

# Business Outline

## FINANCE FOR COOPERATIVE ORGANIZATIONS

As the main bank for the agricultural, fisheries and forestry industries, the Bank has created a unique cooperative financing program called the Agricultural, Forestry, and Fisheries Support Fund. It is aimed at providing financial support for the development of Japan's agricultural, fisheries and forestry industries, as well as related cooperative organizations. This is accomplished by developing leaders in the agricultural, fisheries and forestry industries and promoting environment-friendly agricultural practices.

Although cooperative organizations (JA, JF, JForest and other related federations) are taking a leading role in these initiatives as financial contact points for leaders in the agricultural, fisheries and forestry industries, the Bank is playing a complimentary role and providing financial support to the cooperative organizations. This financing for cooperative organizations, which is directly linked to the development of the agricultural, fisheries and forestry industries, has been positioned as the Bank's core business since its establishment.

## CORPORATE FINANCE

The Bank's customers span a wide range of fields including those directly involved in the agricultural, fisheries and forestry industries, such as the food industry where agricultural, fishery and forestry products are processed; the pulp and paper industries; the chemical and machinery industries that produce production materials for primary industries; and the trading, supermarket and restaurant industries that distribute primary industry products. The Bank also deals with customers in other fields, including the leasing, credit, IT, telecommunications, real estate and service industries.

The Bank provides its customers with a diverse range of financial services drawing on its solid financing ability and its expertise cultivated from the experience in its global investment and lending activities. The Bank's basic policy is to contribute to the socioeconomic development of Japan as well as to the development of

Japan's agricultural, fisheries and forestry industries. Through these contributions, the Bank hopes to grow and develop together with its customers.

For customers entering overseas market and requiring funding for M&A, the Bank actively responds to them using its foreign currency funding ability through cooperation among its overseas offices located in New York, London and Singapore and branches in Japan.

Additionally, the Bank proactively offers business matching services for its customers and primary industry workers to act as a "bridge" between their needs.

## SECURITIES INVESTMENT

### ❖ The Bank's Basic Asset Management Approach

The Bank is one of the largest financial institutions in Japan and, at the same time, it is one of Japan's leading institutional investors. The Bank's balance of securities and money held in trust totals approximately ¥57 trillion, which accounts for a major portion of the Bank's total assets under management.

The Bank invests in securities under the basic concept of "globally diversified investment." The goal of this approach is to achieve a high return in the medium- to long-term by investing in assets with diversified risk-return characteristics while minimizing risks encountered each fiscal year in situations such as rising interest rates and declining stock prices. The Bank conducts a multifaceted analysis based on geographical location (Japan, the United States, Europe, and other countries and regions) and asset class (bonds, equities, credit assets and alternative investments), and then flexibly reviews its allocation of assets depending on changes in market conditions.

In pursuit of investment returns, the Bank uses external investment companies. The Bank carefully reviews the investment processes, compliance systems, management philosophy and strategies, asset management records, and other matters of external investment companies under consideration. After selection, the Bank closely monitors their performance from both

quantitative and qualitative perspectives. This allows the Bank to systematically examine their performance on a continuing basis to decide whether or not to continue business relationship.

### ❖ Investment Approach by Asset Type

Bonds account for a major portion of the Bank's assets due to their risk-return characteristics and other attributes, and are the Bank's core investment tool. When making investment decisions, the Bank gives full attention not only to interest rate risk but also to credit and liquidity risks. The Bank has built up an efficient bond portfolio through investments in various types of bonds, including Japanese government bonds, government agency bonds, mortgage-backed bonds and foreign corporate bonds.

In selecting equity investments, the Bank considers risk-return characteristics and correlations with other asset classes to manage its portfolio with a long-term view. While the Bank's strategy for equity investments focuses on passive investing linked to various stock indices, the Bank complements this strategy with active investing aimed at generating returns beyond those obtained from the index-linked passive approach through diversified domestic and foreign stock investments.

In credit and alternative investments, the Bank selects low-risk assets based on global credit cycle analysis, risk-return profile in various investment asset classes, and the analysis of correlations with conventional assets (bonds and stocks).

In managing foreign currency assets, the Bank takes steps to limit foreign exchange risk in most of these



investments by employing various tools, such as foreign currency funding.

### ❖ Market Asset Management System

Major decisions related to the Bank's market investment portfolio are reached systematically by the Market Portfolio Management Committee and the Credit Portfolio Management Committee, both of which are composed of the management and general managers of relevant divisions. Moreover, in sections engaging in market transactions, the Bank has created a mutual checking system among the front office (for execution of transactions), middle office (for monitoring) and back office (for processing and settlement) that operate independently from each other.

