Dedicated to sustaining all life.

Financial Summary for the 1st Half of Fiscal Year 2022

NORINCHUKIN

November 16, 2022

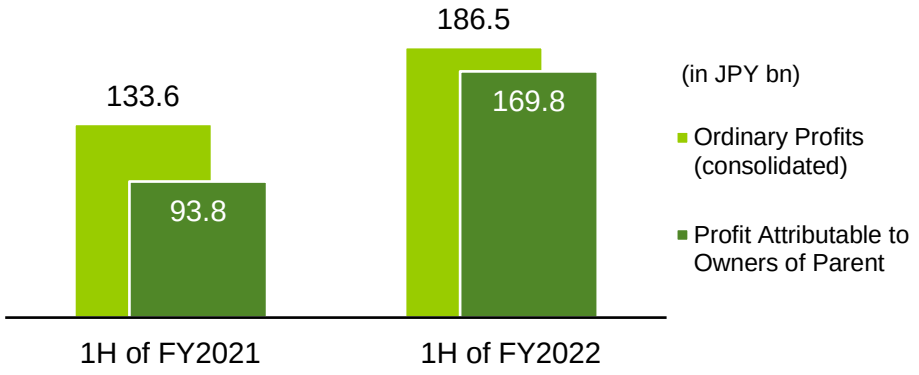
Financial Highlights for the 1st Half of FY2022

- **Profits increased mainly due to the increase of interest and dividends on securities despite the increase of foreign currency funding costs**
- **The large interest rate increase led to unrealized losses on securities that lowered capital adequacy ratios, yet the Bank continues to maintain sufficient soundness**

Profits

[Consolidated] (in JPY bn)

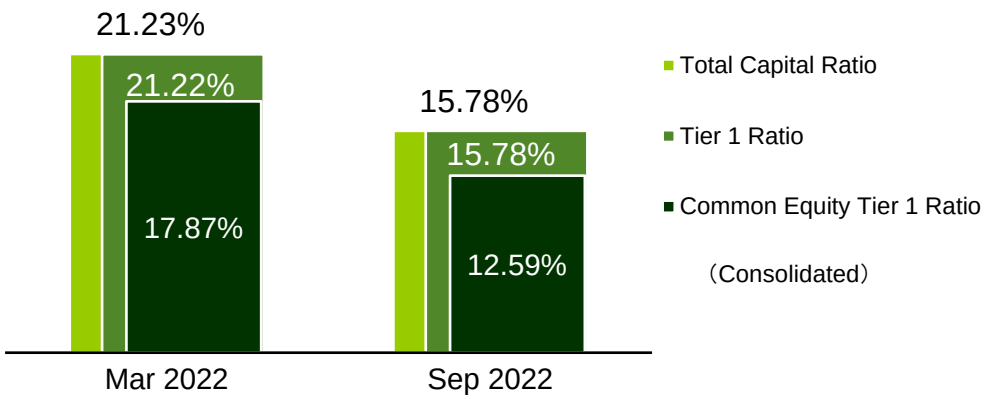
	1H of FY2021	1H of FY2022	Change
Ordinary Profits	133.6	186.5	52.8
Profit Attributable to Owners of Parent	93.8	169.8	75.9



Capital Position (under Basel III)

[Consolidated]

	Mar 2022	Sep 2022	Change
Common Equity Tier 1 Ratio	17.87%	12.59%	(5.28%)
Tier 1 Ratio	21.22%	15.78%	(5.44%)
Total Capital Ratio	21.23%	15.78%	(5.45%)



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Income Statement Summary

[Consolidated] (in JPY bn)

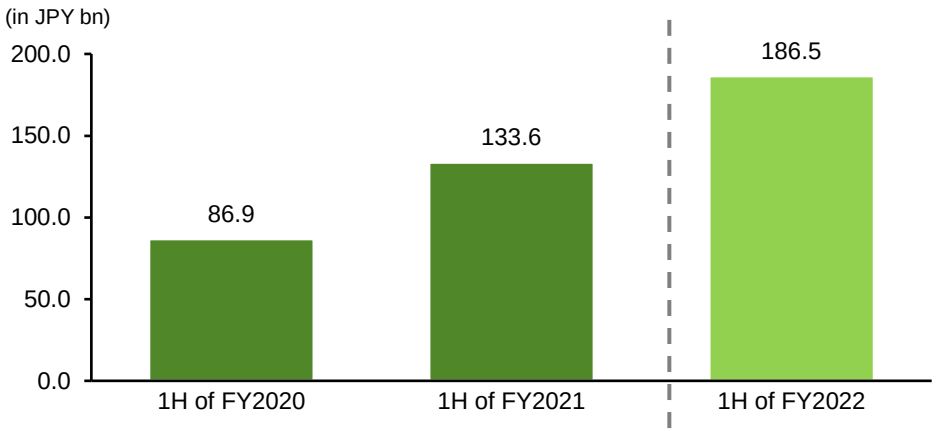
		1H of FY2021	1H of FY2022	Change
1	Ordinary Income	631.2	1,290.9	659.6
2	Interest Income	289.3	621.6	332.3
3	<Interest and Dividends on Securities>	235.4	514.5	279.0
4	<Interest on Loans and Bills Discounted>	46.4	85.0	38.5
5	Ordinary Expenses	497.5	1,104.3	606.7
6	Interest Expenses	256.2	468.4	212.1
7	<Expenses on Funding from Members>	146.6	129.7	(16.8)
8	General and Administrative Expenses	72.0	76.9	4.9
9	Ordinary Profits	133.6	186.5	52.8
10	Income before Income Taxes	134.1	209.9	75.8
11	Profit Attributable to Owners of Parent	93.8	169.8	75.9

[Non-consolidated] (in JPY bn)

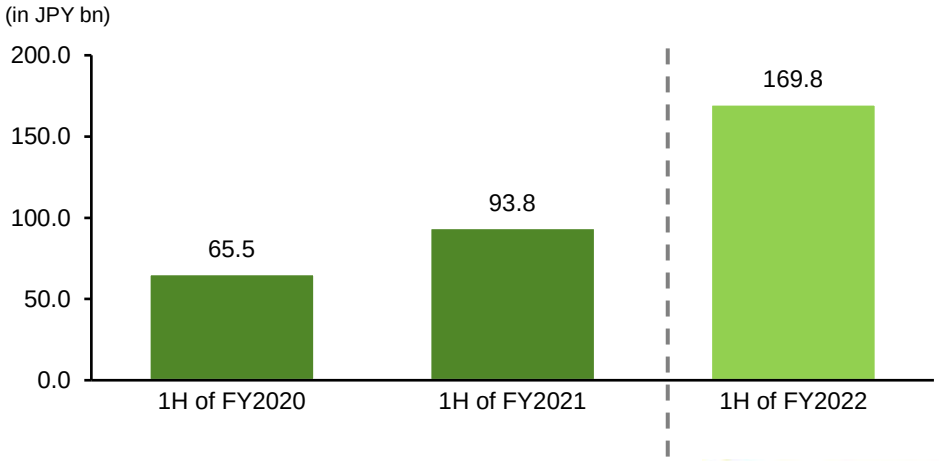
		1H of FY2021	1H of FY2022	Change
12	Ordinary Profits	126.7	183.1	56.4
13	Net Income	90.1	170.9	80.7
	[Reference (Non-consolidated)]			
14	Net Gains/Losses on Sales of Securities	11.3	30.6	19.3
15	Net Gains (Losses) from Redemption of Investment Trusts and from Sales of Assets included in Money Held in Trust	(75.0)	(36.6)	38.4
16	Credit Costs (Note)	(13.5)	4.7	18.2
17	Write-off of Securities	2.0	0.4	(1.5)

(Note) Negative numbers for credit-related expenses indicate reversals

Ordinary Profits over Time (Consolidated)



Profit Attributable to Owners of Parent over Time



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Balance Sheet Summary

[Consolidated] (in JPY bn)

