

Message from the CEO

Financial Results and Capital Adequacy in Fiscal 2018

In fiscal 2018, the Bank recorded an ordinary profit of ¥124.5 billion and profit attributable to owners of parent of ¥103.5 billion, showing steady profitability despite the impact of the rising cost of foreign currency funding and other factors.

The Bank's capital adequacy ratios on a consolidated basis were maintained at a high level, with a Common Equity Tier 1 Capital Ratio of 16.59%, a Tier 1 Capital Ratio of 19.65% and a Total Capital Ratio of 19.65%.

Summary of Earnings

(Billions of Yen)

	FY2016	FY2017	FY2018
Ordinary Profit	214.0	171.0	124.5
Profit Attributable to Owners of Parent	206.1	147.6	103.5
Net Assets	7,008.8	6,746.0	7,473.2
Common Equity Tier 1 Capital Ratio	19.31%	19.02%	16.59%
Tier 1 Capital Ratio	19.34%	19.02%	19.65%
Total Capital Ratio	24.39%	23.50%	19.65%

Business Performance in Fiscal 2018

During fiscal 2018, which is the final year of the “Medium-Term Management Plan (fiscal 2016 through fiscal 2018),” the Bank established a new system for directors and employees, effective on the first day of the fiscal year (April 1), from the perspective of achieving quick decision making, policy development and implementation, and the flexible use of management resources. In addition, to establish the three business areas of the “food and agriculture business,” the “retail business” and the “investment business,” the four Senior Managing Directors (Representative Directors) are in charge of operations of the respective headquarters as the head of each business. With this system, the Bank has implemented policies for each business.

Under the “Medium-Term Management Plan (fiscal 2016 through fiscal 2018),” even though it has become increasingly difficult to secure profits due to the worsening investment environment in recent years, the Bank has been successful in ensuring stable returns to stakeholders. In addition, the Bank made efforts to increase farmers' income and revitalize local communities through “Self-reform of JA Bank.” The Bank also worked on various initiatives including the increase in agricultural loans, the offering of risk capital, business matching, the enhance-



ment of JA Bank's business base and JF Marine Bank's financing functions for the fishery industry, the performance of Main-bank functions for JF and JForest, the provision of support for reconstruction efforts to help recover from

earthquake and other natural disasters, the expansion of project financing and the enhancement of corporate functions that support each of the Bank's businesses.

“Self-Reform of JA Bank” Initiatives

With the situation surrounding the agriculture industry becoming increasingly severe, in light of the Government's “agricultural cooperative reform” movement, etc., in 2014 the JA Group formulated “Self-reform of JA Group” as self-reform. As a member of JA Group, for JA Bank to also contribute more than ever to agriculture and local communities, we implemented “Self-reform of JA Bank” efforts during an intensive period for the initiative up to fiscal 2018.

The “Self-reform of JA Bank” comprised of “three pillars”: (1) further responses to contribute to increase in income of farmers and the revitalization of local communities especially the “Support Program for Increasing Agricultural Income and Revitalizing Local Communities (total amount of ¥100 billion)”; (2) arrangement of the business environment so that JA can make its best efforts in agricultural businesses; and (3) the provision of financial services that connect agriculture and local communities/users in order to contribute to local communities.

To date, the Bank engaged in the smooth supply of capital to food and agriculture-related fields including the utilization of the “F&A (Food and Agri) Growth Industry Investment Facility” to the scale of ¥50.0 billion, which was established with the aim of providing risk money, and promoted initiatives to expand sales of agricultural products, increase agricultural production and add higher value to agriculture. Specifically, the Bank promoted exports of agricultural products, supporting the expansion of sales channels by continuing to host business conventions and conducting business matching in Japan. The Bank is also providing sixth industrialization support.

Moreover, toward the reduction of production costs, the Bank implemented the “Agricultural Equipment Lease Support Program (Agri-Seed Lease)” to support agricultural workers' efforts to expand their scale of operations and streamline their businesses, and the “Production Costs Reduction Support Program” to foster innovative activities such as the dissemination of new technologies. The Bank also has provided support for hosting seminars and consultations aimed at helping advance farm management; strengthened management consultation functions mainly through the operation of the “Agriweb” website to dispatch information on agricultural management; and engaged in initiatives toward revitalizing local communities such as supporting new farmers extensively and training young and next-generation farm operators.

