

# Compensation

## ■ Compensation Structure Disclosure

The Bank has disclosed its compensation structure since March 2012 based on Notification No. 10 in 2012 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries of Japan entitled “Matters set forth separately by the Minister of Agriculture, Forestry

and Fisheries of Japan and the Financial Services Agency Commissioner, based on Article 112-6 of the Ordinance for Enforcement of The Norinchukin Bank Law, Article 112-6 and Article 113-4 of said Ordinance” (hereinafter “Compensation Notification”).

## 1. Compensation Structure for the Subject Directors and Employees of the Bank

### ■ Definition of the Subject Directors and Employees

The scope of the Subject Directors and the Subject Employees stipulated in the Compensation Notification who are subject to compensation disclosure is described below.

#### ● Definition of the Subject Directors

The Subject Directors are the Bank’s Board members and Audit & Supervisory Board members. The Supervisory Committee members and part-time Audit & Supervisory Board members are excluded from the scope.

#### ● Definition of the Subject Employees

Among the Bank’s directors other than the Subject 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 Subject Employees and are thereby subject to compensation disclosure. None of the Bank’s directors other than the Subject Directors, or the Bank’s employees, as well as the directors or employees of its major subsidiaries fall under the category of the Subject Employees.

#### 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 which have a material impact on the Group management. However, none of the Bank’s consolidated subsidiaries fall under this category.

### ■ Determining the Subject 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 receive retirement benefit payments, as well as the standards for such payments. The Director Compensation Deliberation

#### Definition of Highly Compensated Persons

Highly Compensated Persons are those persons whose compensation is higher than the average for the Subject Directors, calculated by dividing the total compensation described in the chart “Total Compensation for the Subject 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 the 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 a person’s total compensation and becomes the basis of the judgment whether the person is a Highly Compensated Person. None of the Bank’s directors other than the Subject 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 persons 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 Subject Directors, or the Bank’s employees, as well as the directors or employees of its major subsidiaries fall under the category of Highly Compensated Persons and Persons who Exert a Material Impact on the Business Operations or Financial Status of the Group.

Committee is composed of committee members (cooperative organization representatives, attorneys, CPAs, and President and Chief Executive Officer) 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 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 Audit & Supervisory Board members is decided

through Audit & Supervisory Board members 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 Audit & Supervisory Board members consultation for Audit & Supervisory Board members.

## ■ 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 2013 and March 2014. The

Committee members received no compensation.

## 2. Matters Related to the Evaluation of the Appropriateness of the Design and Operation of the Bank's Compensation Structure for the Subject Directors

### ■ Compensation Policy

#### ● Compensation Policy for the Subject 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 bank for cooperatives as well as financial institution for farmers, fishermen and foresters, director compensation is decided and fixed based on a director's 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 a director's 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 by 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 Audit & Supervisory Board members is decided through Audit & Supervisory Board members 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 Audit & Supervisory Board members consultation for Audit & Supervisory Board members.

## 3. The Bank's Compensation Structure for the Subject Directors, its Risk Management Consistency, and the Link between Compensation and Performance

As described in the previous section, the final decision on the Subject 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 Subject Directors

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

### Total Compensation for the Subject Directors (from April 1, 2013 to March 31, 2014)

Category	Number of directors	Total compensation (Millions of yen)	Basic compensation	Bonus	Retirement benefits	Other
Subject directors	20	688	492	—	197	—

Notes: 1. Retired directors are included in the number of subject directors.

2. Retired benefits are the total amount of retirement benefits (excluding retirement benefits provided in past fiscal years) paid in fiscal 2013 and provision of reserve for retirement benefits posted in fiscal 2013.