrant economy. The prefecture is blessed with a favorable climate and topography, has a well-developed transportation infrastructure, including expressway and railway networks, and has a highly concentrated population and industry.

### Well-developed Expressway and Railway Networks

Saitama Prefecture is located in the heart of the Tokyo metropolitan area, which is home to one-third of Japan's population (approximately 40 million people), and the prefecture has a well-developed network of expressways and railways. The Kanetsu, Tohoku, and Joban expressways run north to south through the prefecture, while the Metropolitan Inter-City Expressway (Ken-O-do) and the Tokyo Gaikan Expressway run east to west. The Ken-O-do provides access to the Tomei and Chuo Expressways, and also connects with the Higashi-Kanto Expressway, which extends to Narita International Airport, east Japan's gateway to the sky. This has attracted logistics and production bases to the prefecture. As for railways, Saitama Prefecture is directly connected to both Tokyo and other key cities via the Hokkaido, Tohoku, Akita, Yamagata, Joetsu and Hokuriku Shinkansen (bullet trains), which originate in Omiya.



Ken-O-do Kawajima Interchange area  
©Omiya National Highway Office, Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism



### A Favorable Climate and Topography

Located on the borders of Tokyo and six prefectures, Saitama Prefecture is an inland prefecture on the Kanto Plain, and all parts are less than 100 km from central Tokyo.

Saitama Prefecture covers 3,798 square kilometers and accounts for around 1% of Japan's land area. The area of prefectural land covered by mountains is less than the national average, while the area of lowlands and tableland is greater. Rivers account for 3.90% of the prefecture's area, the highest figure for a prefecture in the country.

It is very comfortable to live in because it has more clear days annually than anywhere else in Japan, and has few natural disasters.

### Fifth Largest Prefecture by Population

The population of Saitama Prefecture is 7.31 million (estimated population as of June 1, 2018), the highest level ever. It has the fifth largest prefectural population in Japan.

### Fifth Largest Economy in Japan

Total production in Saitama Prefecture is about ¥20 trillion, making its prefectural economy the fifth largest in Japan. Also, over the past 10 years, the increase in Saitama's total production has been the second greatest in Japan, as the prefecture's economy continues to grow.

### Collection of Diverse Manufacturing Industries

Saitama Prefecture has a diverse range of local industries centered on the automotive-related industry. With the prefecture's strong transportation infrastructure, including the Ken-O-do, the relatively small number of natural disasters, as well as inexpensive land prices despite being adjacent to central Tokyo, over the 10 years from 2008 to 2017 there was a net influx of 861\* companies to the prefecture, the highest number in the country.

\* Based on Teikoku Databank Survey

# Contributing to the Local Economy

## Deposits from the Region

As of March 31, 2018, deposits from the region increased ¥74.9 billion year on year to ¥3,991.8 billion. The ratio of deposits from the region continued to be high, at 86.58% of the total balance of deposits.

The Bank's share of deposits within the prefecture as of March 31, 2018 declined to 18.91%.

## Assets in Custody from the Region

As of March 31, 2018, assets in custody from the region increased ¥32.8 billion year on year to ¥775.8 billion. The breakdown comprises investment trusts of ¥142.6 billion, life insurance of ¥564.6 billion, and government bonds and other assets of ¥68.6 billion.

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

## Loans to the Region

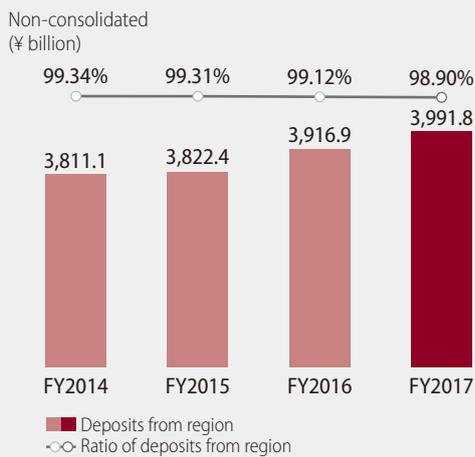
Loans to the region as of March 31, 2018 rose ¥58.0 billion to ¥3,005.1 billion, thereby maintaining a high loan-to-region ratio of 86.58%. The Bank's share of loans in the prefecture improved to 18.91%.

## Towards a Sounder Financial Position

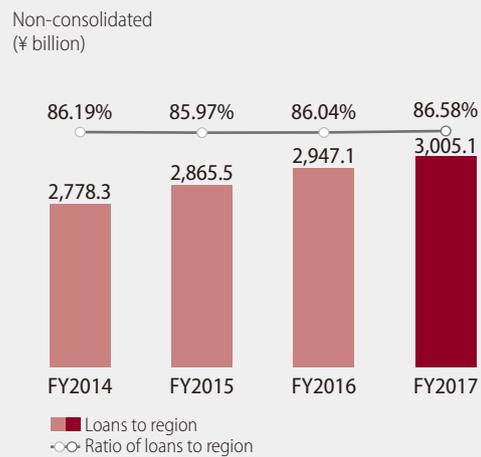
The Bank is strengthening its capital adequacy and reducing non-performing loans. The Bank has maintained a consolidated and non-consolidated capital adequacy ratio (Basel III domestic standard) of 9.32% and 9.03%, respectively, so we have continued to maintain a very sound financial position.

