

# Towards becoming “the region’s number one bank that creates new value in Saitama”



## The Prefectural Economy

In Saitama Prefecture, the economy is performing strongly as urban redevelopment and the establishment of industries advance, with the Rugby World Cup taking place in autumn of 2019, followed in July and August 2020 by the Tokyo 2020 Olympic and Paralympic Games.

Regional financial institutions are seeing a rapid advance of technological innovation such as FinTech and cashless transactions. Meanwhile, in an environment where financial easing has continued over the long term, they are required to establish sustainable business models.

## Long-term vision MVP (Musashino Value-making Plan)

In light of these changing trends, at Musashino Bank we established our ten-year long-term vision, “the region’s number one bank that creates new value in Saitama (The Value-making Bank),” in 2013 as a new vision for the bank to continue contributing to the development of economy

and society, and we have been working to realize it. Under our previous medium-term management plans, “MVP (Musashino Value-Making Plan) 1/3 (One-Third)” (April 2013–March 2016) and “MVP 2/3 (Two-Thirds) (April 2016–March 2019),” we have expanded our branch network centered on areas with growth potential and further enhanced our lineup of products and services, built a solution sales system to meet customers’ expectations, and worked to respond to FinTech and the shift to cashless transactions. By steadily carrying out strategies for realizing the long-term vision over six years, we can now clearly see the path towards reforming our earnings structure through the development of business from fees and commissions for provision of services into an earnings pillar alongside deposit and loan services.

## Financial Results for Fiscal 2018

While carrying out these initiatives, as of March 31, 2019 our deposits, etc. were ¥4,288.4 billion, a year-on-year increase of ¥78.9 billion. Assets in custody, such as investment trusts

and insurance products, were ¥822.8 billion, a year-on-year increase of ¥46.1 billion. Loans outstanding increased ¥64.7 billion year on year to ¥3,535.5 billion.

On a non-consolidated basis, profit was ¥4.7 billion, while on a consolidated basis, profit attributable to owners of parent was ¥5.3 billion, reflecting an ongoing contraction in expenses on one hand, and a decline in net interest income mainly due to dividends from interest on marketable securities.

### Medium-term Management Plan “MVP 70”

In April 2019, the Bank started a four-year medium-term management plan, “MVP 70.” In April of 2022, the final fiscal year of the plan, the Bank will mark its 70th founding anniversary. The name of the plan embodies the Bank’s promise to continue contributing to an abundant and fulfilling life for the local community as well as a lively economy and society in the 70th anniversary year and beyond.

To continue as a bank to remain close to our customers and communities at all times, and to value people and help them to grow, we aim to further consolidate the business model reforms that we have been working to achieve over the past six years.

We aim to provide optimal solutions that will deliver unrivalled satisfaction for customers. To this end, we will engage in rigorous human resource development to increase the expertise of individual employees, while shifting to a sales system that assigns personnel with responsibility for respective individual and corporate customers to enable swift responses to their needs.

At branches, we will essentially maintain the networks that we have been enhancing to date, while striving to maintain

and increase customer convenience through the use of digital technology and other means. At the same time, we will continue our policy of advancing new branch openings in areas with growth potential. In October 2019, we opened a branch in Ikebukuro, which has deep ties with Saitama Prefecture.

### Developing new financial services

The environment for financial institutions both in Japan and overseas continues to change at a dizzying pace. In response to the FinTech and cashless transaction movements, we have established the FinTech Promotion Office in 2016, and made progress in implementing highly convenient functions on the Musashino Bank App, our own smartphone app. Moreover, we have been actively engaged in collaboration with other business types and with development of human resources. Looking ahead, we will continue and accelerate these initiatives.

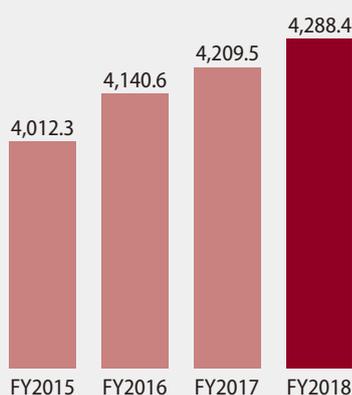
In addition, in order to respond swiftly to the offshore needs of our corporate customers, we have been focusing our efforts on supporting customers in the ASEAN region, mainly through our Representative Office Registered in Singapore, which was opened in August 2018.