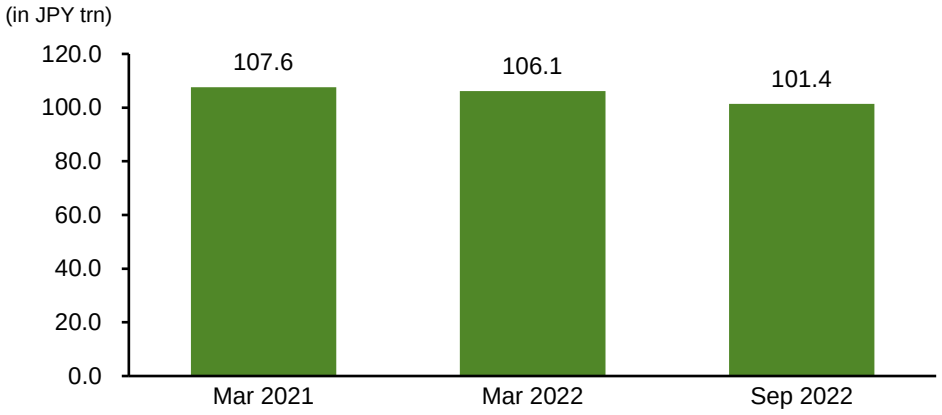
		Mar 2022	Sep 2022	Change
1	Loans and Bills Discounted	23,341.8	19,453.3	(3,888.5)
2	Securities	46,748.5	43,941.4	(2,807.0)
3	Money Held in Trust	10,867.9	11,812.5	944.6
4	Cash and Due from Banks	18,140.5	18,006.0	(134.4)
5	Others	7,039.4	8,179.0	1,139.6
6	Total Assets	106,138.3	101,392.5	(4,745.8)
7	Deposits (Note)	64,694.5	64,711.1	16.5
8	Debentures	360.2	469.4	109.1
9	Payables under Repurchase Agreements	19,327.6	12,633.8	(6,693.8)
10	Others	14,461.1	18,080.9	3,619.8
11	Total Liabilities	98,843.6	95,895.3	(2,948.3)
12	Total Net Assets	7,294.6	5,497.1	(1,797.4)

(Note) Deposits include deposits and entrusted funds (the majority are short-term funds received from members) for accounting purpose.

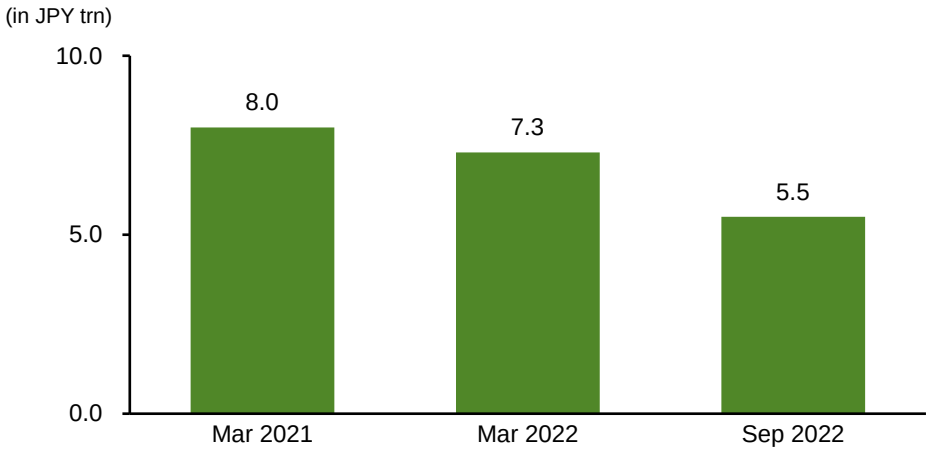
[Non-consolidated] (in JPY bn)

		Mar 2022	Sep 2022	Change
13	Total Assets	103,366.3	98,443.3	(4,923.0)
14	Total Liabilities	96,221.8	93,141.1	(3,080.6)
15	Total Net Assets	7,144.5	5,302.1	(1,842.4)
16	Gains/Losses on Revaluation of Securities	1,041.0	(1,717.3)	(2,758.3)

Total Assets over Time (Consolidated)



Net Assets over Time (Consolidated)



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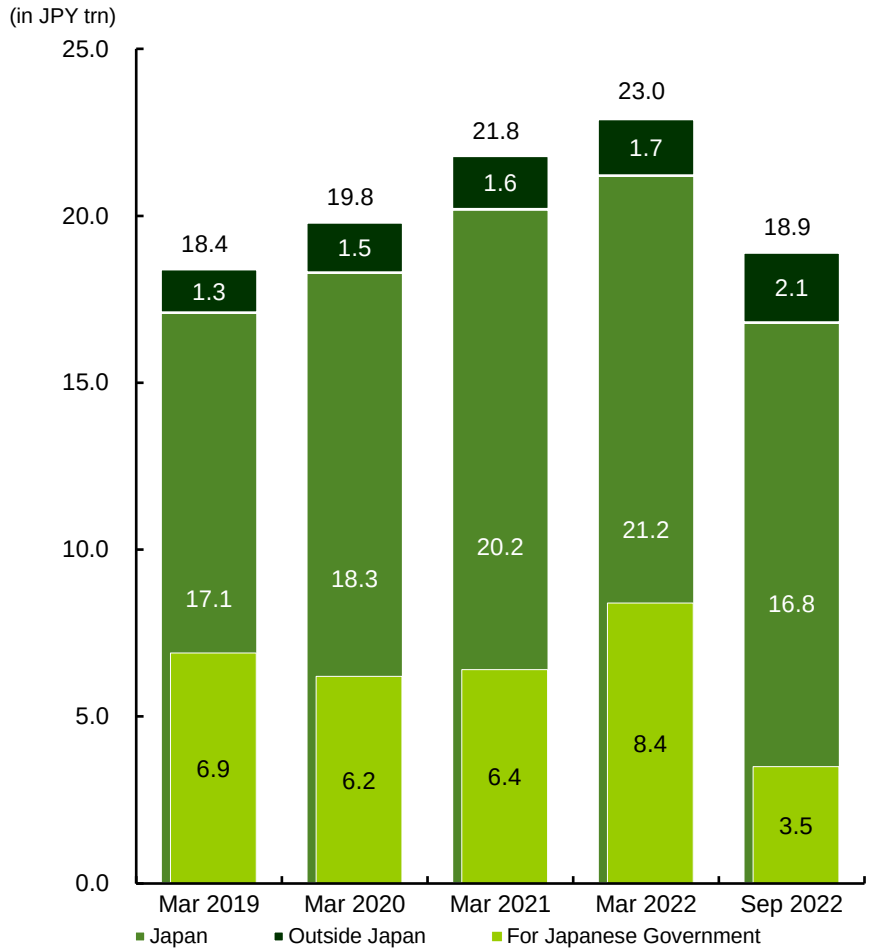
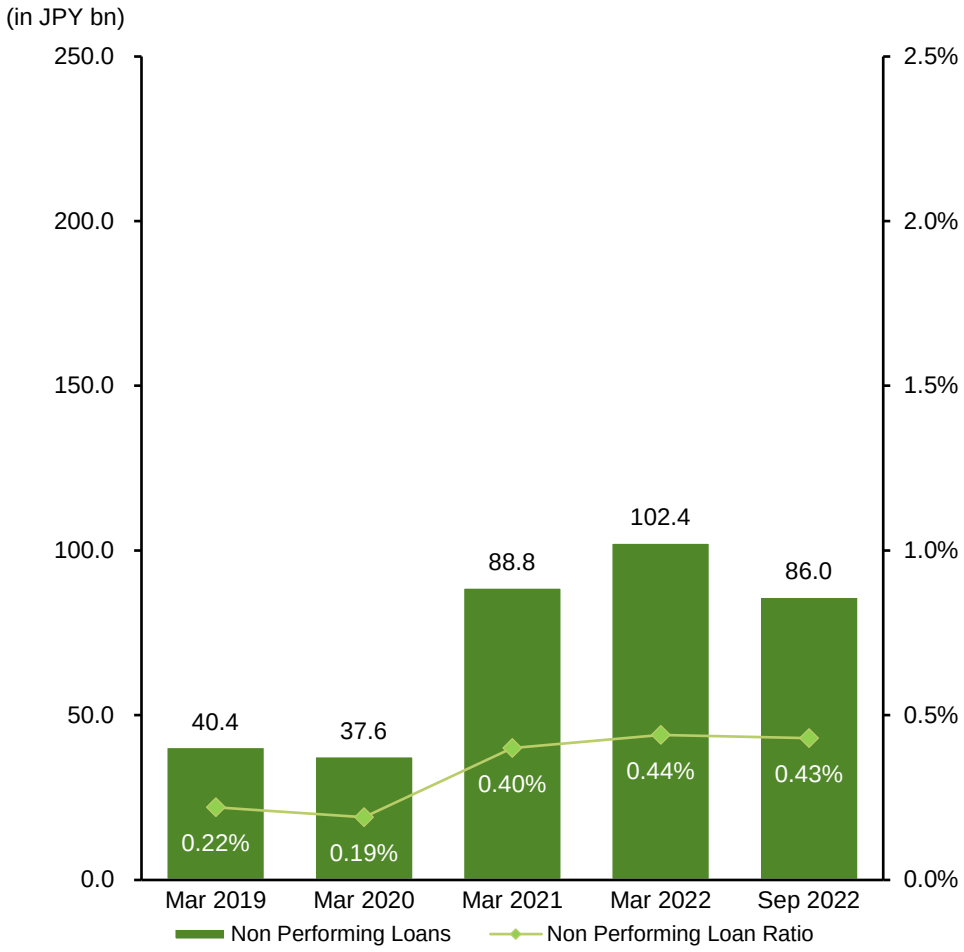
Loan and Bills Discounted (Non-consolidated)