The Bank's non-performing loan ratio based on standards established by the Financial Reconstruction Act, declined by 0.10 of a percentage point to 1.71%.

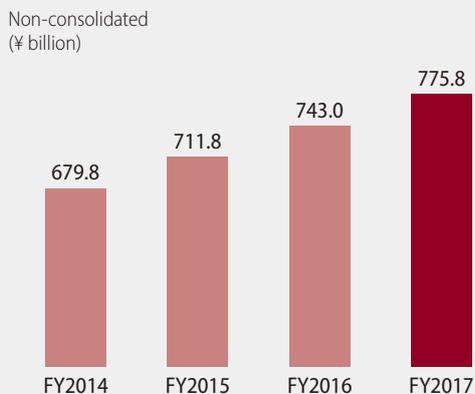
### Deposits from region/Ratio of deposits from region



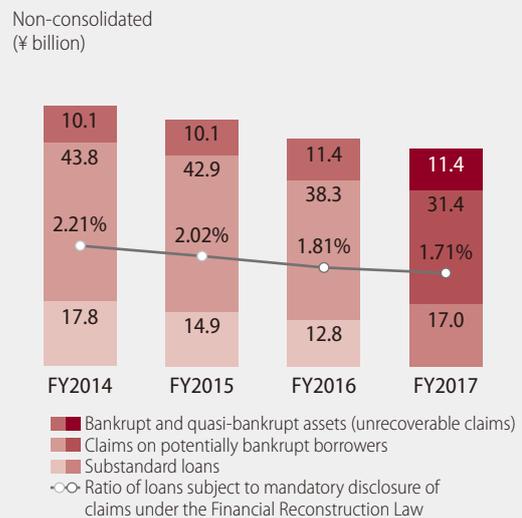
### Loans to region/Ratio of loans to region



### 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, and Goka Branch sales areas).

# Nurturing Growth Fields/Measures and Support for Regional Revitalization

## Nurturing Growth Fields

### Initiatives in the Manufacturing Field

The number of manufacturing business sites in Saitama Prefecture exceeds 11,000 companies, making it the fourth largest prefecture in the country. The Bank actively supports the core businesses of manufacturing companies to enhance their competitiveness and differentiate themselves from their peers. In addition to holding seminars and performing inspection visits to provide ongoing support technological innovation and productivity improvements, including lectures by experts and introductions of examples of advanced companies, we have been creating interaction opportunities between these companies.

### Activities in the Tourism Field

Nationwide, efforts are being made to attract foreign tourists, and Saitama Prefecture has sizable hopes about the establishment of a significant tourism industry ahead of the Rugby World Cup and the Tokyo Olympics and Paralympics to be held in Japan. The Bank is issuing a series of town guidebooks and guide maps of Saitama named Buratte, and is working to improve its branches' ability to respond to foreign customers. and is working to improve its branches' ability to respond to foreign customers.

### Activities in the Environment Field

Saitama Prefecture is blessed with a good climate and good terrain, and consequently is developing renewable energy businesses in various locations. The Bank provides a variety of support to businesspeople and companies in this field.

### Support for Solar Power Projects

The Bank offers the “Musashino Solar Power Project Support Loan: Blessings of the Sun,” which helps companies conduct solar power projects through utilization of feed-in tariff schemes for renewable energies.

## Measures and Support for Regional Revitalization

### Promotion Structure

The Bank works to support its client companies in line with their growth stage with the aim of enhancing their financial intermediary capabilities for regional revitalization, and is actively participating in creating regional value by cooperating with local public entities and others.

The Bank has established the “Team for Promoting Towns, People and Job Revitalization” at the head office to support the promotion of the Regional Comprehensive Strategy being undertaken by local government organizations involved with the government’s “comprehensive strategy for towns, people, and job revitalization.” The Bank assigned all

branch manager to be “the person in charge of promoting Regional Revitalization,” and built a structure for promoting Regional Revitalization throughout the Bank.

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

Prefectures	Saitama Prefecture (October 2013)
Designated Municipalities	Saitama City (January 2016)
Municipalities	Tsurugashima City (December 2014) Toda City (April 2016) Yokoze Town (June 2016) Gyoda City (July 2016) Kumagaya City (September 2016) Kasukabe City (December 2016) Konosu City (June 2017) Hasuda City (September 2017) Kitamoto City (December 2017) Yorii Town (March 2018) Ogano Town (August 2018)

### Initiatives for Creating Towns

Through our participation in redevelopment projects making progress throughout the prefecture, such as the east side of Omiya Station, we are supporting the creation of towns for the future of the region.



©Omiya Station East Entrance Daimoncho 2-Chome Center District Redevelopment

### Initiatives for PPP and PFI

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

# Supporting a Sustainable Regional Community and Corporate Social Responsibility

The Bank proactively embraces Environment, Social, and Governance (ESG) perspectives in regards to the Bank's management, and focuses on initiatives that take sustainability into consideration. With respect to specific initiatives, the Bank also works to cooperate with stakeholders while keeping in mind the United Nations' Sustainable Development Goals (SDGs).

