

Report on Financial Statements for the First Half of Fiscal 2013



Akira Banzai
Chairman
The Supervisory Committee

Yoshio Kono
President and Chief Executive Officer

In fiscal 2013, under its new Medium-Term Management Plan covering the three years beginning from fiscal 2013, The Norinchukin Bank (“the Bank”) is taking initiatives to become a “leading bank that supports the agricultural, fisheries and forestry industries, food production and consumption, and the daily lives of local communities.”

In the first half of fiscal 2013, with the global economy confirmed to be on a modest recovery track, financial markets fluctuated with the speculation on the timing of the tapering of quantitative easing, the development of budget negotiations in the United States, and other factors. Nevertheless, stock prices remained strong, interest rates rose, and the Japanese yen depreciated. Under such an economic and financial environment, the Bank has been conducting financial management to secure a steady accumulation of profits. As a result, in the first half of fiscal 2013, the Bank secured consolidated ordinary profits of ¥149.2 billion. At the same time, it maintained its consolidated capital adequacy ratios at a high level, with a Common Equity Tier 1 capital ratio of 17.11%, a Tier 1 capital ratio of 17.26%, and a total capital ratio of 24.43%.

With regard to efforts to contribute to the agricultural, fisheries and forestry industries, food production

and consumption, and the daily lives of local communities, the Bank has undertaken a wide range of activities to rebuild disaster-stricken areas, to strengthen its support for leaders in these industries, to reinforce the earning capacity of the agricultural, fisheries and forestry industries, and to revitalize local communities. Further, to strengthen and expand the cooperative banking business (JA Bank and JF Marine Bank), the Bank is advancing efforts to support rebuilding and expanding their user base, fortifying its management control system over them, building and managing their business infrastructure, and developing highly specialized employees in the cooperative banking business.

In December 2013, The Norinchukin Bank celebrated its 90th anniversary. JA Bank, JF Marine Bank, JForest Group and the Bank will continue to perform their roles and functions with the goal of becoming financial institutions and organizations that win the confidence of their customers, and contribute to the advancement of the agricultural, fisheries and forestry industries and their rural communities.

Finally, we would like to ask our readers for their continued support for JA Bank, JF Marine Bank, JForest Group and The Norinchukin Bank.

January 2014



Akira Banzai
Chairman
The Supervisory Committee



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Financial Results for the First Half of Fiscal 2013

Income

On a consolidated basis, Ordinary Profits* came to ¥149.2 billion, up ¥5.2 billion on a year-over-year basis, and Net Income was ¥120.5 billion, down ¥10.4 billion on a year-over-year basis.

On a non-consolidated basis, Ordinary Profits came to ¥143.5 billion, up ¥4.1 billion on a year-over-year basis, and Net Income was ¥115.8 billion, down ¥10.9 billion on a year-over-year basis.

* Ordinary Profits represent Ordinary Income less Ordinary Expenses. Ordinary Income represents Total Income less certain special income, and Ordinary Expenses represent Total Expenses less certain special expenses.

Balance of Assets and Liabilities

On a consolidated basis, Total Assets at the end of the first half of fiscal 2013 was ¥82,972.5 billion, up ¥1,475.7 billion from the previous fiscal year-end. Total Net Assets came to ¥5,619.0 billion, down ¥148.1 billion from the previous fiscal year-end.

On a non-consolidated basis, Total Assets was ¥82,273.6 billion, up ¥1,412.5 billion from the previous fiscal year-end. On the assets side, Loans and Bills Discounted was ¥16,983.7 billion, and Securities was ¥49,900.3 billion. On the liabilities side, Deposits amounted to ¥48,788.3 billion, and Debentures was ¥4,307.3 billion.

Capital Adequacy Ratio

On a consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 17.11%, its Tier 1 Capital Ratio was 17.26%, and its Total Capital Ratio (Basel III standard) was 24.43%. On a non-consolidated basis, the Bank's Common Equity Tier 1 capital ratio was 17.09%, its Tier 1 Capital Ratio was 17.24%, and its Total Capital Ratio was 24.67%.

