

# Compensation

## ■ Compensation Structure Disclosure

The Bank has disclosed its compensation structure since March 2012 based on Notification No. 10 in 2012 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries of Japan entitled “Matters set forth separately by the Minister of Agriculture, Forestry and

Fisheries of Japan and the Financial Services Agency Commissioner, based on Article 112-6 of the Ordinance for Enforcement of The Norinchukin Bank Law, Article 112-6 and Article 113-4 of said Ordinance” (hereinafter “Compensation Notification”).

## 1. Compensation Structure for the Subject Directors and Employees of the Bank

### ■ Definition of the Subject Directors and Employees

The scope of the Subject Directors and the Subject Employees stipulated in the Compensation Notification who are subject to compensation disclosure is described below.

#### ● Definition of the Subject Directors

The Subject Directors are the Bank’s Board members and Audit & Supervisory Board members. The Supervisory Committee members and part-time Audit & Supervisory Board members are excluded from the scope.

#### ● Definition of the Subject Employees

Among the Bank’s directors other than the Subject Directors, and the Bank’s employees, as well as the Bank’s major consolidated subsidiaries’ directors and employees, who are “Highly Compensated Persons” that exert a major material impact on the business operations or financial status of the Bank or its major subsidiaries are deemed the Subject Employees and are thereby subject to compensation disclosure. None of the Bank’s directors other than the Subject Directors, or the Bank’s employees, as well as the directors or employees of its major subsidiaries fall under the category of the Subject Employees.

#### Definition of Major Consolidated Subsidiaries

Major consolidated subsidiaries are the subsidiaries whose ratio of total assets to the Bank’s consolidated total assets

is 2% or higher, and which have a material impact on the Group management. However, none of the Bank’s consolidated subsidiaries fall under this category.

#### Definition of Highly Compensated Persons

Highly Compensated Persons are those persons whose compensation is higher than the average for the Subject Directors (excluding those who retired during the period), calculated by dividing the total compensation described in the chart “REM1: Remuneration awarded during the financial year.” Regarding retirement lump sum payments, once the total retirement lump sum payment has been subtracted from the total compensation, the amount obtained by dividing the total lump sum payment by the number of years in office is then added to the remaining compensation amount. This amount is regarded as a person’s total compensation and becomes the basis of the judgment whether the person is a Highly Compensated Person.

#### Definition of Persons Who Exert a Material Impact on the Business Operations or Financial Status of the Group

Persons who Exert a Material Impact on the Business Operations or Financial Status of the Group are those persons whose ordinary transactions and areas of management exert a considerable influence on the business operations of the Bank, the Group and the major consolidated subsidiaries, or persons whose transactions exert a considerable influence on the financial status of the Group through the generation of losses.

## ■ Determining the Subject Directors' Compensation

Regarding the Bank's compensation structure for directors, the Bank established the Director Compensation Deliberation Committee (the "Committee") to deliberate on compensation issues, as a subcommittee of the Supervisory Committee. The Committee deliberates on the Bank's director compensation standards and total compensation of those who are eligible to receive retirement benefit payments, as well as the standards for such payments. The Committee is composed of committee members (cooperative organization representatives, attorneys and CPAs) commissioned by the Supervisory Committee, and the Chairman of the Committee is appointed by the Chairman of the Supervisory Committee from among those committee members who are attorneys and CPAs.

Based on the results of the Committee's discussions, proposals concerning total director compensation and retirement benefits are presented to the Supervisory Committee, and those proposals are finally discussed and decided at the Council of Delegates.

Within the limits of total compensation decided at the

Council of Delegates, the compensation of directors is decided at the Board of Directors meeting and the compensation of Audit & Supervisory Board members is decided through Audit & Supervisory Board members consultation.

In addition, following a resolution at the Council of Delegates, the actual amount of retirement benefits is decided at the Board of Directors meeting for Board members and through Audit & Supervisory Board members consultation for Audit & Supervisory Board members.

