

## Message from the Management

# Report on Financial Statements for the First Half of Fiscal 2018



**Toru Nakaya**

Chairman of the Supervisory Committee

**Kazuto Oku**

President and Chief Executive Officer

In fiscal 2018, as the final year of the Medium-Term Management Plan, which covers the three years starting in fiscal 2016, 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, as well as the daily lives of local communities.

In the first half of fiscal 2018, against the backdrop of the expansion of the global economy, long-term interest rates rose moderately and there was a continuing trend of rising stock prices. Foreign exchange rates saw a progression of yen depreciation mainly against the U.S. dollar.

Under such circumstances, the Bank undertook appropriate financial management aiming at stable cash flow. As a result, in the first half of fiscal 2018, the Bank secured Consolidated Ordinary Profits of ¥117.2 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 16.62%, a Tier 1 Capital Ratio of 16.63%, and a Total Capital Ratio of 20.60%. 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. Nevertheless, the Bank will seek to engage in appropriate 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 manage and support these businesses as a whole, as per the Medium-Term Management Plan’s basic policy. At the same time, we are addressing challenges with a vision for the future, which includes the steady 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 2019

TORU NAKAYA

Toru Nakaya  
Chairman of the Supervisory Committee

Kazuto Oku

Kazuto Oku  
President and Chief Executive Officer

# Financial Results for the First Half of Fiscal 2018

## Income

On a consolidated basis, Ordinary Profits\* came to ¥117.2 billion, down ¥25.3 billion on a year-over-year basis, and Profit Attributable to Owners of Parent was ¥85.8 billion, down ¥20.7 billion on a year-over-year basis.

On a non-consolidated basis, Ordinary Profits came to ¥115.8 billion, down ¥22.4 billion on a year-over-year basis, and Net Income was ¥86.5 billion, down ¥17.9 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 2018 was ¥108,041.1 billion, up ¥3,113.4 billion from the previous fiscal year-end. Total Net Assets came to ¥6,666.6 billion, down ¥79.4 billion from the previous fiscal year-end.

On a non-consolidated basis, Total Assets was ¥106,408.0 billion, up ¥2,990.4 billion from the previous fiscal year-end. On the assets side, Loans and Bills Discounted was ¥13,821.1 billion, and Securities was ¥54,003.4 billion. On the liabilities side, Deposits amounted to ¥67,074.1 billion, and Debentures was ¥1,515.5 billion.

## Capital Adequacy Ratio

On a consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 16.62%, its Tier 1 Capital Ratio was 16.63%, and its Total Capital Ratio (Basel III standard) was 20.60%.

On a non-consolidated basis, the Bank's Common Equity Tier 1 Capital Ratio was 16.78%, its Tier 1 Capital Ratio was 16.81%, and its Total Capital Ratio was 20.84%.

## Key Management Indicators

<Consolidated>

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

	First Half of Fiscal 2016	Fiscal 2016	First Half of Fiscal 2017	Fiscal 2017	First Half of Fiscal 2018	First Half of Fiscal 2018
Total Income	¥ 706.5	¥ 1,373.5	¥ 756.0	¥ 1,464.4	¥ 911.0	\$ 8,023
Total Expenses	512.6	1,152.5	614.1	1,280.5	793.8	6,992
Profit Attributable to Owners of Parent	143.4	206.1	106.5	147.6	85.8	755
Total Comprehensive Income	(56.6)	(109.2)	230.5	(192.9)	(8.3)	(73)
Total Net Assets	7,061.3	7,008.8	7,169.4	6,746.0	6,666.6	58,716
Total Assets	102,160.4	107,062.7	113,201.5	104,927.7	108,041.1	951,569
Capital Adequacy Ratio (BIS) (Note 2)						
Common Equity Tier 1 Capital Ratio (%)	20.19	19.31	18.72	19.02	16.62	16.62
Tier 1 Capital Ratio (%)	20.23	19.34	18.75	19.02	16.63	16.63
Total Capital Ratio (%)	26.38	24.39	23.54	23.50	20.60	20.60

Notes: 1. U.S. dollars have been converted at the rate of ¥113.54 to U.S.\$1, the effective rate of exchange at September 30, 2018.