## Consideration for Biodiversity

The Bank strives to consider biodiversity and other environmental factors into consideration in the construction of its branches and offices. For offices where administrative work is concentrated, we plant native plant species formerly found in the region around the buildings. Through such efforts, we became the first in the banking industry to receive JHEP certification from the Ecosystem Conservation Society – Japan.



JHEP certificate

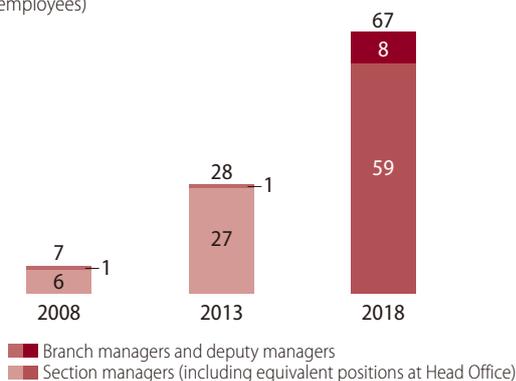
## Initiatives Aimed at Promoting Active Roles for Women

The Bank is engaged in conducting continuous training and cooperating with other regional banks in order to promote more active roles for women in the workplace.

### Promoting Active Roles for Diverse Human Resource

Female administrators and managers have increased tenfold in the last 10 years

(Female employees)



## Special Subsidiary Musashino Harmony Co., Ltd.

In May 2017, we established Musashino Harmony Co., Ltd. with the aim of expanding working opportunities for people with disabilities. Currently, five employees are active in the company, and in April 2018 it acquired "special subsidiary" certification, which made us the first financial institution in Saitama Prefecture to obtain such certification.



## Musashino SDGs Private-Placement Bond "Mirai no Chikara"

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

## Helping with Finance Education

We actively provide opportunities for children to learn about the role of money and the banking business by providing a workplace experience for study and by holding finance classes at local events.



Work experience at Musashino Bank—Aiming to be Japan's Best Bank Staff (Held every year in August)

# Corporate Governance

## Basic Stance

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.

Two outside directors and three outside auditors who pose no threat of conflicts of interest with shareholders have been elected, and they 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.

Also, the Bank has adopted an executive officer system in order to reduce the number of directors and to ensure a speedier decision-making process. Directors delegate authority to executive officers, who are charged with the responsibility of swiftly and efficiently carrying out their duties as leaders of the Bank's mainstay divisions.