Key Management Indicators

<Consolidated>

(Billions of Yen/Millions of U.S. Dollars (Note 1))

	First Half of Fiscal 2011	Fiscal 2011	First Half of Fiscal 2012	Fiscal 2012	First Half of Fiscal 2013	First Half of Fiscal 2013
Total Income	¥ 620.4	¥ 952.6	¥ 557.2	¥ 995.5	¥ 622.4	\$ 6,367
Total Expenses	459.7	878.4	412.2	893.6	474.5	4,855
Net Income	123.9	70.5	131.0	119.8	120.5	1,233
Total Comprehensive Income	172.6	600.4	218.7	949.7	(97.1)	(994)
Total Net Assets	4,411.7	4,838.9	5,036.3	5,767.2	5,619.0	57,484
Total Assets	70,050.4	72,262.8	74,065.4	81,496.8	82,972.5	848,824
Capital Adequacy Ratio (BIS) (Note 2)						
Common Equity Tier 1 Capital Ratio (%)				16.01	17.11	17.11
Tier 1 Capital Ratio (%)				16.13	17.26	17.26
Total Capital Ratio (%)	26.20	24.67	27.09	23.56	24.43	24.43

Notes: 1. U.S. dollars have been converted at the rate of ¥97.75 to U.S. \$1, the effective rate of exchange at September 30, 2013.

2. The calculation of the Bank's Consolidated BIS Capital Adequacy Ratio is based on the formula found in Notification No. 4 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank) issued in 2006. The Basel II standard was applied in calculating the Consolidated Capital Adequacy Ratios for the first half of fiscal 2012 and earlier.

<Non-Consolidated>

(Billions of Yen/Millions of U.S. Dollars (Note 1))

	First Half of Fiscal 2011	Fiscal 2011	First Half of Fiscal 2012	Fiscal 2012	First Half of Fiscal 2013	First Half of Fiscal 2013
Total Income	¥ 614.8	¥ 934.9	¥ 546.6	¥ 972.9	¥ 612.2	\$ 6,264
Total Expenses	453.8	870.6	406.1	885.6	470.1	4,810
Net Income	124.2	61.6	126.8	106.8	115.8	1,186
Paid-in Capital	3,425.9	3,425.9	3,425.9	3,425.9	3,425.9	35,048
Total Net Assets	4,402.6	4,820.4	5,013.8	5,734.9	5,581.3	57,098
Total Assets	69,543.6	71,719.1	73,493.7	80,861.0	82,273.6	841,675
Deposits	41,806.7	43,563.1	43,372.6	47,456.4	48,788.3	499,114
Debentures	5,246.6	5,125.6	4,858.3	4,619.2	4,307.3	44,065
Loans and Bills Discounted	14,760.5	14,655.7	16,237.8	16,127.6	16,983.7	173,747
Securities	39,539.8	45,655.4	44,813.2	50,072.3	49,900.3	510,490
Capital Adequacy Ratio (BIS) (Note 2)						
Common Equity Tier 1 Capital Ratio (%)				15.98	17.09	17.09
Tier 1 Capital Ratio (%)				16.10	17.24	17.24
Total Capital Ratio (%)	26.38	24.83	27.36	23.77	24.67	24.67

Notes: 1. U.S. dollars have been converted at the rate of ¥97.75 to U.S. \$1, the effective rate of exchange at September 30, 2013.

2. The calculation of the Bank's Non-Consolidated BIS Capital Adequacy Ratio is based on the formula found in Notification No. 4 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank) issued in 2006. The Basel II standard was applied in calculating the Non-Consolidated Capital Adequacy Ratios for the first half of fiscal 2012 and earlier.

Bank Initiatives

>>> Outline of the Medium-Term Management Plan

The Bank has formulated a new Medium-Term Management Plan, which covers the three-year period from fiscal 2013 through fiscal 2015.

Under the following slogan, “Challenge for a New Stage,” while we will make further efforts for enhanced profitability and organizational strength, we will proactively work on various efforts. Such efforts include development of the agricultural, fisheries and forestry industries, which are expected to become Japan’s

growth industries; sustainable development of local communities, which includes the reconstruction of the disaster-affected areas; and strengthening of the cooperative banking business (JA Bank and JF Marine Bank), which includes development of human resources. We will strive to become a “leading bank that supports the agricultural, fisheries and forestry industries, food production and consumption, and the daily lives of local communities.”

