Dedicated to sustaining all life.

Financial Summary for the 1st Half of Fiscal Year 2023

NORINCHUKIN

November 16, 2023

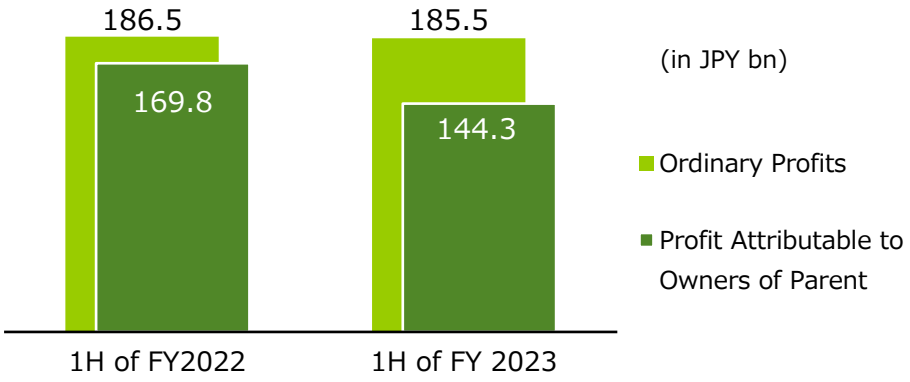
Financial Highlights for the 1st Half of FY2023

- **Profits decreased mainly due to the increase in foreign currency funding costs**
- **Unrealized losses on securities and the increase in market investment assets lowered capital adequacy ratios, yet the Bank continues to maintain soundness**

Profits

[Consolidated] (in JPY bn)

	1H of FY2022	1H of FY2023	Change
Ordinary Profits	186.5	185.5	(0.9)
Profit Attributable to Owners of Parent	169.8	144.3	(25.4)

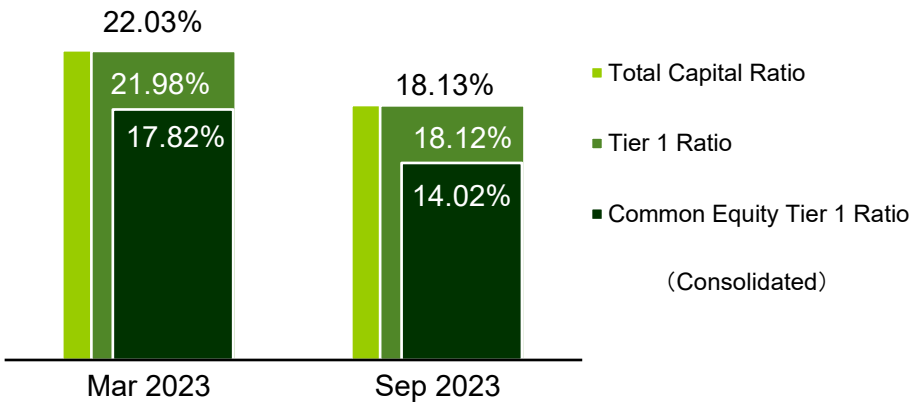


Capital Position (under Basel III(※))

[Consolidated]

	Mar 2023	Sep 2023	Change
Common Equity Tier 1 Ratio	17.82%	14.02%	(3.80%)
Tier 1 Ratio	21.98%	18.12%	(3.86%)
Total Capital Ratio	22.03%	18.13%	(3.90%)

※Capital ratios are calculated under fully-loaded finalized Basel III standard, whose adoption was approved for the period ending March 31, 2023 and onwards.



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Income Statement Summary

[Consolidated] (in JPY bn)

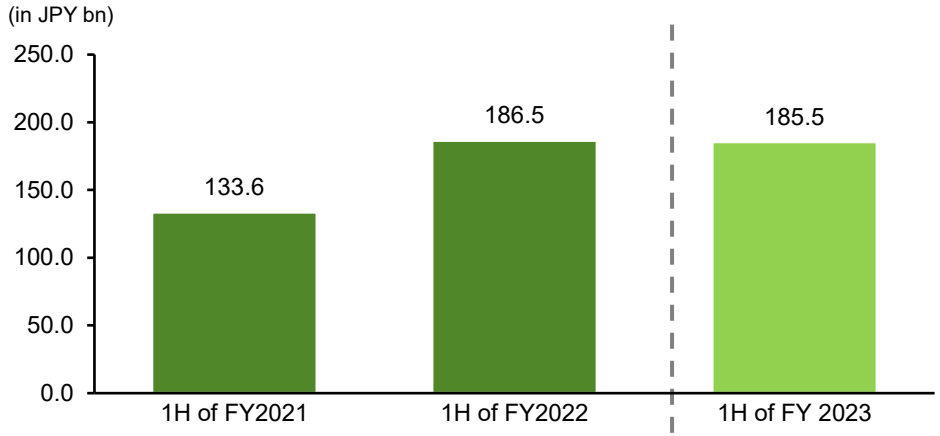
		FY2022 Apr-Sep	FY2023 Apr-Sep	Change
1	Ordinary Income	1,290.9	1,547.4	256.5
2	Interest Income	621.6	1,020.2	398.6
3	<Interest and Dividends on Securities>	514.5	762.9	248.3
4	<Interest on Loans and Bills Discounted>	85.0	197.0	112.0
5	Ordinary Expenses	1,104.3	1,361.8	257.4
6	Interest Expenses	468.4	1,220.9	752.5
7	<Expenses on Funding from Members>	129.7	128.3	(1.4)
8	General and Administrative Expenses	76.9	83.8	6.9
9	Ordinary Profits	186.5	185.5	(0.9)
10	Income before Income Taxes	209.9	236.3	26.3
11	Profit Attributable to Owners of Parent	169.8	144.3	(25.4)

[Non-consolidated] (in JPY bn)

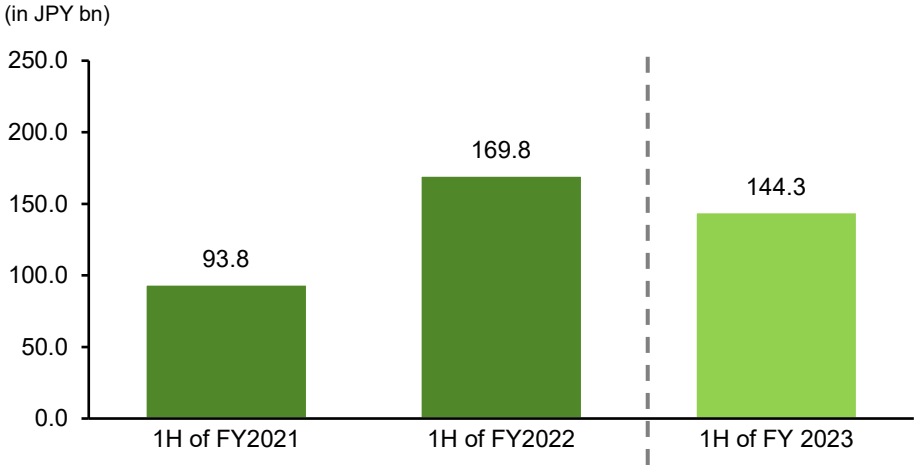
		FY2022 Apr-Sep	FY2023 Apr-Sep	Change
12	Ordinary Profits	183.1	176.9	(6.2)
13	Net Income	170.9	141.2	(29.7)
	[Reference (Non-consolidated)]			
14	Net Gains/Losses on Sales of Securities	30.6	325.7	295.0
15	Net Gains (Losses) from Redemption of Investment Trusts and from Sales of Assets included in Money Held in Trust	(36.6)	98.4	135.0
16	Credit Costs (Note)	4.7	6.6	1.9
17	Write-off of Securities (Note)	0.4	-	(0.4)

(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)