For individual customers, we will strive to provide optimal proposals on matters such as family trusts for inheritance, an area where needs have been growing dramatically in the past few years. Here, we will utilize our independent consulting services and our original financial products such as testamentary trusts and monetary trusts.

The Chiba-Musashino Alliance is a comprehensive alliance with Chiba Bank. Now the alliance is in its fourth year, our initiatives have become firmly established, such as financial instruments intermediary business and asset management

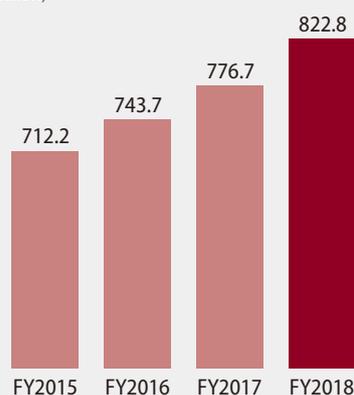
**Deposits including negotiable deposits**  
(non-consolidated)

(¥ billion)



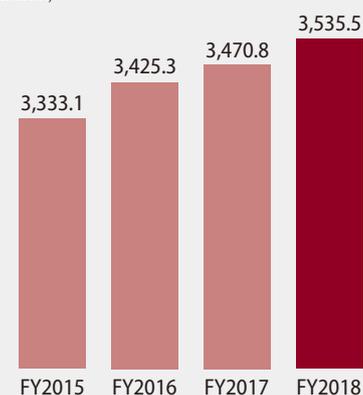
**Assets in custody**  
(non-consolidated)

(¥ billion)



**Loans**  
(non-consolidated)

(¥ billion)



operations for individual investors and cooperative financing, syndicate loans, and support for business succession and business rehabilitation through funds for corporate clients. Whereas we had initially targeted synergy effects totaling ¥10.0 billion for both banks over a five year period, the total currently amounts to ¥11.8 billion.

Moreover, we will make strategic use of the TSUBASA Alliance, which is the largest wide-area alliance of regional banks, newly joined in March 2019, to further enhance our customer services and contribute further to the local community.



Diagram for expected completion of the new head office (Construction to be completed in fall 2021)

## Creating sustainable local communities

The Bank has proactively embraced Environment, Social and Governance (ESG) perspectives in regard to its management and has undertaken numerous initiatives. In fiscal 2018, the Bank developed this initiative even further by formulating Musashino Bank Sustainable Development Goals Declaration, which aims to contribute to the achievement of the SDGs and create sustainable local communities.

In our efforts towards regional revitalization and stimulation of the local economy, in addition to our existing partnerships with regional governments, educational institutions, and NPOs, we will also promote collaboration with companies that share our aspirations, aiming to make our initiatives more effective.

Recognizing that corporate governance is the core of bank management, we have taken steps to raise the level of governance even further, increasing the number of outside directors and establishing a Management Advisory Committee.

In July 2019, we started construction of a new Head Office. The new Head Office is designed to be suitable for its location Omiya area, which is known as the gateway to Eastern Japan, and to symbolize the sustainable development of Saitama Prefecture and Musashino Bank.

We have been given the mission of contributing to the revitalization of the local economy and society. Each of the Bank's officers has taken this mission deeply to heart, and we will continue striving to improve with all the enthusiasm and passion we have under a solid management vision.

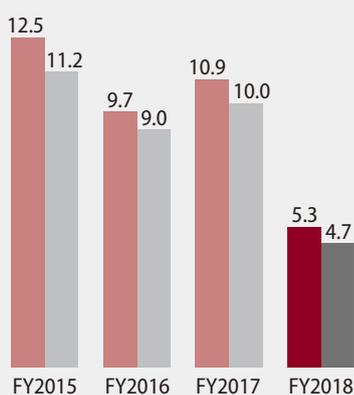
*K. Nagahori*

Kazumasa Nagahori

President

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

(¥ billion)



■ Consolidated  
■ Non-consolidated

### Dividend payout ratio and annual dividend

	FY2015	FY2016	FY2017	FY2018
Dividend payout ratio (%)	26.7	29.7	26.5	57.0
Annual dividend (Yen)	90	80	80	80

### Shareholders return ratio

	FY2015	FY2016	FY2017	FY2018
Shareholders return ratio (%)	26.7	29.7	26.5	57.0

### 5-year average of consolidated ROE



FY2015 FY2016 FY2017 FY2018