▼ Medium-Term Management Plan (FY 2013 – 2015)

Future Vision for the 100th Anniversary (2023)

Leading Bank that Supports the Agricultural, Fisheries and Forestry Industries, Food Production and Consumption, and the Daily Lives of Local Communities

4 Future Visions

1. The Bank that provides financial solutions for sustainable development of the agricultural, fisheries and forestry industries and local communities
2. The Bank that develops network-based banking service that values ties and relationships
3. The Bank that demonstrates its presence in domestic and global financial markets to support the agricultural, fisheries and forestry industries, food production and consumption, and local communities
4. The Bank, as a team of professionals, that takes on challenges with no fear of change

Positioning of the Medium-Term Management Plan (FY 2013 – 2015)
=> Period that determines “future visions”

Basic Concept of the Medium-Term Management Plan (FY 2013 – 2015)

Challenge for new initiatives that contribute to the agricultural, fisheries and forestry industries, food production and consumption, and the daily lives of local communities

Strengthening of profitability and organizational strengths that leads to enhanced competitiveness of the Bank and the cooperative system

▼ Policies of the Medium-Term Management Plan

Challenge for new initiatives that contribute to the agricultural, fisheries and forestry industries, food production and consumption, and the daily lives of local communities

1. Proactive efforts on new initiatives contributing to the development of the agricultural, fisheries and forestry industries, food production/consumption, and revitalization of local communities

- Continued efforts to reconstruct the disaster-affected areas
- Strengthening the ability to cater to leaders and efforts to enhance the profitability of the agricultural, fisheries and forestry industries
- New efforts to revitalize local communities

2. Planning and implementation of further initiatives for strengthening and expanding the cooperative banking business

- Initiatives that contribute to reconstruction and expansion of the user base
- Enhancement of business management arrangements and development and management of business infrastructures
- Initiatives for the development of cooperative banking-related human resources who can put business strategies into practice

Strengthening of profitability and organizational strengths that leads to enhanced competitiveness of the Bank and the cooperative system

3. Strengthening of profitability through appropriate risk management

- Flexible and strategic asset allocation
- Strengthening corporate lending and pursuing new investment opportunities
- Implementation of risk management that contributes to enhanced competitiveness

4. Building up of organizational strengths through strategic use and enhancement of management resources

- Putting emphasis on cultivating “human resources” who will play a key role in the Bank and the cooperative system
- Adequate financial management (ordinary profit target: ¥100 billion)
- Aggressive injection of management resources for improved competitiveness

》》》 Status of Reconstruction Support Efforts

❖ Outline of the Reconstruction Support Program

As the central organization founded on the agricultural, fisheries and forestry industries, the Bank set up the Reconstruction Support Program (duration: about four years; financial support: ¥30 billion) in fiscal 2011 to provide full and multifaceted assistance for the recovery and

reconstruction of the agricultural, fisheries and forestry industries severely affected by the Great East Japan Earthquake.

Specifically, the program provides (1) support to disaster-affected agricultural, fisheries and forestry workers, and (2) business and management support to members affected by the disaster. The Bank also provides material support including the sending of employees into disaster areas.

▼ Outline of the Reconstruction Support Program

Description	Support recipients	JA Bank, JF Marine Bank, JForest Group
Financial Support Program	Agricultural, fisheries and forestry industry workers	Financial support (interest subsidies, reconstruction/recovery loans [low-interest loans], etc.)
Business & Management Support Program	Members	Business recovery (support for infrastructure recovery including branches, ATMs, terminals, etc.)
		Business support (support to strengthen members' business foundations)

• **Reconstruction Support for Producers and Communities**

For the business reconstruction of disaster-affected farmers, fishermen and foresters, the Bank has provided long-term low-interest reconstruction loans (Tohoku Agricultural, Forestry, and Fishery Industries Support Loan) and reconstruction funding (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund) through its affiliate, the Agribusiness Investment & Consultation Co., Ltd., as well as assistance to formulate reconstruction plans. The Bank has been involved in reconstruction projects in disaster-stricken areas since their conceptual stages and is lending various kinds of support.

Further, the Bank has provided interest subsidies for the disaster funds extended by JA Bank and JF Marine Bank to agricultural and fishery workers to help ease their interest burden. The Bank has also provided lease subsidies to agricultural workers who acquire farm machinery and horticultural facilities through leasing.