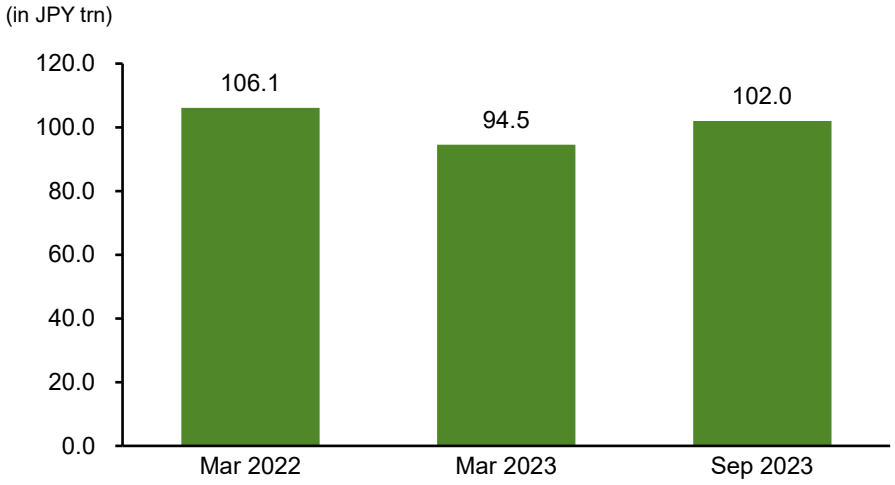
		Mar 2023	Sep 2023	Change
1	Loans and Bills Discounted	17,414.1	17,901.8	487.6
2	Securities	39,725.7	44,112.1	4,386.3
3	Money Held in Trust	8,419.3	10,559.8	2,140.4
4	Cash and Due from Banks	22,430.6	21,367.4	(1,063.2)
5	Others	6,515.0	8,012.6	1,497.6
6	Total Assets	94,504.9	101,953.9	7,448.9
7	Deposits (Note)	64,606.8	66,194.4	1,587.5
8	Debentures	454.0	434.7	(19.2)
9	Payables under Repurchase Agreements	10,613.4	14,026.9	3,413.5
10	Others	13,157.0	16,593.4	3,436.4
11	Total Liabilities	88,831.4	97,249.6	8,418.2
12	Total Net Assets	5,673.5	4,704.2	(969.2)

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

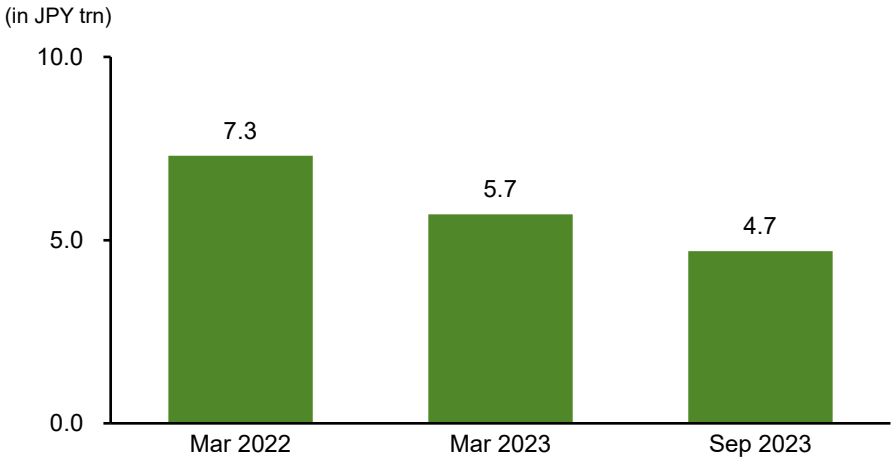
[Non-consolidated] (in JPY bn)

		Mar 2023	Sep 2023	Change
13	Total Assets	91,425.4	98,691.6	7,266.2
14	Total Liabilities	85,955.3	94,211.5	8,256.1
15	Total Net Assets	5,470.0	4,480.1	(989.9)
16	Gains/Losses on Revaluation of Securities	(946.2)	(2,535.6)	(1,589.3)

Total Assets over Time (Consolidated)



Net Assets over Time (Consolidated)



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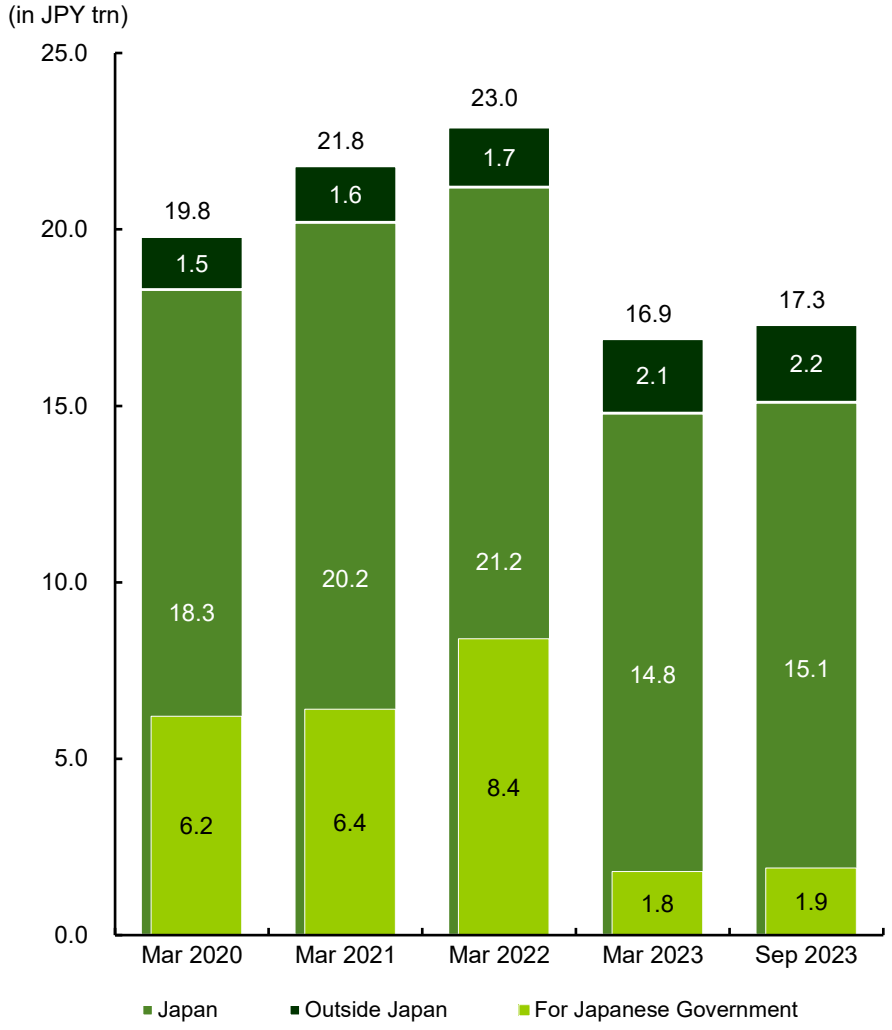
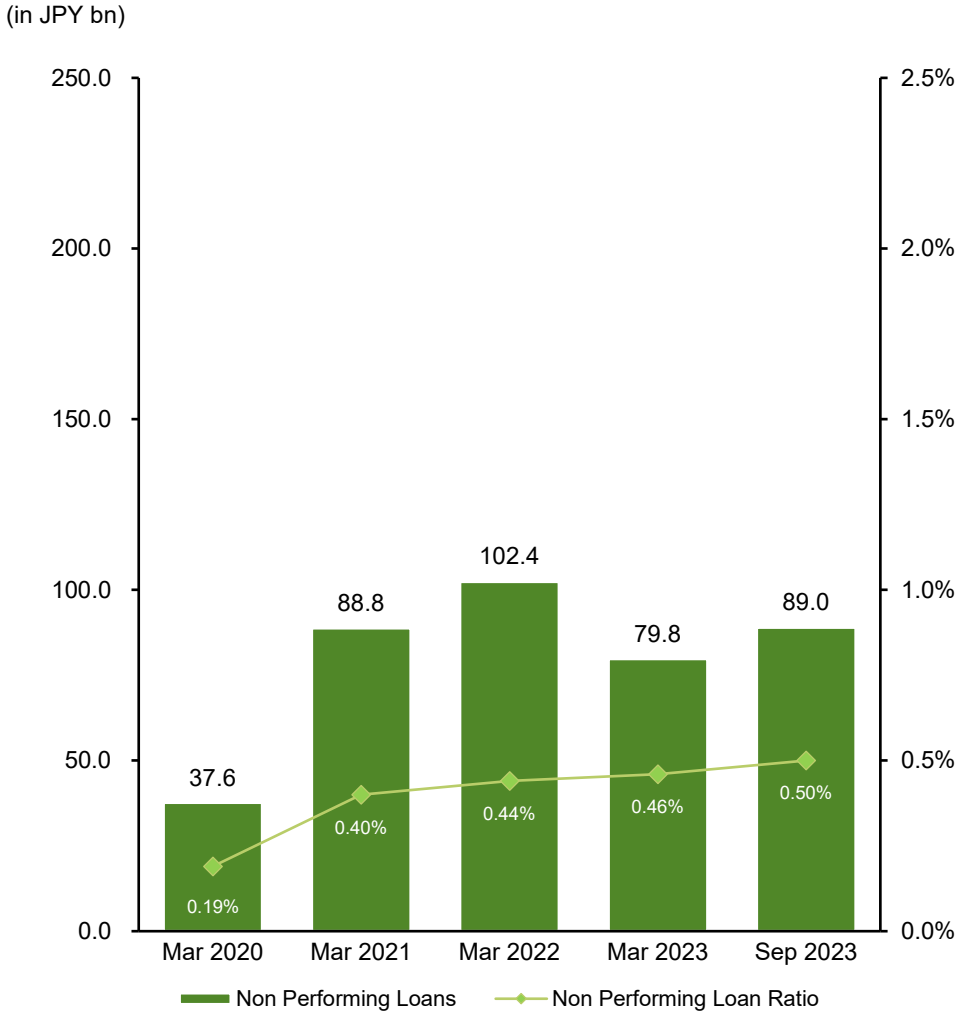
Loan and Bills Discounted (Non-consolidated)