The front office executes transactions based on policies drawn up at each Portfolio Management Committee. The committee also focuses on optimizing transaction efficiency, constant and careful monitoring of market trends, developing proposals for new transaction plans, and other activities. To put the Bank's concept of globally diversified investment into practice, the front office sections create more efficient and effective management systems wherein domestic and international investments are integrated within bonds, equities and other investment instrument categories.

The middle office sections are responsible for checking the appropriateness of front office sections' execution, as well as measurement of risk volumes utilizing stress tests and other methods.

### ❖ Short-Term Money Market Transactions

In its role as the national-level financial institution for Japan's agricultural, fishery and forestry cooperatives, the Bank exercises efficient control over its available cash, principally surplus funds from the cooperatives, and manages these funds in the domestic money market. The Bank is a leading and active participant in Japan's short-term money market.

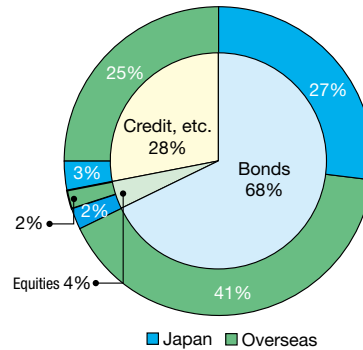
In addition, as a leading institutional investor, the Bank makes diversified investments in international capital markets and actively uses foreign currency markets to fund these investments.

Proper liquidity risk management is a prerequisite for the Bank's business continuity and stable management of its portfolio. Accordingly, the Bank monitors its cash flow and that of the cooperative banking system, as well as domestic and international market trends. In Japan, the Bank is an active participant in the interbank market and other markets such as the repo market. The Bank assumes a leadership position in these markets and also plays a major role in expanding market functions. Through its participation in the Research Committee for Revitalization of Short-Term Money Market and other organizations, the Bank also contributes to improving market practices.

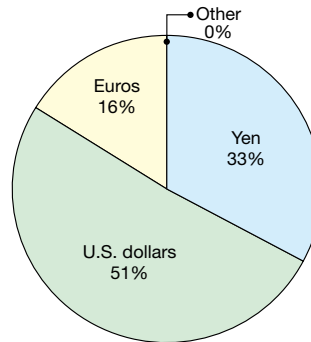
In foreign currency funding markets, backed by its high credit standing, the Bank conducts stable and efficient transactions, such as foreign currency funding transactions for globally diversified investment. Foreign currency funding utilizing various funding tools is managed in unison among teams in the Bank's head office and its three overseas branches in New York, London and Singapore.

Additionally, the Bank exercises exacting control over settlement and liquidity risks while simultaneously providing settlement functions at the Bank of Japan on behalf of cooperative organizations. Through its participation in the CLS System (multi-currency cash settlement system), a framework for foreign currency settlement, the Bank contributes to building a network required for managing settlements in U.S. dollars, euros and other major currencies.

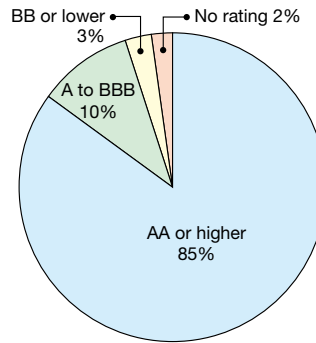
▼ Breakdown of Market Assets by Risk



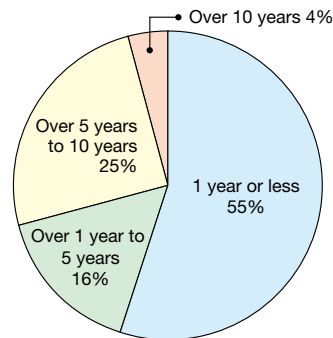
▼ Breakdown of Market Assets by Currency



▼ Breakdown of Bonds and Credit Assets by Rating



▼ Breakdown of Bonds and Credit Assets (excluding those with no maturity) by Maturity



\* All data are as of March 31, 2013, on a non-consolidated basis.

## Foreign Exchange Transactions

As a market participant representing the cooperative banking system, the Bank has formed an efficient and highly skilled dealing team with the primary aim of responding to the needs of its customers, including cooperative organizations and companies related to the agricultural, fisheries and forestry industries.

## Trading Services

The Bank trades in financial derivatives and various other financial products in order to meet the needs of its customers. It also strives to improve dealing profitability from its various financial products through arbitrage transactions, options and a range of other techniques.