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 2016	Fiscal 2016	First Half of Fiscal 2017	Fiscal 2017	First Half of Fiscal 2018	First Half of Fiscal 2018
Total Income	¥ 698.8	¥ 1,360.3	¥ 745.6	¥ 1,425.7	¥ 902.2	\$ 7,946
Total Expenses	507.3	1,139.9	608.1	1,268.4	786.4	6,926
Net Income	142.4	203.4	104.5	129.9	86.5	762
Paid-in Capital	3,480.4	3,480.4	3,480.4	3,480.4	3,480.4	30,654
Total Net Assets	7,007.3	6,939.0	7,098.3	6,654.0	6,576.6	57,923
Total Assets	101,004.0	105,812.4	111,841.2	103,417.6	106,408.0	937,185
Deposits	61,629.0	61,904.2	65,281.2	65,823.8	67,074.1	590,753
Debentures	2,778.2	2,423.8	2,098.9	1,774.4	1,515.5	13,347
Loans and Bills Discounted	12,747.1	11,948.5	11,654.5	11,742.6	13,821.1	121,729
Securities	54,700.8	62,108.2	62,572.5	52,332.7	54,003.4	475,633
Capital Adequacy Ratio (BIS) (Note 2)						
Common Equity Tier 1 Capital Ratio (%)	20.28	19.42	18.83	19.20	16.78	16.78
Tier 1 Capital Ratio (%)	20.34	19.47	18.88	19.23	16.81	16.81
Total Capital Ratio (%)	26.63	24.60	23.74	23.78	20.84	20.84

Notes: 1. U.S. dollars have been converted at the rate of ¥113.54 to U.S.\$1, the effective rate of exchange at September 30, 2018.

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 progress of negotiations on the Trans-Pacific Partnership (TPP) and the tightening of international financial regulations. At the same time, social interest and expectations for turning the agriculture, fishery and forestry industries into growth industries are higher than ever before.

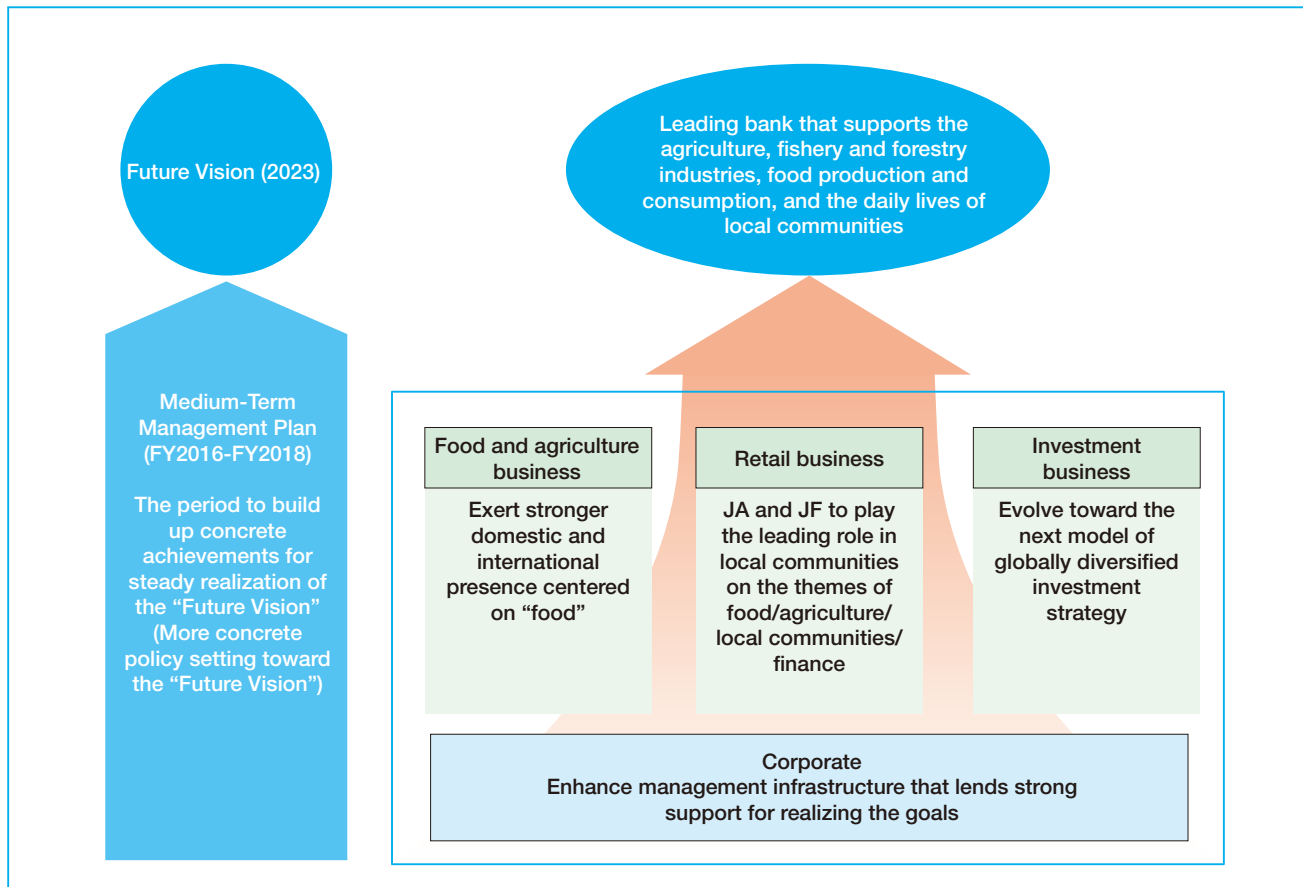
In light of the basic role of The Norinchukin Bank and the situation surrounding the Bank and cooperatives, we have formulated the Medium-Term Management Plan (fiscal 2016 through fiscal 2018) comprising management and business management policies for the three years and engage in business operations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