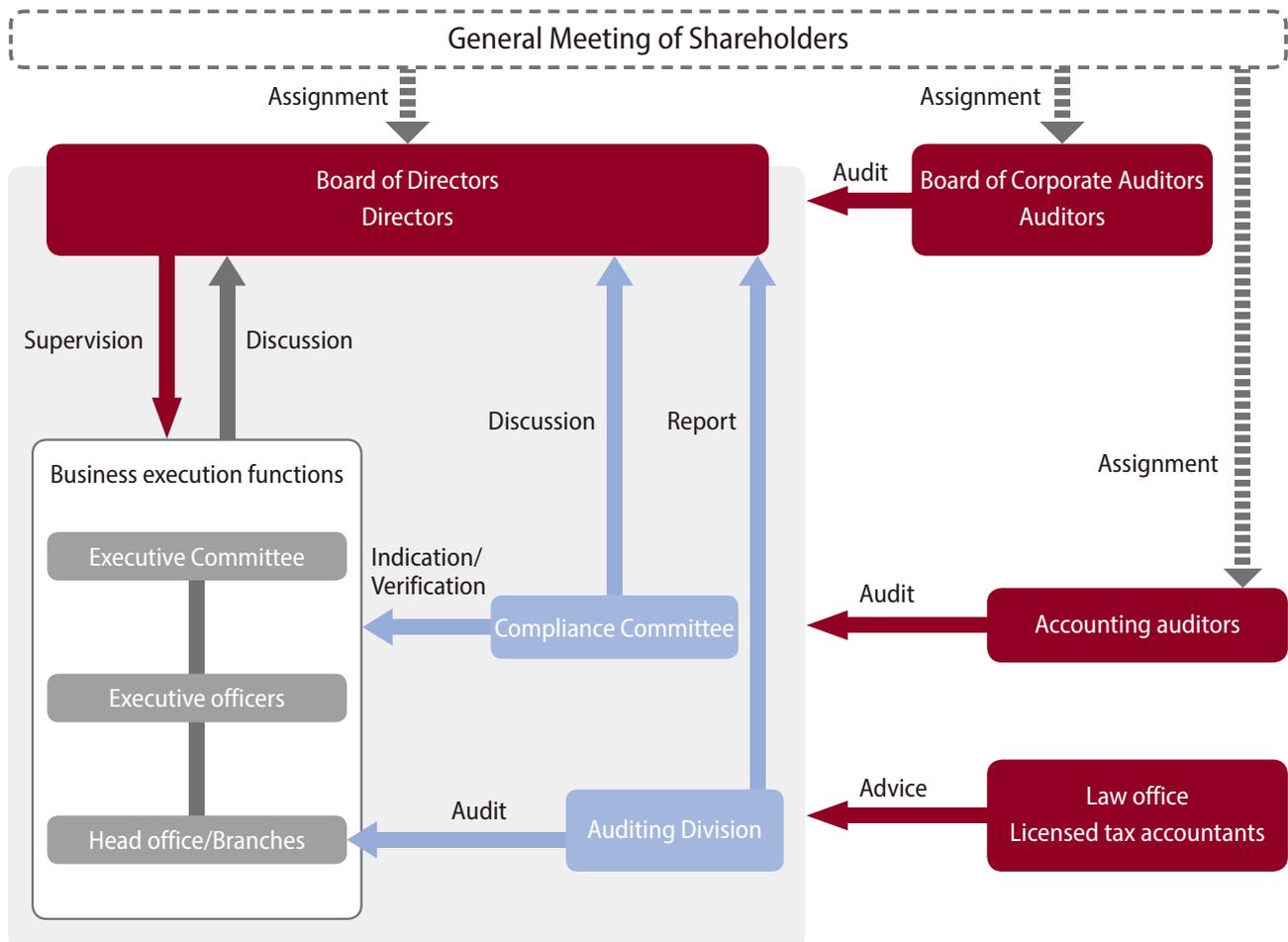
## Corporate Governance Structure

The Board of Directors is positioned as the ultimate decision-making body of the Bank. While strictly adhering to the Bank's variety of in-house rules and regulations, the introduction of an executive officer system allows the Bank to separate and clarify the management and business execution functions. A structure has therefore been put in place to allow directors and executive officers to go about their assigned duties and responsibilities.

Musashino Bank's management decision-making, business execution and oversight structure is presented as follows.

### Corporate Governance Structure

(As of March 31, 2018)



## 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 Screening 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

To ensure business continuity in the event of a major earthquake or a system failure, the Bank has established a Business Continuity Plan (BCP) and prepared related manuals for handling all situations. We make sure that all bank employees understand the business continuity system in the event of an emergency. Moreover, the Bank holds periodic drills to increase the effectiveness and level of sophistication of the BCP.

## 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.

### **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 also, meetings are 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.

### **Elimination of Anti-Social Forces**

The Bank has stipulated the elimination of anti-social forces as a basic policy and is working toward blocking all relationships with anti-social forces. Furthermore, in accordance with the basic policy, we have established a manual which stipulates our specific initiatives for blocking relationships with anti-social forces, and we are endeavoring to educate the bank employees about this issue through training and other measures.

## Consolidated Balance Sheets

The Musashino Bank, Ltd. and Consolidated Subsidiaries As of March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars*
	2018	2017	2018
<b>Assets</b>			
Cash and due from banks.....	¥ 250,530	¥ 211,372	\$ 2,358,151
Monetary claims bought.....	10,558	8,626	99,379
Trading account securities.....	364	621	3,426
Money held in trust.....	1,490	1,500	14,025
Securities.....	740,176	781,884	6,967,018
Loans and bills discounted.....	3,457,846	3,412,133	32,547,496
Foreign exchanges.....	4,951	3,858	46,602
Lease receivables and investment assets.....	20,985	19,189	197,524
Other assets.....	34,455	29,467	324,313
Tangible fixed assets.....	37,374	37,398	351,788
Buildings, net.....	9,999	10,126	94,117
Land.....	25,322	25,300	238,347
Construction in progress.....	244	133	2,297
Other tangible fixed assets.....	1,808	1,836	17,018
Intangible fixed assets.....	2,863	3,050	26,948
Software.....	2,688	2,875	25,301
Other intangible fixed assets.....	175	175	1,647
Net defined benefit asset.....	6,659	5,843	62,679
Deferred tax assets.....	1,010	1,050	9,507
Customers' liabilities for acceptances and guarantees.....	4,802	6,516	45,200
Allowance for loan losses.....	(13,377)	(15,375)	(125,913)
<b>Total assets.....</b>	<b>¥4,560,693</b>	<b>¥4,507,139</b>	<b>\$42,928,210</b>

	Millions of Yen		Thousands of U.S. Dollars*
	2018	2017	2018
<b>Liabilities</b>			
Deposits .....	¥4,030,917	¥3,938,291	\$37,941,613
Negotiable certificates of deposit .....	163,420	188,765	1,538,215
Call money and bills sold .....	22,187	24,706	208,838
Payables under securities lending transactions .....	21,629	46,434	203,586
Borrowed money .....	15,715	17,152	147,920
Foreign exchanges .....	239	162	2,250
Bonds payable .....	15,000	15,000	141,190
Other liabilities .....	22,529	20,710	212,058
Provision for bonuses .....	1,210	1,251	11,389
Provision for directors' bonuses .....	11	10	104
Net defined benefit liability .....	3,810	4,120	35,862
Provision for directors' retirement benefits .....	29	—	273
Provision for loss on interest repayment .....	59	42	555
Provision for reimbursement of deposits .....	651	754	6,128
Provision for point card certificates .....	78	76	734
Provision for contingent loss .....	219	311	2,061
Provision for share-based compensation .....	38	14	358
Allowance for demolition of non-current assets .....	294	—	2,767
Deferred tax liabilities .....	6,578	4,616	61,916
Deferred tax liabilities for land revaluation .....	4,227	4,227	39,787
Acceptances and guarantees .....	4,802	6,516	45,200
<b>Total liabilities</b> .....	<b>4,313,650</b>	<b>4,273,164</b>	<b>40,602,880</b>
<b>Net assets</b>			
Capital stock .....	45,743	45,743	430,563
Capital surplus .....	38,291	38,290	360,420
Retained earnings .....	128,901	120,667	1,213,300
Treasury shares .....	(900)	(907)	(8,471)
<b>Total shareholders' equity</b> .....	<b>212,036</b>	<b>203,793</b>	<b>1,995,821</b>
Valuation difference on available-for-sale securities .....	28,754	24,813	270,651
Deferred gains or losses on hedges .....	(1,279)	(1,399)	(12,039)
Revaluation reserve for land .....	8,286	8,286	77,993
Remeasurements of defined benefit plans .....	(1,105)	(1,831)	(10,401)
<b>Total accumulated other comprehensive income</b> .....	<b>34,655</b>	<b>29,869</b>	<b>326,195</b>
Subscription rights to shares .....	66	80	621
Non-controlling interests .....	285	230	2,683
<b>Total net assets</b> .....	<b>247,043</b>	<b>233,974</b>	<b>2,325,329</b>
<b>Total liabilities and net assets</b> .....	<b>¥4,560,693</b>	<b>¥4,507,139</b>	<b>\$42,928,210</b>

