

## Message from the Management

# Report on Financial Statements for the First Half of Fiscal 2017



**Toru Nakaya**

Chairman of the Supervisory Committee

**Yoshio Kono**

President and Chief Executive Officer

In fiscal 2017, as the second year of the Medium-Term Management Plan, which covers the three years starting in fiscal 2016, The Norinchukin Bank (the Bank) is proceeding steadily with its business operations and is continuing to work toward becoming the leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, as well as the daily lives of local communities.

In the first half of fiscal 2017, despite the temporary decline due to rising geopolitical risks and soft inflation, long-term interest rates by and large remained at the same levels as at the end of fiscal 2016 throughout this period. Against the backdrop of a recovery of the global economy, stock prices rose steadily, and foreign exchange rates saw a progression of yen depreciation mainly against the euro.

Under such circumstances, the Bank undertook appropriate financial management aiming at stable cash flow. As a result, in the first half of fiscal 2017, the Bank secured Consolidated Ordinary Profits of ¥142.6 billion. At the same time, it maintained its Consolidated Capital Adequacy Ratio at a high level, with a Common Equity Tier 1 Capital Ratio of 18.72%, a Tier 1 Capital Ratio of 18.75%, and a Total Capital Ratio of 23.54%. Within the period of the current Medium-Term Management Plan, the Bank aims to achieve or-

dinary profit of around ¥150.0 billion. Looking ahead, the economic and financial environment is expected to remain harsh—e.g., the prolonged negative interest rate policy in Japan, the rising cost of foreign currency funding, the prospect of interest rate hikes in the United States. Nevertheless, the Bank will seek to engage in appropriate financial management.

Looking at business operations going forward, the Bank will work on establishing three business areas—food and agriculture business, retail business and investment business—and enhancing corporate functions that manage and support these businesses as a whole, as per the Medium-Term Management Plan's basic policy. At the same time, we are addressing challenges with a vision for the future, which includes the steady implementation of the Self-reform of JA Bank.

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 agriculture, fishery and forestry industries and their rural communities.

Finally, we would like to ask you all for your continued support for JA Bank, JF Marine Bank, JForest Group and The Norinchukin Bank.

January 2018

TORU NAKAYA

Toru Nakaya  
Chairman of the Supervisory Committee

Yoshio Kono

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President and Chief Executive Officer

# Financial Results for the First Half of Fiscal 2017

## Income

On a consolidated basis, Ordinary Profits\* came to ¥142.6 billion, down ¥45.6 billion on a year-over-year basis, and Profit Attributable to Owners of Parent was ¥106.5 billion, down ¥36.9 billion on a year-over-year basis.

On a non-consolidated basis, Ordinary Profits came to ¥138.2 billion, down ¥47.7 billion on a year-over-year basis, and Net Income was ¥104.5 billion, down ¥37.9 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 2017 was ¥113,201.5 billion, up ¥6,138.8 billion from the previous fiscal year-end. Total Net Assets came to ¥7,169.4 billion, up ¥160.5 billion

from the previous fiscal year-end.

On a non-consolidated basis, Total Assets was ¥111,841.2 billion, up ¥6,028.8 billion from the previous fiscal year-end. On the assets side, Loans and Bills Discounted was ¥11,654.5 billion, and Securities was ¥62,572.5 billion. On the liabilities side, Deposits amounted to ¥65,281.2 billion, and Debentures was ¥2,098.9 billion.

## Capital Adequacy Ratio

On a consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 18.72%, its Tier 1 Capital Ratio was 18.75%, and its Total Capital Ratio (Basel III standard) was 23.54%.

On a non-consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 18.83%, its Tier 1 Capital Ratio was 18.88%, and its Total Capital Ratio was 23.74%.

## Key Management Indicators

<Consolidated>

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

|   | First Half of Fiscal 2015 | Fiscal 2015 | First Half of Fiscal 2016 | Fiscal 2016 | First Half of Fiscal 2017 | First Half of Fiscal 2017 |
|---|---------------------------|-------------|---------------------------|-------------|---------------------------|---------------------------|
| Total Income                            | ¥ 706.8                   | ¥ 1,287.9   | ¥ 706.5                   | ¥ 1,373.5   | ¥ 756.0                   | \$ 6,706                  |
| Total Expenses                          | 444.6                     | 964.4       | 512.6                     | 1,152.5     | 614.1                     | 5,448                     |
| Profit Attributable to Owners of Parent | 215.2                     | 271.2       | 143.4                     | 206.1       | 106.5                     | 945                       |
| Total Comprehensive Income              | (275.5)                   | (98.1)      | (56.6)                    | (109.2)     | 230.5                     | 2,044                     |
| Total Net Assets                        | 7,000.3                   | 7,186.7     | 7,061.3                   | 7,008.8     | 7,169.4                   | 63,598                    |
| Total Assets                            | 99,546.4                  | 101,182.9   | 102,160.4                 | 107,062.7   | 113,201.5                 | 1,004,183                 |
| Capital Adequacy Ratio (BIS) (Note 2)   |                           |             |                           |             |                           |                           |
| Common Equity Tier 1 Capital Ratio (%)  | 18.44                     | 18.94       | 20.19                     | 19.31       | 18.72                     | 18.72                     |
| Tier 1 Capital Ratio (%)                | 18.52                     | 18.99       | 20.23                     | 19.34       | 18.75                     | 18.75                     |
| Total Capital Ratio (%)                 | 25.42                     | 25.07       | 26.38                     | 24.39       | 23.54                     | 23.54                     |

Notes: 1. U.S. dollars have been converted at the rate of ¥112.73 to U.S.\$1, the effective rate of exchange at September 30, 2017.

