

Financial Statements for the Fiscal 2015

Name : **The Norinchukin Bank**

(URL <http://www.nochubank.or.jp/>)

Name of the President: Yoshio Kono, President & Chief Executive Officer

The Person Responsible for Inquiries : Shigeo Miyachi, General Manager of Financial Planning & Control Division

(Note) Amounts less than one million Yen are rounded down.

1. Consolidated Financial Results for the Fiscal 2015 (for the fiscal year ended March 31, 2016)

(1) Consolidated Results of Operations

(Percentage represents change from the previous fiscal year)

	Ordinary Income		Ordinary Profits		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2015	1,287,909	(5.3)	324,950	(36.9)	271,281	(34.0)
Fiscal 2014	1,359,895	25.1	514,582	170.3	411,301	164.1

(Note) Comprehensive Income for Fiscal 2015 (98,158) millions of Yen (107.0)% for Fiscal 2014 1,403,084 millions of Yen 458.1%

	Net Assets Net Income Ratio		Total Assets Ordinary Profits Ratio		Ordinary Income Ordinary Profits Ratio	
		%		%		%
Fiscal 2015	3.7		0.3		25.2	
Fiscal 2014	6.2		0.6		37.8	

(Ref) Equity in Earnings of Affiliates for Fiscal 2015 533 millions of Yen for Fiscal 2014 9,936 millions of Yen

(2) Consolidated Financial Conditions

	Total Assets		Total Net Assets		Net Assets Ratio (Note)	
	Millions of Yen		Millions of Yen		%	
Fiscal 2015	101,182,920		7,186,790		7.1	
Fiscal 2014	94,549,729		7,308,134		7.7	

(Ref) Net Assets - Non-controlling Interests for Fiscal 2015 7,178,817 millions of Yen for Fiscal 2014 7,300,839 millions of Yen

(Note) Net Assets Ratio is computed by dividing (Net Assets - Non-controlling Interests) by Total Assets.

Net Assets Ratio above is not the one calculated 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).

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Fiscal Year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal 2015	7,931,401	(514,014)	4,103	13,623,612
Fiscal 2014	2,899,695	(1,298,297)	(66,877)	6,202,122

※ Notes

(1) Changes in Significant Subsidiaries in the fiscal year

(Changes in specified subsidiaries in accordance with changes in the scope of consolidation) : None

(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

- ① Changes in Accounting Policies due to revisions of Accounting Standards : Yes
- ② Changes in Accounting Policies other than ① above : None
- ③ Changes in Accounting Estimates : None
- ④ Restatements : None

(Note) The details are reported in “ Changes in Accounting Policies ” (page 16).

2. Non-consolidated Financial Results for the Fiscal 2015 (for the fiscal year ended March 31, 2016)

(1) Non-consolidated Results of Operations

(Percentage represents change from the previous fiscal year)

	Ordinary Income		Ordinary Profits		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2015	1,274,639	(4.9)	322,139	(36.1)	271,580	(32.9)
Fiscal 2014	1,340,453	26.2	504,302	187.9	404,551	182.5

(2) Non-consolidated Financial Conditions

	Total Assets	Total Net Assets	Net Assets Ratio (Note)
	Millions of Yen	Millions of Yen	%
Fiscal 2015	100,130,096	7,133,639	7.1
Fiscal 2014	93,618,444	7,231,802	7.7

(Ref) Net Assets for Fiscal 2015 7,133,639 millions of Yen for Fiscal 2014 7,231,802 millions of Yen

(Note) Net Assets Ratio is computed by dividing Net Assets by Total Assets.

Net Assets Ratio above is not the one calculated 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).

Note on the implementation status of Audit Procedure

This report is out of the scope of the external auditor's audit procedure. The procedure of the audit which is implemented on a voluntary basis on the consolidated financial statements for the period and the procedure of the audit which is implemented pursuant to The Norinchukin Bank Law on the non-consolidated financial statements for the period were completed as of the disclosure date.

Qualitative Information

1 Qualitative information relating to the Non-consolidated Results of Operations

The global economy in our fiscal 2015 showed modest growth while robust growth in the US and moderate recovery in Europe were set off in part by the slower growths in China and other economies exporting natural resources.

The US economy continued expansion primarily due to solid domestic consumption and residential investments. At the same time, the European economies benefited from the cyclical recovery. In contrast, the economies in China and other emerging countries suffered from decelerating growths. The Japanese economy was also sluggish as both the domestic and international demands remained weak.

In the financial markets, the long-term interest rates in the US and Europe at the end of the fiscal year returned to the low range where they had been at the beginning of the fiscal year due to the concerns over the Chinese economy and the plunge in oil prices, though they had risen earlier in the year anticipating the inception of federal fund rate hike in the US. The long-term interest rate in Japan declined into negative territory setting record low, as the Bank of Japan introduced the negative interest rate policy in the fourth quarter. Stock prices also declined in Japan, Europe and the emerging markets amid uncertainty over the Chinese economy and the dropped oil prices. In the foreign exchange market, Yen rapidly appreciated in value against US dollar in the fourth quarter due to the rising chance of slower rate hike in the US which gained momentum over the uncertainty of the global economy.

Under such earnings environment, The Norinchukin Bank (“the Bank”) has been managing operations to secure steady accumulation of interest income, and the non-consolidated interest income of the Bank totaled to ¥348.8 billion, down ¥109.5 billion from the previous fiscal year.

The total credit costs were ¥19.3 billion in net earnings mainly from the reversal of reserves due to the improvement of our customers’ corporate performances.

As for securities investments, net gains/losses on sales were net gains of ¥19.7 billion, up ¥19.5 billion from the previous fiscal year and the expenses of provisions and impairments for price-decline of securities and other reasons improved by ¥2.9 billion to ¥1.1 billion in net earnings from the previous fiscal year.

As a result, with all of the factors mentioned above, the Bank recorded ¥322.1 billion in Ordinary Profits, down ¥182.1 billion and ¥271.5 billion in Net Income, down ¥132.9 billion from the previous fiscal year, respectively. The Bank’s net operating profits stood at ¥225.7 billion.

2 Qualitative information relating to the Non-consolidated Financial Conditions

Total Assets of the Bank at the end of the fiscal year increased by ¥6,511.6 billion to ¥100,130.0 billion from the previous fiscal year-end. Total Net Assets at the end of the fiscal year decreased by ¥98.1 billion to ¥7,133.6 billion from the previous fiscal year-end.

As to the balances of the major accounts on the assets side, Loans and Bills Discounted at the end of the fiscal year decreased by ¥2,019.8 billion to ¥17,915.8 billion from the previous fiscal year-end, and Securities at the end of the fiscal year decreased by ¥1,408.8 billion to ¥58,329.7 billion from the previous fiscal year-end. For those on the liabilities side, Deposits at the end of the fiscal year increased by ¥5,352.3 billion to ¥58,838.5 billion, and Debentures at the end of the fiscal year decreased by ¥431.2 billion to ¥3,133.0 billion from the previous fiscal year-end, respectively.

The Bank’s shares in the consolidated financial statements are very high.

Consolidated Total Assets at the end of the fiscal year increased by ¥6,633.1 billion to ¥101,182.9 billion from the previous fiscal year-end. Consolidated Ordinary Profits were ¥324.9 billion, down ¥189.6 billion from the previous fiscal year and Profit Attributable to Owners of Parent was ¥271.2 billion, down ¥140.0 billion from the previous fiscal year.

(Note) All the amounts shown in this document are rounded down.

The Bank's management policies and current issues to be addressed

1 The Bank's management policies

The business environment surrounding the Bank, JA Bank and JF Marin Bank has been undergoing a significant change such as the aging demographics of the members of JAs/JFs, the revision of the Agricultural Co-operatives Act, the broad agreement on the Trans-Pacific Partnership, the progress in the reform of international financial regulations, and the growing concern over the course of the financial markets.

Under these circumstances, the Bank has developed its managerial and operational policies for the next three years as the Medium-Term Management Plan (FY2016 – FY2018). With a keen sense of crisis arising from the changing environment, the plan has defined the next three-year as the touchstone period in which the Bank is challenged its *raison d'être*. The Bank has made firm resolve to achieve solid results within the period in the reframed “food and agriculture business” that contributes to the agriculture, fishery and forestry finance and converts these industries into sustainably growing industries, as well as in the existing main business areas of “retail business” and “investment business”.

The Bank will firmly and steadily play the essential roles in the implementation of the Medium-Term Management Plan in order to materialize the “leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities” toward the Bank's 100th anniversary in 2023.

2 Current issues to be addressed

The Bank will focus on the following issues specified in the Medium-Term Management Plan (FY2016 – FY2018).

(1) Food and Agriculture Business

- To play further roles to contribute to the increase in income of farmers, fishers and foresters, and to the revitalization of local communities
- To strengthen the presence of JA Bank and JF Marin Bank through the expanded delivery of information

(2) Retail Business

- To develop retail business that corresponds to the shift of customer base and satisfies the customer needs
- To accomplish the self-reform of JA Bank and to achieve satisfaction from the members of JAs and JFs.

(3) Investment Business

- To correspond steadily to the reform of international financial regulations
- To enhance the capacity to earn stably

(4) Corporate Functions

- To develop the business and information infrastructure that materializes competitive edge of the Bank
- To sophisticate the risk management system of the Bank
- To fulfill the function of information gathering and navigation for the managerial and organizational issues surrounding the Bank

List of Group Companies

(As of March 31, 2016)

Company Name	Address	Nature of Business	Date of Establishment	Capital Percentage of Voting Rights (%)
The Norinchukin Trust & Banking Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo, Japan	Trust & Banking	August 17, 1995	¥20,000 million 100.00
Norinchukin Value Investments Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo, Japan	Investment Advisory Services	October 2, 2014	¥400 million 100.00 (30.00)
Norinchukin Research Institute Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo, Japan	Research	March 25, 1986	¥300 million 100.00
Norinchukin Facilities Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	Building Management & Facility Management	August 6, 1956	¥197 million 100.00
Nochu Business Support Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo, Japan	Provider of various administrative services for The Norinchukin Bank	August 18, 1998	¥100 million 100.00
Norinchukin Academy Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	Training	May 25, 1981	¥20 million 100.00
Kyodo Housing Loan Co., Ltd.	15-3, Chuocho 1-chome, Meguro-ku, Tokyo, Japan	Mortgage Loans & Housing Loan Guarantee	August 10, 1979	¥10,500 million 92.12
Nochu Information System Co., Ltd.	2-3, Toyosu 3-chome, Koto-ku, Tokyo, Japan	System Development & Maintenance	May 29, 1981	¥100 million 90.00
Norinchukin-Zenkyoren Asset Management Co., Ltd.	7-9, Hirakawacho 2-chome, Chiyoda-ku, Tokyo, Japan	Asset Management & Investment Advice	September 28, 1993	¥3,420 million 50.91
Norinchukin Finance (Cayman) Limited	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	Issuances of Subordinated Bonds, Lending of Subordinated Loans	August 30, 2006	US \$50,000 100.00
Ant Capital Partners Co., Ltd.	2-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	Private Equity Investments & Fund Management	October 23, 2000	¥3,086 million 39.61
The Cooperative Servicing Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo, Japan	Management and Collection of Non-Performing Loans	April 11, 2001	¥500 million 37.96
JA MITSUI LEASING, LTD.	13-1, Ginza 8-chome, Chuo-ku, Tokyo, Japan	Leasing Business	April 1, 2008	¥32,000 million 33.40
Gulf Japan Food Fund GP	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands	Investments	July 29, 2015	US \$50,000 20.10
JAML MRC Holding, Inc.	286 Madison Ave., Suite 301, New York, NY, 10017, USA	Investments	March 6, 2015	US \$42million 20.00
The Agribusiness Investment & Consultation Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo, Japan	Investment in Agricultural Corporations	October 24, 2002	¥4,070 million 19.97
Mitsubishi UFJ NICOS Co., Ltd.	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo, Japan	Credit Card Business	June 7, 1951	¥109,312 million 15.01
Investment Limited Partnership for Renewable Energy in Agriculture, Forestry and Fisheries	13-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	Investment in Renewable Energy Projects	April 30, 2014	¥320 million —
Daiichi Life Norinchukin Building Management Co., Ltd.	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan	Building Management	April 1, 1993	¥10 million 27.00

(Note) The percentage of voting rights in parentheses indirectly owned by The Norinchukin Bank.