Product	Number	Amount
Reconstruction loan (Tohoku Agricultural, Forestry, and Fishery Industries Support Loan) (since December 2011)	Number of loans 54	Total loans outstanding ¥20,228 million
Reconstruction fund (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund) (since February 2012)	Number of investments 14	Total investments outstanding ¥262 million
Lease subsidies (since July 2012)	Number of subsidies 428	Total lease amount ¥1,806 million

*Cumulative total as of September 30, 2013

For disaster-affected fishery workers, the Bank has continued to subsidize the cost of purchasing cardboard boxes for the collective shipment of cultivated wakame and kombu, Japanese edible seaweed. For disaster-affected agricultural workers, the Bank has started to subsidize the cost of production materials used for rice cultivation for those who have resumed operation after the disaster.

• **Reconstruction Support for Members and Customers**

The Bank has supported JA and JF that increased their capital under the Framework for Special Post-Earthquake Support. To support their efforts to provide and maintain financial services, the Bank has offered guidance and advice based on its plan to help strengthen the cooperative banking business, for instance, by dispatching employees to disaster-affected areas.

To provide financial services in a stable manner to disaster-affected customers of JA Bank and JF Marine Bank, JA Bank continues to operate its consultation-service call center and JF Marine Bank has adopted the use of mobile terminals. To help customers in disaster-affected areas to restore their lives, the Bank has also assisted with Reconstruction Support Time Deposits and Reconstruction Support Loans made by JA Bank and JF Marine Bank and taken appropriate action to address the double-loan problem and promote collective relocation for disaster mitigation.

Directors and employees at the head office and branches and the employees sent to help disaster-affected members will continue to work as a team, and work toward disaster recovery in collaboration with the government and relevant organizations.



Subsidizing cost of production materials for rice cultivation



Harvesting rice from subsidized rice paddies

》》》 Initiatives in Financial Services for the Agricultural, Fisheries, and Forestry Industries

■ Initiatives to Expand Financial Services for the Agricultural, Fisheries, and Forestry Industries

The Bank is taking steps to further expand its role as the central organization for cooperatives in Japan by giving its first priority to contributing to its members and the agricultural, fisheries and forestry industries. In the new Medium-Term Management Plan, which began from fiscal 2013, contributing to Japan's agricultural, fisheries and forestry industries and food production and consumption as well as to the revitalization of local communities has been positioned as one of the plan's four core policies. In light of the Japan Revitalization Strategy — JAPAN is BACK (“Transformation of agriculture, forestry and fisheries into growth industries”), approved by the Cabinet in June 2013, with the goal of taking the lead in supporting agricultural, fisheries and forestry industry leaders in local communities, enhancing their business strength, and revitalizing local communities, the Bank has been developing and deploying new financial tools and measures in order to meet the diverse needs of agricultural, fisheries and forestry workers.

In order to respond to the forward-looking financial needs of agricultural, fisheries and forestry workers, the Bank has been expanding loan services to these workers. It has also established a capital funding framework to meet the need for the development of agricultural corporations and their business expansion. Through these efforts, the Bank has been strengthening its role as the financial institution for the agricultural, fisheries and forestry industries.

The Bank also organizes business conferences, providing export support and business-matching to assist business diversification of farmers, fishermen, foresters, and their communities in rural areas with a view to support the sixth industrialization* of the agricultural, fisheries and forestry industries and their villages.

** participation in the processing distribution and service industries by farmers, fishermen and foresters*

● Expansion of Financial Services for Agricultural, Fisheries and Forestry Workers

Expansion of Loan Services

As the main bank for the agricultural, fisheries and forestry industries, the Bank has created a unique cooperative financing program called the Agricultural, Forestry, and Fisheries Support Fund. It is aimed at providing financial support for the development of Japan's agricultural, fisheries and forestry industries, as well as organizations in the cooperative system.

Specifically, we offer the Agriculture, Forestry, Fishery and Ecology Business Loan, which is not excessively dependent on collateral and guarantees to meet a wide range of needs for equipment and working capital required for the production, processing, distribution and sale of agricultural and marine products. There is also the Management Improvement Support Loan for agricultural, fisheries and forestry businesses actively engaging in management reform. We also offer the Agricultural Corporation Development Loan (Agri-Seed Loan), which, in principle, is unsecured and non-guaranteed financing with a loan ceiling of ¥10 million per corporation run by agricultural leaders for working

▼ Types of Loans (As of September 30, 2013)

	General Loan		Policy-based Loans
Agriculture	Agri-Seed Loan Agricultural Corporation Support Loan Agriculture Promotion Fund	Agriculture, Forestry, Fishery & Ecology Business Loan Management Improvement Support Loan Tohoku Agricultural, Forestry, and Fishery Industries Support Loan	Agriculture Modernization Loan Agricultural Management Assistance Support Loan Agricultural Management Improvement Promotion Loan (Super-S Loan) Mountainous Region Revitalization Loan, etc.
Fisheries	Fisheries Development Fund		Fisheries Modernization Loan Fisheries Management Improvement Promotion Loan Mountainous Region Revitalization Loan, etc.
Forestry	Forestry Development Fund		Forestry Development Promotion Loan Mountainous Region Revitalization Loan, etc.

capital for agricultural production and processing, distribution and sale of agricultural products.