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.

## &lt;Non-Consolidated&gt;

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

|  | First Half of<br>Fiscal 2015 | Fiscal 2015 | First Half of<br>Fiscal 2016 | Fiscal 2016 | First Half of<br>Fiscal 2017 | First Half of<br>Fiscal 2017 |
|--|------------------------------|-------------|------------------------------|-------------|------------------------------|------------------------------|
| Total Income                           | ¥ 698.5                      | ¥ 1,274.7   | ¥ 698.8                      | ¥ 1,360.3   | ¥ 745.6                      | \$ 6,614                     |
| Total Expenses                         | 439.3                        | 953.9       | 507.3                        | 1,139.9     | 608.1                        | 5,394                        |
| Net Income                             | 213.7                        | 271.5       | 142.4                        | 203.4       | 104.5                        | 927                          |
| Paid-in Capital                        | 3,471.4                      | 3,480.4     | 3,480.4                      | 3,480.4     | 3,480.4                      | 30,874                       |
| Total Net Assets                       | 6,924.6                      | 7,133.6     | 7,007.3                      | 6,939.0     | 7,098.3                      | 62,968                       |
| Total Assets                           | 98,550.1                     | 100,130.0   | 101,004.0                    | 105,812.4   | 111,841.2                    | 992,116                      |
| Deposits                               | 54,824.3                     | 58,838.5    | 61,629.0                     | 61,904.2    | 65,281.2                     | 579,093                      |
| Debentures                             | 3,374.4                      | 3,133.0     | 2,778.2                      | 2,423.8     | 2,098.9                      | 18,619                       |
| Loans and Bills Discounted             | 19,012.4                     | 17,915.8    | 12,747.1                     | 11,948.5    | 11,654.5                     | 103,384                      |
| Securities                             | 60,066.2                     | 58,329.7    | 54,700.8                     | 62,108.2    | 62,572.5                     | 555,065                      |
| Capital Adequacy Ratio (BIS) (Note 2)  |                              |             |                              |             |                              |                              |
| Common Equity Tier 1 Capital Ratio (%) | 18.46                        | 19.02       | 20.28                        | 19.42       | 18.83                        | 18.83                        |
| Tier 1 Capital Ratio (%)               | 18.55                        | 19.07       | 20.34                        | 19.47       | 18.88                        | 18.88                        |
| Total Capital Ratio (%)                | 25.63                        | 25.29       | 26.63                        | 24.60       | 23.74                        | 23.74                        |

Notes: 1. U.S. dollars have been converted at the rate of ¥112.73 to U.S.\$1, the effective rate of exchange at September 30, 2017.

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.

# Bank Initiatives

## Outline of the Medium-Term Management Plan

The environment surrounding the Bank and cooperatives is becoming increasingly harsh amid such developments as the revision of the Agricultural Co-operatives Act, the broad agreement on the Trans-Pacific Partnership (TPP) and the tightening of international financial regulations. At the same time, social interest and expectations for turning agriculture, fishery and forestry industries into growing industries are higher than ever before.

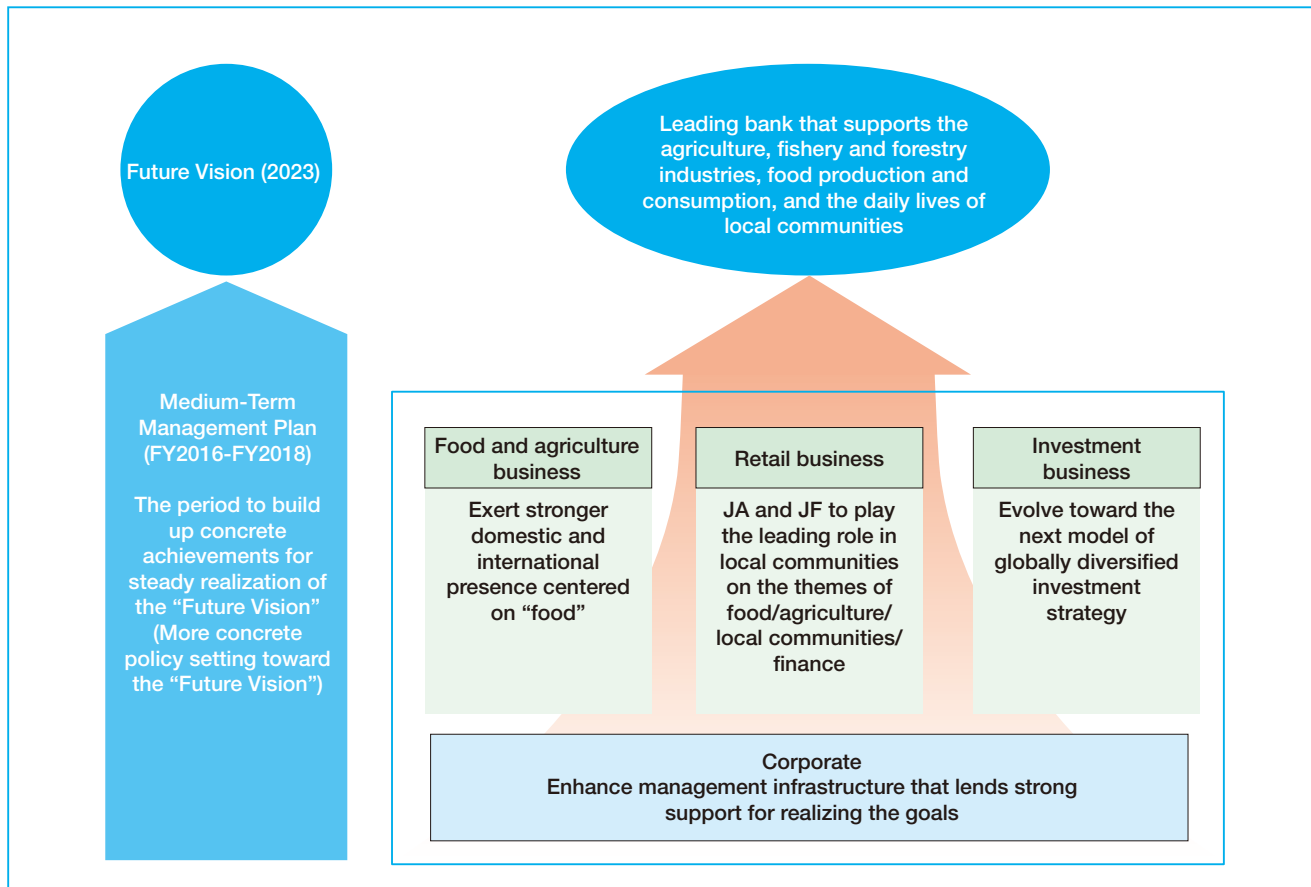
In light of the basic role of The Norinchukin Bank and the situation surrounding the Bank and cooperatives, we have formulated the Medium-Term Management Plan (fiscal 2016 through fiscal 2018) comprising management and business management policies for the three years.