Under the Medium-Term Management Plan, we define the basic policy to achieve three objectives of “con-

tributing 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,” and establish the corresponding three business areas of “food and agriculture business,” “retail business” and “investment business,” as well as enhancing corporate functions that manage and support these three areas.

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,

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



three of which are front-office headquarters, namely, “Food & 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 Invest-

ments” (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” Initiatives

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 the revitalization of local communities especially the “Support Program for Increasing Agricultural Income and Revitalizing Local Communities (total amount of ¥100 billion)”; (2) arrangement of the business environment so that JA can make its best efforts in agricultural businesses; and (3) the provision of financial services that connect agriculture and local communities/users in order to contribute to local communities.

To date, the Bank has engaged in the smooth supply of capital to food and agriculture-related fields including the utilization of the “F&A (Food and Agri) Growth Industry Investment Facility” to the scale of ¥50.0 billion, which was established with the aim of providing risk money, and promoted initiatives to expand sales of agricultural products, increase agricultural production and add higher value to agriculture. Specifically, the Bank is promoting exports of agricultural products, supporting the expansion of sales channels by continuing to host business conventions and conducting business matching in Japan. The Bank is also providing sixth industrialization support.

Moreover, toward the reduction of production costs,

the Bank has implemented the “Agricultural Equipment Lease Support Program (Agri-Seed Lease)” to support agricultural workers’ efforts to expand their scale of operations and streamline their businesses, and the “Production Costs Reduction Support Program” to foster innovative activities such as the dissemination of new technologies. The Bank also has provided support for hosting seminars and consultations aimed at helping advance farm management; strengthened management consultation functions mainly through the operation of the “Agriweb” website to dispatch information on agricultural management; and engaged in initiatives toward revitalizing local communities such as supporting new farmers extensively and training young and next-generation farm operators.

Moreover, we worked diversely to rationalize banking business operations, such as introducing equipment to streamline cash business at 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, “No to Ayumu Project” (Project for Making Progress with Agriculture) to plan and sell financial products linked to expanded consumption of agricultural products. Having promoted such initiatives one after the other to help turn the agriculture industry 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.

## Food and Agriculture Business Initiatives

### Food and Agriculture Business Initiatives

The Bank conducts initiatives to further exert its role as the central organization for agricultural, fishery and forest owners' cooperatives, focusing on contribution to its members and the agriculture, fishery and forestry industries as a matter of the highest priority. The Bank

is offering various solutions to achieve the practices of the “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 growth industries.

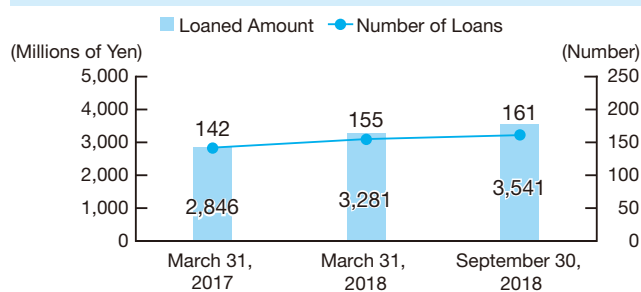
### Smooth Capital Supply to the Food and Agriculture-Related Fields

#### ● Initiatives for Agricultural Loans

For 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 production and processing and sales, etc., of farm products without collateral or guarantee in principle.