\* U.S. dollar figures have been translated at the rate ¥106.24 to U.S.\$ 1, the prevailing market rate as of March 31, 2018.

# Consolidated Statements of Income and Comprehensive Income

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2018 and 2017

Consolidated Statements of Income	Millions of Yen		Thousands of U.S. Dollars*
	2018	2017	2018
<b>Ordinary income</b> .....	<b>¥72,263</b>	¥70,903	<b>\$680,186</b>
Interest income .....	42,373	43,331	398,842
Interest on loans and discounts .....	33,731	35,496	317,498
Interest and dividends on securities .....	8,387	7,600	78,944
Interest on call loans and bills bought .....	(4)	(15)	(38)
Interest on deposits with banks .....	0	0	0
Other interest income .....	259	249	2,438
Fees and commissions .....	13,824	12,826	130,120
Other ordinary income .....	1,365	1,487	12,848
Other income .....	14,699	13,257	138,357
Recoveries of written off claims .....	568	1,022	5,346
Other .....	14,131	12,234	133,010
<b>Ordinary expenses</b> .....	<b>56,530</b>	58,015	<b>532,097</b>
Interest expenses .....	1,938	2,132	18,242
Interest on deposits .....	624	830	5,873
Interest on negotiable certificates of deposit .....	31	45	292
Interest on call money and bills sold .....	301	218	2,833
Interest on payables under securities lending transactions .....	258	143	2,428
Interest on borrowings and rediscounts .....	113	123	1,064
Interest on bonds .....	91	133	857
Other interest expenses .....	518	636	4,876
Fees and commissions payments .....	3,751	3,874	35,307
Other ordinary expenses .....	1,525	851	14,354
General and administrative expenses .....	36,587	36,851	344,381
Other expenses .....	12,727	14,306	119,795
Provision of allowance for loan losses .....	1,716	4,239	16,152
Other .....	11,010	10,066	103,633
<b>Ordinary profit</b> .....	<b>15,732</b>	12,887	<b>148,080</b>
<b>Extraordinary income</b> .....	<b>0</b>	—	<b>0</b>
Gain on disposal of non-current assets .....	0	—	0
<b>Extraordinary losses</b> .....	<b>399</b>	6	<b>3,756</b>
Loss on disposal of non-current assets .....	7	5	66
Impairment loss .....	1	—	9
Other .....	390	1	3,671
<b>Profit before income taxes</b> .....	<b>15,334</b>	12,881	<b>144,334</b>
Income taxes—current .....	4,573	3,571	43,044
Income taxes—deferred .....	(207)	(354)	(1,948)
Total income taxes .....	4,366	3,216	41,096
<b>Profit</b> .....	<b>10,967</b>	9,664	<b>103,229</b>
<b>Profit (loss) attributable to non-controlling interests</b> .....	<b>50</b>	(98)	<b>471</b>
<b>Profit attributable to owners of parent</b> .....	<b>¥10,917</b>	¥ 9,762	<b>\$102,758</b>

\* U.S. dollar figures have been translated at the rate ¥106.24 to U.S.\$ 1, the prevailing market rate as of March 31, 2018.

Consolidated Statements of Comprehensive Income	Millions of Yen		Thousands of U.S. Dollars*
	2018	2017	2018
Profit .....	<b>¥10,967</b>	¥ 9,664	<b>\$103,229</b>
Other comprehensive income .....	4,787	(762)	45,058
Valuation difference on available-for-sale securities .....	3,942	(2,301)	37,105
Deferred gains or losses on hedges .....	119	657	1,120
Remeasurements of defined benefit plans, net of tax .....	725	881	6,824
Comprehensive income .....	<b>¥15,755</b>	¥ 8,902	<b>\$148,296</b>
Comprehensive income attributable to .....			
Comprehensive income attributable to owners of parent .....	<b>¥15,703</b>	¥ 8,998	<b>\$147,807</b>
Comprehensive income attributable to non-controlling interests .....	51	(96)	480

\* U.S. dollar figures have been translated at the rate ¥106.24 to U.S.\$ 1, the prevailing market rate as of March 31, 2018.

