

Continuing to Grow Together with Communities



Kazumasa Nagahori
President

In June 2023, the Bank received a business improvement order from the Kanto Local Finance Bureau in relation to financial intermediary operations involving solicitation and sales of structured bonds.

Taking this situation seriously, the Bank thoroughly investigated and analyzed the incident's root causes. Based on the findings, we developed a business improvement plan in July 2023.

Under this plan, we have been working to strengthen governance. In terms of specific measures, we have held monthly meetings of the Quality Improvement Committee since August 2023 to establish a framework whereby management

can appropriately monitor the status of customer follow-up and other conditions, along with laying the groundwork for additional measures.

Furthermore, we have taken steps such as rebuilding our sales promotion system, revising performance targets and the evaluation system, and providing regular compliance training to all employees. We have steadily implemented each of these measures.

Going forward, we will continue to thoroughly practice our fiduciary duty with unwavering resolve, aiming to foster a sound organization and culture.

Business Environment in Fiscal 2023

Looking back at fiscal 2023, the year ended March 31, 2024, the economy and society made strides toward returning to normal following the reclassification of COVID-19 as a Category V infectious disease in May. There were major turning points, such as a resurgence in inbound tourism and wage increases. Additionally, the Nikkei Stock Average reached all-time highs and the Bank of Japan ended its negative interest rate policy.

While these positive trends emerged, I believe that there are still a variety of issues that must be overcome in order to reestablish the regional economy on a recovery path. Companies face severe personnel shortages, while there is a strongly voiced need to go one step further in passing on cost increases, primarily personnel costs, to prices.

Furthermore, we have seen the materialization of potential downside risks, such as rising geopolitical risk, including intensifying conditions in the Middle East, and the frequent occurrence of natural disasters in various locations, such as the Noto Peninsula Earthquake in January 2024. Another such risk has been the extraordinary weakening of the yen to levels not seen in the past 34 years.

Guided by the Medium-term Management Plan “MCP 1/3 (One-Third),” which is the first stage for realizing the Long-term Vision “MCP (Musashino mirai-Creation Plan)” —“Bringing together diverse value to create Saitama’s future with the region’s number one solutions”—, we will fully serve our customers and local communities as a reliable partner. We have been rapidly implementing various strategies, such as focusing on supporting the core businesses of each local company and striving to identify needs and solve issues in support of the life planning of every customer.

In this environment, in the fiscal year ended March 31, 2024, the balance of deposits, including negotiable certificates of deposit, and the balance of loans reached the major milestones of ¥5 trillion and ¥4 trillion, respectively, for the first time since the Bank’s foundation.

On the profit front, net income on a non-consolidated basis was ¥10.7 billion, marking the achievement of five consecutive years of profit growth.

Status of Initiatives under the Medium-term Management Plan “MCP1/3”

Under the Medium-term Management Plan “MCP 1/3,” we aim to maximize customer satisfaction by improving our level of service and further strengthening our touchpoints with customers while building a sustainable management foundation through investment in digital and human capital, based on two themes: “Grow together with communities and customers by integrating the real and digital” and “Empower diverse human resources to flourish based on mutual acceptance of many and varied values.”

Strengthening the Sales Promotion System

In April 2024, we fundamentally reorganized the Head Office business units from the customer-oriented perspectives of corporate and individual customers. With this reorganization, we have established a more effective branch support framework.

In addition, we will clearly define the roles of each responsible branch staff member while newly appointing and reinforcing Head Office staff to strengthen coordination with branches, with the aim of providing even higher quality

consulting services.

Initiatives for Corporate Clients and Individual Customers

The Bank provides optimal problem-solving proposals with a diverse lineup of products and services and a high level of specialization premised on a thorough understanding of customers.

For corporate clients, we are working to enhance our consulting menu, including digitalization support to improve productivity. Furthermore, we are providing support based on the growth stage of each corporate client, through such means as seamless business succession and M&A.

For individual customers, we will thoroughly practice our fiduciary duty. We are also working to enhance new NISA funds and hold worksite seminars in order to contribute to long-term, stable asset formation.

Furthermore, we are focusing on making seamless proposals spanning asset management to inheritance and asset succession leveraging trust functions. These efforts are being led by wealth managers newly appointed at the Head Office.

Regional Revitalization Strategy

The Bank strives to carry out innovative initiatives in partnership with local governments, universities, and local companies in order to resolve issues faced by Saitama Prefecture.

We are focusing on city promotion in partnership with local governments to create a “connected” population of those who have a long-term connection with a region but do not reside there and an “interacting” population of those who temporarily visit or interact with a region. In addition, we are implementing initiatives to promote the creation of sustainable neighborhoods. These initiatives include efforts to solve vacant housing problems and endeavors in the wellness domain.