In addition to direct financing as mentioned above, 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 2018, approximately 90,000 loans, totaling ¥1.8 billion, were provided, and in the cumulative total up to fiscal 2018, ¥13.3 billion in subsidies were granted for approximately 730,000 agricultural loans.

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



#### ● 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 organizations 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, to supply risk money for such tasks as adding higher value and improving productivity.

To date, the Bank has supported the financial stabilization of domestic agricultural corporations and their business development via capital contributions, added higher value through sixth industrialization and renewable energy projects, explored overseas sales channels via food and agriculture-related businesses in the Middle East, and supplied capital mainly to streamline production with cutting-edge agricultural IT technologies.

### List of F&A (Food and Agri) Growth Industry Investment Facility

	Investment target	Investment facility
Agri-Seed Fund	Agricultural corporations, corporations operating agriculture-related businesses (small to medium scale)	¥4.0 billion
Support Fund for Business Entities of Agricultural Leaders	Agricultural corporations, corporations operating agriculture-related businesses (large scale)	¥5.0 billion
Agriculture, Forestry and Fisheries Cooperative Fund	Agricultural, fishery and forestry workers and their organizations (JA, regional community farming organizations, corporations, etc.)	¥2.9 billion
Export Promotion Support Fund	Food and agriculture-related businesses in six Middle East Gulf States	\$50 million
Investment Limited Partnership for Renewable Energy in Agriculture, Forestry and Fisheries	Renewable energy power generation project undertaken by associates of agricultural, forestry and fishery villages to contribute to revitalizing local communities	¥0.5 billion
Direct Investment Facility	Investments to expand the scale of the agriculture, fishery and forestry industries, improve productivity and creating added-value, etc.	¥18.0 billion
(Extendable capacity)	Scheduled to be allotted according to the status of each investment facility	¥14.6 billion
Total	—	¥50.0 billion

## Offering Solutions That Contribute to Increasing Agricultural Income

### ● Initiatives to Expand Sales and Add Higher Value

#### Collaboration with JA Zen-Noh (National Federation of Agricultural Cooperative Associations)

Aiming to increase agricultural income, expand production and revitalize local communities, the Bank collaborates closely with the initiatives promoted by JA Zen-Noh to reform the distribution and processing structure, expand exports and reduce production materials costs, mainly by providing advice related to investments/loans and offering financial and nonfinancial services including brokerage with general business corporations and the dispatching of staff.

As part of such initiatives, JA Zen-Noh promoted the joint purchase of low-priced agricultural machinery focused on important functions (e.g., large tractors) to lower costs for agricultural machinery. In line with this initiative, the Bank proposes funding options to accommodate the needs of agricultural workers and promotes loans at agricultural machinery shows held at various locations nationwide.

### Export Support Initiatives

To allow its members and agricultural, fishery and forestry workers who aim to export their products to engage in steady exports, the Bank provides an export support package. In fiscal 2017, while adhering with the existing export support initiatives, the Bank further strove to promote exports by enhancing initiatives to deepen the content and improve applicability, reflecting input from participants in each initiative. Specifically, the Bank (1) released the export PR publication “*Yushutsu-no-Ibuki*” (quarterly), (2) held export seminars (in Osaka), (3) participated in overseas trade fairs (exhibited at the HKTDC Food Expo 2018, FOOD TAIPEI and Food & Hotel Asia in Singapore), and (4) offered its members and agricultural, fishery and forestry workers an opportunity to participate in the Great Okinawa Trade Fair.



HKTDC Food Expo 2018



## **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 its customers (cooperative organizations, agricultural, fishery and forestry workers and corporate clients), and provides business matching services and conferences to lead to constant business transactions among them. In fiscal 2018, the Bank plans to hold nationwide and block business conferences, etc., and is supporting the expansion of the sales channels of participating sellers' groups.