# Consolidated Statements of Changes in Equity

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2018 and 2017

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2016.....	¥45,743	¥38,351	¥113,922	¥(804)	¥197,213
Changes of items during period:					
Dividends of surplus .....			(3,018)		(3,018)
Profit attributable to owners of parent.....			9,762		9,762
Purchase of treasury shares .....				(104)	(104)
Disposal of treasury shares.....		0		0	0
Transfer to capital surplus from retained earnings .....		—	—		—
Purchase of share of consolidated subsidiaries treasury stock...		(60)			(60)
Net changes of items other than shareholders' equity ...					
Total changes of items during period .....	—	(60)	6,744	(103)	6,580
Balance as of March 31, 2017 .....	45,743	38,290	120,667	(907)	203,793
Changes of items during period:					
Dividends of surplus .....			(2,682)		(2,682)
Profit attributable to owners of parent.....			10,917		10,917
Purchase of treasury shares .....				(11)	(11)
Disposal of treasury shares.....		(0)		18	18
Transfer to capital surplus from retained earnings .....		0	(0)		—
Purchase of share of consolidated subsidiaries treasury stock...		—			—
Sales of shares of consolidated subsidiaries.....		1			1
Net changes of items other than shareholders' equity ...					
Total changes of items during period .....	—	1	8,233	7	8,242
Balance as of March 31, 2018 .....	¥45,743	¥38,291	¥128,901	¥(900)	¥212,036

	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	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2016.....	¥27,116	¥(2,056)	¥8,286	¥(2,712)	¥30,633	¥ 74	¥1,157	¥229,078
Changes of items during period:								
Dividends of surplus .....								(3,018)
Profit attributable to owners of parent.....								9,762
Purchase of treasury shares .....								(104)
Disposal of treasury shares.....								0
Transfer to capital surplus from retained earnings .....								—
Purchase of share of consolidated subsidiaries treasury stock...								(60)
Net changes of items other than shareholders' equity ...	(2,303)	657	—	881	(764)	6	(926)	(1,684)
Total changes of items during period .....	(2,303)	657	—	881	(764)	6	(926)	4,895
Balance as of March 31, 2017 .....	24,813	(1,399)	8,286	(1,831)	29,869	80	230	233,974
Changes of items during period:								
Dividends of surplus .....								(2,682)
Profit attributable to owners of parent.....								10,917
Purchase of treasury shares .....								(11)
Disposal of treasury shares.....								18
Transfer to capital surplus from retained earnings .....								—
Purchase of share of consolidated subsidiaries treasury stock...								—
Sales of shares of consolidated subsidiaries.....								1
Net changes of items other than shareholders' equity ...	3,941	119	—	725	4,786	(14)	54	4,826
Total changes of items during period .....	3,941	119	—	725	4,786	(14)	54	13,068
Balance as of March 31, 2018 .....	¥28,754	¥(1,279)	¥8,286	¥(1,105)	¥34,655	¥ 66	¥ 285	¥247,043

	Thousands of U.S. Dollars*				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2017 .....	\$430,563	\$360,410	\$1,135,796	\$(8,537)	\$1,918,232
Changes of items during period:					
Dividends of surplus .....			(25,245)		(25,245)
Profit attributable to owners of parent.....			102,758		102,758
Purchase of treasury shares .....				(104)	(104)
Disposal of treasury shares.....		(0)		169	169
Transfer to capital surplus from retained earnings .....		0	(0)		—
Purchase of share of consolidated subsidiaries treasury stock...		—			—
Sales of shares of consolidated subsidiaries.....		9			9
Net changes of items other than shareholders' equity ...					
Total changes of items during period .....	—	9	77,494	66	77,579
Balance as of March 31, 2018 .....	\$430,563	\$360,420	\$1,213,300	\$(8,471)	\$1,995,821

	Thousands of U.S. Dollars*							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of March 31, 2017 .....	\$233,556	\$(13,168)	\$77,993	\$(17,235)	\$281,146	\$ 753	\$2,165	\$2,202,316
Changes of items during period:								
Dividends of surplus .....								(25,245)
Profit attributable to owners of parent.....								102,758
Purchase of treasury shares .....								(104)
Disposal of treasury shares.....								169
Transfer to capital surplus from retained earnings .....								—
Purchase of share of consolidated subsidiaries treasury stock...								—
Sales of shares of consolidated subsidiaries.....								9
Net changes of items other than shareholders' equity ...	37,095	1,120	—	6,824	45,049	(132)	508	45,425
Total changes of items during period .....	37,095	1,120	—	6,824	45,049	(132)	508	123,005
Balance as of March 31, 2018 .....	\$270,651	\$(12,039)	\$77,993	\$(10,401)	\$326,195	\$ 621	\$2,683	\$2,325,329

\* U.S. dollar figures have been translated at the rate ¥106.24 to U.S.\$ 1, the prevailing market rate as of March 31, 2018.

