

## Message from the Management

# Report on Financial Statements for the First Half of Fiscal 2016



**Choe Okuno**

Chairman of the Supervisory Committee

**Yoshio Kono**

President and Chief Executive Officer

In fiscal 2016, as the first year of the “Medium-Term Management Plan,” which covers the three years through fiscal 2018, The Norinchukin Bank (“the Bank”) is proceeding steadily with its business operations and is continuing to work toward becoming the “leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities.”

In the first half of fiscal 2016, financial markets were temporarily thrown into turmoil as investors tended to avoid risks following a referendum in the United Kingdom that resulted in a vote to exit the European Union. However, long-term interest rates and stock prices by and large remained at the same levels as at the end of fiscal 2015. In foreign exchange markets, the yen appreciated due in part to the diminished prospect of interest rate hikes in the United States.

Under such circumstances, the Bank undertook appropriate financial management aiming at stable cash flow. As a result, in the first half of fiscal 2016, the Bank secured Consolidated Ordinary Profits of ¥188.3 billion. At the same time, it maintained its Consolidated Capital Adequacy Ratio at a high level, with a Common Equity Tier 1 Capital Ratio of 20.19%, a Tier 1 Capital Ratio of 20.23%, and a Total Capital Ratio of 26.38%. Within the period of the current Medium-Term Management Plan, the Bank aims to achieve or-

dinary profit of around ¥150.0 billion. Looking ahead, the economic and financial environment is expected to remain harsh—e.g., the prolonged negative interest rate policy in Japan, the rising cost of foreign currency funding, the prospect of interest rate hikes in the United States. The Bank will seek to engage in prudent financial management.

Looking at business operations going forward, the Bank will work on establishing three business areas—“food and agriculture business,” “retail business” and “investment business”—and enhancing corporate functions that control and support these businesses as a whole, as per the Medium-Term Management Plan’s basic policy. At the same time, we are tackling problems with a vision for the future, which starts with the early implementation of the “Self-reform of JA Bank.”

JA Bank, JF Marine Bank, JForest Group and the Bank will continue to perform their roles and functions with the goal of becoming financial institutions and organizations that win the confidence of their customers, and contribute to the advancement of the agriculture, fishery and forestry industries and their rural communities.

Finally, we would like to ask you all for your continued support for JA Bank, JF Marine Bank, JForest Group and The Norinchukin Bank.

January 2017

Choe Okuno

Choe Okuno  
Chairman of the Supervisory Committee

Yoshio Kono

Yoshio Kono  
President and Chief Executive Officer

# Financial Results for the First Half of Fiscal 2016

## Income

On a consolidated basis, Ordinary Profits\* came to ¥188.3 billion, down ¥75.0 billion on a year-over-year basis, and Profit Attributable to Owners of Parent was ¥143.4 billion, down ¥71.8 billion on a year-over-year basis.

On a non-consolidated basis, Ordinary Profits came to ¥185.9 billion, down ¥74.3 billion on a year-over-year basis, and Net Income was ¥142.4 billion, down ¥71.3 billion on a year-over-year basis.

\*Ordinary Profits represent Ordinary Income less Ordinary Expenses. Ordinary Income represents Total Income less certain special income, and Ordinary Expenses represent Total Expenses less certain special expenses.

## Balance of Assets and Liabilities

On a consolidated basis, Total Assets at the end of the first half of fiscal 2016 was ¥102,160.4 billion, up ¥977.4 billion from the previous fiscal year-end. Total Net Assets came to ¥7,061.3 billion, down ¥125.4 bil-

lion from the previous fiscal year-end.

On a non-consolidated basis, Total Assets was ¥101,004.0 billion, up ¥873.9 billion from the previous fiscal year-end. On the assets side, Loans and Bills Discounted was ¥12,747.1 billion, and Securities was ¥54,700.8 billion. On the liabilities side, Deposits amounted to ¥61,629.0 billion, and Debentures was ¥2,778.2 billion.

## Capital Adequacy Ratio

On a consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 20.19%, its Tier 1 Capital Ratio was 20.23%, and its Total Capital Ratio (Basel III standard) was 26.38%.

On a non-consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 20.28%, its Tier 1 Capital Ratio was 20.34%, and its Total Capital Ratio was 26.63%.

## Key Management Indicators

<Consolidated>

(Billions of Yen/Millions of U.S. Dollars (Note 1))

	First Half of Fiscal 2014	Fiscal 2014	First Half of Fiscal 2015	Fiscal 2015	First Half of Fiscal 2016	First Half of Fiscal 2016
Total Income	¥ 698.7	¥ 1,360.0	¥ 706.8	¥ 1,287.9	¥ 706.5	\$ 6,987
Total Expenses	424.8	847.0	444.6	964.4	512.6	5,069
Profit Attributable to Owners of Parent	212.6	411.3	215.2	271.2	143.4	1,418
Total Comprehensive Income	523.7	1,403.0	(275.5)	(98.1)	(56.6)	(560)
Total Net Assets	6,428.9	7,308.1	7,000.3	7,186.7	7,061.3	69,831
Total Assets	90,802.3	94,549.7	99,546.4	101,182.9	102,160.4	1,010,288
Capital Adequacy Ratio (BIS) (Note 2)						
Common Equity Tier 1 Capital Ratio (%)	16.86	17.17	18.44	18.94	20.19	20.19
Tier 1 Capital Ratio (%)	16.98	17.24	18.52	18.99	20.23	20.23
Total Capital Ratio (%)	24.51	24.19	25.42	25.07	26.38	26.38

Notes: 1. U.S. dollars have been converted at the rate of ¥101.12 to U.S. \$1, the effective rate of exchange at September 30, 2016.