Under the Medium-Term Management Plan, we define the basic policy to achieve three objectives of “contributing fully as the bank rooted with the agriculture, fishery and forestry industries and food businesses, turning the

agriculture, fishery and forestry industries into growing industries,” “reinforcing the cooperative banking business platform,” and “achieving stable returns to our members through the sophistication of the current globally diversified investment strategy,” and establish the corresponding three business areas of “food and agriculture business,” “retail business” and “investment business,” as well as enhancing corporate functions that manage and support these three areas.

In addition, the Bank introduced a headquarters system from the perspective of achieving quick decision-making, policy development and implementation and the flexible use of management resources. We established a structure to promote these three business areas also at the organizational level by launching four headquarters, three of which are front-office headquarters, namely, “Food & Agri Banking Business” (in charge of the “food and agri-

### Basic Policy of “Medium-Term Management Plan (FY2016-FY2018)”



culture business”), “Retail Banking Business” (in charge of promoting and strengthening JA Bank and JF Marine Bank’s “retail business”) and “Global Investments” (in charge of the “investment business” aimed at the further

evolution of the “globally diversified investments”), and one of which is “Corporate & Shared Services” (in charge of the management infrastructure that supports the aforementioned three headquarters).

## “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 are implementing “Self-reform of JA Bank” efforts during an intensive period for the initiative up to fiscal 2018.

The “Self-reform of JA Bank” is 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 (business size of ¥2 trillion, 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 has 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, as well as promoting exports of agricultural products via an export support package that includes holding seminars and exhibiting at overseas trade fairs; continuing to host business conferences and conducting business matching in Japan; and providing sixth industrialization support to expand sales from agriculture and add higher value to agriculture.

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 provided support for hosting seminars and consultations aimed at helping advance farm management; strengthened management consultation functions mainly through launching 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 around 100 mobile branches in vehicles and implemented, among others, “No to Ayumu Project” (Project for Making Progress with Agriculture) to plan and sell financial products linked to expanded consumption of agricultural products. Having promoted such initiatives one after the other to help turn the agriculture industry into a growth industry, we will further strengthen these initiatives into the future.

Both JA Bank and the Bank will work as hard as possible toward the steady implementation of the “Self-reform of JA Bank” effort, and contribute to the development of agriculture and local communities by continuing to enhance the provision of financial services and securing sound management.



## Food and Agriculture Business Initiatives

### Food and Agriculture Business Initiatives

The Bank conducts initiatives to further exert its role as the central organization for agricultural, fishery and forestry cooperatives, focusing on contribution to its members and the agriculture, fishery and forestry industries as a matter of the highest priority. The Bank is offering

various solutions to achieve the practices of the “food and agriculture business” indicated in the Medium-Term Management Plan started from fiscal 2016, which contribute to turning the agriculture, fishery and forestry industries into growth industries.

### Smooth Capital Supply to the Food and Agriculture-Related Fields

#### ● Initiatives for Agricultural Loans

Since December 2009, we have been targeting agricultural corporations run by those expected to be agricultural leaders of tomorrow, we offer the Agricultural Corporation Development Loan (Agri-Seed Loan), etc., for operating funds for agricultural products and the processing of farm products without collateral or guarantee in principle.

In addition, the Bank reduces interest burdens on agricultural workers, for example by providing subsidies to borrowers of JA Bank’s agricultural loans to cover up to one percent of the interest cost. In fiscal 2017, 90,000 loans, totaling ¥1.6 billion, were provided.