Consolidated Financial Statements

Principles of Consolidated Financial Statements

1 Scope of Consolidation

- (1) Consolidated subsidiaries 10 companies

Names of principal companies:

The Norinchukin Trust & Banking Co., Ltd.

Kyodo Housing Loan Co., Ltd.

- (2) Unconsolidated subsidiaries 0 companies

2 Application of the Equity Method

- (1) Affiliates which were accounted for by the equity method 8 companies

Names of principal companies:

JAMITSUI LEASING, LTD.

Mitsubishi UFJ NICOS Co., Ltd.

Goodwill is amortized using the straight-line method over 20 years.

Newly established “JAML MRC Holding, Inc.” and “Gulf Japan Food Fund GP” were included in the scope of application of the equity method from fiscal 2015.

- (2) Affiliates which were not accounted for by the equity method 1 company

Name of the company:

Daiichi Life Norinchukin Building Management Co., Ltd.

The equity method was not applied to the affiliate, since the impact of the affiliate on the consolidated financial statements was not material in terms of Net Income, Retained Earnings and Accumulated Other Comprehensive Income.

3 The Fiscal Year of Consolidated Subsidiaries

- (1) The number of consolidated subsidiaries and their closing date of the fiscal year are as follows:

Closing date: March 31, 2016 Number of subsidiaries: 10

- (2) Consolidated subsidiaries were consolidated based on their financial statements as of their respective closing dates.

4 Amortization of the Goodwill

Goodwill is charged to income when incurred, if deemed immaterial.

5 Appropriations of Retained Earnings

The Consolidated Statement of Capital Surplus and Retained Earnings was presented based on the appropriation of retained earnings resolved in the fiscal year.

Consolidated Balance Sheet

(Millions of Yen)

	Fiscal 2014 (As of March 31, 2015)	Fiscal 2015 (As of March 31, 2016)
(Assets)		
Loans and Bills Discounted	20,038,143	18,022,160
Foreign Exchange Assets	202,946	237,332
Securities	59,723,905	58,306,391
Money Held in Trust	4,507,849	4,922,923
Trading Assets	10,099	14,284
Monetary Claims Bought	226,605	244,023
Call Loans and Bills Bought	569,902	139,877
Receivables under Resale Agreements	29,842	-
Receivables under Securities Borrowing Transactions	78,804	2,049,052
Cash and Due from Banks	7,297,692	15,057,960
Other Assets	881,872	1,037,001
Tangible Fixed Assets	110,386	108,304
Buildings	43,729	43,237
Land	50,827	50,499
Lease Assets	11,450	10,958
Construction in Progress	20	775
Other Tangible Fixed Assets	4,358	2,833
Intangible Fixed Assets	20,947	20,362
Software	12,505	10,326
Lease Assets	3,519	3,304
Other Intangible Fixed Assets	4,922	6,732
Net Defined Benefit Asset	32,559	27,969
Deferred Tax Assets	2,014	1,999
Customers' Liabilities for Acceptances and Guarantees	936,504	1,087,130
Reserve for Possible Loan Losses	(118,132)	(93,854)
Reserve for Possible Investment Losses	(2,213)	-
Total Assets	94,549,729	101,182,920
(Liabilities)		
Deposits	53,474,106	58,823,374
Negotiable Certificates of Deposit	3,674,664	3,598,338
Debentures	3,552,811	3,122,077
Bonds	50,000	50,000
Trading Liabilities	6,717	8,476
Borrowed Money	2,441,513	3,090,120
Call Money and Bills Sold	475,000	4,276
Payables under Repurchase Agreements	17,707,639	18,488,218
Payables under Securities Lending Transactions	74,682	903,887
Foreign Exchange Liabilities	35	17
Short-term Entrusted Funds	2,612,780	1,397,731
Other Liabilities	1,348,589	2,645,958
Reserve for Bonus Payments	7,326	7,711
Net Defined Benefit Liability	16,349	39,756
Reserve for Directors' Retirement Benefits	1,064	1,179
Reserve for Agriculture, Fishery and Forestry		
Industry Subsidies	-	12,684
Deferred Tax Liabilities	852,175	705,928
Deferred Tax Liabilities for Land Revaluation	9,633	9,263
Acceptances and Guarantees	936,504	1,087,130
Total Liabilities	87,241,595	93,996,130
(Net Assets)		
Paid-in Capital	3,425,909	3,480,488
Capital Surplus	25,020	25,020
Retained Earnings	1,576,096	1,770,832
Treasury Preferred Stock	(150)	(150)
Total Owners' Equity	5,026,876	5,276,191
Net Unrealized Gains on Other Securities	2,339,436	2,118,533
Net Deferred Losses on Hedging Instruments	(104,793)	(231,632)
Revaluation Reserve for Land	16,984	16,020
Foreign Currency Transaction Adjustments	23	(48)
Remeasurements of Defined Benefit Plans	22,311	(246)
Total Accumulated Other Comprehensive Income	2,273,963	1,902,626
Non-controlling Interests	7,294	7,972
Total Net Assets	7,308,134	7,186,790
Total Liabilities and Net Assets	94,549,729	101,182,920

Consolidated Statements of Operations and Comprehensive Income

(1) Consolidated Statement of Operations

(Millions of Yen)

	Fiscal 2014 (Year ended March 31, 2015)	Fiscal 2015 (Year ended March 31, 2016)
Ordinary Income	1,359,895	1,287,909
Interest Income	1,029,543	1,034,824
Interest on Loans and Bills Discounted	67,356	64,736
Interest and Dividends on Securities	943,873	949,746
Interest on Call Loans and Bills Bought	916	514
Interest on Receivables under Resale Agreements	50	1
Interest on Receivables under Securities Borrowing Transactions	160	71
Interest on Due from Banks	12,579	18,081
Other Interest Income	4,606	1,672
Fees and Commissions	25,348	26,106
Trading Income	134	268
Other Operating Income	71,000	89,833
Other Ordinary Income	233,868	136,875
Reversal of Reserve for Possible Loan Losses	51,362	22,135
Recoveries of Written-off Claims	302	276
Other Ordinary Income	182,203	114,463
Ordinary Expenses	845,313	962,958
Interest Expenses	603,454	715,922
Interest on Deposits	29,711	37,144
Interest on Negotiable Certificates of Deposit	7,012	12,010
Interest on Debentures	18,744	13,452
Interest on Borrowed Money	79,292	80,080
Interest on Call Money and Bills Sold	414	514
Interest on Payables under Repurchase Agreements	17,973	45,154
Interest on Payables under Securities Lending Transactions	54	746
Interest on Bonds	1,194	1,106
Other Interest Expenses	449,057	525,712
Fees and Commissions	15,067	15,511
Trading Expenses	-	201
Other Operating Expenses	87,450	56,500
General and Administrative Expenses	129,424	162,563
Other Ordinary Expenses	9,916	12,258
Other Ordinary Expenses	9,916	12,258
Ordinary Profits	514,582	324,950
Extraordinary Profits	128	76
Gains on Disposal of Fixed Assets	72	76
Gains on Negative Goodwill Incurred	56	-
Extraordinary Losses	1,767	1,496
Losses on Disposal of Fixed Assets	462	1,385
Losses on Impairment of Fixed Assets	1,305	111
Income before Income Taxes	512,942	323,530
Income Taxes - Current	94,446	58,139
Income Taxes - Deferred	6,551	(6,846)
Total Income Taxes	100,998	51,292
Profit	411,944	272,237
Profit Attributable to Non-controlling Interests	643	955
Profit Attributable to Owners of Parent	411,301	271,281

(2) Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Fiscal 2014 (Year ended March 31,2015)	Fiscal 2015 (Year ended March 31,2016)
Profit	411,944	272,237
Other Comprehensive Income	991,139	(370,395)
Net Unrealized Gains (Losses) on Other Securities	1,035,947	(220,006)
Net Deferred Gains (Losses) on Hedging Instruments	(59,431)	(126,791)
Revaluation Reserve for Land	(17)	-
Foreign Currency Transaction Adjustments	29	(12)
Remeasurements of Defined Benefit Plans	13,348	(21,917)
Share of Other Comprehensive Income of Affiliates accounted for by the equity method	1,263	(1,668)
Total Comprehensive Income	1,403,084	(98,158)
Attributable to:		
Owners of the Parent	1,402,420	(99,090)
Non-controlling Interests	664	932

Consolidated Statement of Capital Surplus and Retained Earnings

(Millions of Yen)

	Fiscal 2014 (Year ended March 31, 2015)	Fiscal 2015 (Year ended March 31, 2016)
(Capital Surplus)		
Balance at the Beginning of the Fiscal Year	25,020	25,020
Additions:	-	-
Deductions:	-	-
Balance at the End of the Fiscal Year	25,020	25,020
(Retained Earnings)		
Balance at the Beginning of the Fiscal Year	1,236,359	1,576,096
Cumulative Effects of Changes in Accounting Policies	(4,455)	-
Restated Balance	1,231,904	1,576,096
Additions:	411,301	272,246
Profit Attributable to Owners of Parent	411,301	271,281
Transfer from Revaluation Reserve for Land	-	964
Deductions:	67,108	77,510
Dividends	66,712	77,510
Transfer from Revaluation Reserve for Land	395	-
Balance at the End of the Fiscal Year	1,576,096	1,770,832

Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal 2014 (Year ended March 31,2015)	Fiscal 2015 (Year ended March 31,2016)
I Cash Flows from Operating Activities:		
Income before Income Taxes	512,942	323,530
Depreciation	20,713	18,090
Losses on Impairment of Fixed Assets	1,305	111
Gains on Negative Goodwill Incurred	(56)	-
Equity in Losses (Earnings) of Affiliates	(9,936)	(533)
Net Increase (Decrease) in Reserve for Possible Loan Losses	(52,586)	(24,277)
Net Increase (Decrease) in Reserve for Possible Investment Losses	(194)	(2,213)
Net Increase (Decrease) in Reserve for Bonus Payments	496	384
Net Decrease (Increase) in Net Defined Benefit Asset	(2,571)	7,272
Net Increase (Decrease) in Net Defined Benefit Liability	1,834	2,094
Net Increase (Decrease) in Reserve for Directors' Retirement Benefits	(32)	115
Net Increase (Decrease) in Reserve for Agriculture, Fishery and Forestry Industry Subsidies	-	12,684
Interest Income	(1,029,543)	(1,034,824)
Interest Expenses	603,454	715,922
Losses (Gains) on Securities	26,496	(25,706)
Losses (Gains) on Money Held in Trust	(6,943)	2,414
Foreign Exchange Losses (Gains)	(3,922,992)	2,337,985
Losses (Gains) on Disposal of Fixed Assets	390	1,308
Net Decrease (Increase) in Trading Assets	3,989	(4,184)
Net Increase (Decrease) in Trading Liabilities	(311)	1,759
Net Decrease (Increase) in Loans and Bills Discounted	(2,642,804)	2,016,870
Net Increase (Decrease) in Deposits	3,757,139	5,349,160
Net Increase (Decrease) in Negotiable Certificates of Deposit	826,577	(76,325)
Net Increase (Decrease) in Debentures	(472,256)	(430,734)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowed Money)	162,890	621,317
Net Decrease (Increase) in Interest-bearing Due from Banks	218,359	(338,770)
Net Decrease (Increase) in Call Loans and Bills Bought and Other	(32,838)	442,442
Net Decrease (Increase) in Receivable under Securities Borrowing Transactions	(73,190)	(1,970,248)
Net Increase (Decrease) in Call Money and Bills Sold and Other	5,107,471	309,855
Net Increase (Decrease) in Short-term Entrusted Funds	(338,014)	(1,215,049)
Net Increase (Decrease) in Payables under Securities Lending Transactions	(58,263)	829,205
Net Decrease (Increase) in Foreign Exchange Assets	(68,592)	(34,386)
Net Increase (Decrease) in Foreign Exchange Liabilities	31	(17)
Interest Received	1,118,690	1,138,861
Interest Paid	(602,514)	(704,503)
Other, Net	(139,675)	(238,798)
Subtotal	2,909,465	8,030,812
Income Taxes Paid	(9,770)	(99,411)
Net Cash Provided by (Used in) Operating Activities	2,899,695	7,931,401
II Cash Flows from Investing Activities:		
Purchases of Securities	(9,547,640)	(8,153,090)
Proceeds from Sales of Securities	1,706,930	1,512,704
Proceeds from Redemption of Securities	5,927,819	5,438,102
Increase in Money Held in Trust	(1,200,166)	(65,618)
Decrease in Money Held in Trust	1,826,545	765,810
Purchases of Tangible Fixed Assets	(8,303)	(5,450)
Purchases of Intangible Fixed Assets	(6,207)	(7,305)
Proceeds from Sales of Tangible Fixed Assets	2,797	1,613
Proceeds from Sales of Intangible Fixed Assets	7	-
Purchase of Stocks of Subsidiaries (Not Affecting the Scope of Consolidation)	(80)	-
Payments for Transfer of Business	-	(780)
Net Cash Provided by (Used in) Investing Activities	(1,298,297)	(514,014)
III Cash Flows from Financing Activities:		
Proceeds from Issuance of Subordinated Borrowed Money	-	27,689
Repayments of Subordinated Borrowed Money	-	(400)
Proceeds from Issuance of Stock	-	54,579
Dividends Paid	(66,712)	(77,510)
Dividends Paid to Non-controlling Interests	(164)	(253)
Net Cash Provided by (Used in) Financing Activities	(66,877)	4,103
IV Net Increase (Decrease) in Cash and Cash Equivalents	1,534,520	7,421,489
V Cash and Cash Equivalents at the Beginning of the Fiscal Year	4,667,602	6,202,122
VI Cash and Cash Equivalents at the End of the Fiscal Year	6,202,122	13,623,612

Notes to Consolidated Financial Statements

Amounts less than one million yen are rounded down.

Accounting Policies

(1) Trading Assets / Liabilities and Trading Income / Expenses

Transactions for trading purposes are those seeking gains arising from short-term market movements or from the arbitrage opportunities in interest rates, foreign exchange rates and other market related indices. Such transactions are reported as Trading Assets or Trading Liabilities in the consolidated balance sheet on a trade date basis. Gains and losses arising from transactions for trading purposes are recorded in Trading Income and Trading Expenses on the consolidated statement of operations.

Securities, monetary claims and certain other instruments held for trading purposes are valued at fair value prevailing at the end of the period. Derivatives held for trading purposes, such as swaps, futures and options, are valued on the assumption that they were settled at the end of the period.

Trading Income and Trading Expenses include interest received and paid in the period, gains or losses resulting from any change in the fair value of securities and monetary claims from the end of the previous fiscal year and gains or losses of derivatives resulting from any change in the fair value, which is determined assuming they were settled at the end of the period, from the end of the previous fiscal year.

(2) Securities

a. Held-to-maturity debt securities are valued at amortized cost (straight-line method), as determined by the moving average method. Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are valued at cost, as determined by the moving average method. In principle, other securities are valued at fair value, which is determined at the quoted market price if available, or other reasonable value at the consolidated balance sheet date (the cost of securities sold is calculated primarily by the moving average method). Other securities which are extremely difficult to determine the fair value are valued at cost determined by the moving average method or are valued at amortized cost.

Net Unrealized Gains or Losses on Other Securities, net-of-taxes, are reported separately in Net Assets.

b. Securities included in Money Held in Trust are valued using the same methods described in (1) and (2) a. above.

(3) Derivatives

Derivative transactions (other than transactions for trading purposes) are recorded at fair value.

(4) Depreciation

a. Tangible Fixed Assets (other than Lease Assets)

Depreciation of Tangible Fixed Assets of the Bank is calculated using the declining-balance method. However, depreciation on buildings acquired on or after April 1, 1998 (excluding annex facilities of buildings) is calculated using the straight-line method. The useful lives of major Tangible Fixed Assets are as follows :

Buildings:	15 years to 50 years
Others:	5 years to 15 years

Depreciation of Tangible Fixed Assets of the consolidated subsidiaries is primarily calculated using the

declining-balance method over their estimated economic useful lives.

b. Intangible Fixed Assets (other than Lease Assets)

Depreciation of Intangible Fixed Assets is calculated using the straight-line method. The costs of software developed or obtained for internal use are capitalized and amortized over an estimated useful life of 5 years.

c. Lease Assets

Depreciation of Lease Assets in Tangible Fixed Assets and Intangible Fixed Assets which are finance leases where the ownership of assets is not transferred to the lessees is calculated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(5) Reserve for Possible Loan Losses

Reserve for loans to debtors who are legally or substantially bankrupt under the Bankruptcy Law, Special Liquidation under the Company Law or other similar laws is provided based on the remaining book value of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposals of collateral or the execution of guarantees. Reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt (“doubtful debtors”), is determined after taking into account a comprehensively evaluated repayment ability of debtors after deducting the amount expected to be collected through the disposals of collateral or the execution of guarantees.

Reserve for loans to debtors with restructured loans (see Note 5. to Consolidated Balance Sheet below) is provided based on the Discounted Cash Flow method if the loan balance exceeds a specific amount and the future cash flows of the principal and interest of the loan can be reasonably estimated. Under the Discounted Cash Flow method, reserve is measured as the difference between the book value of the loan and its present value of expected future cash flows, discounted by the contractual interest rate before the terms of the loan were restructured.

Reserve for loans other than those indicated above, is provided primarily at the amount calculated using the default rates which the Bank has calculated based on actual defaults experienced in the past. Specific reserve for loans to certain countries with financial difficulties is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

All claims are assessed by the Business Units based on the Bank’s internal rules for the self-assessment of asset quality. The Asset Audit Department, which is independent from the Business Units, audits these self-assessments. Reserves described above are determined based on the results of these self-assessments.

With respect to loans to borrowers who are legally or substantially bankrupt and that are secured by collateral or guarantees, the remaining book value of the loan, after the deduction of the amount of collateral or the execution of guarantees, is directly written off. Direct write-offs were ¥16,354 million for the fiscal year ended March 31, 2016.

Reserve for Possible Loan Losses for receivables of the Bank’s consolidated subsidiaries is provided at the amount determined as necessary using the past default ratio. Reserve for Possible Loan Losses for problem receivables of the Bank’s consolidated subsidiaries is provided by taking into account their recoverability and an estimate of uncollectible amount.

(6) Reserve for Possible Investment Losses

Reserve for Possible Investment Losses represents an amount determined to be necessary to cover the estimated loss from the investments, taking into account the financial condition and other factors of the issuer of the securities. No Reserve for Possible Investment Losses is recorded as of March 31, 2016.

(7) Reserve for Bonus Payments

Reserve for Bonus Payments represents estimated cost of payment of employees' bonuses attributable to the fiscal year.

(8) Reserve for Directors' Retirement Benefits

Reserve for Directors' Retirement Benefits for the payments of retirement benefits for directors and corporate auditors is recognized as the required amount accrued at the end of the fiscal year.

(9) Reserve for Agriculture, Fishery and Forestry Industry Subsidies

From the fiscal year ended March 31, 2016, Reserve for Agriculture, Fishery and Forestry Industry Subsidies is provided at the amount determined to be necessary to cover the estimated subsidies likely to be granted under "Support Program for Increasing Agricultural Income and Revitalizing Local Communities".

(10) Accounting Method for Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2016.

Unrecognized prior service cost is amortized over a certain period (10 years) within the employees' average remaining service period using the straight-line method beginning in the fiscal year in which the difference has arisen.

Unrecognized actuarial differences are amortized over a certain period (10 years) within the employees' average remaining service period using the declining-balance method beginning in the fiscal year after the difference has arisen.

An amount determined to be necessary to cover the future outflow for Mutual Aid Association for Agricultural, Forestry and Fishery Organization Personnel is recorded since the loss can be reasonably estimated from fiscal 2015.

Some of the Bank's consolidated subsidiaries, in calculating Net Defined Benefit Liability and retirement benefit cost, adopt the simplified method whereby the retirement benefit obligations are calculated at an amount that would be paid if all eligible employees voluntarily retired at the consolidated balance sheet date.

(11) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies, and accounts of overseas branches are translated into Japanese yen primarily using the exchange rates in effect at the consolidated balance sheet date.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen using the respective exchange rates in effect at the balance sheet date.