Moreover, we worked diversely to rationalize banking business operations, such as introducing equipment to streamline cash business at JA business service locations and introducing an “agent” model based on the choice made on a JA-by-JA basis. We deployed mobile branches in vehicles and implemented, among others, “No to Ayu-mu Project” (Project for Making Progress with Agriculture) to plan and sell financial products linked to expanded consumption of agricultural products. We promoted such initiatives one after the other to help turn the agriculture industry into a growth industry.

Both JA Bank and the Bank will contribute to the development of agriculture and local communities by continuing to enhance the provision of financial services and securing sound management.

Outline of the Medium-Term Management Plan (FY2019-FY2023)

The Bank has formulated the Medium-Term Management Plan “Catch the Winds of Change. Create New Value,” covering five years (fiscal 2019 through fiscal 2023).

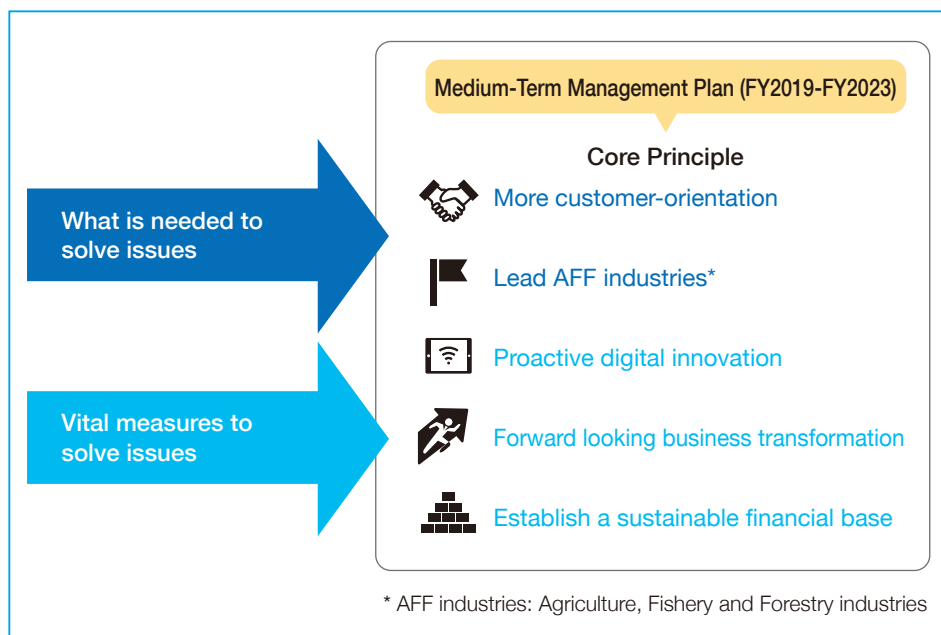
We predict our business environment will face non-continuous changes in the next 10 years, such as global profit margin compression; accelerating digitalization; aging leaders in the agriculture, fishery and forestry industries; the need for scale expansion; growth in Asia; and environmental and social issues. We recognize new issues such as the enhancement of profitability; the provision of comprehensive services that customers want; effective support for leaders in the agriculture, fishery and forestry industries; deepening our global business

network; and offering value to society.

Based on such recognition, we will take on the challenge of creating new value to solve new issues.