#### ● Establishing the F&A (Food and Agri) Growth Industry Investment Facility

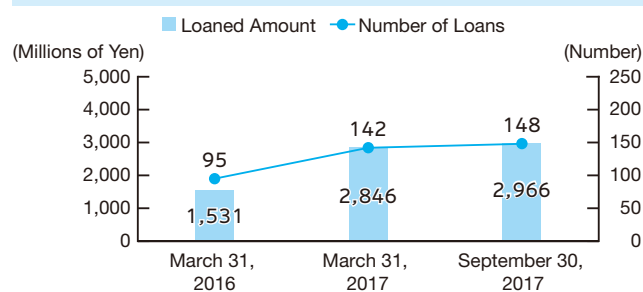
In May 2016, the Bank established the “F&A (Food and Agri) Growth Industry Investment Facility” to assist Japan’s agriculture, fishery and forestry industries in adding higher value and enhancing their international competitiveness.

The Bank believes that in order to transform agriculture, fishery and forestry sectors into growth industries, it is indispensable to add higher value and improve the productivity of downstream industries as well, and to achieve this, collaboration with cooperative organizations and companies in domestic and foreign industries is required and risk money needs to be provided.

To this end, the Bank has established the “F&A (Food and Agri) Growth Industry Investment Facility” on the scale of ¥50.0 billion, to supply risk money for such tasks as adding higher value and improving productivity.

To date, the Bank has supported the financial stabilization of domestic agricultural corporations and their business development via capital contributions, added higher value through sixth industrialization and renewable energy projects, explored overseas sales channels via food and agriculture-related businesses in the Middle East, and supplied capital mainly to streamline production with cutting-edge agricultural IT technologies.

Trends in Cumulative Number and Amount of Agri-Seed Loans Executed



## List of F&A (Food and Agri) Growth Industry Investment Facility

|  | Investment target  | Investment facility |
|--|--|---------------------|
| Agri-Seed Fund   | Agricultural corporations, corporations operating agriculture-related businesses (small to medium scale)   | ¥3.0 billion        |
| Support Fund for Business Entities of Agricultural Leaders                                 | Agricultural corporations, corporations operating agriculture-related businesses (large scale)   | ¥5.0 billion        |
| Agriculture, Forestry and Fisheries Cooperative Fund                                       | Agricultural, fishery and forestry workers and their sixth industrialization entities (JA, regional community farming organizations, corporations, etc.) | ¥2.9 billion        |
| Export Promotion Support Fund  | Food and agriculture-related businesses in six countries on the Arabian Peninsula in the Middle East   | \$50 million        |
| Investment Limited Partnership for Renewable Energy in Agriculture, Forestry and Fisheries | Businesses to conduct development and production, etc., of renewable energy made from agricultural, forestry and fishery products as raw materials       | ¥0.5 billion        |
| Direct Investment Facility   | Investments to expand the scale of the agriculture, fishery and forestry industries, improve productivity and creating added-value, etc.                 | ¥18.0 billion       |
| (Extendable capacity)  | Scheduled to be allotted according to the status of each investment facility   | ¥15.6 billion       |
| Total  | —  | ¥50.0 billion       |

## Offering Solutions That Contribute to Increasing Agricultural Income

### ● Initiatives to Expand Sales and Add Higher Value Collaboration with JA Zen-Noh (National Federation of Agricultural Cooperative Associations)

Aiming to increase agricultural income, expand production and revitalize local communities, the Bank collaborates closely with the initiatives promoted by JA Zen-Noh to reform the distribution and processing structure, expand exports and reduce production materials costs, mainly by providing advice related to investments/loans and examining financing schemes.

As part of such initiatives, the Bank conducts joint investments in a food wholesaler in the United Kingdom, which is conducive to expanding overseas sales channels, AgTech companies possessing technologies for improving production efficiency, and distribution ventures handling vegetables, fruits and prepared foods.

### Export Support Initiatives

The Bank holds seminars to support exports by its members and agriculture, fishery and forestry workers. In addition, we have been an exhibitor at the HKTDC Food

Expo, an overseas trade fair, on an ongoing basis since fiscal 2012.

In fiscal 2017, the Government announced its aim to increase exports of domestic agricultural, livestock and marine products to more than ¥1 trillion by 2019. Amid attempts to promote exports throughout Japan and enable its members and agriculture, fishery and forestry workers, etc., to steadily export more than ever, the Bank has been providing a package that includes (1) the provision of information to producers (released the export PR publication “*Yushutsu-no-Ibuki*”), (2) the provision of export practical management expertise (held seminars), (3) the provision of local sales opportunities (conducted overseas practical sales meetings) and (4) the provision of opportunities for business negotiations with local buyers (FOOD TAIPEI and the HKTDC Food Expo).



HKTDC Food Expo 2017



## Business Conferences and Business Matching Initiatives

The Bank capitalizes on the characteristics of the cooperative system as a nationwide system to identify the business needs of cooperative organizations, agricultural, fishery and forestry workers and corporate clients, and provide business matching services and conferences to lead to constant business transactions among them.

In fiscal 2017, the Bank plans to hold six conferences in total to help expand sales channels, including nationwide and block business conferences, which have been well-received to date by participating sellers' groups and buyer companies.



JA Group Japanese Agricultural and Livestock Products Business Conference (nationwide business conference)

## ● Initiatives to Reduce Production Costs

### Agricultural Equipment Lease Support Program

To encourage reduction of production costs through producers' scale expansion, etc., agri-lease business was implemented for partial subsidies on leases involving agricultural machinery and equipment, etc.