JA Group Japanese Agricultural and Livestock Products Business Conference (nationwide business conference)

## **● Initiatives to Reduce Production Costs**

### **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 for rice and vegetable producers, for which approximately 8,000 subsidies were decided in October 2015, and the second solicitation was conducted adding livestock and dairy to the subsidy target items, for which approximately 4,000 subsidies were decided in May 2016. The Bank is deepening relationships with subsidy recipients through a visitation approach.

Specifically, after the snow damage that occurred in 2014, the utilization of this program for introducing tractors helped farmers resume operations, thereby expanding the vegetable farm area of 5 hectares in fiscal 2015 to 9.4 hectares in fiscal 2017, showcasing the effects of cost reduction and expansion of scale.

## **Project to Reinforce Business Consultation Function**

To strengthen response capabilities to diverse management issues of agricultural corporations, etc., the "management consultation function strengthening business" was launched in September 2015. Specifically, the Bank established consultation counters nationwide and provided subsidies for management seminars and individual consultations that are held in each prefecture. In fiscal 2017, 105 seminars or similar events were held nationwide. Moreover, free consultation counters nationwide by specialists and the website "Agriweb" to dispatch information related to agricultural business management were launched in 2016. In July 2017, a link was established between "Agriweb" and JA Zen-Noh's "APPINES" website, which provides information on farming operation. Drawing on the alliances among the JA Group, the Bank has operated to address the managerial issues of agricultural workers in general. The number of members of "Agriweb" was 3,786 as of September 30, 2018.



The "Agriweb" website supporting agricultural management

### **Production Costs Reduction Support Program**

In collaboration with JA Zen-Noh and related organizations, in fiscal 2016 the Bank started a support program to help reduce production costs. The program, with the aim to reduce production costs, provides subsidies for the dissemination of new technologies and innovative initiatives, implementing the following four programs.

The first program implemented: "DNA Chip Dissemination Promotion Support Program for Livestock and Dairy Business" in coordination with JA Zen-Noh to prevent cow disease and conduct health checks

The second program: Support program to pass on "Takumino-Waza" or techniques and expertise possessed

by experienced agricultural workers

The third program: Support program to establish a relay shipping structure for fruits and vegetables toward the expansion of exports, which contributes to the reduction of overseas sales costs

The fourth program: Support program for the stable supply of items to address horticultural consumer needs

Under the fourth program, during the period from April 2018 to September 2018 the Bank supplied 464,000 tomato seeds of a new species.

## Support for Revitalization of Regional Areas and Local Communities

### ● Agricultural Entrant Support Program

To cultivate future domestic farming core leaders, the Bank has implemented the agricultural entrant support program. In fiscal 2015, the Bank expanded the subsidy business we have implemented toward training provided to potential agricultural entrants and launched a subsidy business toward farming operation costs incurred by independent agricultural entrants aimed at providing support for stabilizing their management soon after becoming an agricultural entrant. During fiscal 2017, the Bank subsidized 831 training programs and 4,219 farming operations.

### ● Training of 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, 61 students have graduated and started engaging in farming nationwide. At present, fifth and sixth year students are studying hard, encouraging each other as colleagues sharing the same aspiration in the school located on one of the floors of The Norinchukin Bank Shinagawa Training Center.

### ● 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.

In fiscal 2018, the Bank cosponsored the "Next Generation Agriculture Summit" soliciting self-motivated young farmers. Most recently, in November 2018, the Bank cosponsored the "Farmers' & Kids' Festival," at which agricultural corporations, etc., from throughout the nation display and sell agricultural products and offer workshops for consumers in the metropolitan area where the festival is held annually. In addition, at the National Federation of Agricultural Labor Support Conference, the Bank promoted an alliance to eliminate the labor shortage problem. In addition to such national initiatives, prefecture-level alliances are also under way.

### ● 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 April 2016 aimed at contributing to the support for revitalization of local communities and overseas export.

Aiming to revitalize local communities by increasing the number of tourists visiting regional areas of Japan and advertising the attraction of Japanese foods, the Bank has implemented six tours. For the sixth tour, which was conducted in March 2018, as an effort to support the reconstruction of Kumamoto and Oita prefectures, where the number of domestic tourists has been declining due to the 2016 Kumamoto earthquakes, the Bank conducted Food and Agriculture Green Tourism targeting domestic tourists in an alliance with local governmental administrations and corporations, etc. These initiatives of the Bank are linked to more local characteristic-oriented initiatives within prefectures.