Loans and Bills Discounted over Time



Non-performing Loans (Note) over Time



(Note) Non-performing Loans (NPL): Sum of claims classified under "Bankrupt or de facto bankrupt", "Doubtful" and "Special attention" under the Norinchukin Bank Act (revised effective from the end of March 2022. (same definitions as the mandatory disclosure exposures under the Financial Revitalization Act)

Non-performing Loan Ratio: The ratio of NPLs to the Bank's total claims (i.e. NPLs and normal loans)

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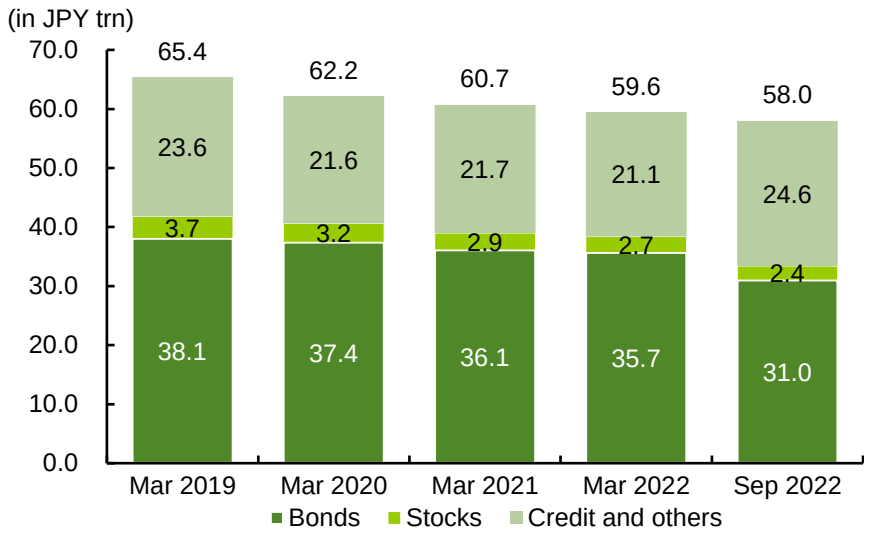
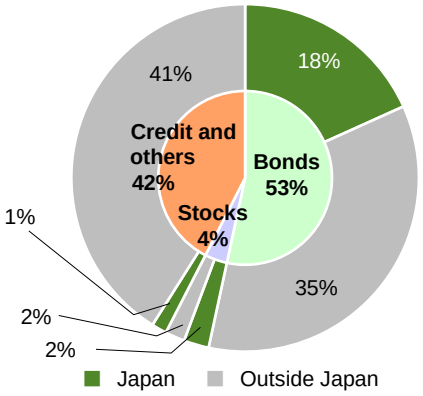
Market Investment Portfolio (Non-consolidated)

Market Investment Portfolio over Time

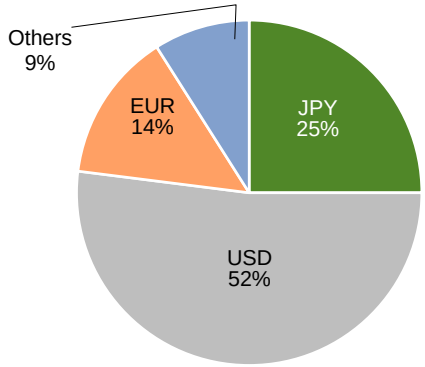


Market Investment Portfolio (Sep 2022)

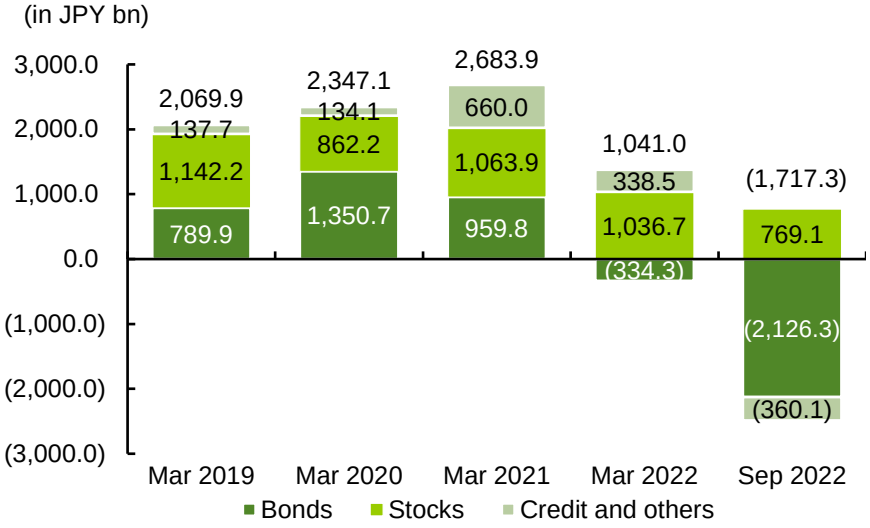
Market Investment Portfolio by Risk



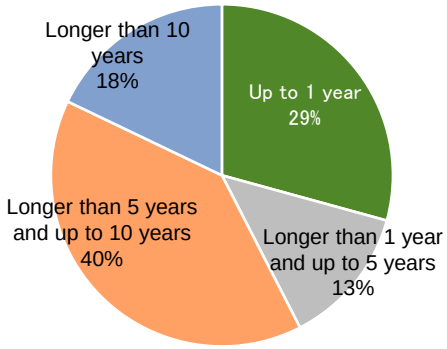
Market Investment Portfolio by Currency



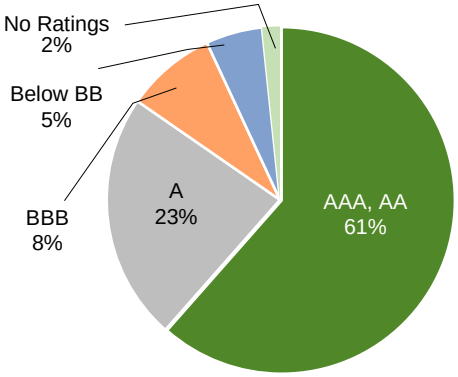
Net Unrealized Gains and Losses over Time



Bond and Credit Portfolio By Rate Reset Maturity



Market Investment Portfolio by Rating



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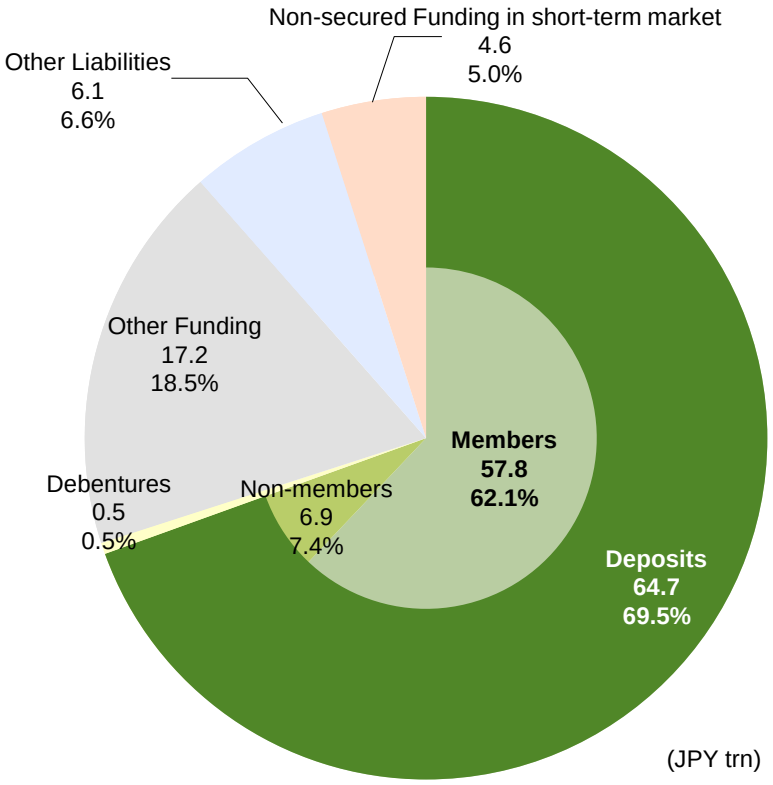
Funding (Non-consolidated)