Core Principle

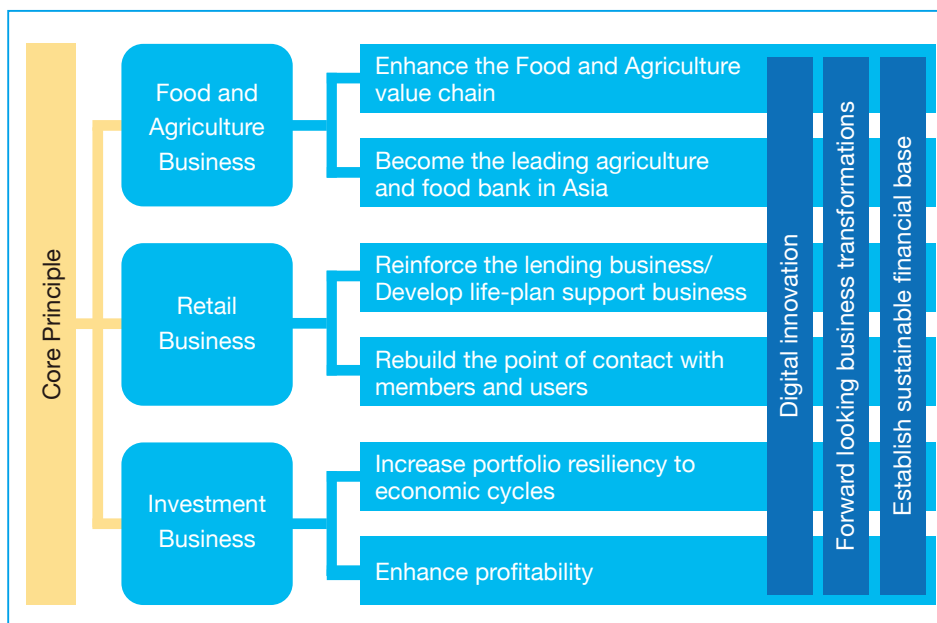
To take on this challenge of creating new value, self-reform is necessary. Looking ahead to the next ten years, we will take a fresh look at the current operation and make necessary changes to the way we work. To achieve major reforms, we will implement the Medium-Term Management Plan as our vision for the Norinchukin Group in the next five years, based on the following Core Principle.



Priority Strategies

The Bank will take on the priority strategies under the Core Principle with a structure consisting of the “Food and Agriculture Business,” the “Retail Business” and the “Investment Business,” supported by “Corporate Shared Services.” The Bank will implement these strate-

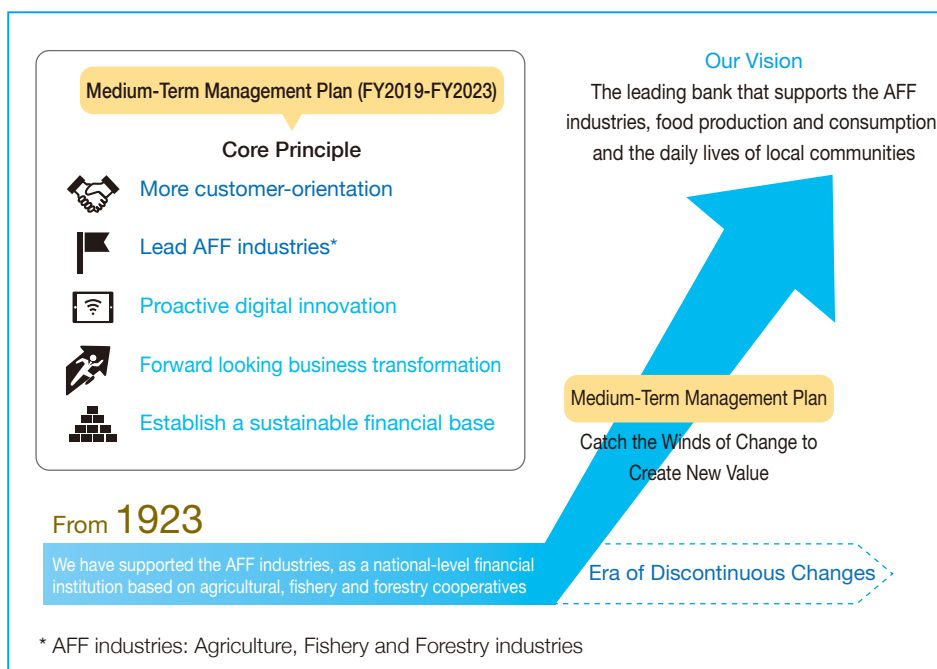
gies jointly with JA Bank Medium-Term Management Strategy, JF Marine Bank Medium-Term Management Strategy and the JForest Cooperatives Action Policy, and achieve our goals in alliance with the entire cooperative groups.