2. The calculation of the Bank's Consolidated BIS Capital Adequacy Ratio is based on the formula found in Notification No. 4 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank) issued in 2006.

## &lt;Non-Consolidated&gt;

(Billions of Yen/Millions of U.S. Dollars (Note 1))

	First Half of Fiscal 2014	Fiscal 2014	First Half of Fiscal 2015	Fiscal 2015	First Half of Fiscal 2016	First Half of Fiscal 2016
Total Income	¥ 694.1	¥ 1,340.4	¥ 698.5	¥ 1,274.7	¥ 698.8	\$ 6,911
Total Expenses	419.7	837.8	439.3	953.9	507.3	5,017
Net Income	214.2	404.5	213.7	271.5	142.4	1,408
Paid-in Capital	3,425.9	3,425.9	3,471.4	3,480.4	3,480.4	34,419
Total Net Assets	6,376.5	7,231.8	6,924.6	7,133.6	7,007.3	69,297
Total Assets	89,960.9	93,618.4	98,550.1	100,130.0	101,004.0	998,853
Deposits	51,496.8	53,486.1	54,824.3	58,838.5	61,629.0	609,464
Debentures	3,811.6	3,564.3	3,374.4	3,133.0	2,778.2	27,474
Loans and Bills Discounted	18,930.0	19,935.7	19,012.4	17,915.8	12,747.1	126,059
Securities	54,346.3	59,738.5	60,066.2	58,329.7	54,700.8	540,949
Capital Adequacy Ratio (BIS) (Note 2)						
Common Equity Tier 1 Capital Ratio (%)	16.87	17.18	18.46	19.02	20.28	20.28
Tier 1 Capital Ratio (%)	16.99	17.25	18.55	19.07	20.34	20.34
Total Capital Ratio (%)	24.73	24.36	25.63	25.29	26.63	26.63

Notes: 1. U.S. dollars have been converted at the rate of ¥101.12 to U.S. \$1, the effective rate of exchange at September 30, 2016.

2. The calculation of the Bank's Non-Consolidated BIS Capital Adequacy Ratio is based on the formula found in Notification No. 4 of the Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries (Standards for Judging the Soundness of Management of the Norinchukin Bank) issued in 2006.

# Bank Initiatives

## Outline of the Medium-Term Management Plan

The environment surrounding the Bank and cooperatives is becoming increasingly harsh amid such developments as the revision of the Agricultural Co-operatives Act, the broad agreement on the Trans-Pacific Partnership (TPP) and the tightening of international financial regulations. At the same time, social interest and expectations for turning agriculture, fishery and forestry industries into growing industries are higher than ever before.

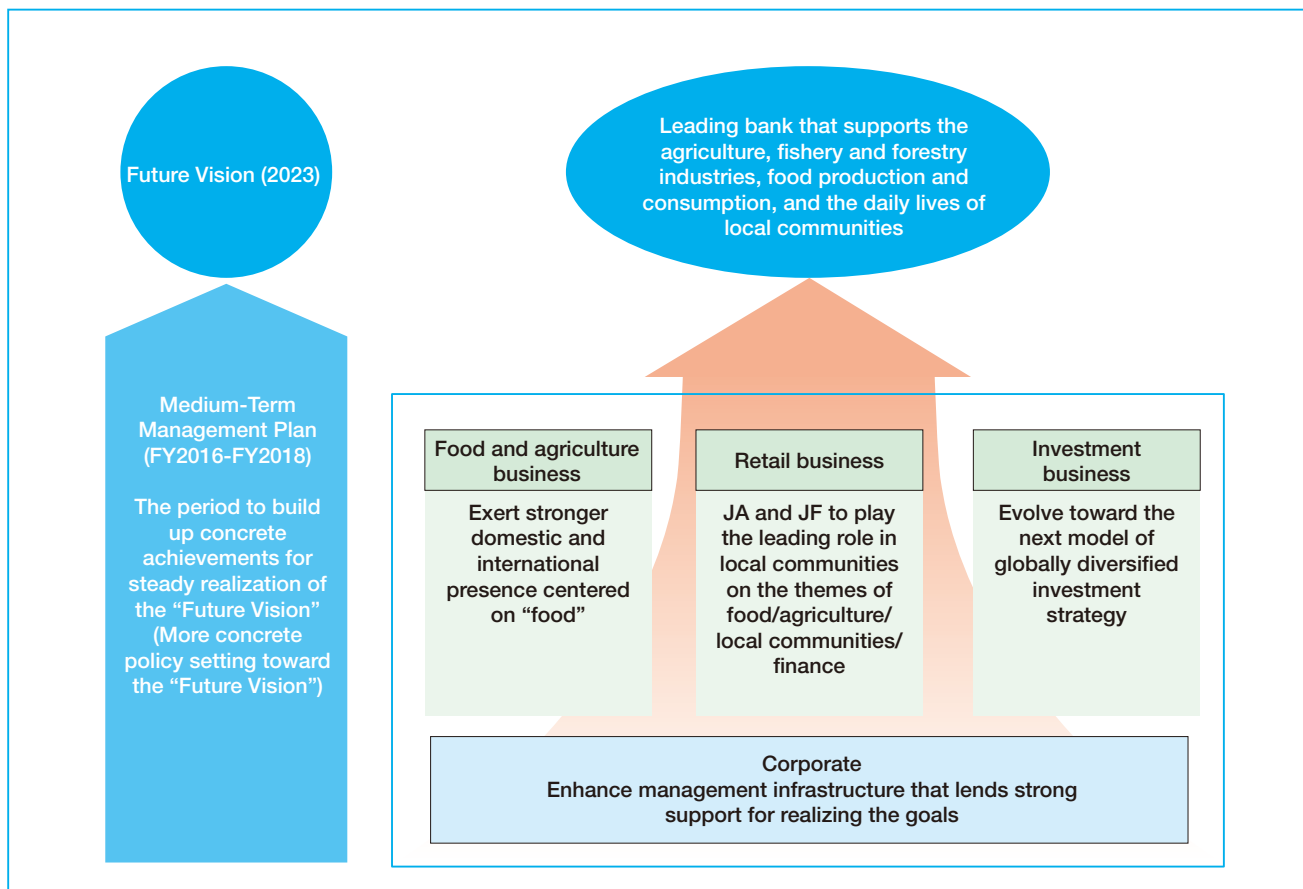
In light of the situation surrounding the Bank and cooperatives and the basic role of The Norinchukin Bank, we have formulated the Medium-Term Management Plan (fiscal 2016 through fiscal 2018) comprising management and business management policies for the next three years.