## 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, 2018, JA Bank's outstanding balance of agriculture-loans was ¥2,036.1 billion (of which loans to farmers amounted to ¥1,254.8 billion). The outstanding balance of loans in trust of the Japan Finance Corporation and other entities came to ¥460.4 billion.

### Outstanding Balance of Agricultural Loans, by Type

(Billions of Yen)

Type	March 31, 2018
Direct agricultural loans <sup>1</sup>	1,594.4
Agriculture policy-based loans <sup>2</sup>	441.6
Agriculture Modernization Loans	159.8
Other policy-based loans <sup>3</sup>	281.8
Total	2,036.1

- 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.  
 4. Of the "direct agricultural loans" funded by JA Bank, the outstanding balance of loans of The Norinchukin Bank excludes the source fund for financing facilities extended to JA Bank, such as the Bank of Japan's loan support program and other policy-based loans.

### Outstanding Balance of Agricultural Loans in Trust

(Billions of Yen)

Type	March 31, 2018
Japan Finance Corporation loans	460.0
Others	0.3
Total	460.4

## 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 financial support to affected agricultural, fishery and forestry industry workers and affected members with multifaceted support in keeping with meeting needs and situations in disaster-stricken areas.

### ● 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 Loan (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 sup-

ports the revitalization of disaster-stricken prefectural areas, such as by donating wooden products, etc., made using local timber.



Harvesting by a Reconstruction Fund recipient



Agricultural machinery used to resume operations by producers of leeks and other vegetables

Product	Number of loans, etc.	Amount
Reconstruction Loan (Tohoku Agricultural, Forestry, and Fisheries Industries Support Loan)	Number of loans 159	Loaned amount ¥48.2 billion
Reconstruction Fund (Tohoku Agricultural, Forestry, and Fisheries Industries Support Fund)	Number of investments 63	Invested amount ¥1.5 billion
Lease subsidies	Number of subsidies 1,708	Total lease amount ¥6.4 billion
Interest subsidies to JA/JF disaster funds	Number of support cases 4,059	Loaned amount ¥20.5 billion

\*Cumulative total as of September 30, 2018

### ● 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. Both Cooperatives have repaid the funds they borrowed to help increase their capital, continuing their efforts toward regional reconstruction.

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 appropriately responding to the double-loan problems and the project to promote collective relocation for disaster prevention.

Seven 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. However, disparity has arisen among local communities in this situation, and approximately 20,000 people (as of August 2018) are still forced to live in temporary housing. Given such facts, 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 Forest Owners' 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, aiming to become an entity that is needed more in regions by contributing to food, agriculture and local communities, JA Bank has been making efforts to increase agricultural income and revitalize local communities by providing high-quality financial services for community residents such as individual members and customers.

In particular, in terms of “Accomplishing the Self-reform of JA Bank,” JA Bank is promoting initiatives such as: the implementation of the “Support Program for Increasing Agricultural Income and Revitalizing Local Communities” on a total budget of ¥100.0 billion; the planning and sale of financial products leading to the expansion of the consumption of domestic agricultural and livestock products under the name of “*No to Ayumu* Project” (Project for Making Progress with Agriculture); and the deployment of mobile branches in vehicles aimed at providing financial services in underpopulated areas and enhancing the ability to respond to disasters.

To meet the diverse 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 industry—more extensively, we have installed a “Prefectural Leader Support Center” in all prefectures. Leveraging these Prefectural Leader Support Centers, JA, JA Shinnoren and the Bank are working together as one to further enhance financial services for the agricultural industry through efforts such as actively visiting agricultural corporations, which is linked to other purposes such as the CS survey, and developing the JA Bank interest subsidy program.

In addition, for community residents, with the aim of becoming the main bank for customers in all aspects of their lives, we are striving to meticulously address their diverse needs by providing financial products and services tailored to life plans, including loans, accounts for receiving salary and pension payments and internet banking, and by preparing to address needs for inheritance advice and asset management.

### ■ JF Marine Bank Initiatives

In accordance with the JF Marine Bank Medium-Term Business Promotion Policy (fiscal 2018 through fiscal 2020), JF Marine Bank is making efforts to become a trusted provider of financial services for fishing communities by implementing its initiatives to maintain and strengthen its business promotion capabilities, mainly focused on financing for the fishery industry.

Specifically, JF Marine Bank continues to engage in initiatives to approach fishing communities 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 persons such 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 2018, the amount of newly executed fishery-related loans exceeded nationwide targets.