Aiming to become a “leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities”

Since our establishment in 1923 as a national-level financial institution to help our foundational entities—agricultural, fishery and forestry cooperative organizations—we have contributed to the development of

the agricultural, fishery and forestry industries over 95 years. To continue to fulfill this mission, we will deepen dialogues with cooperative members and tackle our challenging “Catch the Winds of Change. Create New Value” plan. Through such efforts, together with our cooperative groups, we will strive to meet the expectations of our customers, realize sustainable growth and offer value to society.



Sustainability Management Initiatives

Reflecting the rapidly rising interest in the increase in the global population, the low birth rate and aging society in advanced countries, climate change and issues of economic disparity and poverty, global initiatives toward the sustainable development of society are under way, such as the “Sustainable Development Goals (SDGs)” by the United Nations and the “Paris Agreement,” which is a new framework of measures to address climate change. Against this backdrop, expectations are on the rise for corporations to address such social issues.

Based on an understanding of such changes in society, we have newly established 14 “Sustainability Topics” covering Five Sustainability Focus Areas (“Creating

positive impact on the agriculture, fishery and forestry industries, food and local communities,” “Promoting responsible finance,” “Promoting sustainability management,” “Securing highly capable human resources” and “Maintaining customer trust as a financial institution”). We reorganized the existing CSR Committee into Sustainability Committee to discuss measures to address environmental and social issues at the management level.

From fiscal 2019, we will work to address the Sustainability Topics to achieve sustainability management (i.e., to achieve sustainable business activities of the Bank and its cooperative groups through measures to address environmental and social issues).

Participation in Major Initiatives



Response to the “Task Force on Climate-related Financial Disclosures (TCFD)”

In April 2019, the Bank announced the endorsement of the recommendations of the TCFD, which was established by the Financial Stability Board (FSB). The Bank will appropriately address the impacts and risks of climate change on the Bank’s businesses, implement measures, and expand disclosures in line with the TCFD recommendations over time.

Governance to Address Climate Change

The Bank’s measures to address environmental and social issues including climate change are discussed at

the Sustainability Committee, and the content discussed therein is reported periodically to the Board of Directors and the Supervisory Committee.

Managing Climate-Related Risks

The Bank conducts due diligence based on the Equator Principles (EPs) for large-scale development projects. In addition, amid the progressing global initiatives to transition toward a decarbonized society, regarding new loans for the coal-fired thermal power generation sector, the Bank, in principle, limits such loans only to ultra-supercritical (USC) coal-fired power generation or facilities with higher efficiency.

The Bank's Sustainability Topics (Five Focus Areas and 14 Topics)

Five Focus Areas	14 Topics
(Focus Area 1) Creating positive impact on the agriculture, fishery and forestry industries, food and local communities	(Topic 1-1) Contributing to sustainable agriculture, fishery and forestry industries
	(Topic 1-2) Contributing to safe and secure food supply
	(Topic 1-3) Contributing to sustainable local communities
	(Topic 1-4) Conserving the natural environment as a foundation of the agriculture, fishery and forestry industries
	(Topic 1-5) Creating business innovation
(Focus Area 2) Promoting responsible finance	(Topic 2-1) Promoting sustainable finance
	(Topic 2-2) Contributing to sustainable energy utilization
	(Topic 2-3) Realizing financing for everybody
(Focus Area 3) Promoting sustainability management	(Topic 3-1) Ensuring a transparent organizational governing structure
	(Topic 3-2) Reinforcing the management of environmental and social risks
	(Topic 3-3) Reinforcing stakeholder engagement
(Focus Area 4) Securing highly capable human resources	(Topic 4-1) Improving diversity and equal opportunities
	(Topic 4-2) Enhancing human resources development
(Focus Area 5) Maintaining customer trust as a financial institution	(Topic 5-1) Further reinforcing the compliance framework

Aiming to become a “leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities,” the Bank together with its cooperative groups will meet the expectations of its customers, achieve further sustainable growth and offer value to society.