In order to meet the short-term working capital needs of agricultural corporations, we started offering the Agricultural Corporation Support Loan beginning from April 2013.



Cattle farm of a borrower of Agricultural Corporation Support Loan

<Millions of Yen>		
Product	Number of loans	Total loans outstanding
Agriculture, Forestry, Fishery & Ecology Business Loan (since October 2009)	128	31,659
Agri-Seed Loan* (since December 2009)	30	264

*Cumulative total as of September 30, 2013

As the main bank for the primary industries, the Bank meets the business consulting needs of those engaged in these industries in a speedy and appropriate manner. We are proactively building relationships with everyone involved in these industries through support to prepare management improvement plans, provision of business matching information, and other means.

Enhancement of Capital Funding Schemes

In fiscal 2010, the Bank established the Agri-Seed Fund, a new framework for supplying capital to agricultural corporations including agricultural production corporations. The Bank has helped develop new agricultural leaders in their areas by investing, in principle, a maximum of ¥10 million per corporation in technically competitive, yet undercapitalized agricultural corporations.

In June 2013, the Bank established the Support Fund for Business of Agricultural Leaders. It is designed to meet the needs of agricultural corporations that try to use abandoned farmlands, secure farmlands, or work for the sixth industrialization for their business expansion. The first investment worth ¥18 million was made in October 2013.

The Agri-Eco Fund also supplies funds as part of the JA Bank Agri-Support Project (CSR project) to support business entities that aggressively promote agriculture and contribute to the environment and community.

<Millions of Yen>		
Product	Number of investments	Total investments outstanding
Agri-Seed Fund (since April 2010)	76	658
Agri-Eco Fund (since October 2009)	33	1,172

*Cumulative total as of September 30, 2013



Tomato farm run by a borrower of the Support Fund for Business of Agricultural Leaders

• JA Bank's Agricultural Financing

JA Bank responds to a variety of agricultural financing needs while providing farm management and livelihood support to farmers through the Agriculture Modernization Loan and the Japan Finance Corporation's Loan. The balance of agriculture-related loans of JA Bank as of March 31, 2013 stood at ¥2,138.8 billion (of which ¥1,438.5 billion represented loans to farmers) and the balance of loans entrusted by the Japan Finance Corporation and others came to ¥556.4 billion.

▼ Agricultural Loan Balance by Type of Financing

(Billions of Yen)

As of March 31, 2013	
Proper agricultural loans	1,553.0
Agricultural policy loans	585.8
Agricultural modernization loans	174.5
Other policy-based loans	411.2
Total	2,138.8

▼ Balance of Entrusted Agricultural Loans

(Billions of Yen)

As of March 31, 2013	
Loans entrusted by the Japan Finance Corporation	555.2
Others	1.1
Total	556.4

Notes:

1. Proper agricultural loans are non-policy-based loans funded by JA Bank.
2. Agricultural policy loans consist of 1) those financed directly or indirectly by local public bodies, and 2) those financed at low interest rates by JA Bank through interest subsidies by local public bodies.
3. Other policy-based loans include the Agricultural Management Improvement Promotion Loan (Super-S Loan) and Agricultural Management Assistance Support Loan.

• Support for the Sixth Industrialization of the Agricultural, Fisheries and Forestry Industries

JA Bank and JF Marine Bank organize various types of business conferences and business-matching events, provide support for exporting and utilization of the Sixth

Industrialization Fund by leveraging the strengths and advantages of our cooperative system. Furthermore, they have set up a study group for enhanced competitiveness of Japan's agriculture and food related industries.

Establishment of a Study Group for Enhanced Competitiveness of Food and Agriculture Business

The Bank established the Study Group for Enhanced Competitiveness of Food and Agriculture Business in August 2013 with JA Zen-Noh and Mizuho Bank, and developed a framework to discuss the possibilities of future partnership in areas such as the six industrialization and export for the strengthening of the competitiveness of Japan's agricultural and food industries. Study has already started with the aim to improve producers' income and promote local agricultural production.