(12) Hedge Accounting

a. Hedge of Interest Rate Risk

The Bank applies the deferral method of hedge accounting to hedge transactions to manage interest rate risk associated with various financial assets and liabilities, which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of

Certified Public Accountants (“JICPA”), (JICPA Industry Audit Committee Report No. 24, issued on February 13, 2002). Hedge effectiveness of a fair value hedge is assessed by identified groups of hedged items, such as loans and deposits, and the corresponding groups of hedging instruments, such as interest rate swaps within the same maturity bucket. Hedge effectiveness of a cash flow hedge is assessed based on the correlation of the interest rate risk indicators of the hedged items and that of the hedging instruments.

b. Hedge of Foreign Exchange Rate Risk

The Bank applies the deferral method of hedge accounting to the hedge transactions to manage foreign exchange rate risk arising from various financial assets and liabilities denominated in foreign currencies, which is described in “Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25, issued on July 29, 2002). Hedge effectiveness is assessed by reviewing whether the amount of the hedged items, such as financial monetary assets and liabilities denominated in foreign currencies, exceeds that of the hedging instruments, such as currency swap or foreign exchange swap transactions, entered into to mitigate the foreign exchange rate risk arising from the hedged items.

The deferral method or the fair value method of hedge accounting is applied to the portfolio hedges of foreign exchange rate risks associated with securities denominated in foreign currencies (other than debt securities), provided that (1) the securities denominated in foreign currencies are identified as hedged items in advance, and (2) foreign currency amounts of spot and forward liabilities exceeds those of the acquisition costs of the foreign currency securities designated as hedged items.

c. Internal Derivative Transactions

Internal derivative transactions between trading accounts and banking accounts or inter-division transactions, which are designated as hedges, are not eliminated. The related gains and losses are recognized in the consolidated statement of operations or are deferred in the consolidated balance sheet in accordance with the hedge accounting rules, because the internal interest rate swap and currency swap transactions, that are designated as hedging instruments, are traded in a non-discretionary manner and are appropriately and ultimately covered by third party transactions, which are conducted in accordance with the standards stipulated in the JICPA Industry Audit Committee Report No.24 and No.25.

For certain other assets or liabilities, the Bank applies the deferral method or the accrual method of hedge accounting, as specifically permitted for certain interest rate swaps. Under the deferral method, the recognition of income or expenses associated with a hedging instrument is deferred to the period when the income or expense arising from the hedged item is recognized.

(13) Scope of “Cash and Cash Equivalents” in Consolidated Statements of Cash Flows

“Cash and Cash Equivalents” in the consolidated statements of cash flows represents cash, non-interest bearing due from banks and due from the Bank of Japan in Cash and Due from Bank on the consolidated balance sheet.

(14) Consumption Taxes

Consumption tax and local consumption tax incurred on taxable transactions are excluded from these transaction amounts.

(Changes in Accounting Policies)

Adoption of “Accounting Standard for Business Combinations”

Effective from the beginning of fiscal 2015, the Bank has adopted the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No.21, issued on September 13, 2013, hereinafter, the “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued on September 13, 2013, hereinafter, the “Accounting Standard for Consolidation”) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on September 13, 2013, hereinafter, the “Accounting Standard for Business Divestitures”).

In applying these revised accounting standards, the accounting method was changed to record differences arising from changes in ownership interest in subsidiaries over which the Bank continues to control as Capital Surplus, and acquisition-related costs are recognized as expenses for the fiscal year in which incurred. Regarding a business combination occurring on or after the beginning of fiscal 2015, provisional amounts were retrospectively adjusted to reflect completion of the accounting for a business combination in the consolidated financial statements of the fiscal year in which the business combination occurred. In addition, the definition of Net Income was changed to include “Profit Attributable to Non-controlling Interest” and “Minority Interests” was renamed “Non-controlling Interests”. To reflect these changes in presentation, the consolidated financial statements in the previous fiscal year have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, based on the provisional treatment set forth in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, in Paragraph 44-5(4) of the Accounting Standard for Consolidation and in Paragraph 57-4(4) of the Accounting Standard for Business Divestitures, these changes are effective from the beginning of fiscal 2015.

These changes have no impact on the consolidated financial statements for fiscal 2015 except for the changes in presentation.

(Notes to Consolidated Balance Sheet)

- | | |
|---|------------------|
| 1. Stocks and investments in affiliates | ¥113,993 million |
|---|------------------|
2. Securities include securities loaned under unsecured lending agreements (Saiken Taishaku Torihiki) of ¥861,590 million as of March 31, 2016.
- Securities borrowed under unsecured borrowing agreements (Saiken Taishaku Torihiki) and securities purchased under resale agreements and cash-collateralized borrowing agreements, which can be sold or re-pledged by the Bank, include securities re-pledged of ¥12,911 million and securities held without re-pledge of ¥2,398,140 million as of March 31, 2016, respectively. No such securities are re-loaned to the third parties.
3. Loans and Bills Discounted include loans to borrowers under bankruptcy proceedings of ¥478 million and delinquent loans of ¥105,003 million.
- Loans to borrowers under bankruptcy proceedings are loans (excluding the parts written-off for possible loan losses) stipulated in Article 96-1-3, 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97, 1965) on which interest is placed on an no-accrual status (hereinafter referred to as “Non-accrual Loans”) since the loan principals and/or their pertaining interests are determined to be uncollectible considering the period of time past due and other reasons.

Delinquent loans are also non-accrual loans other than loans to borrowers under bankruptcy proceedings or loans whereby payments of interests are deferred in order to support the borrowers' rehabilitation.

4. Loans and Bills Discounted include those past-due for three months or more of ¥45 million.

Loans past-due for three months or more are loans whose principal or interest is past-due for three months or more, other than loans to borrowers under bankruptcy proceedings and delinquent loans.

5. Loans and Bills Discounted include restructured loans of ¥21,643 million.

Restructured loans are loans whereby its terms are modified in favor of the borrowers by reducing the interest rate, deferral of payments of interest or principal, waiving principal repayments, etc., in order to support the borrowers' rehabilitation and facilitate the collection of the loan, except for the loans pertaining to 3 and 4 above.

6. The total amount of loans to borrowers under bankruptcy proceedings, delinquent loans, loans past-due for three months or more and restructured loans was ¥127,171 million.

The amounts of loans indicated in 3. to 6. above are amounts before deducting the reserves for possible loan losses.

7. Bills Discounted are treated as finance transactions based on JICPA Industry Audit Committee Report No.24. Based on the Report, the Bank has the right to appropriate freely deposited banker's acceptances, commercial notes, documentary bills, and purchased foreign exchange through sales or collateralization. The face value of the total Bills Discounted was ¥2,705 million.

8. Assets pledged as collateral consist of the followings:

Assets Pledged

Loans and Bills Discounted	¥9,904,048 million
Securities	¥21,226,818 million

Liabilities secured by the above assets are as follows:

Borrowed Money	¥1,472,638 million
Payables under Repurchase Agreements	¥18,488,218 million
Payables under Securities Lending Transactions	¥890,858 million

In addition, Securities (including transactions of Money Held in Trust) of ¥7,889,305 million were pledged as collateral for settlement of exchange and derivative transactions or as margins of futures transactions.

Initial margins of futures markets of ¥987 million, cash collateral paid for financial instruments of ¥305,005 million and guarantee deposits of ¥16,076 million were included in Other Assets.

9. Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to the pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements was ¥3,101,581 million as of March 31, 2016. The amount of undrawn commitments, which the Bank and its consolidated subsidiaries could cancel at any time without cause, was ¥2,096,553 million as of March 31, 2016.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank and its consolidated subsidiaries because the majority of such agreements are terminated without being exercised. Most of

these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries may not extend the loan or may decrease the commitment when there are certain changes in the overall financial conditions, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank and its consolidated subsidiaries are able to request collateral in the form of premises or securities as necessary. After extending loans, the Bank periodically checks the financial condition of its customers based on predefined policies and procedures and acts to secure loans as necessary.

10. In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes was revaluated. Unrealized gains arising from revaluation, net of deferred tax, are disclosed as Revaluation Reserve for Land, net of taxes and included in Net Assets on the consolidated balance sheet. The related deferred tax liability is recorded as Deferred Tax Liabilities for Land Revaluation.

Date of Revaluation	March 31, 1998
Revaluation Method	Reasonably calculated in accordance with the Appraisal methods stipulated in Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land (No.119 effective as of March 31, 1998)

11. Accumulated Depreciation Deducted from Tangible Fixed Assets ¥97,239 million

12. Accumulated Amount of Tax Basis Adjustments Deducted from Tangible Fixed Assets ¥3,731 million

13. Borrowed Money includes subordinated borrowings of ¥1,513,296 million which have a special agreement that requires the fulfillment of the payment obligations of such borrowing to be subordinated to other general liabilities. Above subordinated borrowing includes ¥1,415,480 million qualifying Tier 2 capital stipulated 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.

14. Bonds are subordinated bonds of ¥50,000 million.

15. The amount of guaranteed obligations for corporate bonds acquired through private offerings (as in Article 2-3 Financial Instruments and Exchange Law) among those classified as corporate bonds in Securities was ¥3,300 million.

16. Total Monetary Credits to Directors, Supervisory Committee and the Auditors of the Bank ¥81 million

(Notes to Consolidated Statement of Operations)

Other Ordinary Income includes Gains on Sales of Stocks of ¥4,721 million and Gains on Money Held in Trust of ¥103,672 million.

(Note to Consolidated Statement of Comprehensive Income)

Reclassification adjustments and income tax effects on the Other Comprehensive Income for the fiscal year ended March 31, 2016

Net Unrealized Gains (Losses) on Other Securities:

Gains (Losses) arising during the fiscal year	¥(289,394) million
Reclassification adjustments to profit or loss	<u>(13,252) million</u>
Amounts before income tax effects	(302,646) million
Income tax effects	<u>82,639 million</u>
Total	<u>¥(220,006) million</u>

Net Deferred Gains (Losses) on Hedging Instruments:

Gains (Losses) arising during the fiscal year	¥(374,292) million
Reclassification adjustments to profit or loss	<u>198,802 million</u>
Amounts before income tax effects	(175,490) million
Income tax effects	<u>48,698 million</u>
Total	<u>¥(126,791) million</u>

Foreign Currency Transaction Adjustments:

Gains (Losses) arising during the fiscal year	¥(12) million
Reclassification adjustments to profit or loss	<u>— million</u>
Amounts before income tax effects	(12) million
Income tax effects	<u>— million</u>
Total	<u>¥(12) million</u>

Remeasurements of Defined Benefit Plans :

Gains (Losses) arising during the fiscal year	¥(23,994) million
Reclassification adjustments to profit or loss	<u>(6,340) million</u>
Amounts before income tax effects	(30,335) million
Income tax effects	<u>8,417 million</u>
Total	<u>¥(21,917) million</u>

Share of Other Comprehensive Income of Affiliates accounted for by the equity method:

Gains (Losses) during the fiscal year	¥(1,196) million
Reclassification Adjustments to profit or loss	<u>(471) million</u>
Total	<u>(1,668) million</u>
Total Other Comprehensive Income	<u>¥(370,395) million</u>

(Notes to Consolidated Statement of Cash Flows)

The reconciliation of Cash and Due from Banks in the consolidated balance sheet to “Cash and Cash Equivalents” at the end of the fiscal year is as follows:

Cash and Due from Banks	¥15,057,960 million
Less: Interest-bearing Due from Banks	<u>(1,434,347) million</u>
Cash and Cash Equivalents at the End of the Fiscal Year	¥13,623,612 million

(Financial Instruments)

1. Particulars of Financial Instruments

(1) Policy on Financial Instruments

The Bank is a financial institution which takes as its foundation the Japanese agricultural, forestry, and fisheries industry cooperatives. The Bank mainly raises procurement funds from its cooperative members' deposits (mainly 1 year), issuance of debentures (term 5 years), various financial markets, and invests these funds mainly in loans and securities. The Bank oversees the management of its securities based on the fundamental concept "globally diversified investment." In terms of geographical area, the Bank invests in Japan, the United States, Europe, and other regions. The Bank classifies its assets as bonds, equities, credit assets, and alternative investments, depending on the investment allocation. The Bank possesses various financial assets and liabilities, and its integrated risk management framework is conducted in concert with its financial management framework (asset and liability management ("ALM"), market portfolio management, credit portfolio management and others). In addition, these include derivative instruments. It is also important to note that in the management of foreign currency assets, the Bank takes steps to limit the foreign exchange rate risk in most of these investments by employing various tools, such as cross-currency swaps.