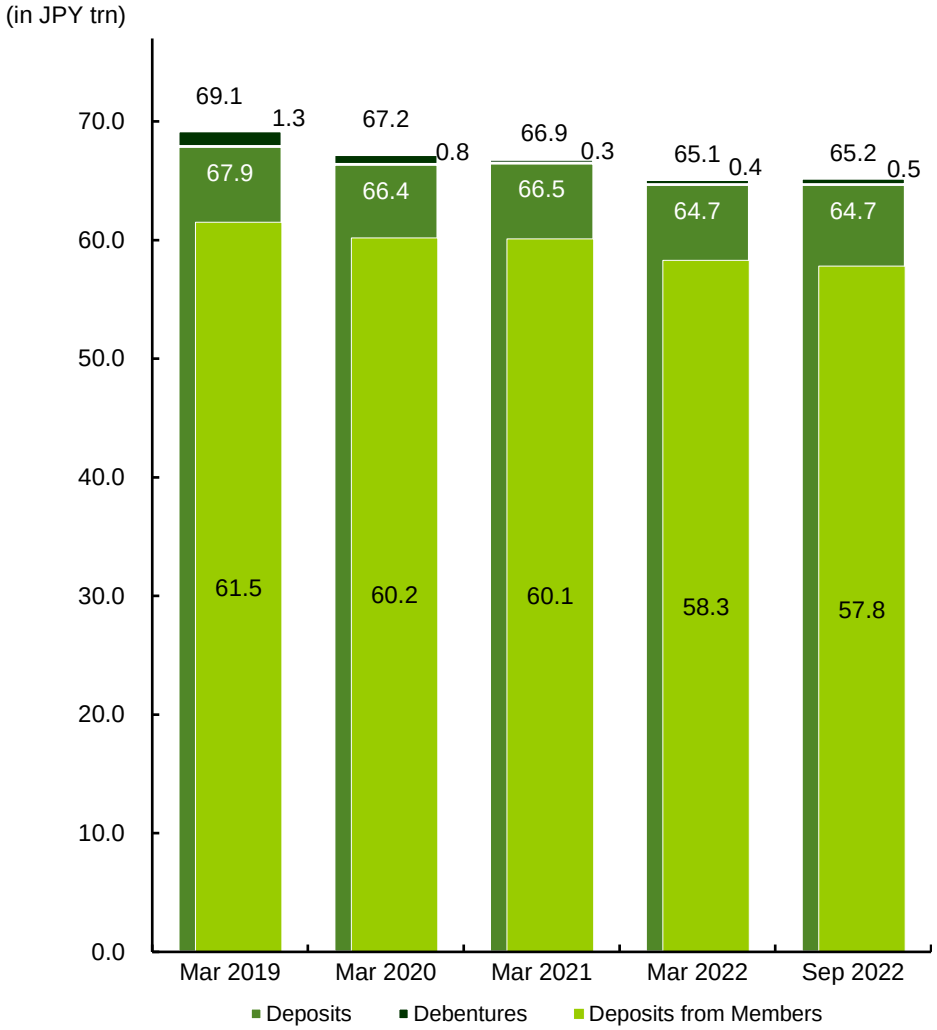
Breakdown of Funding



Total Liabilities: JPY 93.1 trn

(Note) Deposits include deposits and entrusted funds (the majority are deposits from members) for accounting purpose. Other funding includes borrowed money (secured and subordinated loans), payables under repurchase agreements and payables under securities lending transactions. Other liabilities include acceptances & guarantees and reserves. Short-term unsecured funding from markets include trading liabilities, negotiable certificates of deposit, and unsecured call money.

Deposits and Debentures over Time



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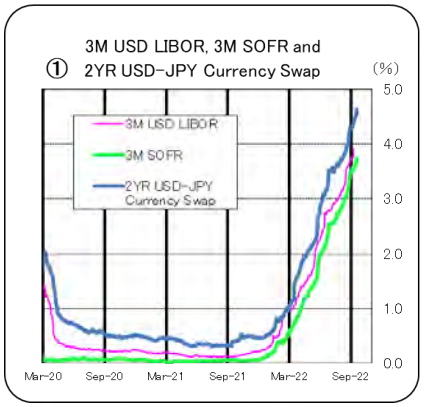
Earning Yields (Non-consolidated)

		Average (in JPY trn)		Earnings (in JPY bn)		Yield	
		1H of FY2022	YOY Change	1H of FY2022	YOY Change	1H of FY2022	YOY Change
	[Investment]						
1	Loans and Bills Discounted	20.7	(1.0)	71.0	33.7	0.68%	0.34%
2	Securities	53.3	1.7	595.3	191.9	2.23%	0.67%
3	JPY-denominated Securities (including Net Gains/Losses on Sales) (Note1)	13.7	(0.9)	168.8	179.9	2.44%	2.59%
4	Foreign Currency-denominated Securities (including Net Gains/Losses on Sales) (Note2)	39.5	2.7	426.5	11.9	2.15%	(0.09%)
5	Short-term Investment Assets	1.2	(2.9)	7.0	7.1	1.11%	1.12%

(Note1) JPY-denominated Securities (Excluding Net Gains/Losses on Sales) :1.06% (YOY change +0.39%)
(Note2) Foreign Currency-denominated Securities (Excluding Net Gains/Losses on Sales) :2.67% (YOY change+0.40%)

	[Funding]						
6	From Member Banks	58.2	(2.1)	129.7	(16.8)	0.44%	(0.04%)
7	Debentures	0.3	(0.9)	1.6	1.4	0.92%	0.82%
8	Funding from Markets	30.4	(0.9)	125.6	114.1	0.82%	0.75%
9	JPY Funding	5.8	2.2	(1.7)	(1.6)	(0.06%)	(0.05%)
10	Foreign Currencies Funding	21.0	(3.1)	108.5	115.1	1.03%	1.08%
	(Reference)						
11	Foreign Currencies Funding (Including Currency Swaps, etc.)	44.5	3.8	288.4	261.7	1.29%	1.16%

(Reference) US Dollar Interest Rates over Time



Source:Bloomberg

(Note3) CME Term SOFR Reference Rate
(Note4) SOFR-based calculation since October 2021 (LIBOR-based calculation prior to October 2021)

(Reference) Yen Interest Rates over Time

(Note5) JPY LIBOR publication was ceased at the end of December 2021.
(Note6) calculated by compounding overnight unsecured call rates announced daily by the Bank of Japan.