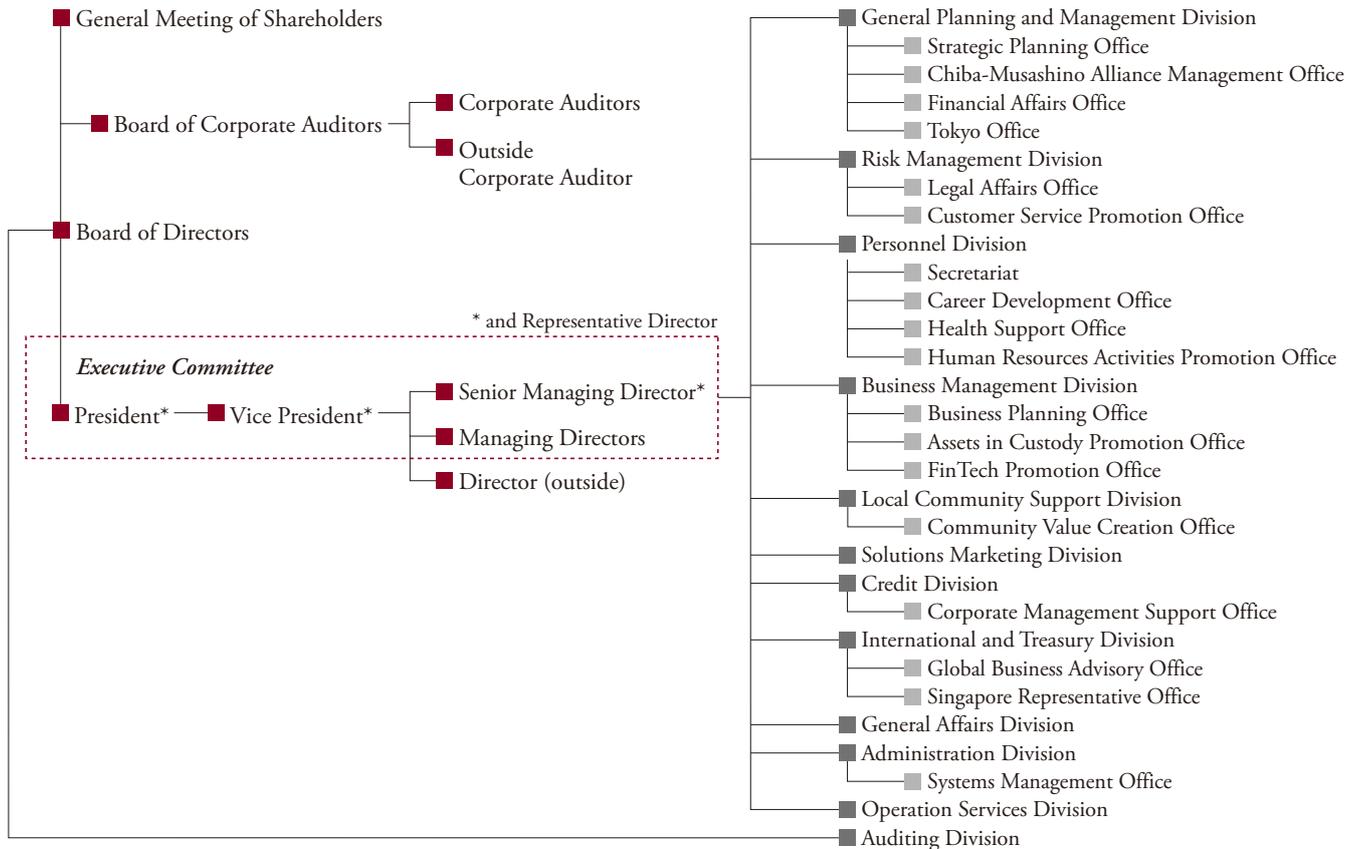
# Consolidated Statements of Cash Flows

The Musashino Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars*
	2018	2017	2018
<b>Cash flows from operating activities</b>			
Profit before income taxes .....	¥ 15,334	¥ 12,881	\$ 144,334
Depreciation .....	3,271	2,617	30,789
Impairment loss.....	1	—	9
Share of (profit) loss of entities accounted for using equity method.....	(8)	(28)	(75)
Increase (decrease) in allowance for loan losses .....	(1,998)	101	(18,806)
Increase (decrease) in provision for bonuses.....	(41)	(1)	(386)
Increase (decrease) in provision for directors' bonuses.....	1	(0)	9
Decrease (increase) in net defined benefit asset.....	(438)	(356)	(4,123)
Increase (decrease) in net defined benefit liability.....	(314)	(252)	(2,956)
Increase (decrease) in provision for directors' retirement benefits .....	29	—	273
Increase (decrease) in provision for loss on interest repayment.....	16	(14)	151
Increase (decrease) in provision for reimbursement of deposits.....	(102)	214	(960)
Increase (decrease) in provision for point card certificates.....	2	7	19
Increase (decrease) in provision for contingent loss.....	(91)	(101)	(857)
Increase (decrease) in provision for share-based compensation.....	23	14	216
Increase (decrease) in allowance for demolition of non-current assets ....	294	—	2,767
Gain on fund management.....	(42,373)	(43,331)	(398,842)
Financing expenses.....	1,938	2,132	18,242
Loss (gain) related to securities .....	(578)	(985)	(5,441)
Loss (gain) on money held in trust .....	6	(1)	56
Foreign exchange losses (gains) .....	2,579	114	24,275
Loss (gain) on disposal of non-current assets .....	7	5	66
Net decrease (increase) in trading account securities.....	257	(126)	2,419
Net decrease (increase) in loans and bills discounted .....	(45,713)	(92,966)	(430,280)
Net increase (decrease) in deposit .....	92,626	93,256	871,856
Net increase (decrease) in negotiable certificates of deposit.....	(25,345)	32,938	(238,564)
Net increase (decrease) in payables under securities lending transactions...	(24,805)	39,177	(233,481)
Net increase (decrease) in borrowed money (excluding subordinated borrowings) ....	1,062	1,157	9,996
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan).....	108	24	1,017
Net decrease (increase) in call loans .....	(1,932)	2,926	(18,185)
Net increase (decrease) in call money .....	(2,519)	24,706	(23,710)
Net decrease (increase) in foreign exchanges—assets.....	(1,092)	(1,543)	(10,279)
Net increase (decrease) in foreign exchanges—liabilities .....	76	(174)	715
Proceeds from fund management .....	42,636	44,157	401,318
Payments for finance .....	(1,904)	(2,417)	(17,922)
Other, net.....	(9,137)	(1,602)	(86,003)
Subtotal.....	1,877	112,532	17,668
Income taxes paid.....	(3,187)	(5,091)	(29,998)
Net cash provided by (used in) operating activities .....	(1,310)	107,440	(12,331)
<b>Cash flows from investing activities</b>			
Purchase of securities.....	(161,253)	(171,083)	(1,517,818)
Proceeds from sales of securities.....	47,093	30,192	443,270
Proceeds from redemption of securities .....	162,748	114,236	1,531,890