Loans and Bills Discounted over Time



Non-performing Loans over Time



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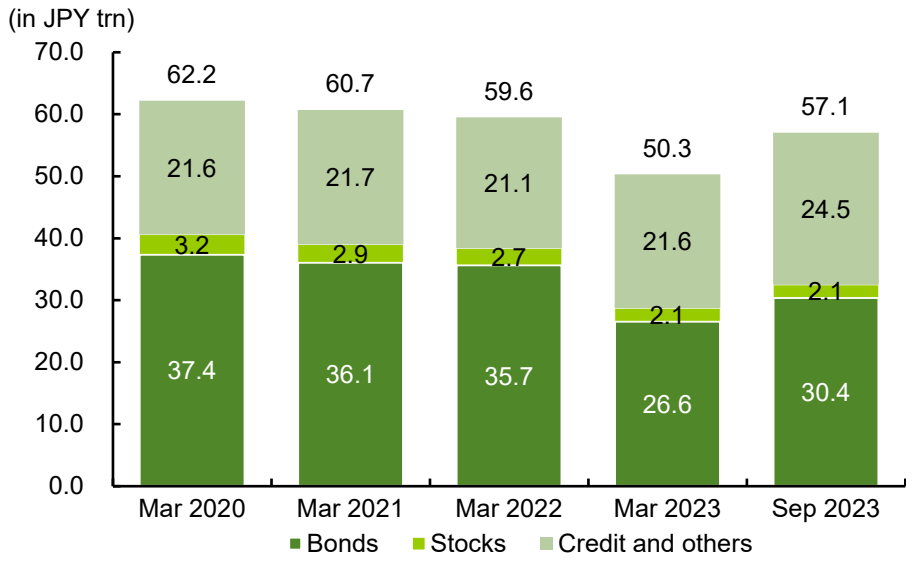
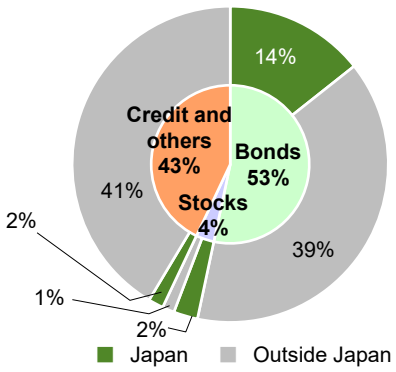
Market Investment Portfolio (Non-consolidated)

Market Investment Portfolio over Time

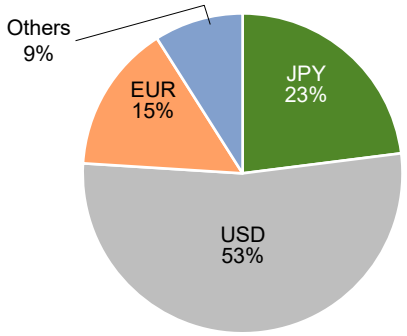


Market Investment Portfolio (Sep 2023)

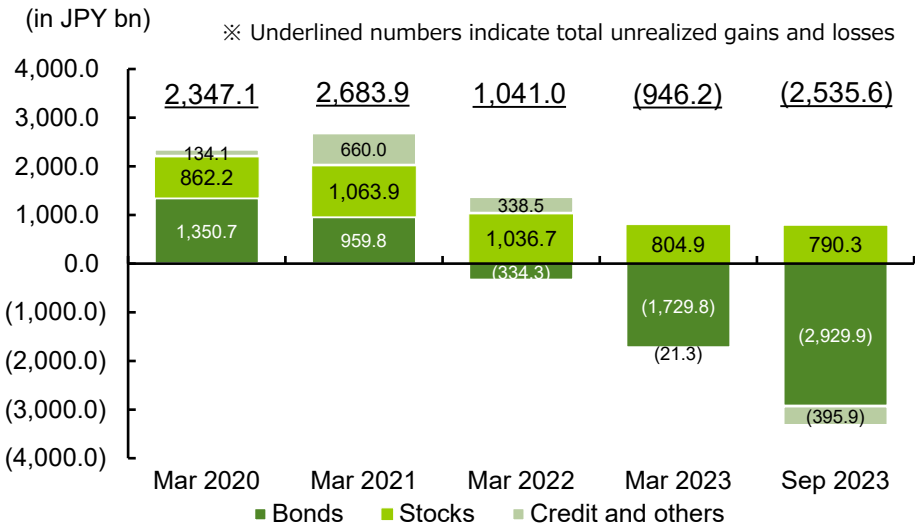
Market Investment Portfolio by Risk



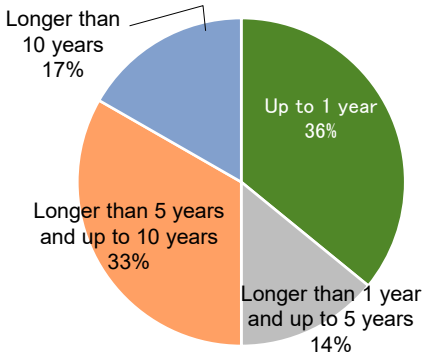
Market Investment Portfolio by Currency



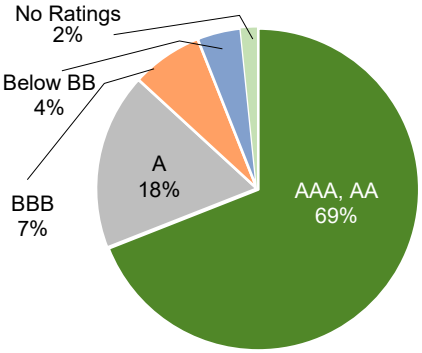
Net Unrealized Gains and Losses over Time



Bond and Credit Portfolio By Rate Reset Maturity



Market Investment Portfolio by Rating



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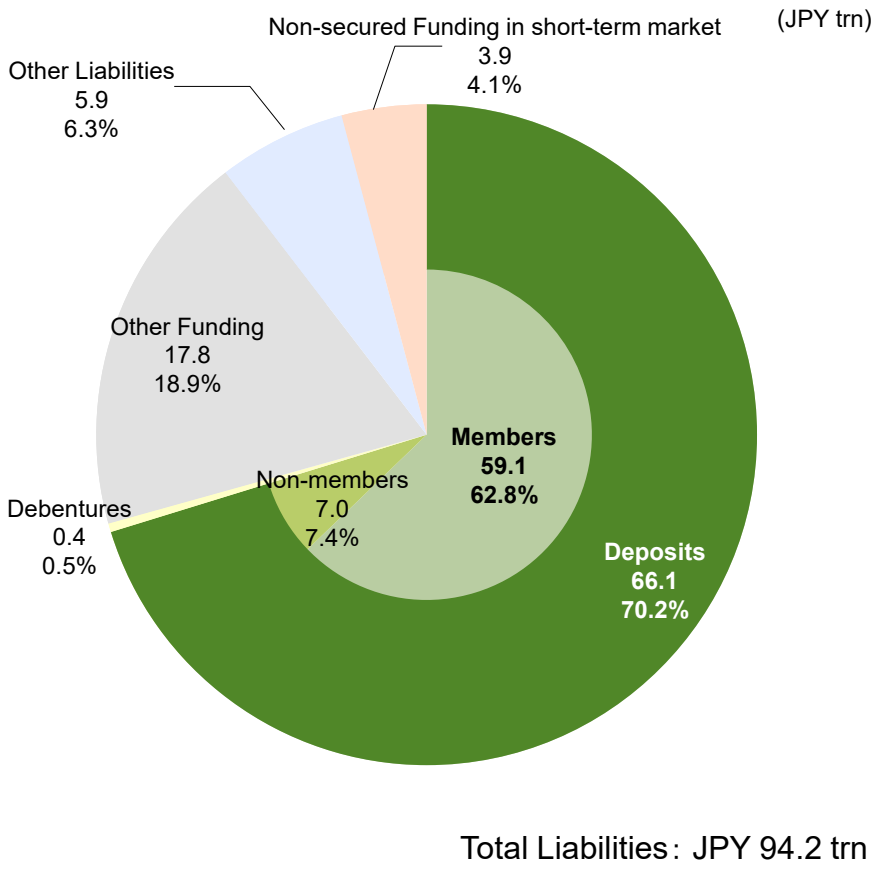
Funding (Non-consolidated)