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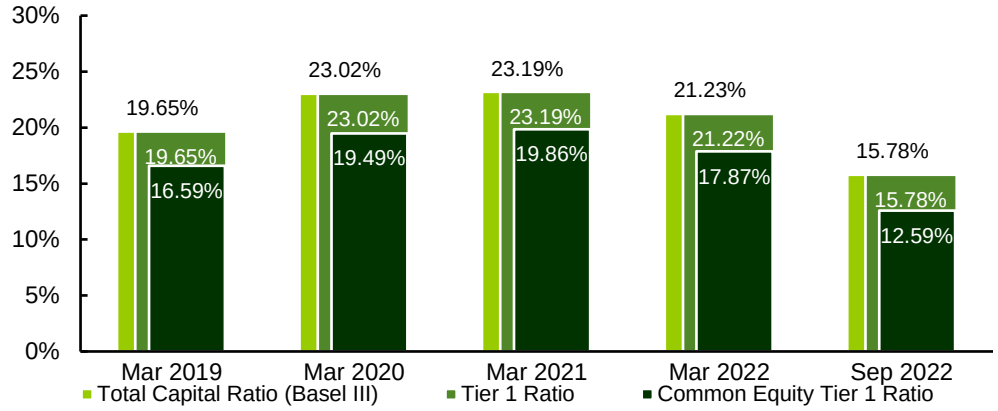
Capital Position

[Consolidated] (in JPY bn)

		Mar 2022	Sep 2022	Change
1	Tier 1 Capital	8,314.0	6,496.0	(1,818.0)
2	Common Equity Tier 1 Capital (CET1)	6,999.5	5,184.8	(1,814.7)
3	Capital Stock and Capital Surplus	4,015.2	4,015.2	-
4	Earned Surplus	2,143.2	2,324.2	181.0
5	Unrealized Gains on Other Securities	758.9	▲1,234.8	(1,993.8)
6	Additional Tier 1 Capital	1,314.5	1,311.2	(3.3)
7	Tier 2 Capital	0.9	0.6	(0.2)
8	Subordinated Bonds and Loans	-	-	-
9	Total Capital	8,314.9	6,496.7	(1,818.2)
10	Risk-weighted Assets	39,163.5	41,158.6	1,995.1
11	Common Equity Tier 1 Ratio	17.87%	12.59%	(5.28%)
12	Tier 1 Ratio	21.22%	15.78%	(5.44%)
13	Total Capital Ratio	21.23%	15.78%	(5.45%)

Capital Ratios over Time (Consolidated)



Leverage Ratio (Consolidated)

		Mar 2022	Sep 2022
14	Leverage Ratio (Note1)	9.15%	7.49%

(Note1) Item 14: pursuant to the FSA Japan and MAFF regulatory revision (as of June 30, 2020), the deposit to the Bank of Japan is excluded from total exposure amount.

Liquidity Ratios (Consolidated)

		FY2022	1Q	2Q	3Q	4Q
15	Liquidity Coverage Ratio (Note2)		253.7%	239.3%	-	-

		Mar 2022	Sep 2022
16	Net Stable Funding Ratio	129.1%	120.4%

(Note2) Item 15: simple averages of observations over the previous quarter

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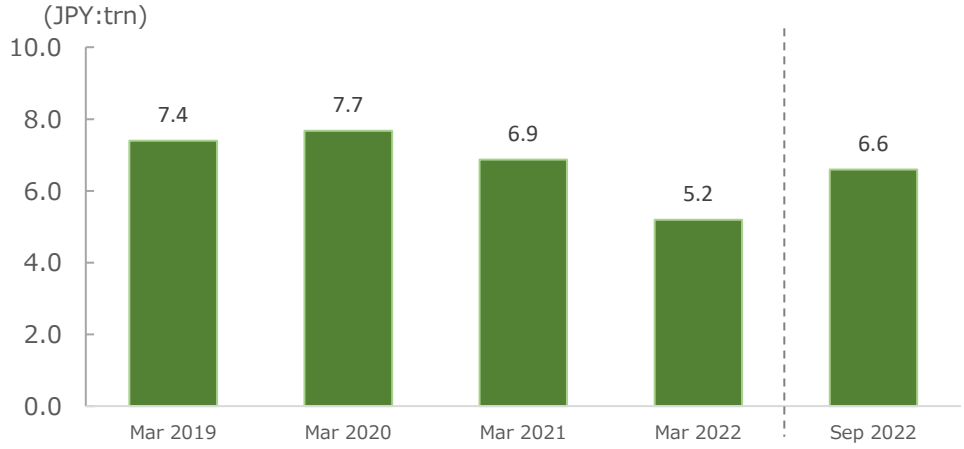
Appendix

The Bank's Investment in CLOs

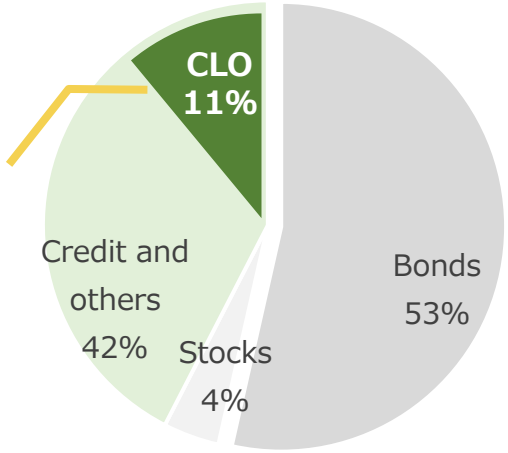
- **The Bank applies a consistent approach to robust due diligence and disciplined risk management in CLO investments**

The Bank's CLO Holdings over Time



Market Investment Portfolio

- **11% of investment portfolio**
- **Only triple-A rated and held-to-maturity securities**



Due Diligence and Risk Management

Investment Guidelines	• Solely on the most senior, triple-A rated tranche • Strict requirements on stipulations and underlying assets • Bank-original, rigorous stress-test scenarios
Investment Process	• Credit review process on each transaction by the Credit Risk Management Division in addition to the analysis by the investment team
Managers	• Collateral managers only with good track-records and disciplined investment style
Monitoring	• Periodical review on the compliance status of tests and underlying asset quality • Frequent communication with the managers

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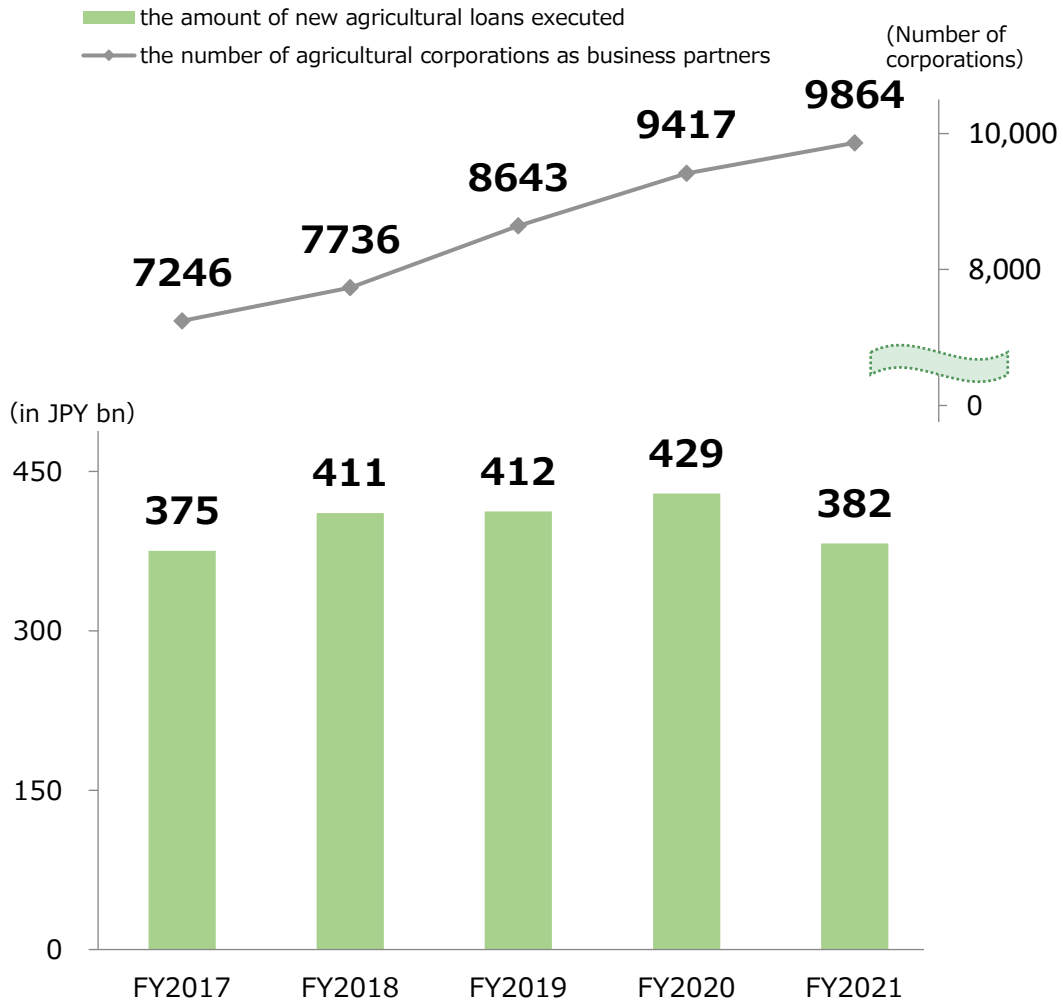
Condition of Agriculture-Related Loans