Under the Medium-Term Management Plan, we aim to achieve three objectives of “contributing fully as the bank rooted with the agriculture, fishery and forestry

industries and food businesses, turning the agriculture, fishery and forestry industries into growing industries, “reinforcing the cooperative banking business platform,” and “achieving stable returns to our members through the sophistication of the current globally diversified investment strategy,” namely, by establishing the three business areas of “food and agriculture business,” “retail business” and “investment business,” which we defined as the basic policy for overall control and enhancement of the supporting corporate functions.

In addition, the Bank introduced a headquarters system from the perspective of achieving quick decision-making, policy development and implementation and the flexible use of management resources. We established a structure to promote these three business areas also at the organizational level by launching four headquarters, three of which are front-office headquarters, namely, “Food &

### Basic Policy of “Medium-Term Management Plan (FY2016-FY2018)”



Agri Banking Business” (in charge of the “food and agriculture business”), “Retail Banking Business” (in charge of promoting and strengthening JA Bank and JF Marine Bank’s “retail business”) and “Global Investments” (in charge of the “investment business” aimed at the further

evolution of the “globally diversified investments”), and one of which is “Corporate & Shared Services” (in charge of the management infrastructure that supports the aforementioned three headquarters).

## Self-Reform of JA Bank Effort

With the situation surrounding the agriculture industry becoming increasingly severe, in light of the Government’s “agricultural cooperative reform” movement, etc., in 2014 the JA Group formulated “Self-reform of JA Group” as self-reform. As a member of JA Group, for JA Bank to also contribute more than ever to agriculture and local communities, we are implementing “Self-reform of JA Bank” efforts during an intensive period for the initiative up to fiscal 2018.

The “Self-reform of JA Bank” is comprised of “three pillars”: (1) further responses to contribute to increase in income of farmers and revitalization of local communities especially the “Support Program for Increasing Agricultural Income and Revitalizing Local Communities (business size of ¥2 trillion, total amount of ¥100 billion)”; (2) arrangement of the business environment so that JA can do its best in agricultural businesses; and (3) provision of financial services that connect agriculture and local communities/users in order to contribute to local communities. So far, we have conducted establishing the “Agricultural Equipment Lease Support Program (Agri-Seed Lease)” to support agricultural leaders’ efforts to expand their scale of operations and streamline their businesses, supporting new farmers extensively, supporting seminars and consultations aimed at helping advance farm management, establishing consultation counters nationwide, and strengthening management consultation functions through

the first issue *Agriculture Report* magazine. In addition, we launched the Agriweb website. We also worked to rationalize banking business operations, such as introducing equipment to streamline cash business at all JA business service locations and introducing an “agent” model based on the choice made on a JA-by-JA basis. We deployed around 100 mobile branches in vehicles and implemented, among others, JA Bank’s “No to Ayumu Project” (Project for Making Progress with Agriculture) to plan and sell financial products linked to expanded consumption of agricultural products. We also provided producers with overseas expansion opportunities including giving support for showcasing at overseas trade fairs with the aim of promoting the export of agricultural products, provided sixth industrialization support for adding higher value to agriculture, and established and utilized the “F&A (Food And Agri) Growth Industry Investment Facility” on the scale of ¥50.0 billion aimed at providing risk money. Having promoted such initiatives one after the other to help transform agriculture into a growth industry, we will further strengthen these initiatives into the future.

Both JA Bank and the Bank will work as hard as possible toward the steady implementation of the “Self-reform of JA Bank” effort, and contribute to the development of agriculture and local communities by continuing to enhance the provision of financial services and securing sound management.

## Initiatives in the Food and Agriculture Business

The Bank conducts initiatives to further exert its role as the central organization for agricultural, fishery and forestry cooperatives, focusing on contribution to its members and the agriculture, fishery and forestry industries as a matter of the highest priority. The Bank has established the Food & Agri Banking Business and is

implementing various financial and nonfinancial measures to achieve the practices of food and agriculture business indicated in the Medium-Term Management Plan started from fiscal 2016, which contribute to turning the agriculture, fishery and forestry industries into growing industries.

### Provision of Various Financial Tools

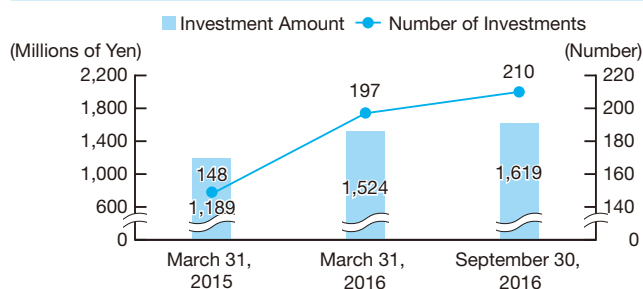
#### ● Provision of Loans

Since December 2009, we have been targeting agricultural corporations run by those expected to be agricultural leaders of tomorrow, we offer the Agricultural Corporation Development Loan (Agri-Seed Loan), etc. for operating funds for agricultural products and the processing of farm products without collateral or guarantee in principle.