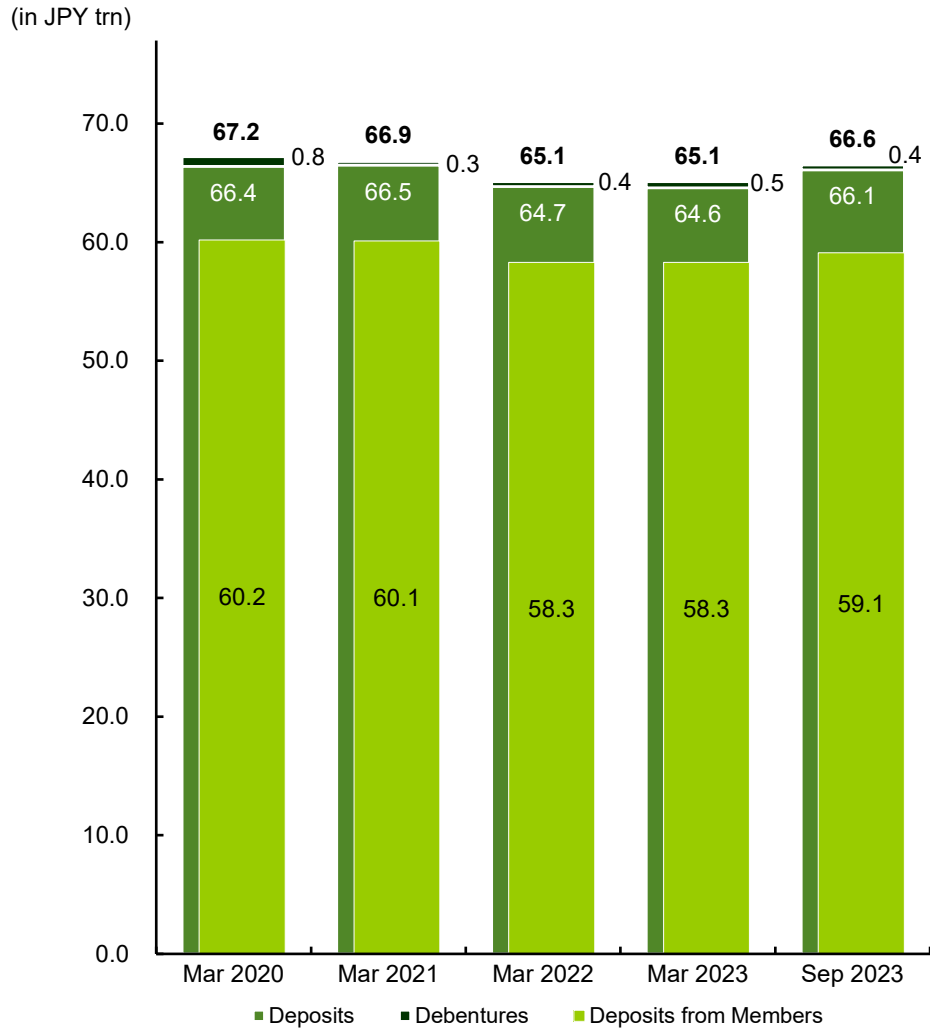
Breakdown of Funding



Total Liabilities: JPY 94.2 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 FY2023	YOY Change	1H of FY2023	YOY Change	1H of FY2023	YOY Change
	[Investment] (Earnings and Yield are net of hedged interest rate swaps)						
1	Loans and Bills Discounted	17.4	(3.3)	172.6	101.5	1.98%	1.30%
2	Securities (Note1)	52.6	(0.6)	1,280.4	707.6	4.86%	2.72%
3	JPY-denominated Securities (Note2)	12.3	(1.4)	161.5	(1.8)	2.61%	0.25%
4	Foreign Currency-denominated Securities (Note3)	40.2	0.7	1,118.8	709.4	5.56%	3.49%
5	Short-term Investment Assets	1.3	0.0	31.4	24.3	4.78%	3.67%

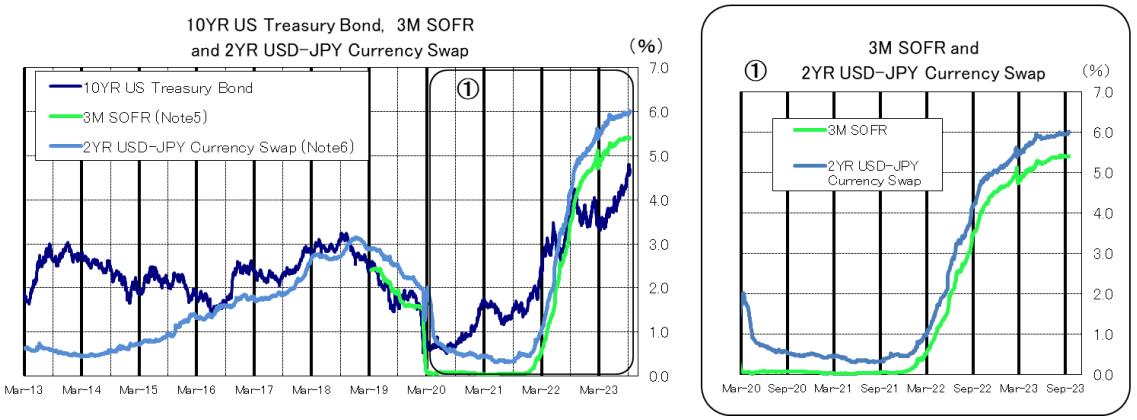
(Note1) including Net Gains/Losses on Sales
(Note2) JPY-denominated Securities (Excluding Net Gains/Losses on Sales) :0.95% (YOY change ▲0.03%)
(Note3) Foreign Currency-denominated Securities (Excluding Net Gains/Losses on Sales) :3.96% (YOY change+1.38%)

	[Funding] (Earnings and Yield are net of hedged interest rate swaps)						
6	From Member Banks	58.2	0.0	128.3	(1.4)	0.44%	(0.00%)
7	Funding from Markets (Note4) & Clients	30.6	(0.1)	462.3	334.8	3.01%	2.19%
8	JPY Funding from Markets	7.6	1.6	(6.4)	(4.8)	(0.17%)	(0.12%)
9	Foreign Currencies Funding from Markets	19.1	(2.0)	449.7	339.5	4.69%	3.66%

(Note4) including Debentures

	(Reference)						
10	Foreign Currencies Funding (Including Currency Swaps, etc.)	43.9	(0.7)	1,109.5	819.5	5.05%	3.76%

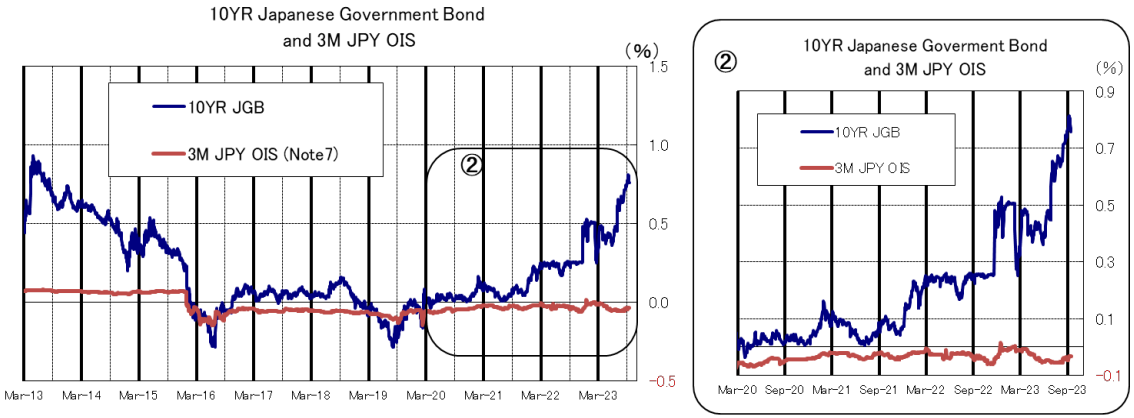
(Reference) US Dollar Interest Rates over Time



(Note5) CME Term SOFR Reference Rate
(Note6) SOFR-based calculation since October 2021 (LIBOR-based calculation prior to October 2021)

Source:Bloomberg

(Reference) Yen Interest Rates over Time



(Note7) Interest rate swap between a fixed rate and overnight unsecured call rates compounded for three months