Business Conferences and Business Matching Initiatives

The Bank carries out business conference and business matching initiatives to help the business needs of cooperative organizations, agricultural, fisheries and forestry workers, and corporate customers develop into actual business by capitalizing on the distinctive feature of the cooperative organizations as a nationwide system.

In the first half of fiscal 2013, a total of 50 business contracts were signed as a result of such conferences. The number of contract signing has totaled 261 since the inception of this initiative in fiscal 2009. Regional business conferences were held twice (in Nagano and Kyushu) in the first half of fiscal 2013, and they were highly rated by seller groups and buyer companies.



JA Group/JF Group Kyushu Business Conference



Hong Kong Food Expo 2013

Support for Export

To provide assistance to members and agricultural, fisheries and forestry industry workers for their overseas market expansion, the Bank participated, in cooperation with JA Zen-Noh, JF Zengyoren, and Japan Agricultural Corporations Associations, in the Hong Kong Food Expo 2013. With five JA organizations, one JF organization, and five agricultural corporations participating, business meetings were held with buyers from Hong Kong and other Asian countries and regions.

Agriculture, Forestry, and Fisheries Cooperative Fund (JA Sixth Industrialization Fund; JF Sixth Industrialization Fund; JForest Sixth Industrialization Fund)

JA Group, including the Bank, exercises the Group's collective and organizational strengths in an integrated manner, and through strategic application of measures and policies including the Sixth Industrialization Funds, it specifically promotes these policies. As a result of these policies, we have set up the Agriculture, Forestry, and Fisheries Cooperative Fund (JA Sixth Industrialization Fund; JF Sixth Industrialization Fund; and JForest Sixth Industrialization Fund), a sub-fund jointly capitalized by Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (A-FIVE-J) and cooperative system members. The fund financially, operationally and administratively supports agricultural management entities that are grappling with sixth industrialization, as well as business entities established by JA and partner companies. Moreover, the fund plans to not only deal with business entities established by agricultural workers, but also those set up by workers, cooperatives, partner companies and others in the fisheries and forestry sectors.

In November 2013, a decision was made to make a ¥20 million investment in a sixth industrialization

▼ Business Conferences Held in Fiscal 2013

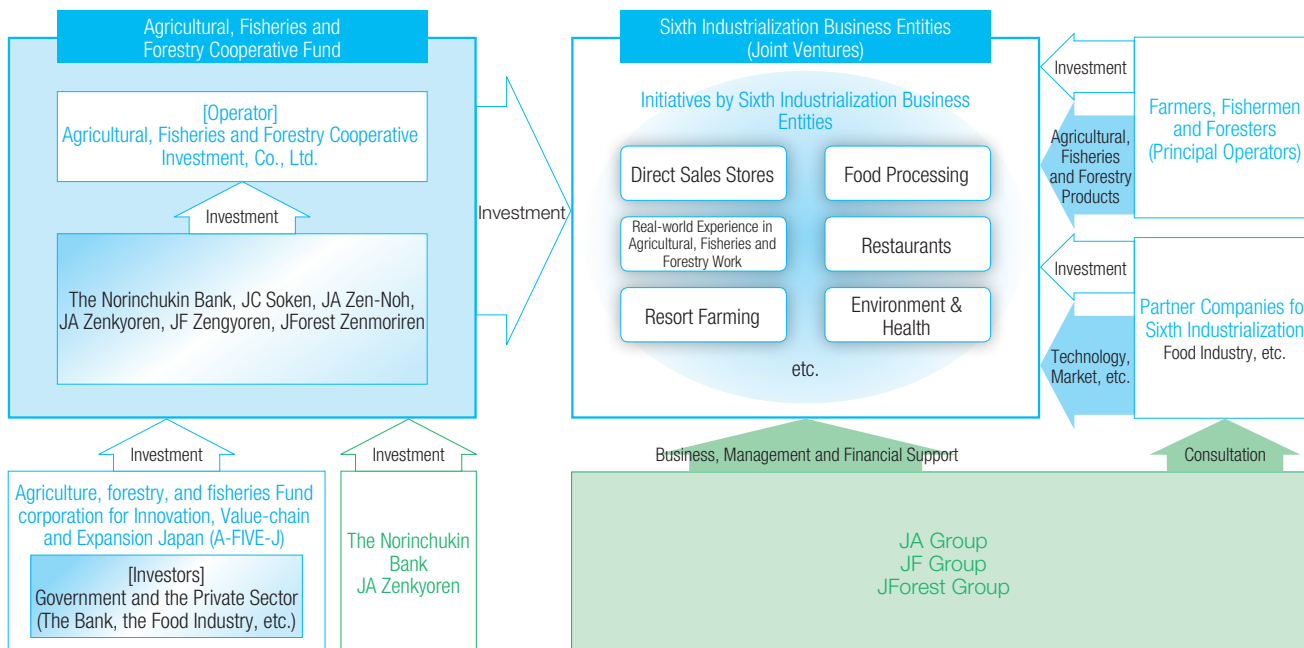
Venue	Date	Name	Number of seller groups	Number of buyer companies	Number of meetings
Tokyo	April 2013	JA Bank Nagano Agricultural Producers' Business Conference	4	7	28
Fukuoka	June 2013	JA Group/JF Group Kyushu Business Conference	61	55	325

