Our Vision for 2030

Ensure stable returns and play a role as the national level banking institution for the AFF cooperatives

Working together to respond flexibly to the rapidly changing market environment and customer/business partner needs, as well as taking on challenges for new areas and fields, and maintaining a sustainable financial and revenue base, we aspire to continue to ensure stable returns to our members and play our role as the national level banking institution for Japan's agricultural, fishery and forestry cooperatives.

Strengthening a Sound Management Foundation Through Preventive Risk Management

As the environment surrounding us continues to evolve amid escalating geopolitical risks around the world and uncertainty over the economic and financial market outlook, we believe that risk and opportunity are two sides of the same coin, and that appropriate risk management provides the foundation for both soundness and growth.
Based on this recognition, the Bank has continued to enhance its risk management framework. Specifically, we have sought to improve the effectiveness of integrated risk management through measures such as strengthening checks and balances over financial and investment execution through revisions to risk governance, reducing concentrations in specific risks such as interest rate risk, and conducting integrated capital and liquidity stress testing. As we continue to diversify our revenue sources, we will further strengthen preventive risk management through initiatives such as maintaining a risk balance in our business portfolio and enhancing credit risk management.
In addition, we will continue to foster a risk culture that appropriately addresses both risks and opportunities, while strengthening the management foundation that supports sound risk-taking and value creation through the further enhancement of integrated management covering non-financial risks as well.

YASUTAKE Atsushi

Director and Senior Managing Executive Officer
(in charge of Risk Management Unit, Corporate & Shared Services)
Member of the Board of Directors
Chief Risk Officer (CRO) (BCP and financial risks)

Basic Approach

The business environment surrounding financial institutions is changing radically. For the Bank to maintain its high level of financial soundness and continue to meet stakeholders' expectations and perform its fundamental roles, it is increasingly important to recognize risks from a forward-looking perspective and control them appropriately, while engaging in disciplined risk-taking.
To put these into practice, the Bank has introduced the Risk Appetite Framework (RAF) as a management framework. Under the RAF, the Bank works to achieve the goals set out in its Medium-Term Vision and annual initiatives established in accordance with the Vision, while also striving to foster and instill a sound risk culture that supports the management framework.