## ■ Total Compensation Paid to Director Compensation Deliberation Committee Members and Number of Times the Committee has Convened

The Committee was convened three times between April 2018 and March 2019.

*Note: Of the Committee members, those who concurrently serve as a member of another committee such as the Supervisory Committee, the total compensation paid to them is not indicated because it is impossible to calculate the amounts of compensation for the execution only of this Committee separately. Regarding other members, because such disclosure would reveal each member's compensation, the total compensation paid is not indicated.*

## 2. Matters Related to the Evaluation of the Appropriateness of the Design and Operation of the Bank's Compensation Structure for the Subject Directors

### ■ Compensation Policy

The Bank is a financial institution founded by agricultural, fishery and forestry workers' cooperative organizations based on The Norinchukin Bank Law. Through the provision of financial and various other functions for these cooperative organizations, the Bank aims to contribute to the development of the agricultural, fishery and forestry industries and the nation's economy. To help the Bank realize this aim, the Bank has designed its director compensation system.

### ● Compensation Policy for the Subject Directors

The actual compensation of directors of the Bank is composed of the directors' compensation and retirement benefits.

In light of the special nature of the Bank's role as the central bank for cooperatives, as well as financial institution for farmers, fishermen and foresters, and trends in cooperative organizations and other business sectors, director compensation is determined on the basis of fixed compensation by director's rank, combined with variable

compensation in accordance with the status of progress on the initiatives of the Bank's management plans as a sound incentive toward sustainable growth.

For Audit & Supervisory Board members, from the perspective of effective functioning of their duties, only fixed compensation is paid, there being no variable compensation.

Retirement benefits are calculated by applying a fixed weighting based on a director's compensation during his or her term of office in line with the retirement benefit payment rules.

The decision-making process for the retirement benefits is as follows. Proposals presented for total director compensation and retirement benefits are decided by

the Supervisory Committee based on the results of the Committee's discussions. These proposals are then ultimately discussed and decided at the Council of Delegates.

Within the limits of total compensation decided at the Council of Delegates, the compensation of directors is decided at the Board of Directors meeting and the compensation of Audit & Supervisory Board members is decided through Audit & Supervisory Board members consultation.

In addition, following a resolution at the Council of Delegates, the actual amount of retirement benefits is decided at the Board of Directors meeting for Board members and through Audit & Supervisory Board members consultation for Audit & Supervisory Board members.

### **3. The Bank's Compensation Structure for the Subject Directors, Its Risk Management Consistency, and the Link between Compensation and Performance**

As described in the previous section, the final decision on the Subject Directors' total compensation is decided at the Council of Delegates.

The Bank's compensation structure has no adverse effect on risk management, nor is it disproportionately linked to performance.

### **4. Other Matters for Reference Concerning the Bank's Compensation Structure for the Subject Directors**

Aside from that mentioned in the preceding paragraph, no matters fall under this category.

**REM1: Remuneration awarded during the financial year**  
**Fiscal 2018 (Ended March 31, 2019)**

(Person, Millions of Yen)

No.			a	b
			Senior management	Other material risk takers
1	Fixed remuneration	Number of employees	<b>14</b>	—
2		Total fixed remuneration (3+5+7)	<b>250</b>	—
3		of which: cash-based	<b>250</b>	—
4		of which: deferred	—	—
5		of which: shares or other share-linked instruments	—	—
6		of which: deferred	—	—
7		of which: other forms	—	—
8		of which: deferred	—	—
9	Variable remuneration	Number of employees	<b>9</b>	—
10		Total variable remuneration (11+13+15)	<b>79</b>	—
11		of which: cash-based	<b>79</b>	—
12		of which: deferred	—	—
13		of which: shares or other share-linked instruments	—	—
14		of which: deferred	—	—
15		of which: other forms	—	—
16		of which: deferred	—	—
17	Retirement benefits	Number of employees	<b>14</b>	—
18		Total retirement benefits	<b>99</b>	—
19		of which: deferred	—	—
20	Other remuneration	Number of employees	—	—
21		Total other remuneration	—	—
22		of which: deferred	—	—
23	Total remuneration (2+10+18+21)		<b>428</b>	—

Notes: 1. Number of the Subject Directors includes that of retired directors.

