

Compensation

(1) COMPENSATION STRUCTURE FOR DIRECTORS AND EMPLOYEES OF THE BANK

Definition of the Directors and Employees Process

The scope of the Directors and the Employees stipulated in the Compensation Notification (Notification No. 10 in 2012 of the Financial Services Agency and Ministry of Agriculture, Forestry and Fisheries) who are subject to compensation disclosure is described below.

■ Definition of the Directors

The Directors are the Bank's Board members and auditors. The Supervisory Committee members and part-time auditors are excluded from the scope.

■ Definition of the Employees

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

Definition of Major Consolidated Subsidiaries

Major consolidated subsidiaries are the subsidiaries whose ratio of total assets to the Bank's consolidated total assets is 2% or higher, and have a material impact on the Group management. However, none of the Bank's consolidated subsidiaries fall under this category.

Determining the Directors' Compensation

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

Definition of "Highly Compensated Persons"

Highly Compensated Persons are persons whose compensation is higher than the average for the Directors, and is calculated by dividing Total Compensation described in the chart "Total Compensation for the Directors" by the number of directors stipulated in the table. Regarding retirement lump sum payments, once the total retirement lump sum payment has been subtracted from total compensation, the amount obtained by dividing the total lump sum payment by the number of years in office is then added to the remaining compensation amount. This amount is regarded as person's total compensation and becomes the basis of the judgment whether the person will be a Highly Compensated Person. None of the Bank's directors other than the Directors, or the Bank's employees falls under this category.

Definition of "Persons who Exert a Material Impact on the Business Operations or Financial Status of the Group"

Persons who Exert a Material Impact on the Business Operations or Financial Status of the Group are those whose ordinary transactions and areas of management exert a considerable influence on the business operations of the Bank, the Group, and the major consolidated subsidiaries, or persons whose transactions exert a considerable influence on the financial status of the Group through the generation of losses. None of the Bank's directors other than the Directors, or the Bank's employees, as well as the directors or employees of its major subsidiaries fall under this category.

attorneys and CPAs.

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

Within the limits of total compensation decided at the Council of Delegates, the compensation of directors is decided at the Board of Directors meeting and the compensation of auditors is decided through auditor consultation.

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

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

The Director Compensation Deliberation Committee convened twice between April 2011 and March 2012. The

Committee members receive no compensation.

(2) MATTERS RELATED TO THE EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND OPERATION OF THE BANK'S COMPENSATION STRUCTURE FOR THE DIRECTORS

Compensation Policy

■ Compensation Policy for the Directors

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

In light of the special nature of the Bank's role as the central organization for cooperatives as well as financial institution for farmers, fishermen, and foresters, director compensation is decided and fixed based on the directors' rank after taking into account the business conditions of the Bank and trends in cooperative groups and other business sectors.

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

The decision-making process for the retirement benefits

is as follows. Proposals presented for total director compensation and retirement benefits are decided in the Supervisory Committee based on the results of the Director Compensation Deliberation Committee's discussions. These proposals are then finally discussed and decided at the Council of Delegates.

Within the limits of total compensation decided at the Council of Delegates, the compensation of directors is decided at the Board of Directors meeting and the compensation of auditors is decided through auditor consultation.

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

(3) THE BANK'S COMPENSATION STRUCTURE FOR THE DIRECTORS, ITS RISK MANAGEMENT CONSISTENCY, AND THE LINK BETWEEN COMPENSATION AND PERFORMANCE

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

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

(4) OTHER MATTERS FOR REFERENCE CONCERNING THE BANK'S COMPENSATION STRUCTURE FOR THE DIRECTORS

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

Total Compensation for the Directors (from April 1, 2011 to March 31, 2012)

Category	Number of directors	Total compensation (Millions of yen)	Total compensation			
			Basic compensation	Bonus	Retirement benefits	Other
Subject directors	19	¥618	¥442	—	¥176	—

Notes: 1. Directors who retired during fiscal 2011 are included in the number of subject directors.

2. Retirement benefits are presented as provision of reserve for retirement benefits posted in fiscal 2011.