Some of the Bank's consolidated subsidiaries conduct banking business, mortgage loan business and other business.

(2) Contents and Risk of Financial Instruments

The main financial assets of the Bank and its consolidated subsidiaries consist of Loans and Bills Discounted, Securities and Money Held in Trust.

Loans and Bills Discounted are exposed to credit risk. Securities and Money Held in Trust mainly consist of bonds, equities, credit and alternative assets, which are held for held-to-maturity, available for sale, and trading purposes. These securities are exposed to the market risk arising from interest rates, currency exchange rates and price fluctuations, as well as the credit risk and liquidity risk.

The main financial liabilities of the Bank consist of Deposits from members, Debentures, Borrowed Money, Call Money and Payables under Repurchase Agreements. These financial liabilities are exposed to market risk arising from interest rates and currency exchange rates. Procurement fund from the financial markets is exposed to liquidity risk arising from market crashes and other forms of liquidity risk.

Derivative instruments include the transactions accounted for as hedge transactions, as part of our ALM. A portion of interest-related derivative instruments and currency-related derivative instruments are not accounted for as hedge transactions, and are exposed to the market risk arising from interest rates and currency exchange rates.

Ref: Accounting Policies (12) Hedge Accounting for hedged items and hedging instruments related to hedge accounting, hedge policy and hedge effectiveness

(3) Risk Management for Financial Instruments

a. Integrated Risk Management

The Bank, under its "Basic Policies for Risk Management," focuses on comprehensive risk management, where risks it faces in conducting business are identified and managed taking into account their respective natures, and its overall risk measured using quantitative methods is managed in comparison with its capital, the Bank's financial strength. To implement integrated risk management, the Bank has established the Integrated Risk Management Committee. The Committee also ensures that the total amount of risk undertaken is kept within the Bank's financial strength. The Bank has also established a number of committees which are categorized according to the type of risk they handle, e.g.

the Market Portfolio Management Committee (market risk, liquidity risk), the Credit Portfolio Management Committee (credit risk), and Other, to enable the top management to discuss risk management policies, including planned risk-taking. The framework also requires the integrated risk management situation to be regularly reported to the Board of Directors.

The Bank's consolidated subsidiaries have managed to align each risk management framework in accordance with the Bank's "Management and Operation Policy for Group Companies," taking account of the Bank's "Basic Policies for Risk Management" as well as the nature of its own business activities and the risk profile.

b. Credit Risk Management

The Bank has established its "Policies and Procedures for Credit Risk Management" and other rules for credit risk, and manages to align the credit risk management framework with the Bank's internal rating, credit risk analysis, credit ceiling, credit management and others. Specifically, as for the credit risk assets, which consist of loans and various products for the item, area and business, the Bank comprehensively manages credit risk on an entire credit portfolio basis as well as individual credit basis for whole credit risk assets.

The Bank's credit risk management framework is comprised of several committees (including the Integrated Risk Management Committee, the Credit Portfolio Management Committee and other committees), which determine the credit risk management framework as well as credit investment policy. Front sections execute loan transactions and credit investments in accordance with the credit policy and within the credit limits approved by the committees. Middle sections, which are segregated from the front sections, monitor changes in the credit risk portfolio and report them to the committees. Those reports are used for upgrading the risk management framework and for future credit investment planning.

The Bank performs specialized analysis for all outstanding credit according to borrower type, such as cooperatives, corporates, public entities, financial institutions, overseas borrowers and securitized products.

To mitigate credit over-concentration risk, the Bank has established credit ceiling systems. Total credit exposure for each ceiling category is monitored on a regular basis and controlled to avoid any over-concentration on credit exposure.

c. Market Risk Management

The Bank has established its "Policies and Procedures for Market Risk Management" and other rules for market risk, and align its market risk management framework with other relevant frameworks, policies and procedures.

Specifically, through the investment execution process, the Bank ensures the segregation of duties among divisions in charge for decisions (planning) on allocation policy, execution of individual transactions, and monitoring of risk positions. The Market Portfolio Management Committee sets market portfolio allocation policy, the front sections execute the transactions in accordance with the allocation policy, and the middle sections conduct monitoring.

The risk balance of the market portfolio is managed by analyzing and understanding market portfolio conditions based on the degree of market risk measured by the middle sections, including the amount of aggregate risk, risk indicators such as Value at Risk (VaR) and Basis Point Value, and correlation among asset classes. In principle, market risk measurements cover all financial assets and liabilities in the Bank's portfolio and make use of the Internal Model for the calculation of VaR.

From a risk management perspective, the front sections executing trades for the trading accounts are explicitly separated from the front sections executing trades for the banking accounts. Targets for profits, and position and loss limits are revised semi-annually. Progress in achieving profit targets within approved limits is monitored on

a daily basis. When positions or losses exceed approved limits, the middle sections alert the front sections to take appropriate action, which includes preparing corrective measures, reducing trading volumes, or suspending trading altogether.

The Bank adopts the variance-covariance method to measure the VaR of the trading securities within Trading Assets and certain interest-related, bond-related or other derivative transactions within Derivative Instruments, which are accounted for as trading operations. The market risk (the estimate of the potential loss) of the Bank's trading operations as of March 31, 2016, the end of fiscal 2015, summed up to ¥25 million in total under the variance-covariance method with the holding period of one business day, a 99% confidence interval, and the observation period of 1,000 business days.

In order to measure the VaR of the financial assets and liabilities from the banking operations (the operations other than trading operations), the Bank adopts the historical simulation method. The market risk (the estimate of the potential net loss) of the Bank from the banking operations totaled ¥1,878,262 million as of March 31, 2016, the end of fiscal 2015, under the historical simulation method with holding period of 1 year, a 99.5% confidence interval, and the observation period from fiscal year 1995 to recent day. Since the Bank adopts mid- to long-term investment policies, as to the impact of the short-term market volatilities, the variance-covariance method VaR and others are separately calculated while market risks are basically measured by using the historical simulation method VaR as mentioned above.

The Bank also performs a back-testing to compare the model-measured VaR with the actual profits and losses. From the back test for the fiscal year 2015 actual results, the Bank had only one exception where the actual loss exceeded VaR and concludes that the adopted measurement method provides a sufficient accuracy of the market risk measurement. VaR, however, is designed to measure the market risk under the certain occurrence probability hypothesis based on the statistical calculation of the historical market movements. Therefore, VaR may not cover the risks in extremely volatile market conditions. The Bank measures losses under various scenarios (stress test) to complement the said limits and weakness of the model.

d. Liquidity Risk Management

The Bank manages liquidity risk in accordance with its "Policies and Procedures for Liquidity Risk Management." Considering the profiles of the Bank's ALM together with the relatively less liquid assets that it holds, the Bank takes initiatives to diversify and enhance the varieties of funding instruments, placing an emphasis on the stability of cash flows. Cash flow management is conducted on an aggregate basis at the head office in collaboration with relevant branches, and various limits for each currency, funding tool and funding base are established by the Risk Management Committee. The cash flow management plan, which sets out specific cash flow policy, is approved by the Market Portfolio Management Committee.

(4) Supplementary Explanations for the Fair Value of Financial Instruments and Other Items

The fair value of financial instruments is based on the quoted market price or a reasonably estimated amount, if the quoted market price is not available. As the reasonably estimated amounts are calculated based on certain assumptions, these estimates could be significantly affected by different assumptions.

2. Disclosures Regarding the Fair Value of Financial Instruments and Other Items

“Consolidated Balance Sheet Amount,” “Fair Value” and “Difference” as of March 31, 2016 are as follows:

Unlisted stocks and other financial instruments, the fair value of which is extremely difficult to determine, are excluded from the table below. (ref. Note 2)

	(Millions of Yen)		
	Consolidated Balance Sheet Amount	Fair Value	Difference
(1) Loans and Bills Discounted	18,022,160		
Reserve for Possible Loan Losses(※1)	(92,299)		
	17,929,861	17,957,229	27,367
(2) Securities			
Held-to-Maturity Debt Securities	17,828,600	17,913,765	85,165
Other Securities	39,888,734	39,888,734	—
(3) Money Held in Trust(※1)			
Money Held in Trust for Trading Purposes	269	269	—
Other Money Held in Trust	4,922,392	4,931,540	9,147
(4) Trading Assets(※2)			
Trading Securities	5,077	5,077	—
(5) Monetary Claims Bought	244,023	244,751	727
(6) Call Loans and Bills Bought	139,877	139,877	—
(7) Receivables under Securities Borrowing Transactions	2,049,052	2,049,052	—
(8) Cash and Due from Banks	15,057,960	15,057,960	—
Total Assets	98,065,850	98,188,258	122,408
(1) Deposits	58,823,374	58,823,431	57
(2) Negotiable Certificates of Deposit	3,598,338	3,598,338	—
(3) Debentures	3,122,077	3,137,162	15,085
(4) Borrowed Money	3,090,120	3,090,371	251
(5) Call Money and Bills Sold	4,276	4,276	—
(6) Payables under Repurchase Agreements	18,488,218	18,488,218	—
(7) Short-term Entrusted Funds	1,397,731	1,397,731	—
Total Liabilities	88,524,136	88,539,530	15,394
Derivative Instruments (※3)			
Transactions not Accounted for as Hedge Transactions	(2,461)	(2,461)	—
Transactions Accounted for as Hedge Transactions	48,841	48,841	—
Total Derivative Instruments	(46,380)	(46,380)	—

- (※) 1 Loans and Bills Discounted and Money Held in Trust are net of Reserve for Possible Loan Losses. Money Held in Trust is presented by net on the consolidated balance sheet as the reserve amounts are immaterial.
- 2 Derivative Instruments are excluded from Trading Assets.
- 3 Derivative Instruments within Trading Assets, Trading Liabilities, Other Assets and Other Liabilities are shown by net position. Receivables and payables which arise from Derivative Instruments are shown on a net basis.