## DEPOSIT SERVICES

### Features of the Bank's Deposits

Deposits from cooperative members comprise the majority of the Bank's deposits. Other deposits consist primarily of those from companies involved in the agricultural, fisheries and forestry industries and nonprofit organizations, such as local public bodies. This is due to the Bank's role as the national-level cooperative financial institution for the agricultural, fisheries and forestry industries.

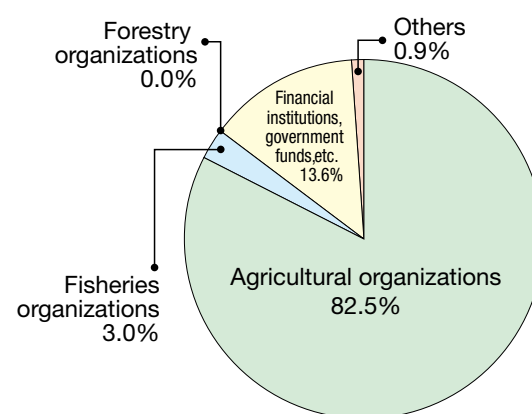
#### • Deposits from JA Bank and JF Marine Bank Members

Savings deposited with JA and JF by their individual members and local customers are used to finance individual members, local customers, companies, local public bodies and other such organizations. Surplus funds are then deposited with JA Shinnoren (Prefectural Banking Federations of Agricultural Cooperatives) or JF Shingyoren (Prefectural Banking Federations of Fishery Cooperatives) at the prefectural level. These funds, in turn, are used by JA Shinnoren or JF Shingyoren to finance agricultural and fisheries organizations, companies involved in the agricultural and fisheries industries, local public bodies and other such organizations. Surplus funds are then deposited with the Bank.

In its capacity as the national-level cooperative banking institution in the cooperative banking system, the Bank is responsible for centrally managing funds steadily deposited in this manner.

To enable members and local customers to deposit their valued savings with a sense of security, JA, JF, JA Shinnoren, JF Shingyoren and the Bank are protected under the Agricultural and Fishery Cooperative Savings Insurance System, a public system that insures deposits.

### Balance of Deposits with the Bank



(As of March 31, 2013)

Total: ¥47,456.4 billion

\* Excludes negotiable certificates of deposit

## NORINCHUKIN BANK DEBENTURES

In accordance with the Norinchukin Bank Law, the Bank is authorized to issue Norinchukin Bank Debentures as a source of funding. The Bank regularly issues two types of debentures: the Ritsuki Norinsai, primarily issued to institutional investors as a five-year investment product, and the Zaikisai, issued as a savings product.

The balance of issued and outstanding debentures as of March 31, 2013 totaled ¥4,619.2 billion. The funds raised through issuance of Norinchukin Bank Debentures have been used for purposes that include financing for the agricultural, fisheries and forestry industries as well as for companies related to these industries.

## SETTLEMENT SERVICES

Cooperative financial institutions, comprising JA, JA Shinnoren, JF, JF Shingyoren and the Bank, have one of the largest networks among private financial institutions in Japan, at approximately 8,800 locations (as of March 31, 2013). At the heart of this network is the Cooperative Settlement Data Transmission System, which is operated jointly by the cooperative financial institutions.

### Domestic Exchange Business Leveraging Special Characteristics of Cooperatives

As the national-level financial institution for Japan's agricultural, fishery and forestry cooperatives, the Bank has focused on expanding and upgrading settlement services for all cooperatives. Domestic exchange business plays an important role in the settlement of proceeds from the sale of agricultural, fishery and forestry products that connect points of consumption and production. Leveraging the special characteristics of cooperatives with their extensive nationwide network, the Bank conducts domestic exchange transactions with banks that are members of the national bank domestic exchange system through the Interbank Online Data Telecommunication System in Japan (Zengin System).