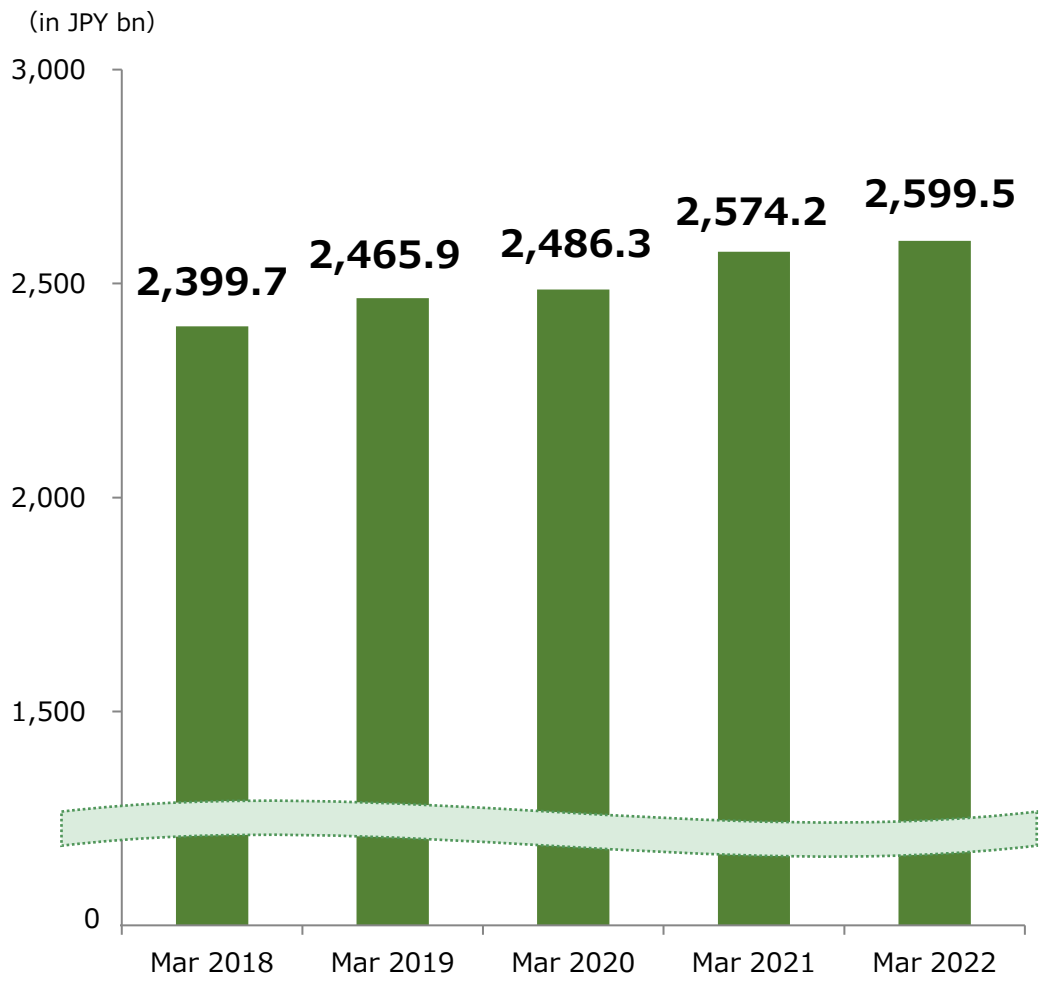
- **JA Bank's loan clients (agricultural corporations) and the balance of agriculture-related loans increased, although the new executions decreased in the latest period**

Trends in JA Bank's newly executed agricultural loans and agricultural corporations as loan clients



(Note) JA Bank's balance is the sum of the balance of JA, JA Shinnoren and the Norinchukin Bank

Balance of agriculture-related loans



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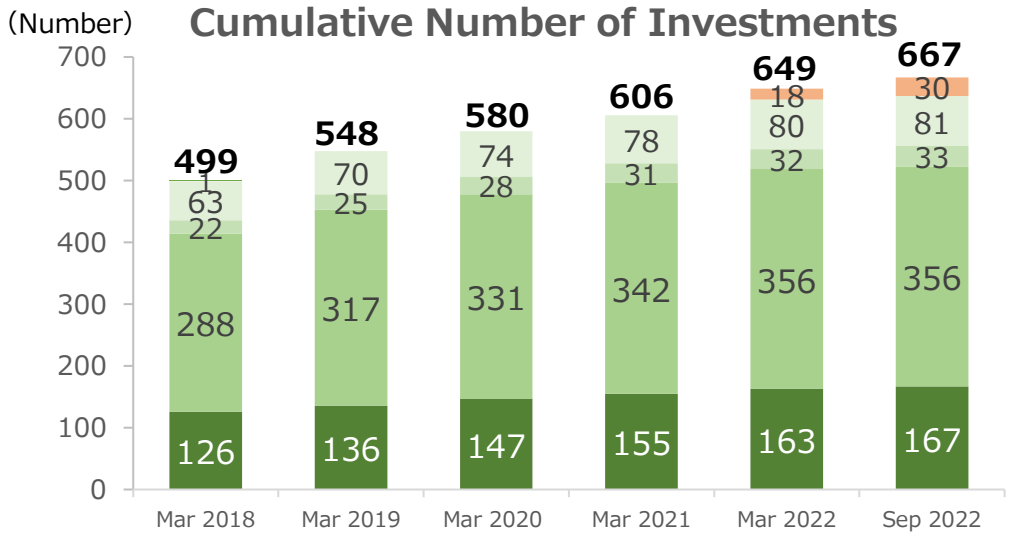
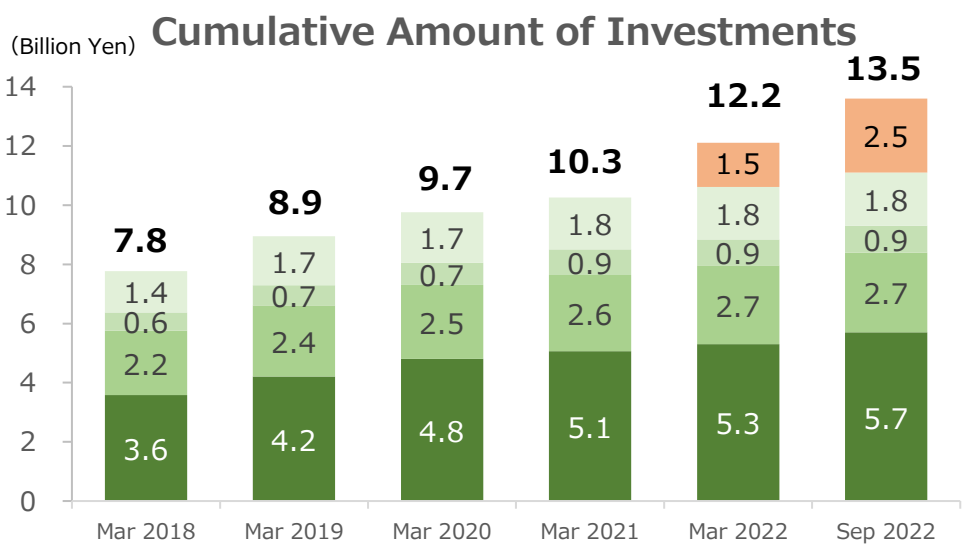
Equity Financing to Agricultural Corporations

- **The Bank supports financial needs of AFF* industry leaders at various growth stage. Cumulative equity investments to agricultural corporation etc. reached 667 deals and JPY 13.5 billion**
- **Reconstruction Fund expanded its scope to AFF corporations hit by soaring prices of production materials in September 2022**

Investments in agricultural corporations through the Agribusiness Investment & Consultation Co., Ltd.





(Note) The sum of the figures may not match due to rounding. The figures related to food and agriculture-related corporations include the transfer portion from the Bank.