(Note 1) Calculation Methods for the Fair Value of Financial Instruments are as follows:

Assets

(1) Loans and Bills Discounted

The carrying value of Loans and Bills Discounted with floating rates approximates the fair value since they are

repriced reflecting market interest fluctuations within a short period, unless the creditworthiness of the debtors has been revised. Accordingly, the carrying value is deemed to be the fair value. As for Loans and Bills Discounted with fixed rates, the fair value is calculated according to the Discounted Cash Flow method. The price-determining variables include the default rates based on each credit rating, recovery rates, and other variables. As for mortgages, the fair value is calculated according to the Discounted Cash Flow method. The price-determining variables include the default rates, recovery rates, pre-payment rates and other variables.

As for Loans and Bills Discounted to doubtful debtors and others, the reserves for those assets are provided by the amount not expected to be recovered based on the present value of expected future cash flows or the recovery amount of collateral and guarantee. Accordingly, the carrying values net of the reserve approximate the fair value.

As for Loans and Bills Discounted without stated maturity for which credit is extended up to the value of the collateral assets, the carrying value is deemed to approximate the fair value, taking into account expected maturities, interest rates and other terms.

(2) Securities

Regarding the valuation of stocks, fair value is based on the closing price at the exchange. With respect to investment trusts, fair value is based on the net asset value (“NAV”) published or the quoted prices provided by brokers or venders. As for bonds, fair value is based on the quoted market price if available, reasonably estimated amounts (using the Discounted Cash Flow method and other methods of valuation), or the quoted prices provided by brokers or venders.

As for corporate bonds issued through private offerings, the fair value is based on reasonably estimated amounts which are calculated according to the Discounted Cash Flow method. The price-determining variables include the default rates based on each credit rating, recovery rates and other variables. The estimates for the valuations of some securitized products are calculated according to the prices calculated by the Discounted Cash Flow method, using variables such as default rates, recovery rates, pre-payment rates, discount rates and other variables, or the quoted prices provided by brokers or venders, or both.

Concerning floating-rate Japanese government bonds which are rarely traded in the current market, the Bank continues to determine that market prices are not deemed as fair value, and that the fair value of these bonds is based on reasonably estimated amounts at the end of the fiscal year, which are calculated according to the Discounted Cash Flow method. The price-determining variables include the yield of Japanese government bonds, swaption volatilities and other variables.

As for investments for “Partnership” and “Limited Partnership” (“Investments in Partnership and Others”), fair value is based on the share of NAV which is valued assets of “Partnership” or “Limited Partnership,” if available. Relevant notes about the fair value of securities of each classification are described in following “Securities.”

(3) Money Held in Trust

Loans and Bills Discounted and Securities included in Money Held in Trust are valued according to the same methods described in (1) and (2) above.

Relevant notes concerning the fair value of Money Held in Trust of each classification are described in following “Money Held in Trust.”

(4) Trading Assets

Trading Securities are valued based on the closing price at the exchange or quoted price provided by the corresponding financial institutions.

(5) Monetary Claims Bought

Monetary Claims Bought are valued based on the quoted prices provided by brokers or vendors.

(6) Call Loans and Bills Bought and (7) Receivables under Securities Borrowing Transactions

These contractual terms are short-term (1 year or less), and fair value approximates the carrying value.

(8) Cash and Due from Banks

For Due from Banks without stated maturity, fair value approximates the carrying value. For Due from Banks with stated maturity, as the contractual terms are short-term (1 year or less), fair value approximates the carrying value. Concerning negotiable certificates of deposit, fair value is determined based on reasonably estimated amounts at the end of the fiscal year. The reasonably estimated amounts of negotiable certificates of deposit are calculated according to the Discounted Cash Flow method. The price-determining variable is the over-the-counter rate, etc.

Liabilities

(1) Deposits

With respect to demand deposits, the amounts payable on demand as of the consolidated balance sheet date (the carrying value) are estimated at fair value. The carrying value of Time Deposits with floating rates approximates the fair value since it is repriced reflecting market interest rate fluctuations within a short period (1 year or less), unless the creditworthiness of the Bank and its consolidated subsidiaries has changed. Accordingly, the carrying value is deemed to be the fair value. As for Time Deposits with fixed rates, are calculated according to the Discounted Cash Flow method, and these discount rates are the currently-applied deposit rates. Some contractual terms are short-term (1 year or less), and fair value approximates the carrying value.

(2) Negotiable Certificates of Deposit

These contractual terms are short-term (1 year or less), and fair value approximates the carrying value.

(3) Debentures

As for Debentures, fair value is based on the quoted market price if available, or calculated according to the Discounted Cash Flow method. The price-determining variable of this method is the rate which would be applied if a similar debenture was issued.

(4) Borrowed Money

The carrying value of Borrowed Money with floating rates approximates the fair value since it is repriced reflecting market interest rate fluctuations within a short period (1 year or less), unless the creditworthiness of the Bank and its consolidated subsidiaries has changed. Accordingly, the carrying value is deemed to be the fair value. As for Borrowed Money with fixed rates, the fair value is calculated according to the Discounted Cash Flow method. The price-determining variable of this method is the rate which would be applied to a similar Borrowed Money. The fair value of the Borrowed Money with a short-term (1 year or less), approximates the carrying value.

(5) Call Money and Bills Sold, (6) Payables under Repurchase Agreements, (7) Short-term Entrusted Funds

These contractual terms are short-term (1 year or less), and the fair value approximates the carrying value.

Derivative Instruments

Derivative instruments include interest rate-related derivative instruments (interest rate swaps and others) and

currency-related derivative instruments (currency swaps and others). The fair value is based on the closing price at the exchange, a discounted net present value model, an option pricing model or other models as appropriate. The accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the valuation of hedged items, so that the fair value is included in the fair value of Loans and Bills Discounted and other items.

(Note 2) The following table lists Consolidated Balance Sheet Amount of financial instruments, the fair value of which is extremely difficult to determine:

“Assets (2) Other Securities” in Disclosures Regarding the Fair Value of Financial Instruments and Other Items excludes these financial instruments.

(Millions of Yen)

Instruments	Consolidated Balance Sheet Amount
Unlisted Stocks and Others(※1)(※2)	323,319
Investments in Partnership and Others (※3)	265,737
Total	589,056

(※) 1 Unlisted Stocks and Others are excluded from “Disclosures Regarding the Fair Value of Financial Instruments and Other Items,” since there are no market prices and their fair value is extremely difficult to determine.

2 The amount of revaluation losses for the fiscal year was ¥17 million on Unlisted Stocks and Others.

3 Out of Investments in Partnership and Others, certain “Partnership” or “Limited Partnership” whose fair value is extremely difficult to determine are excluded from “Disclosures Regarding the Fair Value of Financial Instruments and Other Items.”

(Note 3) The redemption schedule of money claims and securities with stated maturities subsequent to the consolidated balance sheet date is as follows:

(Millions of Yen)

	1 Year or Less	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 7 Years	Over 7 Years to 10 Years	Over 10 Years
Loans and Bills Discounted(※1)	13,417,511	1,803,344	1,469,876	621,924	439,355	164,464
Securities						
Held-to-Maturity Debt Securities	1,323,217	5,759,449	5,014,778	2,832,932	1,115,805	1,775,439
Other Securities held that have Maturity	1,253,851	8,677,462	11,504,978	2,422,933	992,844	2,826,022
Monetary Claims Bought	98,200	—	351	19,313	19,709	106,418
Call Loans and Bills Bought	139,877	—	—	—	—	—
Receivables under Securities						
Borrowing Transactions	2,049,052	—	—	—	—	—
Due from Banks(※2)	14,946,767	—	—	—	—	—
Total	33,228,479	16,240,256	17,989,985	5,897,103	2,567,714	4,872,344

(※) 1 Debtors in bankruptcy, debtors in default, loans to doubtful debtors and others of ¥105,684 million within Loans and Bills Discounted, for which the redemption date cannot be estimated, are excluded from the table above.

2 Demand deposits within Due from Banks are included in the entry for “1 Year or Less.”

(Note 4) The redemption schedule of Borrowed Money and other interest-bearing liabilities subsequent to the consolidated balance sheet date is as follows:

(Millions of Yen)

	1 Year or Less	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 7 Years	Over 7 Years to 10 Years	Over 10 Years
Deposits(※1)	58,660,194	143,140	20,039	—	—	—
Negotiable Certificates of Deposit	3,598,338	—	—	—	—	—
Debentures	833,906	1,408,485	879,679	7	—	—
Borrowed Money(※2)	680,341	198,519	696,774	852	1,415,816	97,816
Call Money and Bills Sold	4,276	—	—	—	—	—
Payables under Repurchase Agreements	18,488,218	—	—	—	—	—
Short-term Entrusted Funds	1,397,731	—	—	—	—	—
Total	83,663,007	1,750,144	1,596,492	859	1,415,816	97,816

(※) 1 Demand deposits within Deposits are included in the entry for “1 Year or Less.”

2 Subordinated borrowings within Borrowed Money are included in the entry for “Over 10 Years.”

(Securities)

Information relating to Securities is provided as below. The Securities include Trading Securities in Trading Assets, negotiable certificates of deposit in Cash and Due from Banks and trust beneficiary interest in Monetary Claims Bought.

1. Trading Securities (as of March 31, 2016)

(Millions of Yen)

	Unrealized Gain Recognized as Income
Trading Securities	15

2. Held-to-Maturity Debt Securities (as of March 31, 2016)

(Millions of Yen)

	Type	Consolidated Balance Sheet Amount	Fair Value	Difference
Transactions for Fair Value exceeding Consolidated Balance Sheet Amount	Japanese Government Bonds	4,639,067	4,668,056	28,988
	Municipal Government Bonds	—	—	—
	Corporate Bonds	5,773	5,877	104
	Other	6,354,177	6,462,245	108,068
	Sub total	10,999,018	11,136,179	137,161
Transactions for Fair Value not exceeding Consolidated Balance Sheet Amount	Japanese Government Bonds	2,887,353	2,880,280	(7,073)
	Municipal Government Bonds	—	—	—
	Corporate Bonds	—	—	—
	Other	4,035,705	3,991,510	(44,195)
	Sub total	6,923,059	6,871,791	(51,268)
Total		17,922,077	18,007,970	85,893

3. Other Securities (as of March 31, 2016)

(Millions of Yen)

	Type	Consolidated Balance Sheet Amount	Acquisition Cost	Difference
Transactions for Consolidated Balance Sheet Amount exceeding Acquisition Cost	Stocks	656,880	270,813	386,066
	Bonds	5,989,380	5,577,211	412,169
	Japanese Government Bonds	5,952,106	5,540,021	412,085
	Municipal Government Bonds	213	201	12
	Corporate Bonds	37,060	36,988	71
	Other	30,768,219	28,863,009	1,905,210
	Sub total	37,414,480	34,711,034	2,703,445
Transactions for Consolidated Balance Sheet Amount not exceeding Acquisition Cost	Stocks	13,479	16,201	(2,722)
	Bonds	42,943	43,022	(79)
	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Corporate Bonds	42,943	43,022	(79)
	Other	2,602,190	2,660,833	(58,643)
	Sub total	2,658,612	2,720,057	(61,445)
Total		40,073,092	37,431,092	2,642,000

4. Held-to-Maturity Debt Securities Sold during the fiscal year ended March 31, 2016

The Bank and its consolidated subsidiaries sold no held-to-maturity debt securities.