business entity jointly established by agricultural, fisheries and forestry workers and a partner company.

It was the first investment made by the JA Sixth Industrialization Fund.

▼ Initiatives for Promoting Sixth Industrialization

- Support for participation by farmers, fishermen and foresters in the processing, distribution and service industries (sixth industrialization) as well as promotion for creation of value-added agricultural, fisheries and forestry products
- Support for initiatives by sixth industrialization business entities where farmers, fishermen and foresters participate through investment in the Agricultural, Fisheries and Forestry Cooperative Fund and others



• Initiatives in Renewable Energy Business

JA Group seeks to leverage land, water, wind, heat, biological and other resources that are abundant in rural areas; promote local initiatives for the supply of renewable energy; advance sustainable local agriculture; revitalize rural areas; and establish a recycling-oriented society that is community based. The Bank, as the central organization of JA Bank Group, established the JA Bank Policies for Promoting Renewable Energy in October 2013 under JA Group policies.

These policies provide appropriate funding for local initiatives for renewable energy in that they revitalize local communities, secure local employment, utilize idle land, and maintain local communities.

To contribute to mountain forest preservation and local revitalization by utilizing timber from forest thinning supplied by forest operators as fuel to generate power, the Bank, in partnership with the JA Bank

Agri-Eco Support Fund, decided in September 2013 to invest ¥30 million in a woody biomass power producer.

The Bank will continue to support renewable energy businesses that contribute to promoting the agricultural, fisheries and forestry industries and local economic revitalization.

• Environmental Finance Initiatives

In 2010, the Bank introduced the Agricultural, Forestry, Fishery and Ecology Rating System that assesses the pro-environmental practices of members and companies. Practices assessed in this system include efforts to build environmentally-sound agricultural, fisheries, and forestry industries and to promote sixth industrialization, which are the Bank's unique assessment points. In the first half of fiscal 2013, a financing of ¥360 million was made based on this system.

In March 2012, the Bank began acting as an

intermediary for the Offset Credits (J-VER) Scheme. The J-VER scheme is a domestic emissions trading scheme run by the Japanese government. By acting as an intermediary for the trading of J-VER emissions credits derived from the agricultural, fisheries and

forestry industries, the Bank seeks to support environment-friendly agricultural industries such as those that engage in forestland improvement, as well as corporate environmental protection measures.

》》 Strengthening and Expanding the Cooperative Banking Business

❖ JA Bank Initiatives

Under JA Bank's new Medium-Term Strategies (fiscal 2013 through fiscal 2015) started in fiscal 2013, JA Bank has been making effort to expand its business more aggressively based on the needs of local customers including individual members and to become the Bank that contributes to food production and consumption, agriculture, and local communities more than ever.

Specifically, in order to properly support the needs of farm households, JA Bank provided them with financial information related to the agricultural industry and offered them a variety of agricultural loans. To meet the needs of farm management to expand the scale of their operations, we made greater efforts to fulfill our function as the main bank for the agricultural industry by offering a diverse range of agricultural loans and expanding our framework for supplying equity capital. At the same time, JA Bank promoted agricultural, commercial and industrial cooperation by organizing business conferences that capitalize on JA Group's strengths and distinctive features and by offering business matching services, and put to practical use the Sixth Industrialization Fund as part of its support for the sixth industrialization of the agricultural, fisheries and forestry industries.