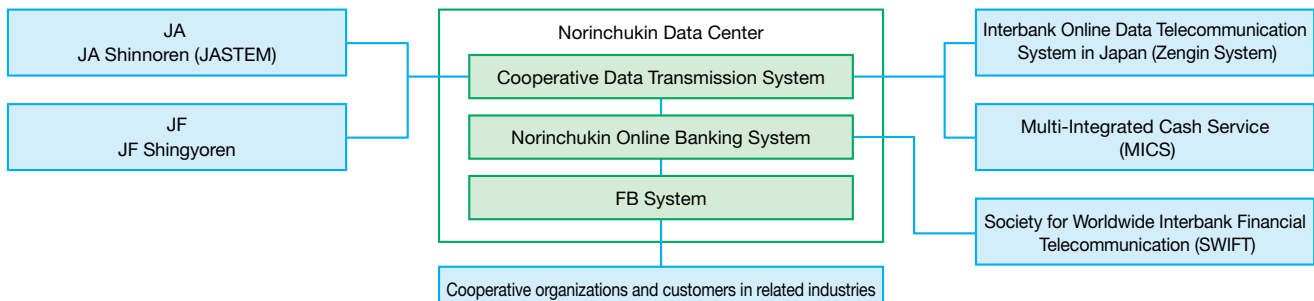
### Cash Dispenser and ATM Network

Through the JA Online Savings Service and the JF Online Savings Service, cooperative banking institutions are developing a nationwide network of ATM machines and cash dispensers. In addition, as a member of the Multi-Integrated Cash Service (MICS) network, a cross-sector online alliance service of cash dispenser and ATM operators, the cooperative banking institutions are part of an alliance of seven private sector banks (city banks, regional banks, trust banks, second-tier regional banks, shinkin banks, credit associations and labor banks). This enables savings withdrawals and balance inquiries at cash dispensers and ATMs, not only at the cooperative banking institutions, but also at most other financial institutions throughout Japan. The cooperative banking institutions have also formed cash dispenser and ATM online alliances with Japan Post Bank and Seven Bank.

### Direct Deposit and Fund Transfer Services

Massive volumes of various data related, for instance, to direct deposit of salary and pension and direct transfer of utility payments are swiftly processed in cooperation with the Cooperative Data Transmission System and unified IT infrastructure platforms for JA and JF. By connecting to the Zengin System, the Bank receives data on direct deposits of salary and other information from other financial institutions.

#### Networks with Customers in Japan and Overseas



## Networks with Customers in Japan and Overseas

The Bank has formed a network for customer transactions placing the Cooperative Data Transmission System and the Norinchukin Online Banking System at its core. It also offers a diversified range of sophisticated services, such as remittance services through the “firm banking” system for cooperative banking customers, and uses the Society for Worldwide Interbank Financial Telecommunication (SWIFT) settlement system for transactions between the Bank’s head office or overseas branches and overseas financial institutions.

### Number of Cash Dispensers and ATMs

|                  | No. of cooperative members* | No. of locations* | No. of ATMs and cash dispensers |
|------------------|-----------------------------|-------------------|---------------------------------|
| Norinchukin Bank | 1                           | 20                | 0                               |
| JA Shinnoren     | 35                          | 54                | 701                             |
| JA               | 711                         | 8,352             | 11,408                          |
| JF Shingyoren    | 30                          | 120               | 268                             |
| JF               | 137                         | 221               | 133                             |
| <b>Total</b>     | <b>914</b>                  | <b>8,767</b>      | <b>12,510</b>                   |

\* Number of cooperative members and locations that handle domestic exchange operations, as of March 31, 2013

## HEAD OFFICE AND BRANCH OPERATIONS (DOMESTIC AND OVERSEAS)

### The Bank’s Domestic Offices

Domestic offices of the Bank comprise the head office and 19 branches located throughout Japan (as of July 31, 2013).

In February 2013, the Chiba Branch was opened.

### Domestic Branches’ Roles

The principal business roles of domestic branches are to: (1) act as fund-receiving centers for deposits made by cooperative members; (2) make loans to agricultural, fisheries and forestry industry workers, corporations related to these industries and local public bodies as part of investment activities and (3) conduct business related to the JA Bank System and the JF Marine Bank System.

### The Bank’s Overseas Branches and Representative Offices

To respond accurately to changes in the globalization of domestic and overseas capital and financial markets, the Bank maintains branches in the world’s key international financial centers, and is expanding and enhancing its international financial functions.

In addition to branches in New York, London and Singapore, the Bank has representative offices in Beijing and Hong Kong.



# The Norinchukin Group Companies

The Bank, in line with its overall strategy for the cooperative banking business, works together with its group companies engaging in a wide range of business activities related to the Bank.

## Trust and Banking Company

The Norinchukin Trust & Banking Co., Ltd. plays the following basic roles by providing: (1) trust products and services to individual members of cooperatives such as JA and local communities, leveraging the network of the agricultural, fishery and forestry cooperatives, (2) asset investment and management products to organizations connected to the Bank and its group companies and (3) financing and fund management tools for customers including corporations and pension funds that leverage its trust services. Assets under management and administration by this company exceed ¥15 trillion. The Norinchukin Trust & Banking also focuses on asset management for individual members of JA, offering inheritance trust services.