In addition, JF Marine Bank has added 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.

Going forward, JF Marine Bank will continue engaging in initiatives to strengthen the financial functions for the fishery industry including the financing of the fishing boat leasing businesses, which is a policy measure of the national government.

On top of these initiatives, aiming to further deepen transactions with community residents, JF (Japan Fisheries Cooperatives) and JF Shingyoren have united to develop a “Promotion Campaign to Become a Main Bank for Fishermen’s Households.” Moreover, the Bank has been providing support for initiatives in each prefecture, recording a year-over-year net increase in the balance of personal savings at the end of first half of fiscal 2018. Along with these measures, the Bank has been making efforts to produce actual results through support for the activities of JF Women’s Groups/Youth Groups, and has been contributing to local communities, the 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 Restoration Fund (Nochu Moridikara Fund), recruiting leaders, and subsidizing the costs of purchasing protective trousers and other

safety equipment aimed at improving labor safety.

In October 2016, the Bank established an endowed research department at the University of Tokyo for the study of lumber-using systems. In conjunction with this, 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, conducting surveys and research as well as various kinds of activities toward the expansion of lumber utilization.

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

Based on the environmental changes surrounding the cooperative system, JA Bank, JF Marine Bank and JForest Group are continuing to work to develop human resources that meet and fulfill the expectations of individual members and customers such as nurturing “Reform Leaders” who can lead the implementation of management visions toward reforms.

At JA Bank, “JA Bank Central Academy—Managers Course” and the “JA Bank Central Academy—Senior Executives Course<sup>2</sup>,” 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), etc., were implemented. Furthermore, follow-up efforts were conducted to help participants to implement management strategies that were formulated via the training courses and to nurture human resources who can implement initiatives toward reforms to address future changes in the business environment.

Moreover, for steady implementation of the JA Bank Medium-Term Strategies, we are working to enhance the acquisition of financial knowledge and other professional skills through well-planned training sessions tailored to each initiative and verifying the acquisition of new knowledge and skills through such training. Furthermore, we support JA’s initiative to reform its business operational structure, mainly by providing support for the dissemination of the “CS Improvement Pro-

gram” and the “Onsite Sales Capability Enhancement Program,” which have been developed to conduct sales activities from the perspective of customers and improve the organizational culture.

Notes: 1. The “JA Bank Central Academy—Managers Course” (cumulative total of 620 participants as of September 30, 2018) is targeted at JA directors in charge of the banking business.  
2. The “JA Bank Central Academy—Senior Executives Course” (cumulative total of 399 participants as of September 30, 2018) is targeted at JA senior managers in charge of the cooperative banking business.

These participants are implementing the management strategies formulated through these training sessions and helping our initiatives toward reform to take root so that the Bank can continually address future changes in

the environment.

In addition, for JF Shingyoren, etc., the Bank is offering the “JF Marine Bank Training—Branch Operation Course,” which is targeted at management personnel in charge of branch operations, who are the key personnel to provide necessary financial services for fishing communities. For Japan Forest Owners’ Cooperatives (JForest), the Bank is offering “JForest Counsellor Training,” which is targeted at personnel holding the title of counselor who are in charge of the practical managerial duties of JForest, thereby supporting the implementation of organizational reform by developing human resources who can lead reform and innovation at each cooperative.

## 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 man-

agement that is responsive to market conditions and on upgrading and accumulating investment expertise. 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.

## CSR Initiatives

As the financial institution founded on a platform of agricultural, fishery and forest owners’ cooperatives as well as an institution engaging in global investment and loan activities, the Bank follows a basic policy for CSR (corporate social responsibility) activities to maintain the trust of various stakeholders and contribute to the sustainable development of the economy and society. Moreover, the Norinchukin Group engages in the CSR activities mutually coordinating with members in the field of agriculture, fishery and forestry industries.

To respond to broadening CSR-related social demands, the Bank organized its CSR priorities into six areas and 17 focal points in fiscal 2016. In these six areas, all directors and employees of the Bank work on the sustainable development of society through their business operations. Moreover, the Bank has participated in the following three international initiatives. Concerning the CSR Report as well, the content of the report has been updated in line with newly organized focal points and has been disclosed on the Bank’s website.