The first solicitation was conducted for rice and vegetable producers, for which approximately 8,000 subsidies were decided in October 2015, and the second solicitation was conducted adding livestock and dairy to the subsidy target items, for which approximately 4,000 subsidies were decided in May 2016.

These measures led to scale expansion and a reduction of production costs. Such cases include a significant reduction of the pre-delivery management burden and an increase in the number of raised cows by adopting an ICT technology-based body temperature monitoring sensor to reduce accidents in mother cow deliveries.

## Project to Reinforce Business Consultation Function

In the project to reinforce business consultation functions executed since 2015 in order to strengthen capabilities to respond to diversifying management issues of agricultural corporations and other organizations, the Bank subsidizes the cost of management seminars and individual consultation meetings held in each prefecture and promotes the increase in opportunities to raise awareness among farmers. In May 2016, the Bank launched "Agriweb," an agricultural management information website. The number of Agriweb members as of September 30, 2017 was 2,694.

"Agriweb" offers a consultation service in which inquiries about various management issues (e.g., tax affairs, labor affairs, marketing) can be made to experts by agricultural managers, free of charge. Information (e.g., basic knowledge, columns) is also posted on the website periodically to offer useful management tips.



### Production Costs Reduction Support Program

In collaboration with JA Zen-Noh and related organizations, in fiscal 2016 the Bank started a support program to help reduce production costs, which provides subsidies for the dissemination of new technologies that contribute to reducing production costs and innovative initiatives.

The first program implemented under this program was a "DNA Chip Dissemination Promotion Support Program for Livestock and Dairy Business" in coordination with JA Zen-Noh to prevent cow disease and conduct health checks. The second was a support program to pass on "Takumino-Waza" or techniques and expertise possessed by experienced agricultural workers. The

third was a support program to establish a relay shipping structure for vegetables and fruits toward the expansion of exports, which contributes to the reduction of overseas sales costs.



DVDs prepared for the support program to pass on "Takumino-Waza" or techniques

## Support for Revitalization of Regional Areas and Local Communities

### ● Initiatives to Agricultural Entrant Support Program

To cultivate future domestic farming core leaders, the Bank has implemented the agricultural entrant support program. In fiscal 2015, the Bank expanded the subsidy business we have implemented toward training provided to potential agricultural entrants and launched a subsidy business toward farming operation costs incurred by independent agricultural entrants aimed at providing support for stabilizing their management soon after becoming an agricultural entrant. During fiscal 2016, the Bank subsidized 831 training programs and 3,651 farming operations.

### ● Training of Next-Generation Farm Operators

As the main sponsor of AgriFuture Japan, the Bank encourages the training of farm operators of the next generation by providing operational support for the Japan Institute of Agricultural Management and seminar business run by the general incorporated association.

Since the opening of the Japan Institute of Agricultural Management in April 2013, 45 students have graduated and started engaging in farming nationwide. At present, fourth and fifth year students are studying hard in the school located on one of the floors of The Norinchukin Bank Shinagawa Training Center.



Class underway at the Japan Institute of Agricultural Management

### ● Stronger Collaboration with the Japan Agricultural Corporations Association

In February 2014, the Bank entered into a comprehensive partnership agreement with the Japan Agricultural Corporations Association, a public interest incorporated association with about 1,800 pioneering agricultural corporation members nationwide. The partnership enables the association's members to more easily address issues they face, including their capital investments, management streamlining and value-adding to agricultural and livestock products, as well as provides a wide range of supports for the creation of new customers and export of products by utilizing the Bank's network.

The Bank also launched the National Federation of Agricultural Labor Support Conference jointly with the Japan Agricultural Corporations Association, the National Chamber of Agriculture and the JA Group. The conference is undertaking initiatives with the concerted efforts of the agricultural industry such as proposing administrative policies to the Japanese government to secure agricultural labor and train managers.

### ● Inbound Green Tourism

Four companies comprised of the Bank, ABC Cooking Studio Co., Ltd., Recruit Lifestyle Co., Ltd., and Nokyo Tourist Corporation, entered into a comprehensive partnership agreement aimed at contributing to the support for the revitalization of local communities and overseas export, developing food and agriculture-oriented green tourism since April 2016.

Specifically, the companies have conducted five tours on a trial basis for visitors from Hong Kong, Singapore and Taiwan, as well as university students in Japan, to encourage them to experience local farmers' markets, farming and fishing and interact with local residents.

## JA Bank's Agriculture Financing

JA Bank supports farmers' agricultural management and livelihoods by providing various types of direct agricultural loans and handling Agriculture Modernization Loans and Japan Finance Corporation loans. As of March 31, 2017, JA Bank's outstanding balance of agriculture-loans was ¥1,919.4 billion (of which loans to farmers amounted to ¥1,230.6 billion). The outstanding balance of loans in trust of the Japan Finance Corporation and other entities came to ¥447.1 billion.

### Outstanding Balance of Agricultural Loans, by Type

(Billions of Yen)

| Type  | March 31, 2017 |
|---|----------------|
| Direct agricultural loans <sup>1</sup>      | 1,470.5        |
| Agriculture policy-based loans <sup>2</sup> | 448.9          |
| Agriculture Modernization Loans             | 149.5          |
| Other policy-based loans <sup>3</sup>       | 299.3          |
| Total                                       | 1,919.4        |

## Reconstruction Support Efforts

### Outline of the Reconstruction Support Program

To provide full and multifaceted assistance for the recovery and reconstruction of the agriculture, fishery and forestry industries severely affected by the Great East Japan Earthquake, the Bank established the Reconstruction Support Program (support amount: ¥30.0 billion) in April 2011. The program has provided support to affected agriculture, fishery and forestry industry workers and business and management support to affected members.