In June 2023, we started the Musashino Agri-Innovation Project, which carries out work in the field to solve agricultural issues within Saitama Prefecture. The project has built up a track record in rice cultivation and the development of processed agricultural products within Saitama City. In the current year, which is the project’s second year, we have begun demonstration trials of smart agriculture using drones and other technologies.

In other initiatives, we continue to concentrate our efforts on discovering and creating local resources, such as the Minuma Tambo “Wheat” Senary (Sixth-Order) Industry Creation Project.

Group Strategy

The Bank will foster even closer collaboration throughout the Musashino Bank Group, with the aim of maximizing synergies.

The regional trading company Musashino Mirai Partners conducts two businesses: Sai Hakken, a fee-based membership service for individuals, and IBUSHIGIN, a commercial value chain support platform for businesses. Both of these businesses have proven highly popular.

In other areas, the Musashino mirai-Creation Project was newly launched in October 2023 with a view to expanding business domains. The project held a business idea contest

open to participation by all employees. It plans to continuously brush up excellent ideas with a view to developing them into businesses.

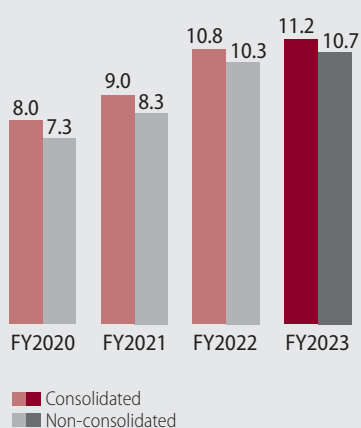
Channel Strategy

Under the premise of maintaining its branch network, the Bank aims to implement optimal branch management tailored to local characteristics. This will be achieved through measures such as reviewing branch roles, conducting branch relocations and renovations, and converting to a branch-in-branch format in order to accommodate customer convenience.

In September 2023, the Kumagaya Branch and Kumagaya East Branch were relocated to a retail facility, which is a long-standing department store that receives 1 million visitors per year. We are conducting a variety of initiatives at this new branch that capitalize on our strengths

Profit attributable to owners of parent/ Net income

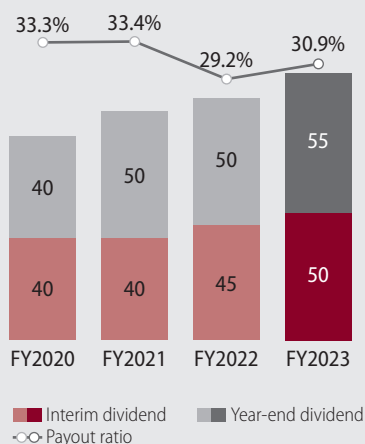
(¥ billion)



Dividend per share and payout ratio (Consolidated)

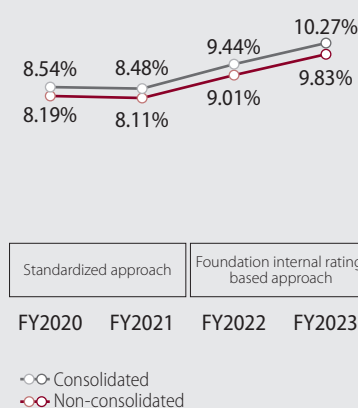
(¥)

(%)



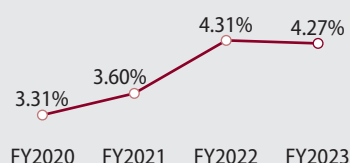
Trend in the equity ratio

(%)

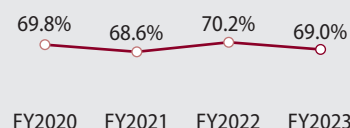


* From fiscal 2022, the Bank changed its credit risk measurement approach from the “standardized approach” to the “foundation internal rating based approach.”

Consolidated ROE



Consolidated core OHR (Over Head Ratio)



in in-person customer service.

Furthermore, as part of our efforts to strengthen our presence in central Tokyo, we opened the Hamamatsucho Branch in July 2024 by upgrading a corporate client office into a branch.

In other initiatives, particularly in the virtual channel, we have continuously upgraded and expanded our smartphone app's functions. The number of customers who use our digital channel, including the smartphone app, has surpassed 300,000.

Practicing Human Capital Management

Guided by the Long-term Vision "SOU (Sustainable, Only, Unite)" for promoting the success of human resources, which was formulated in 2023, we are focusing on increasing the sophistication of human resources development and creating a work environment in which all employees can thrive.