The Agribusiness Investment & Consultation Co., Ltd.

invests in agricultural corporations nationwide and in companies involved in the supply chains to help secure the financial stability and growth of the agricultural leaders of tomorrow

Investment in agricultural corporations	
Agri-Seed Fund	invests in agricultural corporations that have technological expertise but insufficient capital to stabilize their financial position (each investment size capped at than JPY 10 million)
Agricultural Leaders Support Fund	invests in agricultural corporations that plan capital expenditures for their business scale expansion (each investment size is JPY 10 million at minimum)
Reconstruction Fund	provides capital support for the AFF business entities suffered from a natural disaster
Investment in food and agriculture-related corporations	

* AFF: Agriculture, Fishery and Forestry

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Overview of Medium/Long-Term Goals by FY2030

- **The Bank has progressed its initiatives toward its Medium/Long-Term Goals to reach by FY2030**

Medium/Long-Term Goals by FY2030

Reduce GHG emissions
50% by FY2030 vs. FY2013

Increase the income of farmers, fishermen and foresters

Reduce GHG emissions of the Bank's investees and borrowers
-50% by FY2030 vs. FY2013

Increase the absorption of CO_2 via forests, together with JForest members

Reduce CO_2 via emissions by the Bank itself
-50% by FY2030 vs. FY2013

Execute New Sustainable Finance
JPY 10 trillion by FY2030※2

Promote Active Participation of Women in Managerial Positions
target share of female managers:13% by FY2030, 30% by FY2040

Reduction of GHG emissions

- Engaged with the Bank's investees and borrowers to reduce GHG emissions and executed sustainable finance. The Bank also provided GHG measurement support service in cooperation with external companies
- Worked on regeneration of degraded privately owned forests and forest replanting in cooperation with JForest members, to ensure CO2 absorption volume
- Reduced the Bank's CO2 emissions by **41%** as of March 2022 compared to March 2014 (preliminary figures)

Income Increase for Farmers, Fishermen and Foresters

- Offered consulting services to agricultural corporations and industry leaders to address their management issues and supported food and agriculture-related companies by investments and finances to build supply chains
  (During FY2021, JA Bank had **186** consulting cases in FY2021)

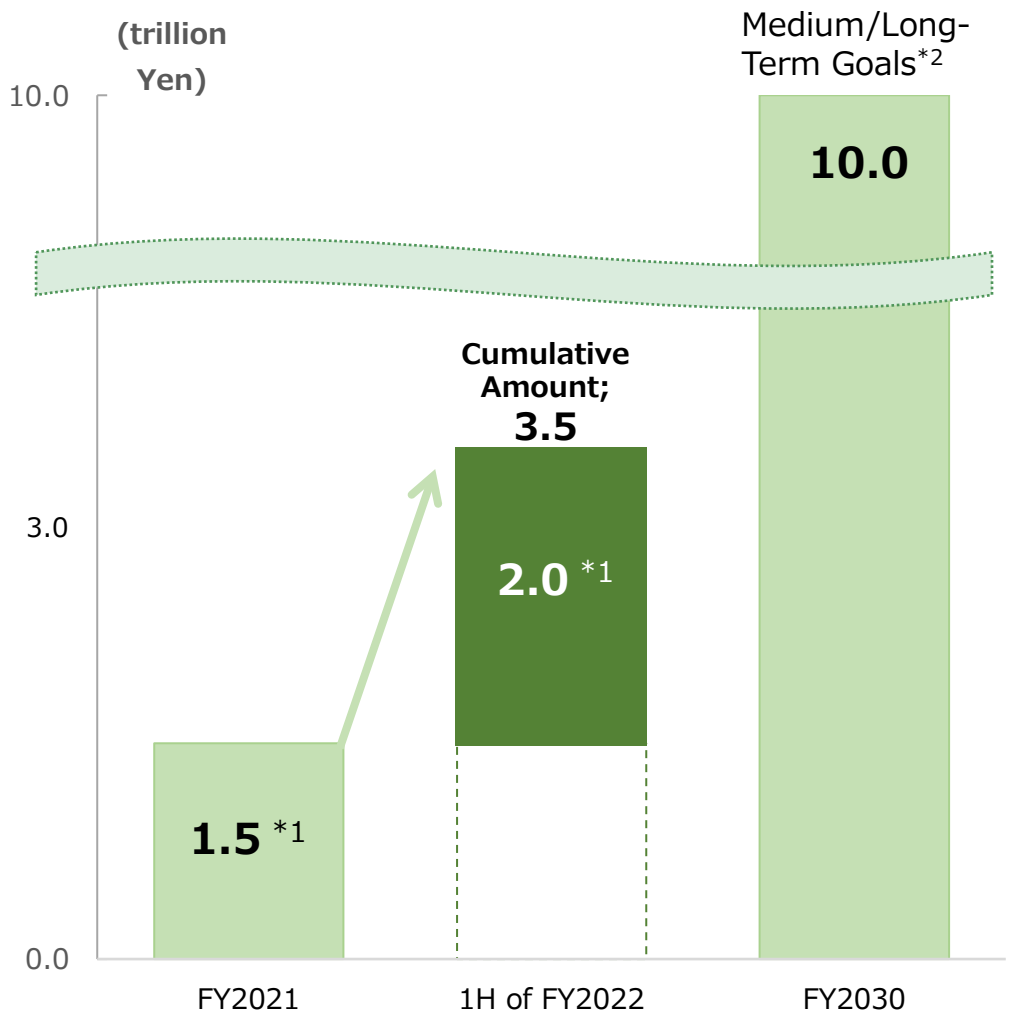
Share of Female Managers

- Designated 2022 as "**the first year of diversity**" to promote diversity and inclusion at the Bank

New Sustainable Finance

- **Newly executed sustainable finance during the 1st Half of FY2022 reached approximately JPY 2.0 trillion**
  (Cumulative amount of sustainable finance from the beginning of FY2021; JPY 3.5 trillion)

New Sustainable Finance



*1 Investments and loans focusing on Environment are 0.7 and 0.8 trillion JPY in FY2021 and FY2022 respectively.
*2 Cumulative amount of new finance from FY2021 to FY2030 (10years)

Breakdown of new sustainable finance (1H of FY2022)

Investments & Loans	Market Investment Assets etc.	JPY 1.2 trillion
	Project Finance	JPY 0.5 trillion
	ESG Loans	JPY 0.2 trillion
Funding	Green Bonds	JPY 0.1 trillion

Examples

"Sustainability Linked Loan" to a real estate company

- Executed sustainability linked loan through a syndicate with JA Bank members, setting sustainability performance targets that correspond to borrower's GHG reduction goal

Investment in "Sustainable Development Bond"

- Invested in the sustainable development bond issued by the World Bank that focuses on gender equality as key theme

Investment in world's largest-class hydrogen infrastructure fund

- Invested in a hydrogen infrastructure fund in which hydrogen-related companies from around the world participate
- Covers a wide range of the hydrogen value chain, from hydrogen manufacturing business to hydrogen station business

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Initiatives to Increase the Income of Farmers, Fishermen and Foresters

- **The Bank pursues to increase the income of farmers, fishermen and foresters through real business**

(Case) Consulting for AFF Corporations／Food and Agriculture Value Chain Build-up

Consulting Activity for AFF Corporations

- The Bank offered consultation with a loan client Kawakami Renkon Co., Ltd. Based on business feasibility assessments backed by interviews with the company staffs, financial analyses and business assessment of each farm fields, the Bank identified the company's management issues and proposed action plans aligning with their visions
- In the next step, the Bank will continue its support for the expansion of the company's business and an increase in agricultural income (i.e., an increase in the added value amount) while assessing the progress and the outcomes of the action plans.
- In FY 2022, the Bank aims to offer approximately 300 consulting projects to AFF corporations and industry leaders

A farm field owned by the company

Value Chain Build-up Support to Revenue Stabilization of Fruits and Vegetables

- Because fruits and vegetables are grown mainly outside, their crop yields often vary and prices fluctuate depending on the weather and other factors. In addition, the income of producers is hard to stabilize because retail prices are susceptible to the prices at wholesale markets.
- To address these issues in the distribution process of fruits and vegetables, the Bank entered into a capital tie-up agreement in December 2021 among three parties: National Federation of Agricultural Cooperative Associations (JA Zen-Noh), Farmind Corporation and the Bank.
- The agreement aims to start "platform center business (PFC business)" which realizes sales of fruits and vegetables at stable prices and quantities throughout the year. Such a mechanism could be achieved by developing facilities that have precooling and storage functions optimal for each type of fruits and vegetable, therefore the freshness of the fruits and vegetables can be maintained in a longer duration. Also combining with other value-add functions such as packaging business, the Bank aims to increase producers' income by meeting the needs of both actual users and consumers better.