Source:Bloomberg

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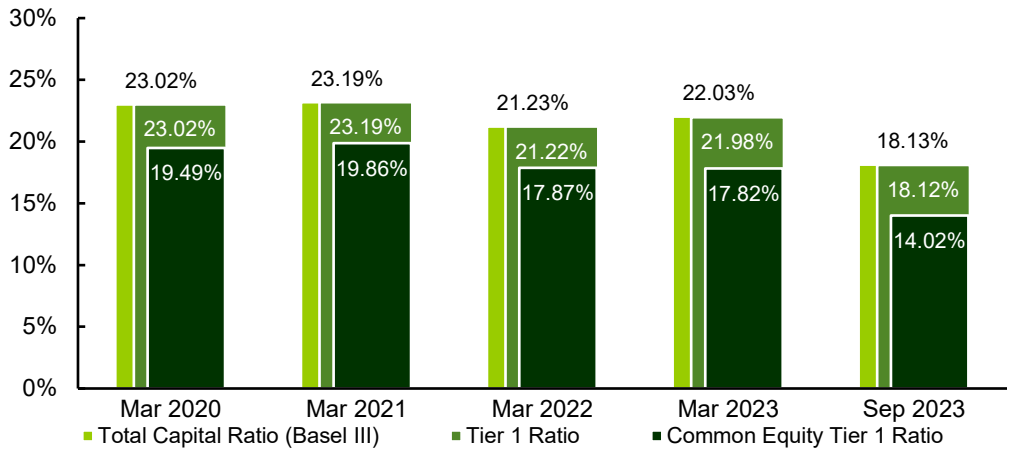
Capital Position

[Consolidated] (in JPY bn)

		Mar 2023	Sep 2023	Change
1	Tier 1 Capital	6,653.9	5,562.2	(1,091.7)
2	Common Equity Tier 1 Capital (CET1)	5,393.2	4,304.3	(1,088.9)
3	Capital Stock and Capital Surplus	4,063.5	4,063.5	-
4	Earned Surplus	2,085.5	2,235.0	149.4
5	Unrealized Gains on Other Securities	▲678.3	▲1,825.1	(1,146.8)
6	Additional Tier 1 Capital	1,260.7	1,257.8	(2.8)
7	Tier 2 Capital	12.9	3.3	(9.5)
8	Subordinated Bonds and Loans	-	-	-
9	Total Capital	6,666.9	5,565.5	(1,101.3)
10	Risk-weighted Assets	30,260.2	30,684.7	424.4
11	Common Equity Tier 1 Ratio	17.82%	14.02%	(3.80%)
12	Tier 1 Ratio	21.98%	18.12%	(3.86%)
13	Total Capital Ratio	22.03%	18.13%	(3.90%)

※Capital ratios are calculated under fully-loaded finalized Basel III standard, whose adoption was approved for the period ending March 31, 2023 and onwards.

Capital Ratios over Time (Consolidated)



Leverage Ratio (Consolidated)

		Mar 2023	Sep 2023
14	Leverage Ratio (Note1)	8.86%	6.70%

(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)

		FY2023	1Q	2Q	3Q	4Q
15	Liquidity Coverage Ratio (Note2)		207.5%	199.4%	-	-

		Mar 2023	Sep 2023
16	Net Stable Funding Ratio	129.1%	118.4%

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

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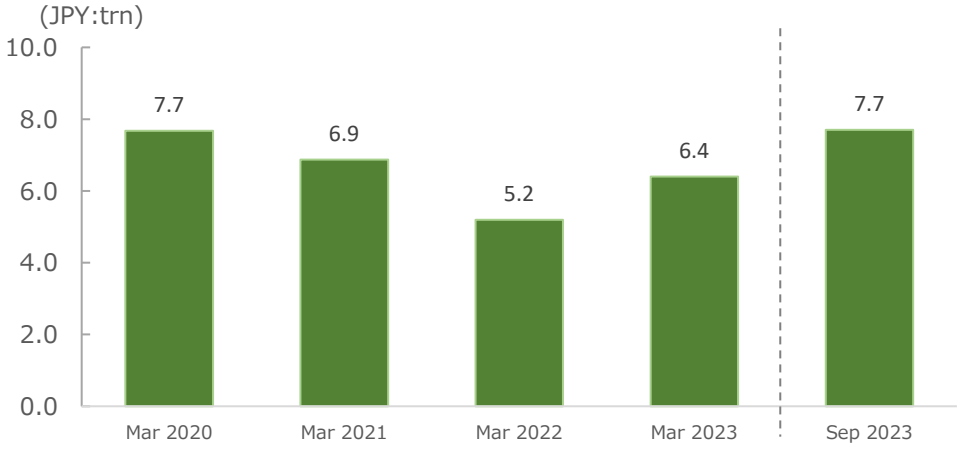
Appendix

The Bank's Investment in CLOs

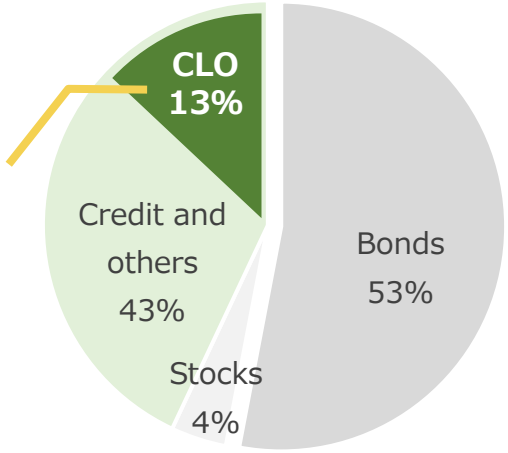
- **The Bank applies a consistent approach to robust due diligence and disciplined risk management in CLO investments**

The Bank's CLO Holdings over Time



Market Investment Portfolio

- **13% 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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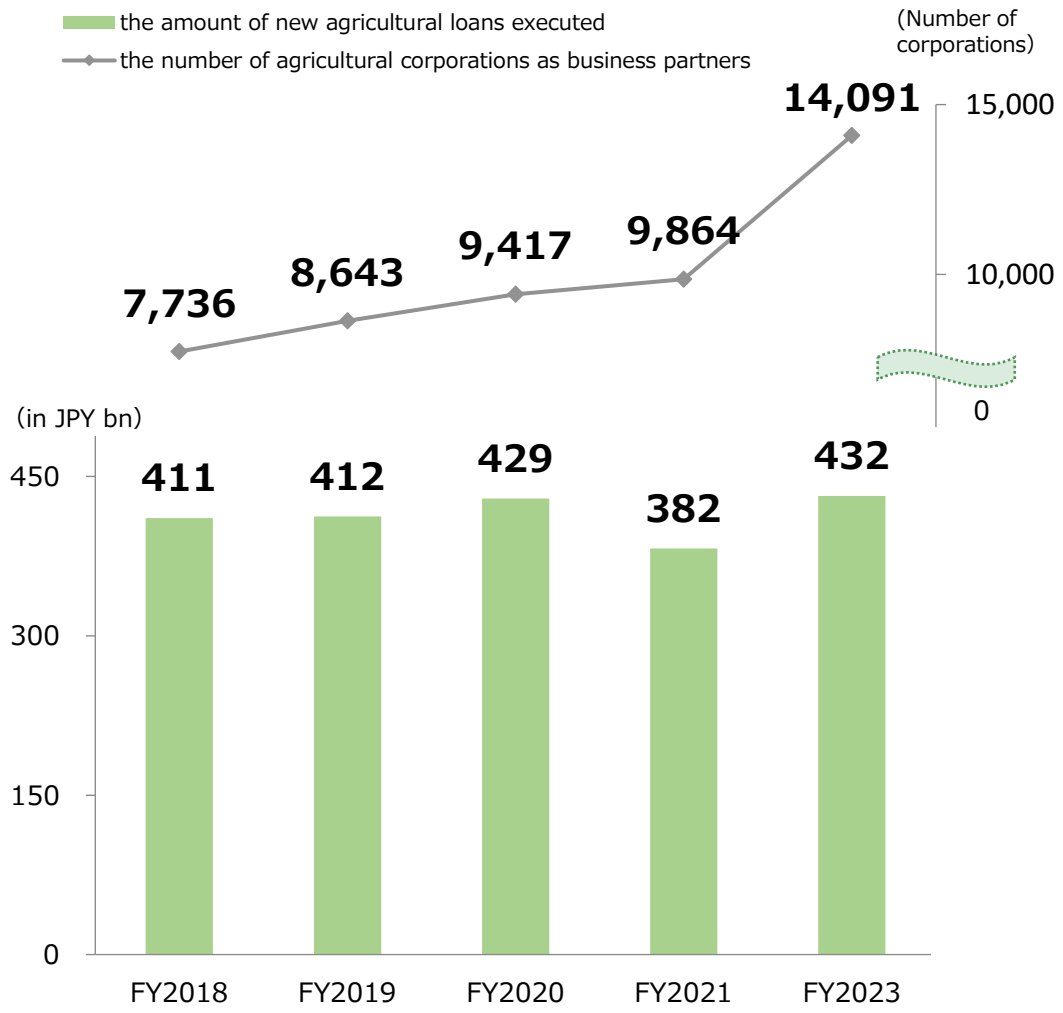
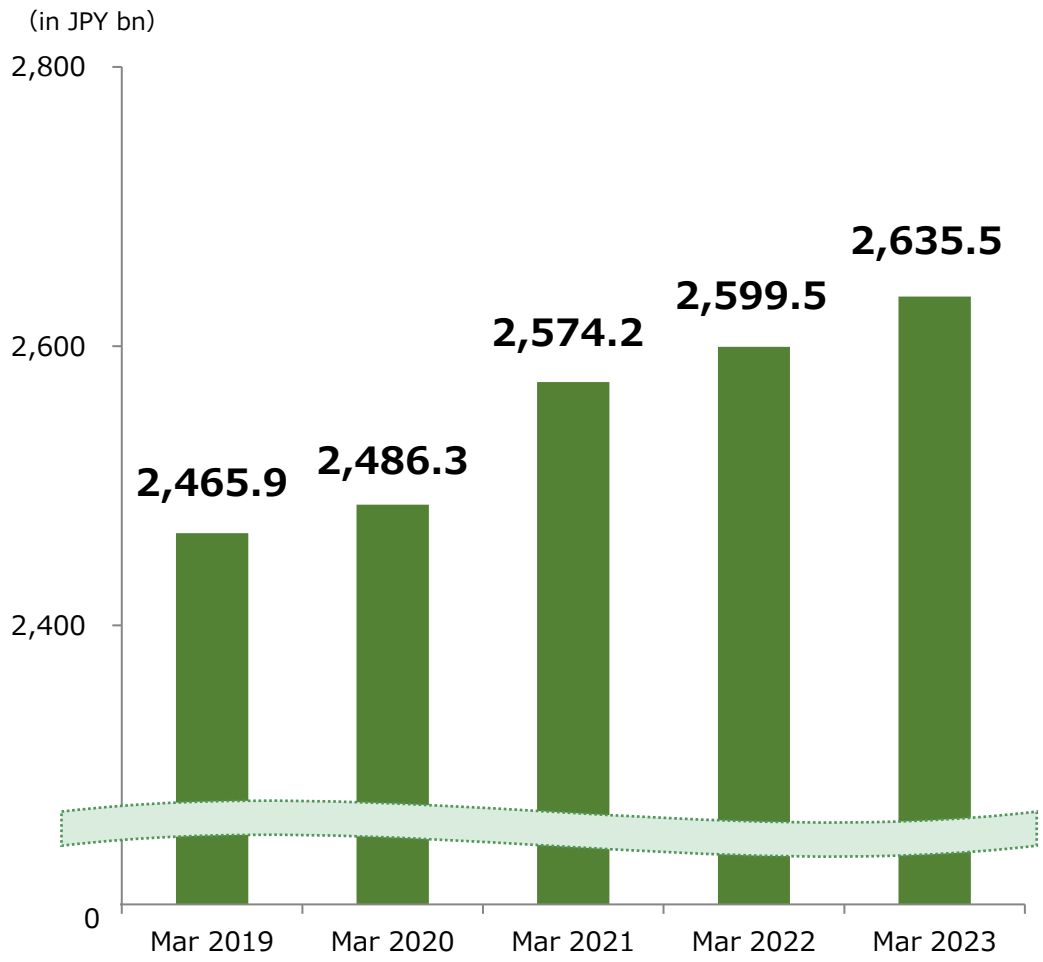
Condition of Agriculture-Related Loans