### Reconstruction Support for Farmers, Fishermen, Foresters and Local Communities

For the business of disaster-affected farmers, fishermen and foresters reconstruct their businesses, the Bank has provided long-term low-interest reconstruction loans (Tohoku Agricultural, Forestry, and Fisheries Industries Support Loan) and reconstruction fund (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund) through its affiliate, the Agribusiness Investment & Consultation Co., Ltd., as well as assistance to formu-

Notes: 1. "Direct agricultural loans" are non-policy-based loans funded by JA Bank.

2. "Agriculture policy-based loans" refer to: (1) those financed directly or indirectly by local authorities; and (2) those provided by JA Bank at a low interest rate based on interest subsidies, etc., from local authorities.

3. "Other policy-based loans" include agricultural management improvement promotion loans (New Super S Fund) and agricultural management assistance support loans.

4. Of the "direct agricultural loans" funded by JA Bank, the outstanding balance of loans of The Norinchukin Bank excludes the source fund for financing facilities extended to JA Bank, such as the Bank of Japan's loan support program and other policy-based loans.

### Outstanding Balance of Agricultural Loans in Trust

(Billions of Yen)

| Type                            | March 31, 2017 |
|---------------------------------|----------------|
| Japan Finance Corporation loans | 446.6          |
| Others                          | 0.4            |
| Total                           | 447.1          |

late business plans.

The Bank has been involved in large-scale reconstruction projects in disaster-stricken areas since their conceptual stages and is lending various kinds of support for the reconstruction of local communities. Further, the Bank has been offering a wide variety of financial assistance, such as providing interest subsidies for disaster funds extended by JA (Japan Agricultural Cooperatives) and JF (Japan Fisheries Cooperatives) to agricultural and fishery workers to help ease their interest burden, as well as providing lease subsidies to agricultural workers who acquire farm machinery and horticultural facilities through leasing.

In addition, the Bank has subsidized agricultural workers for the cost of production materials and machines necessary to resume operations, fishery workers for the cost of cooling ice used in test operations as well as supported projects to promote reconstruction through the agriculture, fishery and forestry industries and initiatives to realize advanced agricultural, fishery and forest-

ry industries through reconstruction. The Bank also supports the revitalization of disaster-stricken prefectural

areas, such as by donating wooden products, etc., made using local timber.



Farmers' market operated by agricultural corporation



Event to help expand sales channels



Wooden sandbox donated to a certified children center

| Product  | Number of loans, etc.            | Amount                             |
|--|----------------------------------|------------------------------------|
| Reconstruction Loan (Tohoku Agricultural, Forestry, and Fisheries Industries Support Loan) | Number of loans<br>148           | Loaned amount<br>¥45.5 billion     |
| Reconstruction Fund (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund) | Number of investments<br>54      | Invested amount<br>¥1.1 billion    |
| Lease subsidies  | Number of subsidies<br>1,433     | Total lease amount<br>¥5.5 billion |
| Interest subsidies to JA/JF disaster funds   | Number of support cases<br>4,002 | Loaned amount<br>¥16.7 billion     |

### ● Reconstruction Support to Members and Customers

Japan Agricultural Cooperatives (JA) and Japan Fisheries Cooperatives (JF) increased their capital under the Framework for Special Post-Earthquake Support. The former has repaid the funds it borrowed to help increase its capital in fiscal 2016, continuing its efforts toward regional reconstruction, and the latter is making smooth progress in terms of management improvement, having been given guidance, advice, etc., from the Bank based on its plan to help strengthen the cooperative banking business through the dispatch of staff.

Stable financial functions are provided to JA Bank and JF Marine Bank users with consultation services at JA Bank and utilization of movable terminals at JF Marine Bank. In addition, the Bank has also conducted initiatives to restore customers' lives by supporting the Reconstruction Loan offered by JA Bank and JF Marine Bank and by responding to the double-loan problems and the project to promote collective relocation for di-

saster prevention.

Six and a half years have passed since the Great East Japan Earthquake and agriculture and fishing operations have resumed, and lifestyle reconstruction efforts have proceeded in many of the disaster-affected areas. However, disparity has arisen among local communities in this situation, and approximately 45,000 people (as of September 2017) are still forced to live in temporary housing. Given such facts, looking at the disaster-affected areas as a whole, the reconstruction process is still only half-way complete.

As the Bank continues to provide sufficient support for reconstruction initiatives in the disaster-affected areas, new developments are being seen, such as the development of agricultural leaders and the expansion of scale, and with an emphasis on encouraging these initiatives, we will continue to provide full and multifaceted support to the reconstruction of agriculture, fishery and forestry industries and local communities.



## ● Reconstruction Support Efforts by JA Group, JF Group and JForest Group

JA Group, JF Group and JForest Group have launched a website to introduce their activities to help the agriculture, fishery and forestry industries recover from the vast damage caused by the Great East Japan Earthquake

and reconstruction initiatives and to record these efforts into the future.