Specifically, we are focusing on the development of professionals and digital specialists with exceptional problem-solving skills while also striving to implement measures to strengthen our diversity, equity, and inclusion and health management initiatives.

Furthermore, in July 2024, we completely overhauled our personnel system to create an environment in which diverse human resources can thrive and to develop individuals who actively seek challenges.

The new personnel system is built on three pillars: creating multi-track career paths that allow employees to select diverse careers, establishing job ranks based on roles and responsibilities and clear-cut personnel treatment practices, and establishing an evaluation system that reflects contribution to the organization. The personnel system newly establishes multiple career routes based on business domain while abolishing career course categories. By doing so, the personnel system promotes employees' autonomous career building and creates an environment in which seniors and others can be treated according to their abilities. At the same time, we have adopted an institutional design that addresses priorities such as appointing young individuals to higher-level positions at an early stage.

Under this system, we will concentrate on upskilling and reskilling employees, as well as enhancing their engagement.

Digital Strategy

The Bank is utilizing cutting-edge digital technology to engage with speed in efforts to improve customer convenience and satisfaction. These efforts are being led by the Digital Promotion Division, which was newly established in conjunction with the start of the Medium-term Management Plan.

We are working to enhance our smartphone app and digital services for corporate clients. At the same time, we are making efforts such as shifting to digital account opening and loan application processes.

Furthermore, we are moving forward with a project to update the Bank's digital communication platform. In this project, we will implement Microsoft 365 at all branches in order to improve productivity and increase operational efficiency, along with improving customer touchpoints and service, as well as to create new business domains.

Strengthening Sustainability Management

The Bank will work to strengthen sustainability management that will contribute to the creation of a sustainable regional economy and society under guidelines such as the Musashino Bank SDGs Declaration and the Basic Policy on Sustainability.

We encourage local companies to implement sustainability management. To do so, we are focusing on providing financing and consulting that are appropriate for each company's current level of activity, as well as its business scale and industry.

We are also strengthening our efforts to address themes such as decarbonization and biodiversity. We have converted all of the electricity used at the Head Office and administrative center to renewable energy. Furthermore, we have signed a comprehensive alliance agreement with Ecosystem Conservation Society—Saitama, an environmental NGO, and will actively assist the efforts of local governments and companies to address biodiversity.

In addition to this, we have consistently carried out a wide range of initiatives in fields such as financial and economic education and support for cafeterias providing meal assistance for children.

Toward Increasing Corporate Value

The Tokyo Stock Exchange has requested listed companies to implement management that is conscious of the cost of capital and profitability based on the balance sheet, and to disclose and implement specific actions to raise their stock prices. Against this backdrop, as a listed company on the Prime Market, the Bank has continuously worked to improve ROE and PER with a view to achieving a PBR of 1.

While remaining mindful of the cost of shareholders' equity, the Bank intends to improve ROE by incorporating return on risk-weighted assets (RORA) into business management and strengthening efforts in areas such as lending to small and medium-sized enterprises and personal loans. At the same time, efforts are being made to boost fees and commissions while controlling costs. In addition, we are working to enhance shareholder returns through a progressive dividend policy and other means and to control the equity ratio.

The Bank aims to improve PER. To increase the expected profit growth rate, the Bank will steadily execute various strategies laid out in the Medium-term Management Plan to capitalize on the growth of Saitama Prefecture, which has great market potential. Concurrently, we will accelerate growth investments in the digital sector and other areas that underpin those efforts.

In addition, we will persist in our efforts to improve disclosure of non-financial information, which can lead to a decrease in the cost of shareholders' equity, and to enhance communication with stakeholders.

Serving Customers and Communities

The Bank started in April 1952 as a regional bank headquartered in Omiya City (currently Saitama City). Responding to expanding demand for finance as the post-war recovery hit full stride, the Bank commenced business with eight branches in Saitama Prefecture, aiming to contribute to the development of the prefectural economy. From that time up to the present, the Bank has remained firmly committed to autonomous, independent management with the support of its stakeholders.

Guided by the Bank's Corporate Philosophy of "working in harmony with the local community it serves" and "maintaining a deep respect toward customers," we will work diligently to create a corporate culture that gives first priority to a customer-oriented corporate atmosphere while also contributing to regional development. To ensure that we meet the expectations of all our stakeholders, including customers, shareholders, and the local community, all of the Group's officers and employees will redouble their efforts to fulfill their duties.

In closing, we ask for your continued support for and understanding of the Bank from the bottom of our hearts.

K. Nagahori

Kazumasa Nagahori
President