2. Directors' Retirement Benefits are the sum of Directors' Retirement Benefits (excluding a reversal of Directors' Retirement Benefits for fiscal 2017) paid during fiscal 2018 and Reserve for Directors' Retirement Benefits posted for fiscal 2018.

## Fiscal 2017 (Ended March 31, 2018)

(Person, Millions of Yen)

No.			a	b
			Senior management	Other material risk takers
1	Fixed remuneration	Number of employees	17	—
2		Total fixed remuneration (3+5+7)	325	—
3		of which: cash-based	325	—
4		of which: deferred	—	—
5		of which: shares or other share-linked instruments	—	—
6		of which: deferred	—	—
7		of which: other forms	—	—
8		of which: deferred	—	—
9	Variable remuneration	Number of employees	14	—
10		Total variable remuneration (11+13+15)	123	—
11		of which: cash-based	123	—
12		of which: deferred	—	—
13		of which: shares or other share-linked instruments	—	—
14		of which: deferred	—	—
15		of which: other forms	—	—
16		of which: deferred	—	—
17	Retirement benefits	Number of employees	17	—
18		Total retirement benefits	129	—
19		of which: deferred	—	—
20	Other remuneration	Number of employees	—	—
21		Total other remuneration	—	—
22		of which: deferred	—	—
23	Total remuneration (2+10+18+21)		577	—

Notes: 1. Number of the Subject Directors includes that of retired directors.

2. Directors' Retirement Benefits are the sum of Directors' Retirement Benefits (excluding a reversal of Directors' Retirement Benefits for fiscal 2016) paid during fiscal 2017 and Reserve for Directors' Retirement Benefits posted for fiscal 2017.

## REM2: Special payments

## Fiscal 2018 (Ended March 31, 2019)

(Person, Millions of Yen)

	a		b		c		d		e		f	
	Guaranteed bonuses				Sign-on awards				Severance payments			
	Number of employees		Total amount		Number of employees		Total amount		Number of employees		Total amount	
Senior management	—	—	—	—	—	—	—	—	—	—	—	—
Other material risk takers	—	—	—	—	—	—	—	—	—	—	—	—

## Fiscal 2017 (Ended March 31, 2018)

(Person, Millions of Yen)

	a		b		c		d		e		f	
	Guaranteed bonuses				Sign-on awards				Severance payments			
	Number of employees		Total amount		Number of employees		Total amount		Number of employees		Total amount	
Senior management	—	—	—	—	—	—	—	—	—	—	—	—
Other material risk takers	—	—	—	—	—	—	—	—	—	—	—	—

### REM3: Deferred remuneration Fiscal 2018 (Ended March 31, 2019)

(Millions of Yen)

		a	b	c	d	e
		Total amount of outstanding deferred remuneration	Of which Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of reduction during the year due to ex post explicit adjustments	Total amount of reduction during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	Cash	—	—	—	—	—
	Shares or other share-linked instruments	—	—	—	—	—
	Other remuneration	—	—	—	—	—
Other material risk takers	Cash	—	—	—	—	—
	Shares or other share-linked instruments	—	—	—	—	—
	Other remuneration	—	—	—	—	—
Total		—	—	—	—	—

### Fiscal 2017 (Ended March 31, 2018)

(Millions of Yen)

		a	b	c	d	e
		Total amount of outstanding deferred remuneration	Of which Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of reduction during the year due to ex post explicit adjustments	Total amount of reduction during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	Cash	—	—	—	—	—
	Shares or other share-linked instruments	—	—	—	—	—
	Other remuneration	—	—	—	—	—
Other material risk takers	Cash	—	—	—	—	—
	Shares or other share-linked instruments	—	—	—	—	—
	Other remuneration	—	—	—	—	—
Total		—	—	—	—	—