### Participation in Major Initiatives

United Nations Global Compact	Equator Principles	CDP
		

## Areas of the Materiality of The Norinchukin Bank

### Six CSR Areas



### Six CSR Areas and 17 Focal Points

Area	Focal Point
Contribution to the development of the agriculture, fishery and forestry industries	1 Promotion of the agriculture, fishery and forestry industries
	2 Contribution to local communities
Responsible financing	3 Responsible investments and loans
	4 Promotion of environmental conservation projects
Environmental/Social contributions	5 Contribution to creating a sound society
	6 Environmental considerations
Trust from customers	7 Reliability of financial infrastructure
	8 Respect for customers
	9 Appropriate business activities
Respect for employees	10 Fair labor practices
	11 Employee diversity
	12 Human resource development
	13 Occupational health and safety
Organizational foundation	14 Governance
	15 Corporate ethics
	16 Respect for human rights
	17 Stakeholder engagement



## Measures Taken by the Bank to Cope with Various Kinds of Disasters

During the first half of fiscal 2018, multiple torrential rains, typhoons, earthquakes and other disasters (outlined below) occurred and caused significant damage throughout Japan.

We express our sincere condolences to the victims of these disasters.

Month of disaster	Name of disaster
June 2018	Earthquake with the seismic center located in northern Osaka
July 2018	July 2018 Torrential Rains
September 2018	Typhoon No. 21, 2018
	2018 Hokkaido Eastern Iburi Earthquake

To address large-scale disasters, the Bank activates a disaster countermeasure headquarters immediately after the occurrence of a disaster and takes urgent financial and other measures, while monitoring the situation, the seriousness of damage and system operation status of each affected area.

Immediately after the occurrence of the 2018 disasters, the Bank quickly paid out requested amounts from the deposit accounts of customers who lost their passbook or seal due to the disaster. In addition, to contribute to smooth financing mainly for disaster-affected agricultural, fishery and forestry workers, the Bank, together with JA Bank and JF Marine Bank, established consultation counters concerning new loans and repayments of the past borrowings and provided various financial support measures such as making low-interest disaster countermeasure loans and providing interest subsidies for agricultural loans.

### To Address the July 2018 Torrential Rains

#### To Help Victims of the Disaster

The July 2018 Torrential Rains caused tremendous damage to the agricultural, fishery and forestry industries in disaster-afflicted areas. Facing the spread of damage, in addition to its existing financial support, in October 2018 the Bank created a 2018 West Japan Torrential Rain Countermeasure Fund on the scale of ¥0.5 billion as a scheme to stabilize financial condition of disaster-afflicted agricultural corporations, etc. This fund is operated by The Agribusiness Investment & Consultation Co., Ltd., which was established via joint investments by Japan Finance Corporation and the JA Group, to invest in agricultural corporations, etc., that satisfy certain conditions.

In addition, in disaster-afflicted areas, JA Bank handles low-interest residence-related loans to help people with residences damaged by the disaster.

#### Operation of Our Mobile Branches in Vehicles in Disaster-Affected Areas

JA Bank introduced throughout Japan mobile branches in vehicles with terminals that allow customers to deposit and withdraw money from their accounts (57 mobile branches in vehicles as of August 31, 2018) to provide financial services mainly for customers who live in areas without bank branches and ATMs.

Mobile branches in vehicles, which can operate

terminals for deposit and withdrawal using their own power generators, can be used as an alternative method for bank branches and ATMs that are damaged and cannot operate in disaster areas.

In the areas that were afflicted by torrential rains in July 2018, at four JAs—JA Ehime-Taiki, JA Okayama-Nishi, JA Aki (Hiroshima Prefecture) and JA Megumino (Gifu Prefecture)—mobile branches in vehicles operated and provided deposit, withdrawal and other services for customers.

Moreover, to achieve quick support, each area's JA Group worked together as one, thereby dispatching mobile branches in vehicles to JA Aki from JA Onomichi-city and JA Mihara within the same prefecture and JA Yamaguchi Chuo in a neighboring prefecture; to JA Okayama-Nishi from JA Hyogo-Nishi in a neighboring prefecture; and to JA Ehime-Taiki from JA Ehime Kenshinren.

Through various support efforts, the Bank is committed to continuing support for the restoration of the agriculture, fishery and forestry industries and assistance to disaster-afflicted people to continue their businesses and restore their lives.



Mobile branches in vehicles dispatched by JA Yamaguchi Chuo to JA Aki