Website name: Record of Reconstruction Initiatives of Agricultural, Fisheries and Forestry Cooperatives (in Japanese only)

## ■ Retail Business Initiatives

### ■ JA Bank Initiatives

Under the JA Bank Medium-Term Strategies (fiscal 2016 through fiscal 2018), which started in fiscal 2016, JA Bank has been making efforts to expand its business based on the needs of local customers including individual members and to become the Bank that contributes to increase agricultural income and revitalize local communities more than ever.

In particular, in terms of “Accomplishing the Self-reform of JA Bank,” JA Bank is promoting such initiatives as: the implementation of the “Support Program for Increasing Agricultural Income and Revitalizing Local Communities” on the scale of ¥100.0 billion in total amount; the planning and sale of financial products leading to expanding the consumption of domestic agricultural and livestock products under the name of “*No to Ayumu Project*” (Project for Making Progress with Agriculture); and the deployment of mobile branches in vehicles aimed at sustaining the foundations of farming villages and local communities.

To meet financing and other needs of farmers—ranging from a wide range of leaders who will support local communities and farming villages in the future to large-scale companies that spearhead the agricultural industry—more extensively, we have installed a “Prefectural Leader Support Center” in each prefecture in collaboration with other businesses. Furthermore, all of our executives and employees are working together as one to further enhance financial services for the agricultural industry mainly by expanding the JA Bank interest subsidy scheme.

In addition, for community residents, we contribute to improving household finances and the lives of our customers by meticulously addressing their diverse needs

at different stages of their lives, by recommending that they build assets through savings and investment trusts, offering mortgage loans and other loans related to living, and providing consultation services on inheritance issues. Moreover, through the expansion of our affiliated ATM networks and the enhancement of our Internet banking functions, we are working to make it even more convenient for customers to receive their pensions and salaries and use JA Cards.

### ■ JF Marine Bank Initiatives

JF Marine Bank is making 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 2015 through fiscal 2017), positioning fiscal 2017 as the year for its completion.

Specifically, JF Marine Bank continues to engage in initiatives to approach fishing communities through the formulation and implementation of an action plan to enhance its financial functions for the fishery industry (e.g., increasing lending to fishermen). JF Marine Bank is enhancing contacts with fishing communities through visits and other activities by such persons as financial consultants for the fishery industry who have been newly appointed based on a certification system. As a result, during the first half of fiscal 2017, the number of new loans executed including Fisheries Modernization Loans exceeded nationwide targets.

In addition, JF Marine Bank has added disaster funds for fishermen, etc., who suffered losses due to natural disaster to the list of loans within the scope of its interest subsidy business in an effort to reduce their burden.

Going forward, JF Marine Bank will continue engaging in initiatives to strengthen the financial functions for the fishery industry including the financing of the fishing boat leasing businesses, which is a policy measure of the national government.

In addition to these initiatives, JF (Japan Fisheries Cooperatives) and JF Shingyoren have united to run a “nationwide campaign” to facilitate personal savings, and the Bank has been providing support for initiatives in each prefecture. In the first half of fiscal 2017, the balance of personal savings outpaced nationwide targets. Along with these measures, the Bank has been making efforts to produce actual results through providing support for the activities of JF Women’s Groups/Youth Groups, and has been contributing to local communities through the introduction of beach activities using YouTube, the revitalization of beach events by dispatching “supporters for beach activities” and other activities.

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 has been engaging in the “JForest Movement for the Creation of Future Forestlands, Forestry Industry and Mountain Villages—Creating Local Communities Using Forests for the Next Generation” (fiscal 2016 through fiscal 2020), whose objective includes revitalizing local communities by invigorating forestry and related industries. In addition, the Bank is supporting the consolidation of forest management by such means as financing the introduction of high-performance forestry machinery, which the Bank has been working on for some time, subsidizing activities aimed at the sustainable demonstration of multifaceted roles of forests through the revitalization of deserted private forests based on the Norinchukin Forest Rejuvenation Fund (Nochu Potential Forest Productivity Fund), recruiting leaders, and subsidizing the costs of purchasing protective trousers and other safety equipment aimed at improving labor safety.

In fiscal 2016, in order to increase lumber use, the Bank established the Wood Solution Network as a platform for collaboration among industrial, government, academic and financial sectors through the participation of lumber-related companies and organizations, and in conjunction with this, established an endowed research department at the University of Tokyo for the study of lumber-using systems.

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

The Bank exchanges personnel with JA and JA Shinno- ren on an ongoing basis to foster understanding among our directors and employees on how business is done in the agriculture, fishery and forestry industries and on local conditions, and to incorporate those insights into planning and policymaking. In addition, we regularly hold lectures and study sessions for directors and employees by inviting speakers from cooperative organizations, primary industries, and industries that are closely linked to the agriculture, fishery and forestry industries.

Furthermore, based on the severe environmental changes surrounding the cooperative system, the Bank engages in “Nurturing Reform Leaders” who can lead the implementation of management visions and the development of implementation capability with inclusive leadership, and address changes quickly and appropriately.

At Japan Agricultural Cooperatives (JA), in addition to the “JA Bank Central Academy—Managers Course<sup>1)</sup>” and the “JA Bank Central Academy—Senior Executives Course<sup>2)</sup>,” helping leaders acquire necessary knowledge as reform leaders such as internal control, professional financial knowledge and strategic thinking for formulating and implementing visions and the skill to empower personnel to take actions with an inclusive attitude, the “Seminar for Cooperative Presidents/Board Chairpersons” (targeted at JA presidents/board chairpersons) and the “Block Symposium” (targeted at JA branch managers and mid-career employees) were newly launched in fiscal 2016 mainly for participants who have completed both courses to accelerate the speed of reform.