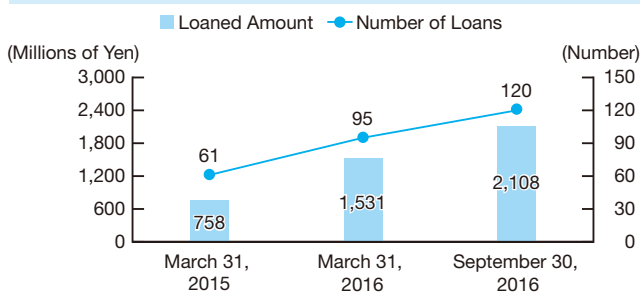
In addition, the Bank reduces interest burdens on agricultural workers, for example by providing subsidies to borrowers of JA Bank's agricultural loans to cover up to one percent of the interest cost. In fiscal 2016, 40,000 loans, totaling ¥1.2 billion, were provided, and in the cumulative total up to fiscal 2016, ¥9.4 billion in subsidies were granted for 520,000 loans.

yet undercapitalized, stabilizing their finances and supporting the development of their business. The total number of investments has reached 210 and the agricultural corporations and other organizations which have received investments have stably grown as core leaders of their areas and industries.

Trends in Cumulative Number and Amount of Agri-Seed Funds Executed



Trends in Cumulative Number and Amount of Agri-Seed Loans Executed



#### ● Enhancement of Capital Funding Schemes

In April 2010, as a framework to supply capital to agricultural corporations, the Bank, in collaboration with The Agribusiness Investment & Consultation, Ltd. and JA Bank Agri-Eco Support Fund, established the Agri-Seed Fund, which invests in agricultural corporations and other organizations that are technically competent

In June 2013, the Bank established the Support Fund for Business Entities of Agricultural Leaders to meet the business expansion needs of agricultural corporations which plan on the utilization of abandoned farmland, farmland accumulation and the sixth industrialization. The fund has so far made 17.

#### Cumulative Number and Amount of Investments Executed by the Support Fund for Business Entities of Agricultural Leaders (As of September 30, 2016)

(Millions of Yen)

Product	Number of investments	Amount invested
Support Fund for Business Entities of Agricultural Leaders (since June 2013)	17	457

## Support for Improving Efficiency (e.g. Expansion of Business of Leaders)

### ● Agricultural Equipment Lease Support Program

To encourage reduction of production costs through producers' scale expansion, etc., agri-seed leasing business was implemented for partial subsidies on leases involving agricultural machinery and equipment, etc. The first solicitation was conducted in July 2015 for rice and vegetable producers, approximately 8,000 subsidies were decided, and the second solicitation was conducted from January to February 2016 adding livestock and dairy to the subsidy target items, for which approximately 4,000 subsidies were decided.

### ● Project to Reinforce Business Consultation Function

In the project to reinforce business consultation functions executed since 2015 in order to strengthen capabilities to respond to diversifying management issues of agricultural corporations and other organizations, the Bank subsidizes the cost of management seminars and individual consultation meetings held in each prefecture and promotes the increase in opportunities to raise awareness among farmers. In May 2016, the Bank launched "Agriweb," an agricultural management information website.

"Agriweb" offers a consultation service in which

inquiries about various management issues (e.g., tax affairs, labor affairs, marketing) can be made to experts by agricultural managers, free of charge. Information (e.g., basic knowledge, columns) is also posted on the website periodically to offer useful management tips.

### ● Stronger Collaboration with the Japan Agricultural Corporations Association

In February 2014, the Bank entered into a comprehensive partnership agreement with the Japan Agricultural Corporations Association, a public interest incorporated association with about 1,800 pioneering agricultural corporation members nationwide. The partnership enables the association's members to more easily address issues they face, including their capital investments, management streamlining and value-adding to agricultural and livestock products, as well as provides a wide range of supports for the creation of new customers and export of products by utilizing the Bank's network.

The Bank also launched the National Federation of Agricultural Labor Support Conference jointly with the Japan Agricultural Corporations Association, the National Chamber of Agriculture and the JA Group. The conference is undertaking initiatives to secure agricultural labor and train managers.

## Support for Capturing Share in the Global Food Market

### ● Export Support Initiatives

The Bank holds seminars to support exports by its members and agriculture, fishery and forestry workers. In addition, we have been an exhibitor at the HKTDC Food Expo, an overseas trade fair, on an ongoing basis since fiscal 2012.

In fiscal 2016, the Government announced its aim to exports of domestic agricultural, livestock and marine products to more than ¥1 trillion by 2019. Amid attempts to promote exports throughout Japan and enable its members and agriculture, fishery and forestry workers, etc., to steadily export more than ever, the Bank provides a package that includes (1) provision of infor-

mation to producers (released the export PR publication "Yushutsu-no-Ibuki"), (2) provision of export practical management know-how (held seminars), (3) provision of local sales opportunities (conducted overseas practical sales meeting) and (4) provision of opportunities for business negotiations with local buyers (exhibited at the HKTDC Food Expo, Food & Hotel Asia).



HKTDC Food Expo



### ● Establishment of Export Promotion Support Fund

In March 2016, the Bank collaborated with Mizuho Bank to establish a private equity fund “Gulf Japan Food Fund” with aim of providing financial support for expanding Japanese agricultural, fishery and forestry products’ export needs and the six Middle East Gulf

states’ food security needs, etc. Through investment in the joint venture newly established through the collaboration between Japanese companies and Middle East companies, the Bank aims at value-adding and market creation from new alliances and partnerships while growing and promoting these businesses.