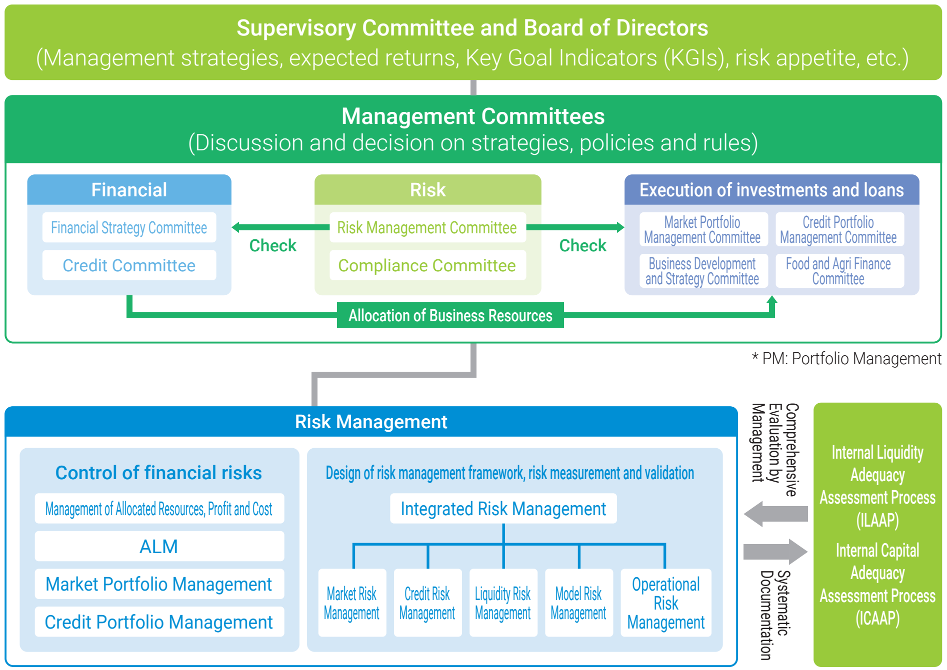
Risk Management

Overview of the Bank's Risk Management

Based on its risk appetite established under RAF, the Bank conducts risk management with the aim of ensuring overall stability and robustness. To ensure its effectiveness, the Bank manages individual risks by assessing materiality and identifying which risks are to be managed in the context of business operations. The Bank also implements integrated risk management by measuring the overall amount of risk using quantitative methods and comparing it with the Bank's capital resources.

For details, see the "Risk Management" section of the Annual Report

Outline of the Bank's Risk Management



* PM: Portfolio Management

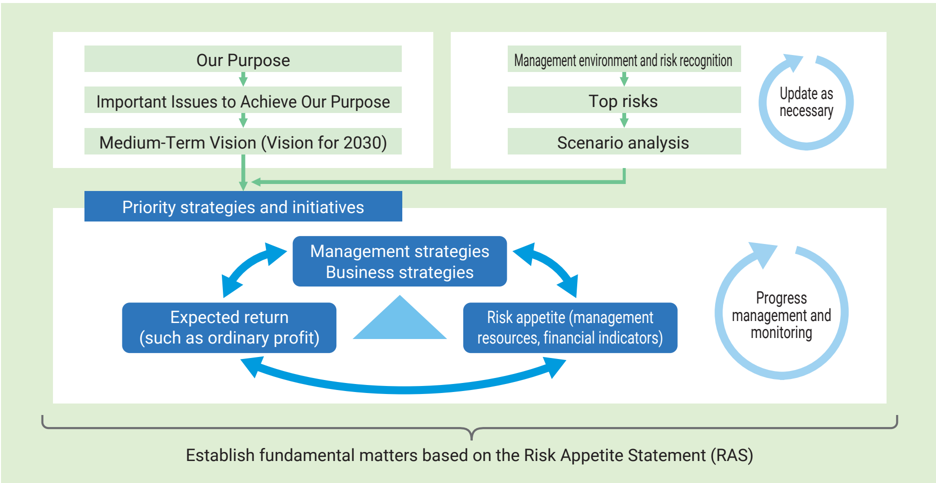
Risk Appetite Framework (RAF)

The Bank's RAF is a framework for disciplined risk-taking and risk-return optimization that clarifies the Bank's management strategies, business strategies, expected return (types and amounts of target returns that are set as business goals), and risk appetite (types and amounts of risks that the Bank is willing to take or accept, as well as optimal management resources), and manages these elements in an integrated manner. In operating the RAF, the Bank further enhances its soundness by adapting to changes in the business environment and pursuing the optimal balance of risk and return.

Implementation of the RAF

The Bank has established its Risk Appetite Statement, which sets out and documents the fundamental principle regarding RAF management. In developing its annual initiatives, the Bank bases its approach on its Risk Appetite Statement, identifying the "Top Risks" (risk events that require particular attention in the future) by taking into account the business environment and risk recognition, analyzing future scenarios through the use of stress testing and other tools, and confirming potential response measures (management actions) that could be taken should such stress events materialize. Based on the results of this analysis, the Bank clarifies the expected returns and risk appetite associated with the execution of its management and business strategies, verifies their appropriateness, and formulates its annual initiatives. In addition to clarifying the policies for managing expected return and risk appetite, the Bank sets Key Goal Indicators (KGIs) and Risk Appetite Indicators. During the fiscal year, the Bank monitors the status of its management and business strategies, expected returns, and risk appetite while updating its assessment of the business environment and risk profiles, and reviewing these as necessary. The RAF is operated in an integrated manner with the PDCA cycle for annual initiatives.