5. Other Securities Sold during the fiscal year ended March 31, 2016

(Millions of Yen)

Type	Sales Proceeds	Gains on Sales	Losses on Sales
Stocks	6,202	2,593	19
Bonds	6,697	5	2
Japanese Government Bonds	—	—	—
Municipal Government Bonds	419	0	0
Corporate Bonds	6,277	5	1
Other	1,476,781	35,216	19,164
Total	1,489,681	37,815	19,186

6. Securities Recognized for Revaluation Loss

Securities other than those for trading purposes and those whose fair value is difficult to determine, are revalued to their fair value, and the difference between the acquisition cost (and other) and the fair value is treated as a realized loss for the fiscal year ended March 31, 2016 (“revaluation loss”), if the fair value has significantly deteriorated from the acquisition cost (and other), and unless a recovery in the fair value is deemed probable.

The amount of revaluation loss for the fiscal year ended March 31, 2016 was ¥227 million, all of which was on stocks.

The criteria for determining whether the securities’ fair value has “significantly deteriorated” are outlined as follows:

Securities whose fair values are equal to or less than 50% of their acquisition costs (and other)

Securities whose fair values remain between 50% (exclusive) and 70% (inclusive) of their acquisition costs (and other) for a certain period

(Money Held in Trust)

1. Money Held in Trust for Trading Purposes (as of March 31, 2016)

(Millions of Yen)

	Consolidated Balance Sheet Amount	Unrealized Gain Recognized as Income
Money Held in Trust for Trading Purposes	269	—

2. Held-to-Maturity Money Held in Trust (as of March 31, 2016)

The Bank and its consolidated subsidiaries held no held-to-maturity money held in trust.

3. Other Money Held in Trust (Money Held in Trust other than that for trading purposes or held-to-maturity) (as of March 31, 2016)

(Millions of Yen)

	Consolidated Balance Sheet Amount	Acquisition Cost	Difference	Transactions for Consolidated Balance Sheet Amount exceeding Acquisition Cost	Transactions for Consolidated Balance Sheet Amount not exceeding Acquisition Cost
Other Money Held in Trust	4,922,653	4,689,473	233,180	233,592	412

(Note)

“Transactions for Consolidated Balance Sheet Amount exceeding Acquisition Cost” and “Transactions for Consolidated Balance Sheet Amount not exceeding Acquisition Cost” are gross valuation of the difference between the acquisition cost and the consolidated balance sheet amount presented in “Difference.”

(Per Share Information)

Net Assets per Share at the end of the fiscal year was ¥952.17 (Non-controlling Interests, the residual assets for the holders of lower dividend rate stocks and preferred stocks, the total dividends on lower dividend rate stocks and preferred stocks, and the total special dividends are deducted from the numerator, and the aggregate number of lower dividend rate stocks and preferred stocks is deducted from the denominator respectively in the calculation of Net Assets per Share.)

Profit Attributable to Owners of Parent per Share for the period was ¥53.66 (The total dividends for lower dividend rate stocks and preferred stocks and the total special dividends are deducted from the numerator, the aggregate number of lower dividend rate stocks and preferred stocks is deducted from the denominator respectively in the calculation of Profit Attributable to Owners of Parent per Share.)

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Millions of Yen)

	Fiscal 2014 (As of March 31, 2015)	Fiscal 2015 (As of March 31, 2016)
(Assets)		
Loans and Bills Discounted	19,935,726	17,915,833
Loans on Deeds	18,226,645	16,348,723
Loans on Bills	375,573	359,252
Overdrafts	1,330,275	1,205,150
Bills Discounted	3,231	2,705
Foreign Exchange Assets	202,946	237,332
Due from Foreign Banks	202,946	237,332
Securities	59,738,559	58,329,733
Japanese Government Bonds	13,770,207	13,463,863
Municipal Government Bonds	765	213
Corporate Bonds	25,487	85,777
Stocks	876,072	853,508
Other Securities	45,066,025	43,926,371
Money Held in Trust	4,506,018	4,922,102
Trading Assets	10,099	14,284
Trading Securities	2,572	5,077
Derivatives of Trading Securities	–	7
Derivatives of Securities Related to Trading Transactions	62	5
Trading-related Financial Derivatives	7,464	9,193
Monetary Claims Bought	226,605	244,023
Call Loans	569,902	139,877
Receivables under Resale Agreements	29,842	–
Receivables under Securities Borrowing Transactions	78,804	2,049,052
Cash and Due from Banks	7,278,611	15,031,730
Cash	125,387	111,190
Due from Banks	7,153,223	14,920,540
Other Assets	877,757	1,032,564
Domestic Exchange Settlement Account, Debit	90	82
Prepaid Expenses	951	2,746
Accrued Income	192,521	187,233
Initial Margins of Futures Markets	1,105	987
Variation Margins of Futures Markets	–	6
Derivatives other than for Trading	148,798	502,223
Cash Collateral Paid for Financial Instruments	469,946	305,005
Others	64,343	34,279
Tangible Fixed Assets	108,474	106,405
Buildings	43,071	42,447
Land	49,890	49,679
Lease Assets	11,383	10,912
Construction in Progress	20	775
Other Tangible Fixed Assets	4,108	2,589
Intangible Fixed Assets	19,443	18,597
Software	11,545	9,254
Lease Assets	3,519	3,301
Other Intangible Fixed Assets	4,378	6,041
Prepaid Pension Cost	1,698	8,111
Customers' Liabilities for Acceptances and Guarantees	151,587	173,161
Reserve for Possible Loan Losses	(114,920)	(91,370)
Reserve for Possible Investment Losses	(2,714)	(1,344)
Total Assets	93,618,444	100,130,096

(Millions of Yen)

	Fiscal 2014 (As of March 31, 2015)	Fiscal 2015 (As of March 31, 2016)
(Liabilities)		
Deposits	53,486,188	58,838,558
Time Deposits	47,338,747	51,173,171
Deposits at Notice	54,721	40,207
Ordinary Deposits	1,126,409	2,948,829
Current Deposits	86,545	132,441
Other Deposits	4,879,765	4,543,908
Negotiable Certificates of Deposit	3,674,664	3,598,338
Debentures	3,564,315	3,133,079
Debentures Issued	3,564,315	3,133,079
Trading Liabilities	6,717	8,476
Derivatives of Securities Related to Trading Transactions	5	15
Trading-related Financial Derivatives	6,711	8,461
Borrowed Money	2,436,513	3,085,120
Borrowings	2,436,513	3,085,120
Call Money	475,000	4,276
Payables under Repurchase Agreements	17,707,639	18,488,218
Payables under Securities Lending Transactions	74,682	903,887
Foreign Exchange Liabilities	35	17
Foreign Bills Payable	35	17
Short-term Entrusted Funds	2,612,780	1,397,731
Other Liabilities	1,321,639	2,611,934
Domestic Exchange Settlement Account, Credit	44	60
Accrued Expenses	50,258	63,746
Income Taxes Payable	79,299	39,175
Unearned Income	840	760
Employees' Deposits	8,611	8,894
Variation Margins of Futures Markets	52	-
Derivatives other than for Trading	591,896	456,097
Cash Collateral Received for Financial Instruments	17,299	313,410
Lease Liabilities	13,333	12,450
Accounts Payable for Securities Purchased	506,160	1,695,774
Others	53,845	21,564
Reserve for Bonus Payments	5,917	6,227
Reserve for Retirement Benefits	14,947	18,846
Reserve for Directors' Retirement Benefits	766	850
Reserve for Agriculture, Fishery and Forestry Industry Subsidies	-	12,684
Deferred Tax Liabilities	843,611	705,782
Deferred Tax Liabilities for Land Revaluation	9,633	9,263
Acceptances and Guarantees	151,587	173,161
Total Liabilities	86,386,642	92,996,456
(Net Assets)		
Paid-in Capital	3,425,909	3,480,488
Common Stock	3,400,909	3,455,488
(including Lower Dividend Rate Stock)	2,975,192	3,029,771
Preferred Stock	24,999	24,999
Capital Surplus	25,020	25,020
Capital Surplus Reserve	24,999	24,999
Other Capital Surplus	20	20
Reserve for Revaluation	20	20
Retained Earnings	1,530,683	1,725,717
Legal Reserves	532,966	613,866
Voluntary Reserves	997,717	1,111,851
Special Reserves	100,900	181,800
General Reserves	424,403	559,403
Reserves for Tax Basis Adjustments of Fixed Assets	7,523	7,139
Others	7	7
Unappropriated Retained Earnings	464,883	363,501
Net Income	404,551	271,580
Total Owners' Equity	4,981,614	5,231,226
Net Unrealized Gains on Other Securities, net of taxes	2,338,046	2,118,027
Net Deferred Losses on Hedging Instruments, net of taxes	(104,843)	(231,634)
Revaluation Reserve for Land, net of taxes	16,984	16,020
Total Valuation and Translation Adjustments	2,250,187	1,902,413
Total Net Assets	7,231,802	7,133,639
Total Liabilities and Net Assets	93,618,444	100,130,096

Non-consolidated Statement of Operations

(Millions of Yen)