## Support for Improving the Added Value of Agricultural and Livestock Products

### ● Business Conferences and Business Matching Initiatives

The Bank capitalizes on the characteristics of the cooperative system as a nationwide system to identify the business needs of cooperative organizations, agricultural, fishery and forestry workers and corporate clients, and provide business matching services and conferences to lead to constant business transactions among them.

In fiscal 2016, the Bank plans to hold nine conferences in total to help expand sales channels, including nationwide and regional business conferences, which have been well-received to date by participating sellers’ groups and buyer companies.



Food and Agriculture Matching Fair  
(Chugoku Region Business Conference)

### ● Agriculture, Forestry and Fisheries Cooperative Fund (JA Sixth Industrialization Fund, JF Sixth Industrialization Fund and JForest Sixth Industrialization Fund)

JA Group, including the Bank, laid out a policy to exercise its comprehensive and organizational strength as a group in an integrated manner to promote the sixth industrialization of the agriculture, fishery and forestry industries.

In May 2013, the Agriculture, Forestry, and Fisheries Cooperative Fund (JA Sixth Industrialization Fund; JF Sixth Industrialization Fund; JForest Sixth Industrialization Fund), a sub-fund jointly capitalized by Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (A-FIVE) and cooperative organizations, was established. Various financial, business and management supports, along with support for the development of business plans, have been provided to agricultural, fishery and forestry businesses which are committed to the sixth industrialization, as well as entities constituted by JA and partner companies.

The Fund has made the most investments among 50 similar funds nationwide, having decided since its establishment to invest in 11 projects targeted at sixth-order industrialization entities to be established by such means as joint funding by agricultural, forestry and fishery workers and partner companies (as of October 31, 2016). The Bank will continue to contribute to the further development of the local agriculture, fishery and forestry industries through the utilization of the fund.



Completion of fund recipient's factory

## Support for Local Revitalization, etc.

### ● Initiatives to Agricultural Entrant Support Program

To cultivate future domestic farming core leaders, the Bank implements support for agricultural entrants. In fiscal 2015, the Bank expanded the subsidy business we have implemented towards training provided to potential agricultural entrants and launched a subsidy business towards farming operation costs incurred by independent agricultural entrants aimed at providing support for stabilizing their management soon after becoming an agricultural entrant.

### ● Initiatives in Next-Generation Farm Operators

As the main sponsor of AgriFuture Japan, the Bank encourages the training of farm operators of the next generation by providing operational support for the Japan Institute of Agricultural Management and seminar business run by the general incorporated association. Since the opening of the Japan Institute of Agricultural Management in April 2013, 32 students have graduated and started engaging in farming nationwide. At present, third- and fourth-year students are studying hard in friendly competition with their like-minded peers at the school located inside the Norinchukin Bank Shinagawa Training Center.



Classes underway at the Japan Institute of Agricultural Management

### ● Inbound Green Tourism

Four companies comprising the Bank, ABC Cooking Studio Co., Ltd., Recruit Lifestyle Co., Ltd., and Nokyo Tourist Corporation, entered into a comprehensive partnership agreement in February 2016 aimed at contributing to the support for revitalization of local communities and overseas export.

The companies are conducting tours across Japan on a trial basis to offer “food and agriculture”-oriented green tourism targeting at domestic tourists and foreigners visiting Japan, themed on local farmers’ markets, farming and fishing experiences and interaction with local residents.

## Establishing the F&A (Food And Agri) Growth Industry Investment Facility

In May 2016, the Bank established the “F&A (Food And Agri) Growth Industry Investment Facility” to assist Japan’s agriculture, fishery and forestry industries in adding higher value and enhancing their international competitiveness.

The Bank believes that in order to transform agriculture, fishery and forestry sectors into growth industries, it is indispensable to add higher value and improve the productivity of downstream industries as well, and to achieve this, collaboration with cooperative organiza-

tions and companies in domestic and foreign industries is required and risk money needs to be provided.

To this end, the Bank has established the “F&A (Food And Agri) Growth Industry Investment Facility” on the scale of ¥50.0 billion, encompassing the existing Sixth Industrialization Fund, etc., and will work with personnel who have expertise in dealing with risk money for such tasks as adding higher value and improving productivity.

## JA Bank's Agriculture Financing

JA Bank supports farmers' agricultural management and livelihoods by providing various types of direct agricultural loans and handling Agriculture Modernization Loans and Japan Finance Corporation loans. As of March 31, 2016, JA Bank's outstanding balance of

### Outstanding Balance of Agricultural Loans, by Type

(Billions of Yen)

Type	March 31, 2016
Direct agricultural loans <sup>1</sup>	1,588.6
Agriculture policy-based loans <sup>2</sup>	472.4
Agriculture Modernization Loans	149.3
Other policy-based loans <sup>3</sup>	323.1
Total	2,061.0

- Notes: 1. "Direct agricultural loans" are non-policy-based loans funded by JA Bank.  
 2. "Agriculture policy-based loans" refer to: (1) those financed directly or indirectly by local authorities; and (2) those provided by JA Bank at a low interest rate based on interest subsidies, etc. from local authorities.  
 3. "Other policy-based loans" include agricultural management improvement promotion loans (New Super S Fund) and agricultural management assistance support loans.

agriculture-related loans was ¥2,061.0 billion (of which loans to farmers amounted to ¥1,254.3 billion). The outstanding balance of loans in trust of the Japan Finance Corporation and other entities came to ¥446.6 billion.