Outline of the RAF



Examples of Top Risks

Top risks

Structural changes in the food & agriculture value chain

- Population decrease and transformation of AFF producers
- Structural change in production-related businesses (processing, distribution and consumption)
- Climate change impacts, etc.

Potential impact **Weakening of the foundations of the AFF industries**

Demographic shifts and structural changes of regional economy

- Shrinking population and aging society
- Shrinkage of regional economy, etc.

Potential impact **Shrinking member and user base**

Uncertainty in the macroeconomy and market conditions

- Increased severity of geopolitical risk
- Inflation acceleration and monetary policy tightening
- Intensifying deposit competition, etc.
- Occurrence of credit crunch
- Rise of sovereign risk from fiscal concern

Potential impact **Instability of the financial base**

Shifts in societal demands and business environment for finance

- Advanced and sophisticated cyberattacks
- Rapid and irreversible change to digitalization
- Occurrence of natural disasters and infectious disease, etc.
- Advanced and sophisticated money laundering and financial crime
- Structural change to finance industry from new entrants

Potential impact **Declining competitiveness, erosion of trust**

* Please note that the above represents only a portion of the risks identified by the Bank.

Enhancing Risk Management (Financial Risks)

To strengthen a Sound Management Foundation through Preventive Risk Management, the Bank is undertaking the following initiatives to enhance its financial risk management framework through the following initiatives.

Risk Governance

- The Bank has strengthened its risk governance framework by reviewing the RAF governance structure and clarifying when proactive risk-taking is prioritized to achieve earnings targets and when soundness and the sustainability of management are given priority, thereby enhancing the checks and balances exercised by the risk management function over financial and investment execution.
- As part of the Bank's risk governance framework, the Risk Management Committee, chaired by the Chief Risk Officer (CRO), is positioned to provide oversight of the various committees responsible for financial management and the execution of investments and loans.

Risk Management Framework

- In addition to regulatory capital management, the Bank is strengthening its risk management framework by establishing mechanisms to prevent excessive concentrations of risk, including the use of economic capital management and the control of specific risks that are of particular importance to financial management, such as interest rate risk, through Risk Appetite Indicators. The Bank is also enhancing its credit risk management and assessment framework.

Risk Management Operations

- The Bank is strengthening its risk management operations by focusing on preventive risk management, including enhanced monitoring for early signs of changes in market conditions and earnings trends, as well as the further utilization of stress testing.

Enhancing Risk Management (Non-Financial Risks)

The Bank is promoting the integrated management of non-financial risks, including information security, conduct risk, operational resilience and third-party risk, all of which have become increasingly important in recent years.

Information security management

The Bank utilizes a variety of information obtained through transactions with customers in its various business operations. At the same time, advancement in information technology have diversified both the environments in which information is handled and the purposes for which it is used. Against this backdrop, the Bank places particular emphasis on information security management among non-financial risks in order to appropriately protect and manage customer information, and has established a governance framework in which the Board of Directors bears ultimate responsibility for maintaining an information security management structure.

The Bank requires all employees to complete information security e-learning programs and provides training programs each year to enhance awareness.

With respect to the handling of personal information, the Bank has established its Personal Information Protection Declaration and maintains an appropriate management framework. The Bank has also established privacy policies applicable overseas, in Europe and the United States. In addition, with respect to suppliers (outsourcing contractors), the Bank has established processes and contractual arrangements designed to ensure risk management standards equivalent to those applied by the Bank itself, thereby promoting the appropriate handling of personal information.

Governance framework for information security

Board of Directors

Compliance Committee

Discussion of key matters relating to the planning and promotion of information security management frameworks, and of root-cause analysis and recurrence-prevention measures for significant incidents (at least 4 times annually)

Legal Affairs & Compliance Division

Oversight division responsible for planning, promoting, and overseeing progress related to information security

Collaboration

Other divisions, branches

Persons responsible for information security (Branch and Division General Managers)

Persons in charge of information security