Notes: 1. The “JA Bank Central Academy—Managers Course” (cumulative total of 541 participants as of September 30, 2017) is targeted at JA directors in charge of the banking business.  
 2. The “JA Bank Central Academy—Senior Executives Course” (cumulative total of 306 participants as of September 30, 2017) is targeted at JA senior managers in charge of the cooperative banking business.

These participants are implementing the management strategies formulated through these training sessions and helping our initiatives toward reform to take root so that the Bank can continually address future changes in the environment.

In addition, for JF Shingyoren, etc., the Bank is offering the “JF Marine Bank Theme-Specific Training—Branch Operation Course,” which is targeted at manage-

ment personnel in charge of branch operation, who are the key personnel to provide necessary financial services for fishing communities. For Japan Forestry Cooperatives (JForest), the Bank is offering “JForest Counsellor Training,” which is targeted at personnel holding the title of counselor who are in charge of practical managerial duties, thereby supporting the implementation of organizational reform by developing human resources who can lead reform and innovation at each cooperative.

To implement the initiatives toward the reform of the cooperative system, the Bank continues to develop human resources who can respond to the expectations and trust of individual members and users.

## Strengthening of Profitability through Appropriate Risk Management

Under its Medium-Term Management Plan (fiscal 2016 through fiscal 2018), the Bank’s adequate financial management has taken into account the market environment and other factors, and conducted risk management that contributes to enhanced business competitiveness. Specifically, we 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 as well. To ensure a solid profit base, we will focus on flexible asset allocation man-

agement that is responsive to market conditions and on upgrading and accumulating investment expertise. 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 endeavor to build and operate a framework for forward-looking risk management through effective control that takes into account the Bank’s business characteristics.

## CSR Initiatives




As the financial institution founded on a platform of agricultural, fishery and forestry cooperatives as well as an institution engaging in global investment and loan activities, the Bank follows a basic policy for CSR (corporate social responsibility) activities to maintain the trust of various stakeholders and contribute to the sustainable development of the economy and society. Moreover, the Norinchukin Group engages in the CSR activities mutually coordinating with members in the field of agriculture,

fishery and forestry industries.

Since fiscal 2008, when the Bank established a CSR Committee and division dedicated to CSR, the Bank has striven to enhance its CSR, including the issuance of its annual CSR report.

To respond to broadening CSR-related social demands, in fiscal 2016 the Bank organized its CSR priorities into six areas and 17 focal points and participated in the following three international initiatives:

### Participation in Major Initiatives

| United Nations Global Compact   | Equator Principles  | CDP  |
|---|---|--|
|  <p>UN GLOBAL COMPACT<br/>Network Japan<br/>WE SUPPORT</p> |  <p>EQUATOR PRINCIPLES</p> |  <p>CDP<br/>DRIVING SUSTAINABLE ECONOMIES</p> |

## Areas of the Materiality of The Norinchukin Bank

### Six CSR Areas



### Six CSR Areas and 17 Focal Points

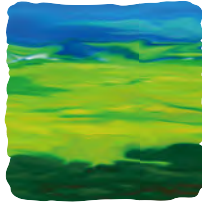
| Area  | Focal Point   |
|---|---|
| Contribution to the development of the agriculture, fishery and forestry industries | 1 Promotion of the agriculture, fishery and forestry industries |
|   | 2 Contribution to local communities                             |
| Responsible financing   | 3 Responsible investments and loans                             |
|   | 4 Promotion of environmental conservation projects              |
| Environmental/Social contributions  | 5 Contribution to creating a sound society                      |
|   | 6 Environmental considerations                                  |
| Trust from customers  | 7 Reliability of financial infrastructure                       |
|   | 8 Respect for customers   |
|   | 9 Appropriate business activities                               |
| Respect for employees   | 10 Fair labor practices   |
|   | 11 Employee diversity   |
|   | 12 Human resource development                                   |
|   | 13 Occupational health and safety                               |
| Organizational foundation   | 14 Governance   |
|   | 15 Corporate ethics   |
|   | 16 Respect for human rights                                     |
|   | 17 Stakeholder engagement                                       |

## About The Norinchukin Bank's Corporate Brand

Toward the Bank's goal of becoming a "leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities," we designed a corporate brand that represents our sense of

values, our beliefs and the direction of our business. Beginning in July 2017, the Bank's corporate brand has been disseminated via its website and through newspaper ads.

### Our Logo



**NORINCHUKIN**

The landscape depicted in our logo represents Japan itself where agriculture, fishery and forestry are connected to all life. The tapestry woven from the earth, the seas and the forests portrays the breath of life and the will that carries each one of us forward, step by step.

## Winner of the Grand Prize in the Finance Section of the 66th Nikkei Advertising Awards

The Norinchukin Bank's corporate advertising won the grand prize in the Finance Section of the 66th Nikkei Advertising Awards sponsored by Nikkei Inc.

The "life" created by the agriculture, fishery and forestry industries is connected to and extends beyond all life, thereby forming the society in which we live. The

"Ecosystem of Life" is created by each life intertwining with the others. This advertisement comprehensively depicts the whole picture of the ecosystem. Attached to this picture is a statement showing the resolution of The Norinchukin Bank to fulfill more roles than ever as a member of the ecosystem.



Full-page advertisement posted in the *Nikkei Shimbun* Morning Paper as of September 27, 2017