- **The amount of JA Bank's newly executed agricultural loans reached its record high of 432 billion yen under priority measures of JA Bank's medium-term strategy and with financial support to farmers affected adversely by the steep rise in production material prices**

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



Balance of agriculture-related loans (※)



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

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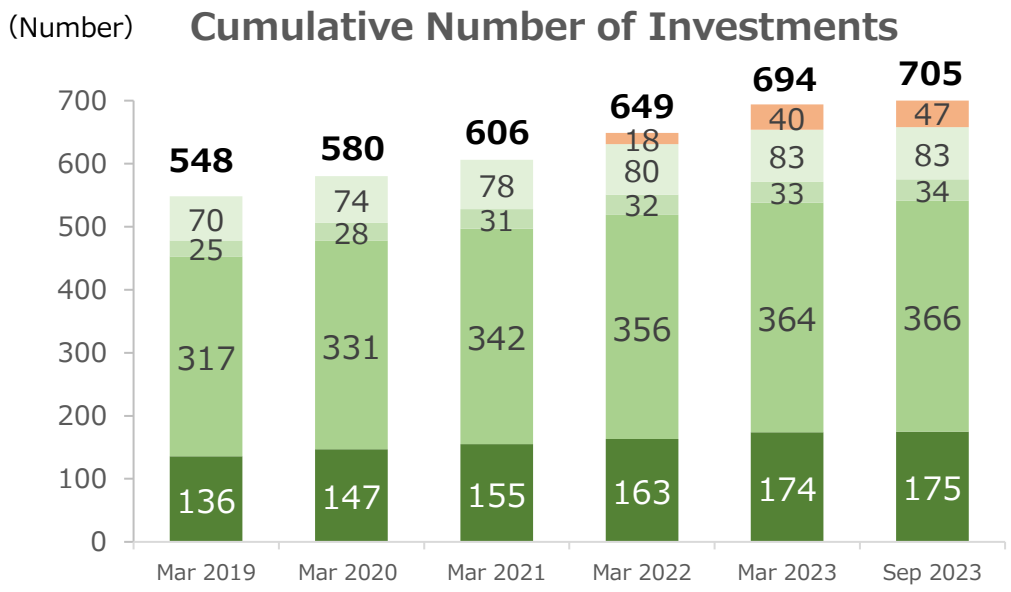
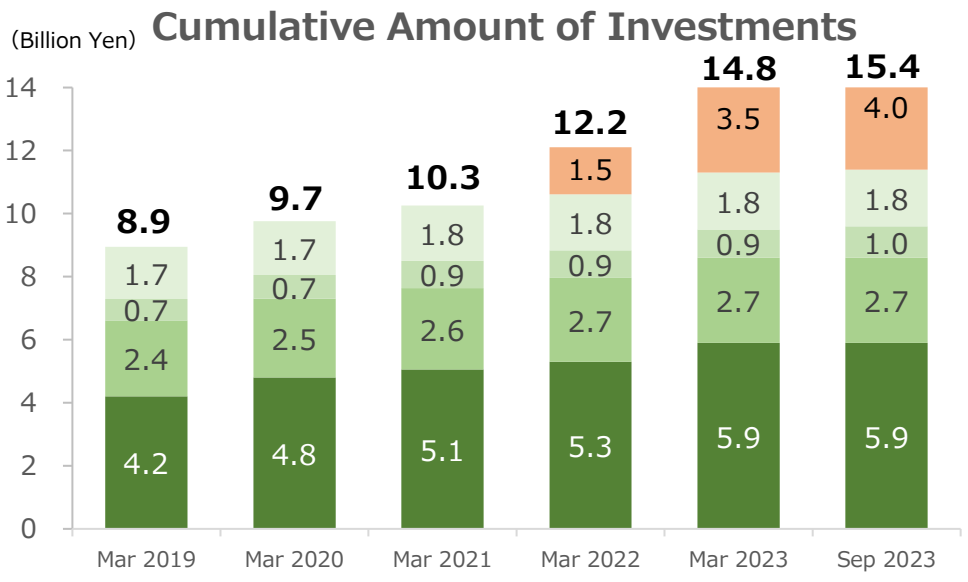
Equity Financing to Agricultural Corporations

- **The Bank supports financial needs of AFF* industry leaders at various growth stage. Cumulative equity investments to agricultural corporation etc. through the Agribusiness Investment & Consultation Co., Ltd. reached 705 deals and JPY 15.4 billion**

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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Increasing the income of farmers, fishermen and foresters

- **The Bank pursues to increase the income of farmers, fishermen and foresters through "consulting activities for AFF corporations and leaders" and "investments in Food and Agriculture Private Equity Funds"**

Sustainable AFF Industries and Food and Agriculture Value Chains

JA Bank's Consulting Activity for AFF corporations and leaders

- The Bank started offering consulting service to Domeki-Eino-Kumiai ("DEK") in Chiba Prefecture, the major agricultural corporation in the region, in collaboration with JA in FY2021.
- The Bank proposed partial conversion of DEK's rice production to grow a different variety of rice specialized for feeding livestock and producing whole crop silage(※). With DEK's plan execution, the proposal resulted in an increase of approximately 9 million yen in net income after tax was achieved in the next fiscal year.
- The Bank did not stop at the proposal; it held regular visits to confirm the progress of the proposal and learn DEK's up-to-date situation. In response to issues such as financing and further cost reductions, the Bank discusses with JA and other stakeholders and proposes the use of materials that will lead to new plantings and management time/cost reductions.

(※) The rice version of whole crop silage for feeding livestock is produced by harvesting the whole rice including stems, forming them into rolls, and fermenting them with lactic acid.