[Coordination diagram]

[PFC business overview]

Scheme

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Initiatives for Nature Capital and Biodiversity

- **As the global importance of natural capital and biodiversity increases, the Bank is progressing initiatives to identify and disclose their risks and opportunities**

Participation in the TNFD Framework Development Efforts as a taskforce member

TNFD (Taskforce on Nature-related financial Disclosure)

- An international initiative established in June 2021 to develop a framework for assessing and disclosing risks and opportunities associated with nature capital and biodiversity
- Open innovation approach is adopted to reflects feedback from market participants etc. on the beta framework development
- Scheduled to be finalized in September 2023

The Bank participated as a taskforce member since November 2022.

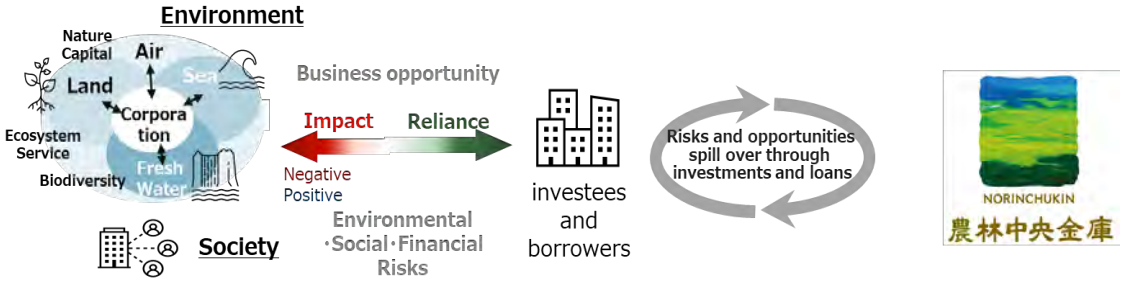
Taskforce Member

- Taskforce members were elected from broad jurisdictions to develop the framework
- In November 2022, the Taskforce was expanded, with additional members including HIDESHIMA(Mr.) Hirotaka, the Norinchukin Bank's executive advisor

Forum

- A group of stakeholders that agree with the intent of the TNFD and support its discussion
- Including the Norinchukin Bank, more than 700 domestic and overseas public and private organizations participate.

Nature Capital and Biodiversity Linkage with Financial Institutions



- Negative impact on natural capital of the business activities of investees and borrowers may lead to their financial and reputational risks, which ultimately spills over to the Bank

The Bank's Further Plans

Accumulation of Analytical Methods

- The Bank's portfolio analyses are underway using the beta framework and experience from UNEP FI* pilot-testing participationInformation disclosure based on initial analysis results will be considered in the future

* UNEP FI: United Nations Environment Programme Finance Initiative

Initiatives as Taskforce Members

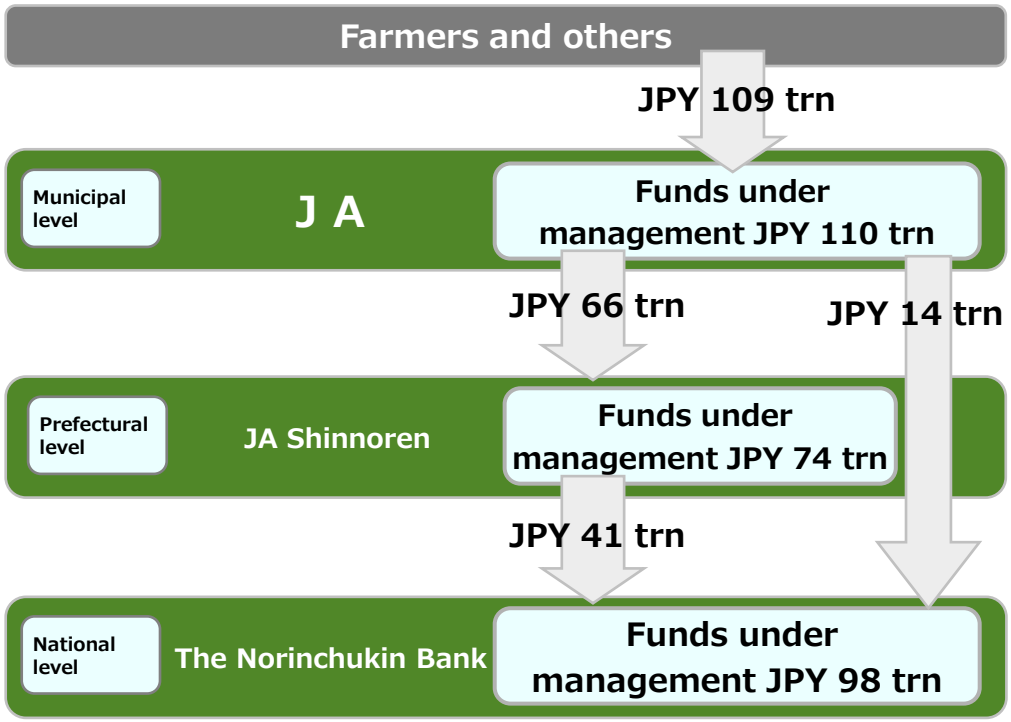
- Participation in the global rule-making effort on nature-capital and biodiversity disclosure framework
- Contribution to finalize the TNFD framework by leveraging the organization backgrounds of the AFF industries that are closely related to natural capital, as well as global investment and financing expertise

Business Base of JA Bank

JA Bank = JA + JA Shinnoren + The Norinchukin Bank

JA Bank accounts for 10% of the total amount of retail deposits and savings in the Japan.

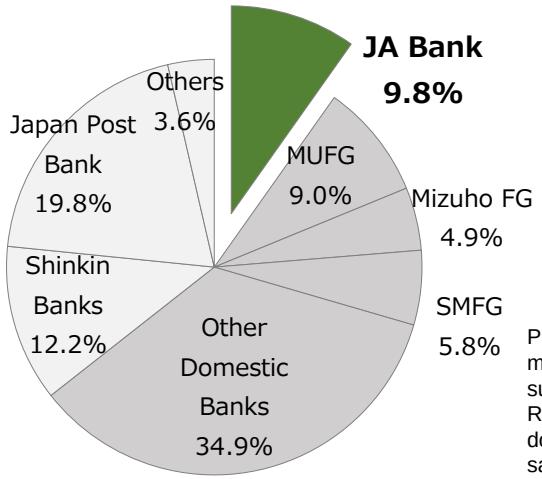
Flow of Funds in JA Bank (As of Sep. 30, 2022)



Total funds under management of JA Bank* JPY 162trn

* Total funds under management =
Funds under management – Deposits

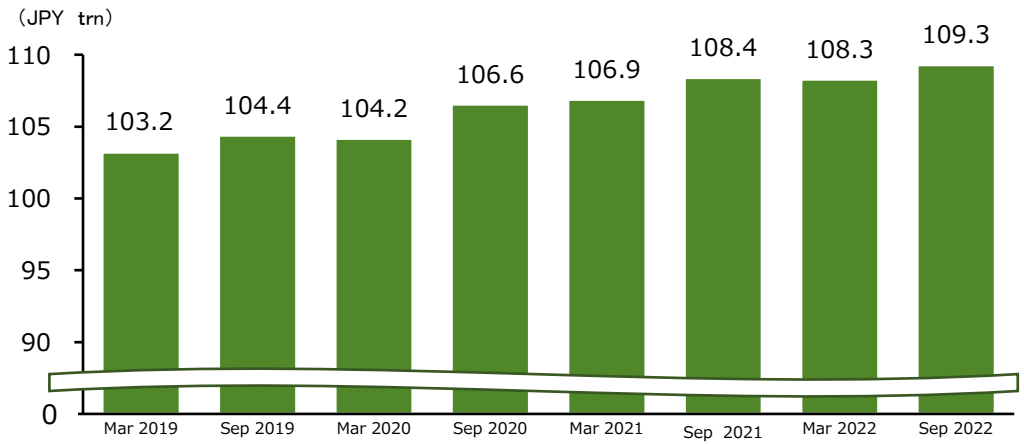
Retail Deposits and Savings in Japan (As of Mar. 31, 2022)



Total: JPY 976 trn

Prepared by The Norinchukin Bank based on materials of the Bank of Japan and financial summaries of other financial institutions.
Retail deposit and saving balances for JA Bank, domestic banks and Shinkin Banks and only saving balance for Japan Post Bank.

JA Bank Deposits and Savings (JPY trillion)



(Preliminary Figure)

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