	Fiscal 2014 (Year ended March 31, 2015)	Fiscal 2015 (Year ended March 31, 2016)
Ordinary Income	1,340,453	1,274,639
Interest Income	1,033,786	1,036,962
Interest on Loans and Bills Discounted	63,775	61,332
Interest and Dividends on Securities	951,706	955,300
Interest on Call Loans	916	514
Interest on Receivables under Resale Agreements	50	1
Interest on Receivables under Securities Borrowing Transactions	160	71
Interest on Due from Banks	12,570	18,069
Other Interest Income	4,606	1,672
Fees and Commissions	13,108	13,351
Exchange Fees	989	884
Other Commissions Receivable	12,118	12,467
Trading Income	134	268
Income from Trading Securities and Derivatives	68	185
Income from Securities and Derivatives Related to Trading Transactions	11	82
Income from Trading-related Financial Derivatives	54	-
Other Operating Income	68,661	87,698
Gains on Foreign Exchange Transactions	-	6,802
Gains on Sales of Bonds	21,712	34,208
Gains on Redemption of Bonds	1,499	1,026
Gains on Financial Derivatives	70	117
Other Operating Income	45,379	45,543
Other Ordinary Income	224,762	136,358
Reversal of Reserve for Possible Loan Losses	51,192	21,531
Recoveries from Written-off Claims	243	276
Gains on Sales of Stocks and Other Securities	19,232	4,721
Gains on Money Held in Trust	150,441	103,667
Others	3,652	6,161
Ordinary Expenses	836,151	952,499
Interest Expenses	603,382	715,859
Interest on Deposits	29,713	37,146
Interest on Negotiable Certificates of Deposit	7,012	12,010
Interest on Debentures	18,778	13,495
Interest on Borrowed Money	80,381	81,081
Interest on Call Money	414	514
Interest on Payables under Repurchase Agreements	17,973	45,154
Interest on Payables under Securities Lending Transactions	54	746
Interest on Interest Rate Swap	121,200	164,087
Other Interest Expenses	327,853	361,622
Fees and Commissions	12,786	13,188
Exchange Fees	669	769
Other Commissions	12,116	12,419
Trading Expenses	-	201
Expenses on Trading-related Financial Derivatives	-	201
Other Operating Expenses	87,387	56,485
Amortization of Debenture Issuance Costs	287	252
Losses on Foreign Exchange Transactions	5,389	-
Losses on Sales of Bonds	40,702	17,653
Losses on Revaluation of Bonds	62	-
Other Operating Expenses	40,945	38,579
General and Administrative Expenses	122,779	154,593
Other Ordinary Expenses	9,815	12,170
Write-off of Loans	69	2,196
Losses on Sales of Stocks and Other Securities	2	1,518
Losses on Revaluation of Stocks and Other Securities	1,874	245
Losses on Money Held in Trust	239	389
Others	7,630	7,820
Ordinary Profits	504,302	322,139
Extraordinary Profits	28	76
Gains on Disposal of Fixed Assets	28	76
Extraordinary Losses	1,702	1,486
Losses on Disposal of Fixed Assets	416	1,375
Losses on Impairment of Fixed Assets	1,286	111
Income before Income Taxes	502,627	320,729
Income Taxes - Current	91,569	56,011
Income Taxes - Deferred	6,507	(6,861)
Total Income Taxes	98,076	49,149
Net Income	404,551	271,580
Unappropriated Retained Earnings Brought Forward	65,181	90,956
Cumulative Effects of Changes in Accounting Policies	(4,453)	-
Restated Balance	60,728	90,956
Transfer from Land Revaluation Reserve	(395)	964
Unappropriated Retained Earnings at the End of the Year	464,883	363,501

Notes to Non-consolidated Financial Statements

Amounts less than one million yen are rounded down.

(Significant Accounting Policies)

The bank's shares in the consolidated financial statements are very high and "Significant Accounting Policies" are generally the same as "Accounting Policies" stated in "Notes to Consolidated Financial Statements," except for the treatment of unrecognized actuarial differences and unrecognized prior service cost.

(Changes in Accounting Policies)

Adoption of "Revised Accounting Standard for Business Combinations" and others

Effective from the beginning of the fiscal 2015, the Bank has adopted the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No.21, issued on September 13, 2013, hereinafter, the "Accounting Standard for Business Combinations") , "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on September 13, 2013, hereinafter, the "Accounting Standard for Business Divestitures") and others.

In applying these revised accounting standards, the accounting method was changed to acquisition-related costs being recognized as expenses for the fiscal year in which incurred. Regarding a business combination occurring after the beginning of the fiscal 2015, provisional amounts were retrospectively adjusted to reflect completion of the accounting for a business combination in the financial statements of the fiscal year in which the business combination occurred.

Concerning the application of the Accounting Standard for Business Combinations and others, based on the provisional treatment set forth in Paragraph 58-2(4) of the Accounting Standard for Business Combinations and in Paragraph 57-4(4) of the Accounting Standard for Business Divestiture, these changes are effective from the beginning of the fiscal 2015.

These changes have no impact on the financial statements for the fiscal 2015.

(Notes to Non-consolidated Balance Sheet)

1. Stocks and investments in subsidiaries and affiliates ¥154,053 million

2. Japanese Government Bonds and Other Securities include securities loaned under unsecured lending agreements (Saiken Taishaku Torihiki) of ¥702,580 million and ¥159,010 million as of March 31, 2016, respectively.

Securities borrowed under unsecured borrowing agreements (Saiken Taishaku Torihiki) and securities purchased under resale agreements and cash-collateralized borrowing agreements, which can be sold or re-pledged by the Bank, include securities re-pledged of ¥12,911 million and securities held without re-pledge of ¥2,398,140 million as of March 31, 2016, respectively. No such securities are re-loaned to the third parties.

3. Loans and Bills Discounted include loans to borrowers under bankruptcy proceedings of ¥291 million and delinquent loans of ¥101,383 million.

Loans to borrowers under bankruptcy proceedings are loans (excluding the parts written-off for possible loan losses) stipulated in Article 96-1-3, 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97, 1965) on which interest is placed on a no-accrual status (hereinafter referred to as "Non-accrual Loans") since the loan principals and/or their pertaining interests are determined to be uncollectible considering the period of time past due and other reasons.

Delinquent loans are also non-accrual loans other than loans to borrowers under bankruptcy proceedings or loans whereby payments of interests are deferred in order to support the borrowers' rehabilitation.

4. Loans and Bills Discounted include those past-due for three months or more of ¥-

Loans past-due for three months or more are loans whose principal or interest is past-due for three months or more, other than loans to borrowers under bankruptcy proceedings and delinquent loans.

5. Loans and Bills Discounted include restructured loans of ¥19,947 million.

Restructured loans are loans whereby its terms are modified in favor of the borrowers by reducing the interest rate, deferral of payments of interest or principal, waiving principal repayments, etc., in order to support the borrowers' rehabilitation and facilitate the collection of the loan, except for the loans pertaining to 3 and 4 above.

6. The total amount of loans to borrowers under bankruptcy proceedings, delinquent loans, loans past due for three months or more and restructured loans was ¥121,622 million.

The amounts of loans indicated in 3. to 6. above are amounts before deducting the reserves for possible loan losses.

7. Bills Discounted are treated as finance transactions based on the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No.24. Based on the Report, the Bank has the right to appropriate freely deposited banker's acceptances, commercial notes, documentary bills, and purchased foreign exchange through sales or collateralization. The face value of the total Bills Discounted was ¥2,705 million.

8. Assets pledged as collateral consist of the followings:

Assets Pledged

Loans and Bills Discounted	¥9,904,048 million
Securities	¥21,226,818 million

Liabilities secured by the above assets are as follows:

Borrowed Money	¥1,472,638 million
Payables under Repurchase Agreements	¥18,488,218 million
Payables under Securities Lending Transactions	¥890,858 million

In addition, Securities (including transactions of Money Held in Trust) of ¥7,874,640 million were pledged as collateral for settlement of exchange and derivative transactions or as margins of futures transactions.

Guarantee deposits of ¥15,815 million were included in Others of Other Assets.

9. Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to the pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements was ¥3,394,881 million as of March 31, 2016. The amount of undrawn commitments, which the Bank could cancel at any time without cause, was ¥2,389,853 million as of March 31, 2016.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank because the majority of such agreements are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank may not extend the loan or may decrease the commitment when there are certain changes in the overall financial conditions, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank is able to request collateral in the form of premises or securities as necessary. After extending

loans, the Bank periodically checks the financial condition of its customers based on predefined policies and procedures and acts to secure loans as necessary.

10. In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes was revaluated. Unrealized gains arising from revaluation, net of deferred tax, are disclosed as Revaluation Reserve for Land, net of taxes and included in Net Assets on the non-consolidated balance sheet. The related deferred tax liability is recorded as Deferred Tax Liabilities for Land Revaluation.

Date of Revaluation	March 31, 1998
Revaluation Method	Reasonably calculated in accordance with the Appraisal methods stipulated in Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land (No.119 effective as of March 31, 1998)

11. Accumulated Depreciation Deducted from Tangible Fixed Assets ¥95,569 million

12. Accumulated Losses on Impairment of Tangible Fixed Assets ¥6,784 million

13. Accumulated Amount of Tax Basis Adjustments Deducted from Tangible Fixed Assets ¥3,731 million

14. Borrowed Money includes subordinated borrowings of ¥1,563,296 million which have a special agreement that requires the fulfillment of the payment obligations of such borrowing to be subordinated to other general liabilities. Above subordinated borrowing includes ¥1,415,480 million qualifying Tier 2 capital stipulated 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.

15. The amount of guaranteed obligations for corporate bonds acquired through private offerings (as in Article 2-3 Financial Instruments and Exchange Law) among those classified as corporate bonds in Securities was ¥3,300 million.

16. Total Receivables Due from Subsidiaries and Affiliates ¥186,448 million

17. Total Payable Due to Subsidiaries and Affiliates ¥125,464 million

18. The Bank holds no surplus defined in Article 109-1 of the Ordinance for Enforcement of the Norinchukin Bank Law.

(Notes to Non-consolidated Statements of Operations)

Income and Expenses related to the transactions with subsidiaries and affiliates

(Millions of Yen)

	Total Income	Total Expenses
Interest Income/Expenses	6,331	1,235
Fees and Commissions	264	1,731
Other Operating and Other Ordinary Income/Expenses	402	20,432
Other	—	—

(Securities)

Stock of subsidiaries and affiliates (as of March 31, 2016)

The Bank held no stocks and investments of subsidiaries and affiliates, the fair value of which is readily determinable.

The following table lists stocks and investments of subsidiaries and affiliates, the fair value of which is extremely difficult to determine :

(Millions of Yen)

	Non-consolidated Balance Sheet Amount
Stocks of Subsidiaries	45,850
Stocks and Investments of Affiliates	108,203
Total	154,053

Above transactions are excluded from “Stock of subsidiaries and affiliates,” since there are no market prices and their fair value is extremely difficult to determine.

(Accounting for Income Taxes)

The major components of deferred tax assets and liabilities as of March 31, 2016 were as follows:

Deferred Tax Assets

Reserve for Possible Loan Losses	¥20,889 million
Write-off of Loans	2,400 million
Losses on Revaluation of Securities	35,870 million
Reserve for Employees' Retirement Benefits	10,780 million
Depreciation of Fixed Assets	380 million
Deferred Losses on Hedging Instruments	108,755 million
Unrealized Losses on Reclassification	10,229 million
Other	<u>67,427 million</u>
Subtotal	256,733 million
Valuation Allowance	<u>(87,080) million</u>
Total Deferred Tax Assets	¥169,653 million

Deferred Tax Liabilities

Gains from Contribution of Securities to Employee Retirement Benefit Trust	¥(4,968) million
Net Unrealized Gains on Other Securities	(791,599) million
Deferred Gains on Hedging Instruments	(19,788) million
Unrealized Gains on Reclassification	(23,553) million
Other	<u>(35,527) million</u>
Total Deferred Tax Liabilities	<u>(875,436) million</u>
Net Deferred Tax Liabilities	<u>¥(705,782) million</u>

(Per Share Information)

Net Assets per Share at the end of the fiscal year was ¥941.66 (The residual assets for the holders of lower dividend rate stocks and preferred stocks, the total dividends on lower dividend rate stocks and preferred stocks, and the total special dividends are deducted from the numerator, and the aggregate number of lower dividend rate stocks and preferred stocks is deducted from the denominator, respectively, in the calculation of Net Assets per Share.)

Net Income per Share for the period was ¥53.72 (The total dividends for lower dividend rate stocks and preferred stocks and the total special dividends are deducted from the numerator, the aggregate number of lower dividend rate stocks and preferred stocks is deducted from the denominator, respectively, in the calculation of Net Income per Share.)