The field of Domeki-Eino-Kumiai

Investments in Food and Agriculture Private Equity Funds

- By leveraging the Bank's long-standing expertise and network in the alternative asset investment field, the Bank invested globally in private equity funds specializing in the area of food and agriculture.
- The Bank aims to increase the income of farmers, fishermen and foresters through supporting the introduction and expansion of cutting-edge technologies in Japan and expanding exports of agricultural and fishery products through distribution companies, by accessing companies with superior technologies and business models in which funds invest.
- In September 2023, the Bank co-invested with a fund in a U.S. company AgroFresh Solutions, Inc. This company has a technology to preserve the freshness of agricultural products in the post-harvest phase, and the Bank considers use of such technology helps farmers expand exports and reduce food loss, which leads to the income increase of AFF workers.

Main Investment destinations

Investment location (funds)	Main Area
Gulf Japan Food Fund	Middle East・Japan
AgFunder Fund IV	Global
Paine Schwartz Food Chain Fund Ⅵ	North America・Europe
INSPiRE Mutualistic Symbiosis Fund I	Japan・Asia
Investment location (joint investment with funds)	**Headquarter**
AgroFresh Solutions, Inc	U.S.

Initiatives for Climate Change, Natural Capital and Biodiversity

- **The Bank established GHG reduction targets and provided solutions to investees and borrowers to achieve Net-Zero Emissions by 2050**
- **In addition to analyses and disclosure of natural capital and biodiversity, the Bank expands support to its clients gradually**

【Climate Change】Initiatives for Net Zero Emissions by 2050

Reducing GHG Emissions at investees and borrowers

- The Bank provided solutions such as finance and GHG measurement support and promote decarbonization efforts to achieve targets for reducing loan and investment portfolio emissions.
- In loan portfolio, the Bank is working on setting targets for the nine sectors designated by NZBA (*1). Following on the electricity sector, the Bank plans to set targets in multiple sectors in FY2023.

(※1) Net Zero Banking Alliance : Global Financial Institutions' Initiative to Achieve Net Zero Emissions by 2050

		FY2019 (Standard)	FY2020 (Actual)	FY2030 (Target)
Loan	Electric power	213 gCO2e/kWh	**217** gCO2e/kWh	138-165 gCO2e/kWh
Investment	Stocks/ Corporate bonds	0.66 tCO2e/million yen	**0.55** tCO2e/million yen (▲**17%** compared to FY2019)	▲**49%** compared to FY2019

【Natural Capital and Biodiversity】Initiatives for Nature Positive

Contribution to international disclosure framework

- Mr. Hideshima, Executive Advisor of the Norinchukin Bank, serves as a taskforce member of TNFD (*2) to develop an international disclosures framework.
- TNFD Recommendations (v1.0) was published in September 2023.

(※2) Taskforce on Nature-related Financial Disclosures: the international initiative officially launched in June 2021 to develop and provide a framework for disclosing nature-related financial information.

Response to TNFD

- Implemented initial disclosures based on the nature reliance of the Bank's portfolio, impact analyses and TNFD framework.
- In November 2023, the Bank declared the adoption of TNFD recommendations (*3).

(※3) TNFD is in the midst of a campaign to declare early adoption by the Meeting in Davos in January 2024

Support for companies

- The Bank and the three financial groups (*4) established FANPS (Finance Alliance for Nature Positive Solutions) and started to provide services to support companies' transition to Nature Positive, such as providing tools for diagnosing status.

(※4) Sumitomo Mitsui Financial Group, Inc., MS&AD Insurance Group Holdings, Inc., Development Bank of Japan, Inc.

〔Service provided by FANPS〕

- "FANPS Simple Diagnostic Tool" that enables companies to understand the requirements and their compliant status using a simple WEB diagnosis.
- Seminars for disclosure of natural-related information and TNFD introductory workshops.

FANPS Website

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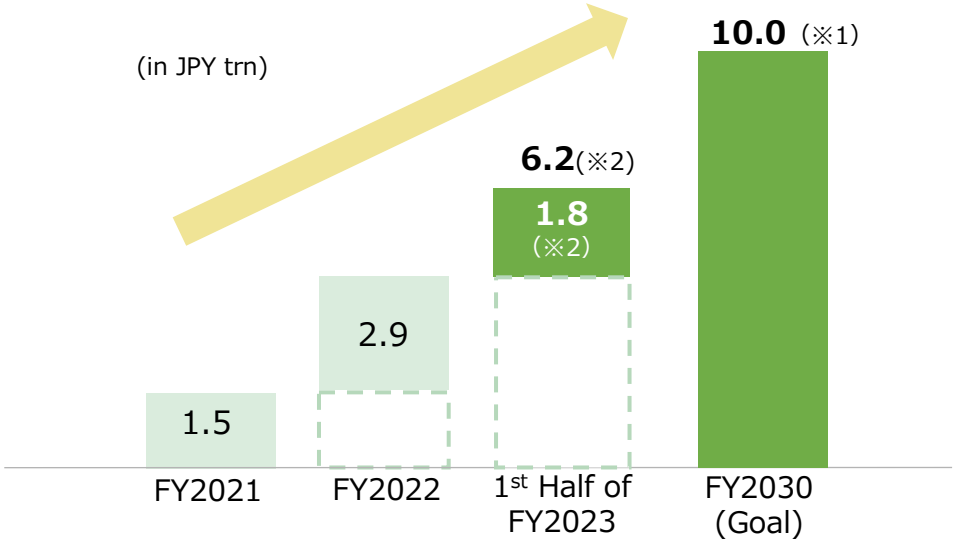
Sustainable Finance

- **Newly executed sustainable finance during the 1st Half of FY2023 reached approximately JPY 1.8 trillion**
  (Cumulative amount of sustainable finance from the beginning of FY2021; JPY 6.2 trillion)

New Sustainable Finance

The amount of new sustainable finance (from FY2021 to FY2030)



(※1) Cumulative amount of new finance from FY2021 (※2) Preliminary figure

Breakdown of sustainable finance (cumulative amount)

Investments & Loans	Market Investment Assets etc.	JPY 3.8 trillion
	Project Finance	JPY 1.4 trillion
	ESG Loans	JPY 0.8 trillion
Funding	Green Bonds and Green Deposits	JPY 0.3 trillion

Examples

Syndicated "Transition Loan" by JA Bank members

- JA Bank members formed a syndicate to provide transition loans to electric power companies that are working to reduce GHG emission based on a long-term strategy to realize decarbonized society.

Green loan for logistics companies

- The Bank implemented green loans to low-temperature food logistics companies to fund the construction of new environmentally friendly logistics warehouses, such as energy-saving performance and solar panel installation.

Investing in "Sustainability Awareness Bonds" under the theme of natural disaster risk management

- The Bank invested in sustainability awareness bonds issued by the European Investment Bank. Through this investment, the Bank expects its contribution to the development of safe and sustainable communities by providing funds for the infrastructure development that supports the realization of natural disaster risk management .

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Initiatives for Innovation Investment

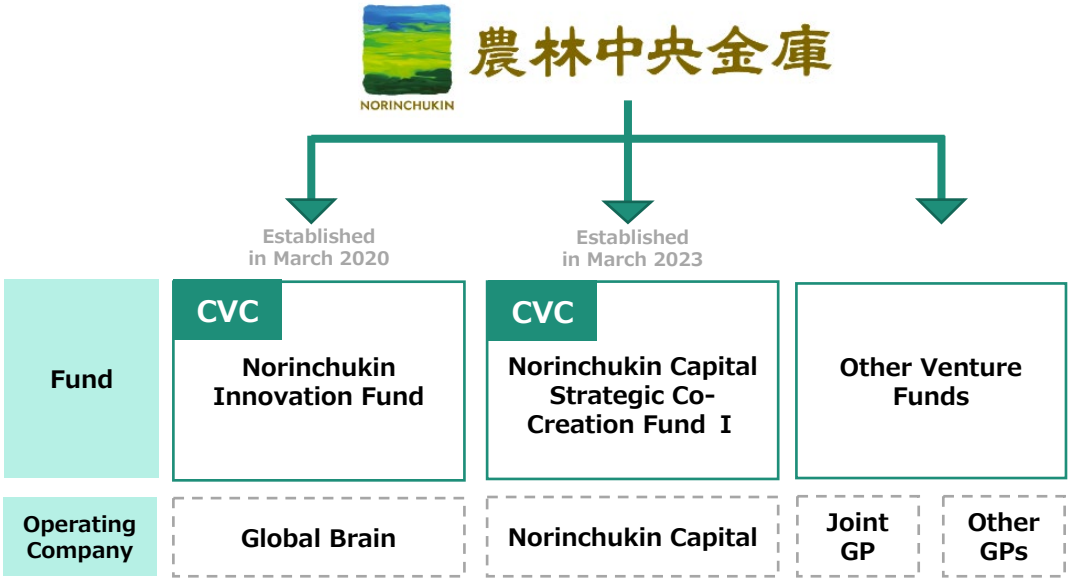
- **The Bank established a new fund to continue and strengthen strategic investment in start-up companies and invested in "eFishery Pte. Ltd." as the first project**

The continuation and reinforcement of innovation investment related to "Sustainable," "AFF industries," and "Life"

Establishment of Norinchukin Capital Strategic Co-Creation Fund Ⅰ

- Norinchukin Innovation Fund was established in 2020 and started corporate venture capital (CVC) business to contribute to the development of AFF industries and the realization of carbon free and nature positive through strategic investment in startup companies in Japan and abroad. Norinchukin Innovation Fund completed 25 investments by September 2023.
- With the aim of continuing and strengthening such efforts further, Norinchukin Capital Strategic Co-Creation Fund Ⅰ was established in May 2023.
- This fund invests in domestic and overseas startup companies to solve issues related to sustainability, AFF industries and life and to realize a prosperous society, while utilizing the networks of the JA/JF/JForest Group including AgVenture Lab(※1).