### Outstanding Balance of Agricultural Loans in Trust

(Billions of Yen)

Type	March 31, 2016
Japan Finance Corporation loans	446.1
Others	0.5
Total	446.6



Rice harvesting by a JA Bank loan recipient

## Reconstruction Support Efforts

### Outline of the Reconstruction Support Program

To provide full and multifaceted assistance for the recovery and reconstruction of the agriculture, fishery and forestry industries severely affected by the Great East Japan Earthquake, the Bank established the Reconstruction Support Program (support amount: ¥30.0 billion) in April 2011. The program has provided support to affected agriculture, fishery and forestry industry workers and business and management support to affected members.

#### ● Reconstruction Support for Farmers, Fishermen, Foresters and Local Communities

For the business of disaster-affected farmers, fishermen and foresters reconstruct their businesses, the Bank has provided long-term low-interest reconstruction loans (Tohoku Agricultural, Forestry, and Fisheries Industries Support Loan) and reconstruction fund (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund) through its affiliate, the Agribusiness Investment

& Consultation Co., Ltd., as well as assistance to formulate business plans.

The Bank has been involved in large-scale reconstruction projects in disaster-stricken areas since their conceptual stages and is lending various kinds of support for the reconstruction of local communities. Further, the Bank has been offering a wide variety of financial assistance, such as providing interest subsidies for disaster funds extended by JA (Japan Agricultural Cooperatives) and JF (Japan Fisheries Cooperatives) to agricultural and fishery workers to help ease their interest burden, as well as providing lease subsidies to agricultural workers who acquire farm machinery and horticultural facilities through leasing.

In addition, the Bank has subsidized agricultural workers for the cost of production materials and machines necessary to resume operations, fishery workers for the cost of cooling ice used in test operations as well

as supported projects to promote reconstruction through the agriculture, fishery and forestry industries and initiatives to realize advanced agricultural, fishery and forestry industries through reconstruction. The Bank also supports revitalization of disaster-stricken prefectural areas, such as by donating wooden products, etc., made using local timber.



New plant factory built by disaster-affected farmer who incorporated his business



Lumber used in construction of public housing for disaster recovery



Sorting machine installed to expand scale and improve efficiency

(Billions of Yen)

Product	Number of loans, etc.	Amount
Reconstruction Loan (Tohoku Agricultural, Forestry, and Fishery Industries Support Loan)	Number of loans 134	Loaned amount 43.1
Reconstruction Fund (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund)	Number of investments 43	Invested amount 0.9
Lease subsidies	Number of subsidies 1,292	Total lease amount 5.1
Interest subsidies to JA/JF disaster funds	Number of support cases 3,968	Loaned amount 16.6

● **Reconstruction Support to Members and Customers**

Japan Agricultural Cooperatives (JA) and Japan Fisheries Cooperatives (JF) increased their capital under the Framework for Special Post-Earthquake Support; the former has repaid the funds it borrowed to help increase its capital, and the latter is making smooth progress in terms of management improvement, having been given guidance, advice, etc. from the Bank based on its plan to help strengthen the cooperative banking business through the dispatch of staff.

Stable financial functions are provided to JA Bank and JF Marine Bank users with consultation services at JA Bank and utilization of movable terminals at JF Marine Bank. In addition, the Bank has also conducted initiatives to restore customers' lives by supporting the Reconstruction Loan offered by JA Bank and JF Marine Bank and by responding to the double-loan problems and the project to promote collective relocation for di-

saster prevention.

Five and a half years have passed since the Great East Japan Earthquake, and agriculture and fishing operations have resumed and lifestyle reconstruction efforts have proceeded in many of the disaster-affected areas, disparity has arisen among local communities in this situation, and although lifestyle reconstruction efforts are proceeding, and looking at the disaster-affected areas as a whole, the reconstruction process is still only half-way complete.

As the Bank continues to provide sufficient support for reconstruction initiatives in the disaster-affected areas, new developments are being seen, such as the development of agricultural leaders and the expansion of scale, and with an emphasis on encouraging these initiatives, we will continue to provide full and multifaceted support to the reconstruction of agriculture, fishery and forestry industries and local communities.

## Reconstruction Support Efforts by JA Group, JF Group and JForest Group

JA Group, JF Group and JForest Group have launched a website to introduce their activities to help the agriculture, fishery and forestry industries recover from the vast damage caused by the Great East Japan Earthquake and reconstruction initiatives and to record these efforts

into the future.

Website name: Record of Reconstruction Initiatives of Agricultural, Fisheries and Forestry Cooperatives (in Japanese only)

## Retail Business Initiatives

### JA Bank Initiatives

Under the JA Bank Medium-Term Strategies (fiscal 2016 through fiscal 2018), which started in fiscal 2016, JA Bank has been making efforts to expand its business based on the needs of local customers including individual members and to become the Bank that contributes to increase agricultural income and revitalize local communities more than ever.

Notably, in this context, the Bank is working to carry through with the “Self-reform of JA Bank,” and is engaged in such initiatives as: the implementation of the “Support Program for Increasing Agricultural Income and Revitalizing Local Communities” on the scale of ¥100.0 billion in total amount; planning and sale of financial products that help expand the consumption of domestic agricultural and livestock products, etc. based on the “No to Ayumu Project” (Project for Making Progress with Agriculture); and the nationwide deployment of mobile branches in vehicles aimed at sustaining the foundations of farming villages and local communities.

To meet financing and other needs of farmers—ranging from a wide range of leaders who will support local communities and farming villages in the future to large-scale companies that spearhead the agricultural indus-

try—more extensively, we have established a “Leader Support Center” in each prefecture in collaboration with other businesses, based on which JA Bank provides support in an integrated manner. In addition, we are making efforts including enhancing JA Bank’s interest subsidy scheme and creating low-interest-rate loans. With the initiatives mentioned above, all of our executives and employees are working together as one to maintain a 60% market share in agricultural financing in Japan even at the end of fiscal 2018, i.e., the final fiscal year of the aforementioned JA Bank Medium-Term Strategies.