## Companies that Support the Organizational Base of the Cooperative Banking Business

- Norinchukin Research Institute Co., Ltd. is the think tank of cooperative financial institutions and supports the cooperative banking business through its survey and research activities. The scope of its activities includes (1) performing medium- to long-term research for the agricultural, fisheries and forestry industries and on environmental issues, (2) practical research on agricultural, fishery and forestry cooperatives, (3) providing economic and financial information to cooperative organizations and customers and (4) research that contributes to recovery from the Great East Japan Earthquake. The Institute's periodicals and research including The NORIN KINYU, Monthly Review of Agriculture, Forestry and Fishery Finance and the Kinyu Shijo (Financial Markets) can be viewed on its website.  
(<http://www.nochuri.co.jp/english/index.html>)

- Kyodo Seminar Co., Ltd., as a training specialist for cooperative members, is involved in training directors and employees engaging in banking business by conducting group trainings, correspondence courses, certification exams, dispatching trainers, and publishing training materials. In fiscal 2012, 14,000 employees took correspondence courses and 14,000 took certification exams, new records for both.

## Companies that Complement the Business Base of the Cooperative Banking Business

- Kyodo Housing Loan Co., Ltd. provides mortgages in partnership with more than 200 companies in the fields of housing and real estate sales, housing manufacturing and other related areas, in addition to providing guarantee services for JA Bank's mortgages. The company also handles Flat 35 mortgages in alliance with the Japan Housing Finance Agency.
- Norinchukin Zenkyoren Asset Management Co., Ltd., responds to the asset management needs of a range of financial institutions and institutional investors, including cooperative members, through development and offering of investment funds. It is one of Japan's top originators of funds sold through private offering. This company also offers main investment trust products sold in the branches and offices of cooperative banking institutions.
- The Cooperative Servicing Co., Ltd., is a Ministry of Justice-approved debt collection company that manages and collects non-performing loans held by cooperative members. It also seeks early repayment of delinquent loans.

- JA MITSUI LEASING, LTD. is a general leasing company that responds to the increasingly diverse and sophisticated financial needs of customers. It plays a key role in providing lease-related services to cooperative members and people engaged in the agricultural, fisheries and forestry industries. (<https://www.jamitsuilease.co.jp/en/index.html>)
- The Agribusiness Investment & Consultation Co., Ltd., incorporated in accordance with the Act on Special Measures concerning Facilitation of Investment to Agricultural Corporations, invests in agricultural corporations nationwide and in companies involved in processing and distribution of agricultural products in order to help secure financial stability and growth of agricultural leaders of tomorrow.
- Agricultural, Forestry, and Fishery Cooperative Investment Co., Ltd. was established in February 2013 as a company that manages a fund (Limited Partnership for Investment in Agricultural, Forestry and Fishery Enterprises) capitalized by investors such as the Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (A-FIVE-J). Through investment by the fund in sixth industrialization business entities, the company helps develop these entities and contributes to the regeneration of the agricultural, fisheries and forestry industries, improve the incomes of workers in these industries, revitalize rural communities and boost employment.
- Mitsubishi UFJ Nicos Co., Ltd. is a leading Japanese credit card company. It issues JA Cards, cash-and-credit cards for JA, and arranges guarantees for JA Bank loans. There are currently about 1.6 million JA Card members.

## ❖ Companies Working to Rationalize and Streamline the Cooperative Banking Business

- Nochu Business Support Co., Ltd. is entrusted with the administrative work of the Bank and its group companies to meet their outsourcing needs. For instance, the Bank's Operations Center entrusts its work to the company.
- Norinchukin Facilities Co., Ltd. is entrusted with facilities-related work such as cleaning and security as well as food service operation at Bank-owned facilities. It became a wholly-owned subsidiary of the Bank in May 2012 and changed its name from Eiraku Co., Ltd. in April 2012.
- Nochu Information System Co., Ltd. is entrusted with the development and operation of the Bank's various computer systems, including the core banking system. It also plays a major role in the Bank's IT strategy. The company is responsible for all developmental and operational aspects of the nationwide JASTEM System, JA Bank's key computer system (a large retail system, which administers approximately 45 million accounts and 12,000 ATMs).
- Daiichi Life Norinchukin Building Management Co., Ltd. manages, operates and maintains DN Tower 21, which is occupied by Dai-ichi Life Insurance Company and the Bank.

## ❖ Others

- Ant Capital Partners Co., Ltd., invests in and manages private equity funds. (<http://www.antcapital.jp/english/index.html>)
- Norinchukin Finance (Cayman) Limited is a special purpose company incorporated outside Japan for the purpose of raising capital for the Bank.