With our meticulous "face-to-face" customer service, we contributed to improving the household finances and lives of our customers by proposing them to arrange for direct pension deposit into their JA Bank accounts and build assets through savings, JGBs, and investment trusts, and offered them consultation services on inheritance issues and mortgage loans, while responding to their changing needs at different stages of

their lives. In addition, we are looking into expanding our affiliated ATM networks and charge-free ATMs, as well as enhancing Internet banking functions. Moreover, we have made it even more convenient for customers to make direct salary deposits and use JA Cards.

❖ JF Marine Bank Initiatives

JF Marine Bank is accelerating its efforts to maintain and strengthen its business promotion capabilities with the aim of being a trusted provider of financial services for fishing communities in accordance with the JF Marine Bank Medium-Term Business Promotion Policy (fiscal 2012 through 2014).

To meet the diverse needs of fisheries leaders who support the sustainable development of the fisheries industry, during the first half of fiscal 2013, JF Marine Bank expanded and upgraded its financial consulting system for the fisheries industry. In order to get members to take greater advantage of the Fisheries Modernization Loan, JF Marine Bank continued to provide interest subsidies for this system of low interest rate loans to fishermen. To make JF Marine Bank the main bank for individual members, we stimulated card issuance growth by absorbing JF Marine Bank IC cash card issuing fee and worked to revitalize local communities through support to the activities of JF Women's Groups.

We will achieve sound and efficient operation of JF Marine Bank by taking steps to ensure the effectiveness of the JF Marine Bank Safety System (Stable and Responsible JF Cooperative Banking Business System) so that individual members and customers can use JF Marine Bank with peace of mind.

❖ JForest Group Initiatives

JForest Group is taking part in the Movement to Expand the Use of Domestic Lumber and Revitalize Forestlands and the Forestry Industry, which extends from fiscal 2011 through fiscal 2015, with the goal of establishing a sustainable, low-cost forest industry. To facilitate coordinated forest management, the Bank subsidizes the costs incurred from adopting the Geographic Information System (GIS) and Global Positioning System (GPS) and holds seminars for JForest management.

The Bank also supports efforts to streamline forest management by extending financing to JForest for introduction of high-performance forestry machinery.

❖ Initiatives for Training and Developing Human Resources Related to the Cooperative System

The Bank exchanges personnel with JA and JA Shinnoren

on an ongoing basis to foster understanding among our directors and employees on how business is done in the agricultural, fisheries and forestry industries and on local conditions, and to incorporate those insights into planning and policymaking. In addition, we regularly held lectures and study sessions for directors and employees by inviting speakers from cooperative organizations, primary industries, and industries that are closely linked to the agricultural, fisheries, and forestry industries.

A total of 195 people have participated in the Bank's ongoing training for directors in charge of JA's banking business, which began in October 2012. We are taking steps to train and develop human resources – both directors and employees – of all cooperative organizations, for instance, by preparing a new training program for branch managers of each JF Shingyoren and JF in each prefecture. As such, we have been working to enhance the development of cooperative system-related human resources in and outside the Bank.

》》》 Strengthening of Profitability through Appropriate Risk Management

Under its Medium-Term Management Plan started in fiscal 2013, the Bank has performed adequate financial management taking into account market environment and other factors, and conducted risk management that contributes to enhanced competitiveness.

In the Medium-Term Management Plan (covering fiscal 2013 through fiscal 2015), we set an ordinary profit target of approximately ¥100 billion and will continue to strengthen our financial position with sound financial management. As a globally operating financial institution, we will maintain capital adequacy at a suitable level.

To ensure a solid profit base, we will focus on flexible asset allocation management that is responsive to market conditions and on upgrading and accumulating investment know-how. At the same time, to further reinforce our earning capacity, we will selectively pursue new, high quality investment opportunities while taking into account market conditions.

As for risk management initiatives to help strengthen business competitiveness, we will build and operate a framework for forward-looking risk management through effective control that takes into account the Bank's business characteristics.

Adequate Financial Management Taking into Account Market Environment

- Ordinary profit target: about ¥100.0 billion
- As a globally operating financial institution, maintain capital adequacy at a suitable level.
- Keeping an eye on market conditions, revisions of financial regulations, including Basel III, and other trends, review financial management on an as-needed basis from the standpoint of maintaining business competitiveness.