(※1) Incubation facility operated by eight JA Group organizations including the Bank



Investment in an aquaculture related company

eFishery

- The Fund has acquired an interest in eFishery Pte.Ltd., a unicorn company (※2) that develops a fishery platform business including aquacultural IoT.
- eFishery Pte. Ltd. provides cross-cutting supply-chain solutions to upgrade the business operations of small-sized aquacultural farmers, such as aquacultural IoT devices, the marketplace for farmers to sell the produced fish to buyers such as retailers and processors and to connect with feed suppliers, and financial services to meet the farmers' capital needs.

(※2) Companies with market capitalization of over USD1billion

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Human Resources Strategy

- **The new basic policy for human resources management with two major pillars: autonomy and expertise**
- **Under the new policy, the Bank implemented the fundamental reform of its personnel system and introduced measures to foster self-directed career development and expertise**

Basic Policy on Human Resources Management

Continuously support employees who continue to autonomously take on challenges and make changes as financial professionals with a sense of contributing to the AFF industries and local communities.

Autonomous Career Development

Personnel placement through firm-wide open job posting

- Adopted the "Job Posting Program" to enable autonomous selection of one's next job, the "Course Change Program" to expand the fields of action, and the "Trainee System" to send secondees both inside and outside Japan to provide broader job experience opportunities.

System for employees to choose their own transfers

- Separated job types from job relocation requirements, allowing the employee to choose whether or not to relocate according to life stage.

Flextime System

- Introduced a flextime system without core time to realize autonomous and diverse working styles.

Fostering expertise

Job Group

- Defined a set of job groups as new units to foster expertise (to be fully introduced in FY2024).
- Employees register job group(s) based on their preference and competence initially and eventually form a mid-to long-term career centered on the job group(s) they registered.

Group Job Description

- Developed group job descriptions that visualize the experience and skills required for each job types.
- Introduced "Job Competency" as a new measure of expertise to be used for evaluation and career development.

Implementing Human Capital Management

Human Resource Development Initiatives

Introduction of firm-wide 1-on-1 supporting tools toward autonomous career development

Training System

Educational Programs by Job Groups

Food and Agriculture	CC※1	GI ※2
Administrative/IT	Risk	Audit
Legal	Finance Accounting	BE ※3

For all levels

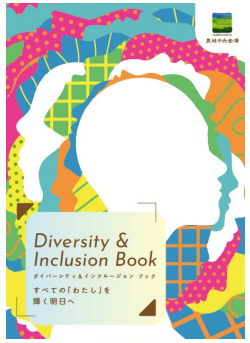
General-purpose skills, etc.

- DX
- Mana-gement
- Lang-uage
- ⋮

※1 : Cooperative Central Banking（Retail）
※2 : Global Investments　※3 : Business Expert

Promoting Diversity & Inclusion (D&I)

- Published "Diversity & Inclusion Book" in July, which summarizes the Bank's D&I promotion initiatives. (currently in Japanese only)
- Ongoing progress being made to further promote D&I and implement work-style reforms.



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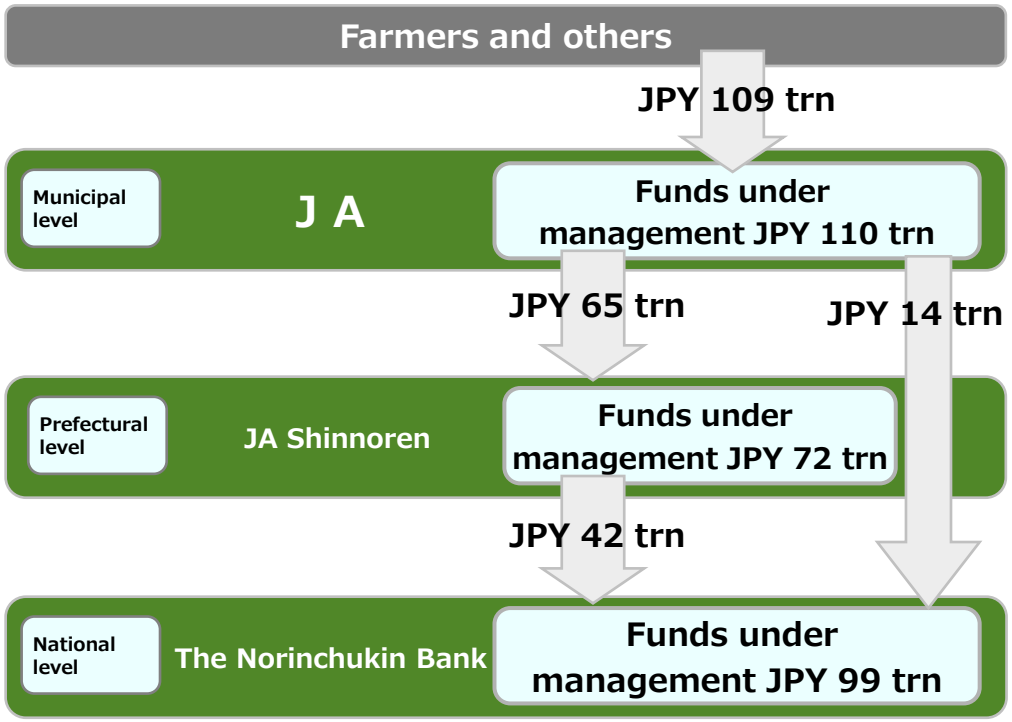
Business Base of JA Bank

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.

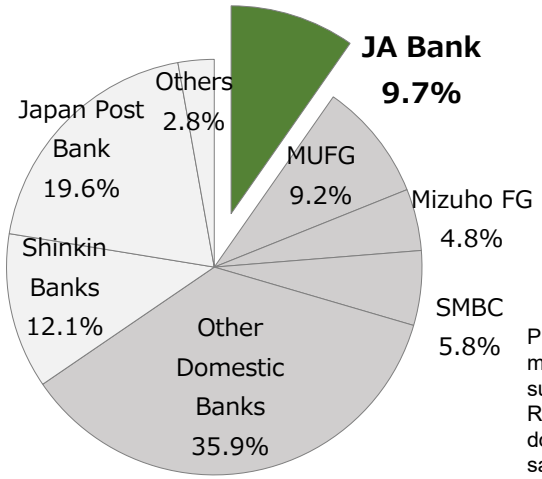
Flow of Funds in JA Bank (As of Sep. 30, 2023)



Total funds under management of JA Bank* JPY 160trn

* Total funds under management =
Funds under management – Deposits

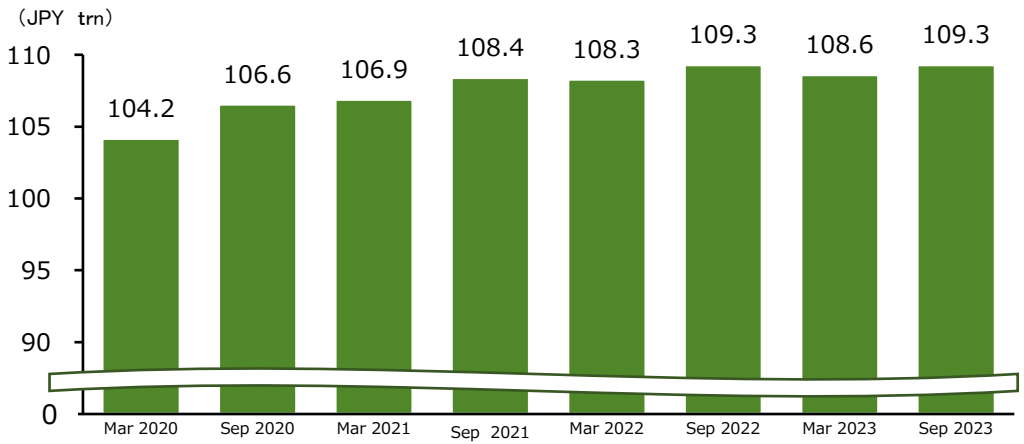
Retail Deposits and Savings in Japan (As of Mar. 31, 2023)



Total: JPY 993 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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