With our meticulous customer service, we contribute to improving household finances and lives of our customers by recommending that they build assets through savings, JGBs and investment trusts, and offer them consultation services on inheritance issues and loans, while responding to their diverse needs at different stages of their lives. In addition, through the expansion of our affiliated ATM networks and the enhancement of our Internet banking functions, we are working to make it even more convenient for customers to draw their pensions, make direct salary deposits and use JA Cards.

### JF Marine Bank Initiatives

JF Marine Bank is making efforts to maintain and strengthen its business promotion capabilities with the aim of being a trusted provider of financial services for fishing communities in accordance with the JF Marine

Bank Medium-Term Business Promotion Policy (fiscal 2015 through fiscal 2017).

Specifically, in the first half of fiscal 2016, JF Marine Bank engaged in initiatives to approach fishing com-

munities through the formulation and implementation of an action plan to enhance its financial functions for the fishery industry (e.g., increasing lending to fishermen). JF Marine Bank is enhancing contacts with fishing communities through visits and other activities by such persons as financial consultants for the fishery industry who have been newly appointed based on a certification system. As a result, during the first half of fiscal 2016, the number of new loans executed including Fisheries Modernization Loans exceeded nationwide targets. Going forward, JF Marine Bank will continue engaging in initiatives properly including the financing of fishing boat leasing businesses, which is the national government's policy measure. Meanwhile, JF Marine Bank will add disaster funds for fishermen, etc. who suffered losses due to natural disaster to the list of loans within the scope of its interest subsidy business in an effort to reduce their burden.

As in the previous fiscal year, JF (Japan Fisheries Co-

operatives) and JF Shingyoren have united to run a “nationwide campaign” to facilitate personal savings, and the Bank has been providing support for initiatives in each prefecture. In the first half of fiscal 2016, the balance of personal savings outpaced nationwide targets.

In addition, the Bank has been making efforts to produce actual results through support to activities of JF Women's Groups/Youth Groups, and has been contributing to local communities through the introduction of beach activities using YouTube, revitalization of beach events by dispatching “supporters for beach activities” and other activities.

We will achieve sound and efficient operation of JF Marine Bank by taking steps to ensure the effectiveness of the JF Marine Bank Safety System (Stable and Responsible JF Cooperative Banking Business System) so that individual members and customers can use JF Marine Bank with peace of mind.

## JForest Group Initiatives

JForest Group has been engaging in the “JForest Movement for the Creation of Future Forestlands, Forestry Industry and Mountain Villages—Creating Local Communities Using Forests for the Next Generation” (fiscal 2016 through fiscal 2020), whose objective includes revitalizing local communities by invigorating forestry and related industries. In addition, the Bank is supporting the consolidation of forest management by such means as financing the introduction of high-performance forestry machinery, which the Bank has been working on for some time, subsidizing activities aimed at the sustainable demonstration of multifaceted roles of forests through the revitalization of deserted private forests

based on the Norinchukin Forest Rejuvenation Fund (Nochu Potential Forest Productivity Fund), recruiting leaders, and subsidizing the costs of purchasing protective trousers and other safety equipment aimed at improving labor safety.

In fiscal 2016, in order to increase lumber use, the Bank established the Wood Solution Network as a platform for collaboration among industrial, government, academic and financial sectors through the participation of lumber-related companies and organizations, and in conjunction with this, established an endowed research department at the University of Tokyo for the study of lumber-using systems.

## Initiatives for Training and Developing Human Resources Related to the Cooperative System

The Bank exchanges personnel with JA and JA Shinnoren on an ongoing basis to foster understanding among our directors and employees on how business is done in the agriculture, fishery and forestry industries and on local conditions, and to incorporate those insights into planning and policymaking. In addition, we regularly hold lectures and study sessions for directors and employees by inviting speakers from cooperative organizations, primary industries, and industries that are closely linked to the agriculture, fishery and forestry industries.

Aiming to develop human resources who can lead reform and innovation, we have been working on such matters as enhancing and providing level-specific training at Japan Agricultural Cooperatives (JA): we have not only continued the “JA Bank Central Academy—Managers Course” (cumulative total of 488 participants as of September 30, 2016), which is targeted at directors in charge of the banking business, and the “JA Bank Central Academy—Senior Executives Course” (cumulative total of 234 participants as of September 30, 2016), which is targeted at senior managers in charge of the cooperative banking business and is held by JA Shin-

noren in some prefectures, but also, as new programs to support organizational reform efforts by participants who have completed both courses, we launched, in fiscal 2016, the “Seminar for Cooperative Presidents/Board Chairpersons” (targeted at JA presidents/board chairpersons) and the “Block Symposium” (targeted at JA branch managers and mid-career employees). Furthermore, we are working to enhance human resources development with respect to directors and employees of cooperative organizations as a whole: for JF Shingyoren and other organizations, we are enhancing the content of the “JF Marine Bank Theme-Specific Training—Store Operation Course,” which is targeted at branch managers, etc., and for Japan Forestry Cooperatives (JForest), we are continuing “JForest Counsellor Training,” which is targeted at personnel holding the title of counsellor. As such, we have been working to enhance the development of cooperative system-related human resources in and outside the Bank.

Through the above efforts, the Bank aims to become a trusted organization that is the choice of members in local communities.