Increase in money held in trust.....	—	(9)	—
Decrease in money held in trust .....	0	—	0
Purchase of tangible fixed assets.....	(1,945)	(1,214)	(18,308)
Proceeds from sales of property, plant and equipment .....	1	—	9
Purchase of intangible assets.....	(892)	(1,040)	(8,396)
Payments for asset retirement obligations .....	(2)	(13)	(19)
Net cash provided by (used in) investing activities .....	45,749	(28,933)	430,619
<b>Cash flows from financing activities</b>			
Decrease in subordinated borrowings.....	(2,500)	(2,500)	(23,532)
Redemption of subordinated bonds.....	—	(10,000)	—
Cash dividends paid .....	(2,682)	(3,018)	(25,245)
Dividends paid to non-controlling interests.....	(0)	(0)	0
Purchase of treasury shares.....	(11)	(104)	(104)
Purchase of treasury shares of subsidiaries.....	—	(890)	—
Proceeds from sales of treasury shares .....	17	0	160
Proceeds from changes in ownership interests in subsidiaries .....	4	—	38
Net cash provided by (used in) financing activities.....	(5,172)	(16,513)	(48,682)
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>39,266</b>	<b>61,994</b>	<b>369,597</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>210,826</b>	<b>148,831</b>	<b>1,984,431</b>
<b>Cash and cash equivalents at end of period.....</b>	<b>¥ 250,092</b>	<b>¥ 210,826</b>	<b>\$ 2,354,029</b>

\* U.S. dollar figures have been translated at the rate ¥106.24 to U.S.\$ 1, the prevailing market rate as of March 31, 2018.

## Organization Chart (as of September 1, 2018)



## Board of Directors, Corporate Auditors and Executive Officers (as of July 1, 2018)

President	Senior Managing Directors	Directors	Corporate Auditors	Executive Officers
Kikuo Kato	Koichi Akagi Kazumasa Nagahori	Emi Ishida (outside) Takeshi Higuchi (outside)	Makoto Ishikawa (standing) Yoshio Kenmochi (standing) Atsumu Kuroishi (outside) Tomio Kezuka (outside) Kenji Tamura (outside)	Ichiro Noda Tsutomu Kainuma Tadashi Uehara Kazuhiro Wakabayashi
<b>Vice President</b> Hideo Machida	<b>Managing Directors</b> Kazuya Koyama Toshiyuki Shirai Susumu Kurosawa		<b>Managing Executive Officer</b> Ritsu Kumagai Masaharu Saito Ken Otomo	

## Investor Information (as of March 31, 2018)

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

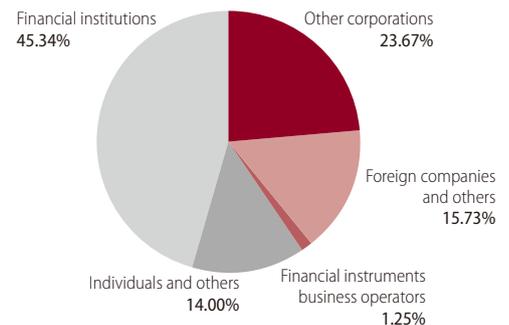
**Number of Shareholders:** 11,089

### Major Shareholders

Name	Number of shares	Shares held as a percentage of total outstanding shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,969,600	8.85
Japan Trustee Services Bank, Ltd. (trust account 4)	1,258,500	3.75
The Master Trust Bank of Japan, Ltd. (trust account)	1,149,900	3.42
The Chiba Bank, Ltd.	925,000	2.75
Japan Trustee Services Bank, Ltd. (trust account 9)	752,800	2.24
Meiji Yasuda Life Insurance Company	735,858	2.19
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	727,587	2.16
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	721,500	2.15
Sumitomo Life Insurance Company	702,900	2.09
Musashino Bank Industries Employees' Stockholding Association	697,153	2.07

\* 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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