## Strengthening of Profitability through Appropriate Risk Management

Under its Medium-Term Management Plan (fiscal 2016 through fiscal 2018), the Bank’s adequate financial management has taken into account the market environment and other factors, and conducted risk management that contributes to enhanced business competitiveness. Specifically, we will continue to strengthen our financial position with sound financial management. As a globally operating financial institution, we will maintain capital adequacy at a suitable level as well. To ensure a solid profit base, we will focus on flexible asset allocation management that is responsive to market conditions

and on upgrading and accumulating investment know-how. At the same time, to further reinforce our earning capacity, we will selectively pursue new, high quality investment opportunities while taking into account market conditions.

As for risk management initiatives to help strengthen business competitiveness, we endeavor to build and operate a framework for forward-looking risk management through effective control that takes into account the Bank’s business characteristics.

## Winner of the Grand Prize in the Finance Section of the 65th Nikkei Advertising Awards

The Norinchukin Bank's corporate advertising won the grand prize in the Finance Section of the 65th Nikkei Advertising Awards sponsored by Nikkei Inc.

The award-winning advertisement, themed on recovery from the Great East Japan Earthquake, was published for three consecutive days from March 8, 2016. It depicts the new look of the agriculture, fishery and forestry industries brought about by the Great East Japan Earthquake, which struck five

years ago, and thereby shows that the more-evolved agriculture, fishery and forestry industries have the potential to change the future of Japan, and that the five-year mark is merely a steppingstone for forward-looking initiatives that are underway, envisioned for the decades ahead. It also portrays the Bank's unwavering stance, in that it will continue to support reconstruction into the future.



Initiatives at Tomatolandiwaki Co., Ltd.

Initiatives at Iwate Prefectural Federation of Forestry Cooperatives

Initiatives at Onagawa Fish Market Co., Ltd. and Onagawa Food Processing Co., Ltd.



## CSR Initiatives

As the financial institution founded on the platform of agricultural, fishery and forestry cooperatives as well as an institution engaging in global investment and loan activities, the Bank has a basic policy on its CSR (corporate social responsibility) activities to gain the trust of various stakeholders and contribute to the sustainable development of economy and society.

The Norinchukin Group engages in the CSR activities based on the following three policies: (1) contribution to members, (2) contribution to the advancement of the agriculture, fishery and forestry industries, and (3) contribution to the community at large, in mutual coordination with members in the field in the agriculture, fishery and forestry industries.

### Major Achievements in Social/Environmental Contribution Activities (First Half of Fiscal 2016)

#### Contribution to the Agricultural Industry

##### Support for future industry leaders

- Interest subsidy scheme for JA's agriculture-related loans
- Support for business entities in the agriculture and environmental sectors

##### Development of future industry leaders

- Provision of subsidies to training for potential agricultural entrants
- Provision of subsidies to operating costs for independent agricultural entrants
- Support to AgriFuture Japan's farm worker development activities

##### Food and Farming Education Projects

- Production and donation of textbook of food and farming education (books donated to primary schools nationwide and Japanese schools overseas)
- Support for food and farming education activities



Textbook of food and farming education

#### Contribution to the Fishery Industry

Interest subsidy scheme for JF Marine Bank's fishery-related loans  
**Support to JF Group's environmental conservation activities, resource managed fisheries, etc.**

- Distribution of waste disposal bags to support beach cleaning activities
- Distribution of pressed seaweed bookmarks for environmental protection studies

Sponsorship to "Zenkoku Yutakana Umizukuri Taikai (National Convention on Actions towards Resource-Rich Seas)"

Fisherman supporters activities



Garbage bag for beach cleaning

#### Contribution to the Forest Industry

Follow-up businesses for recipients of subsidies through the Norinchukin Forest Rejuvenation Fund (Nochu Potential Forest Productivity Fund)

Provision of subsidies for cost of forestry safety equipment



#### Contribution to Local Communities and Society

##### Nationwide deployment of the "Hana Ippai Campaign (flower planting campaign)"

- Donation of flower bulbs and flower seeds to local authorities, schools, social welfare councils, etc.

Participation in environmental beautification campaigns, donations to environmental beautification groups and events, etc.

Sponsorship to regional development activities organized by local authorities, cooperative organizations, etc.

##### Special sponsorship to All-Japan University Ekiden Championship

##### Social Welfare and Monetary Donation Activities

- Dispatch of support team to and cooperation in fund-raising campaign for regions affected by the 2016 Kumamoto Earthquakes
- Call for blood donation on the streets, donation of security buzzers and schoolbag covers to primary school children, etc.

##### Initiatives outside Japan

- Donation through the Norinchukin Fund (New York)
- Sponsorship of London's festival of Japanese culture "Japan Matsuri"
- "Food and Agriculture Special Class" held as an event to commemorate Singapore's 50th anniversary of independence



Citizens participating in large-scale cleanup (Nagasaki)



Food and Agriculture Special Class (Singapore)

#### Environmental and Natural Protection Activities

Cooperation in global warming prevention and biodiversity preservation activities

- Promotion of the use of domestic lumber (Donations of wood products made with using local timber produced)
- Wood use education
- Cooperation in activities of Wild Bird Society of Japan

##### Activities for reducing environmental load

- Energy-saving measures
- Promotion of paperless society, resource recycling and purchasing of products conforming to the Act on Promoting Green Purchasing
- Signing of the Principles for Financial Action towards a Sustainable Society (the Principles for Financial Action for the 21st Century), etc.



Donation of wood products (Cooperative Finance & Administration (Kanto Area) Div.)

#### Education and Training Support Activities

Establishment of endowed lectures at universities

- Establishment of endowed lectures at and dispatch of lecturers to seven universities (Tokyo, Waseda, Keio, Tokyo University of Science, Hitotsubashi, Kyoto and Hokkaido), participation in symposiums, etc.



Endowed lecture at an university