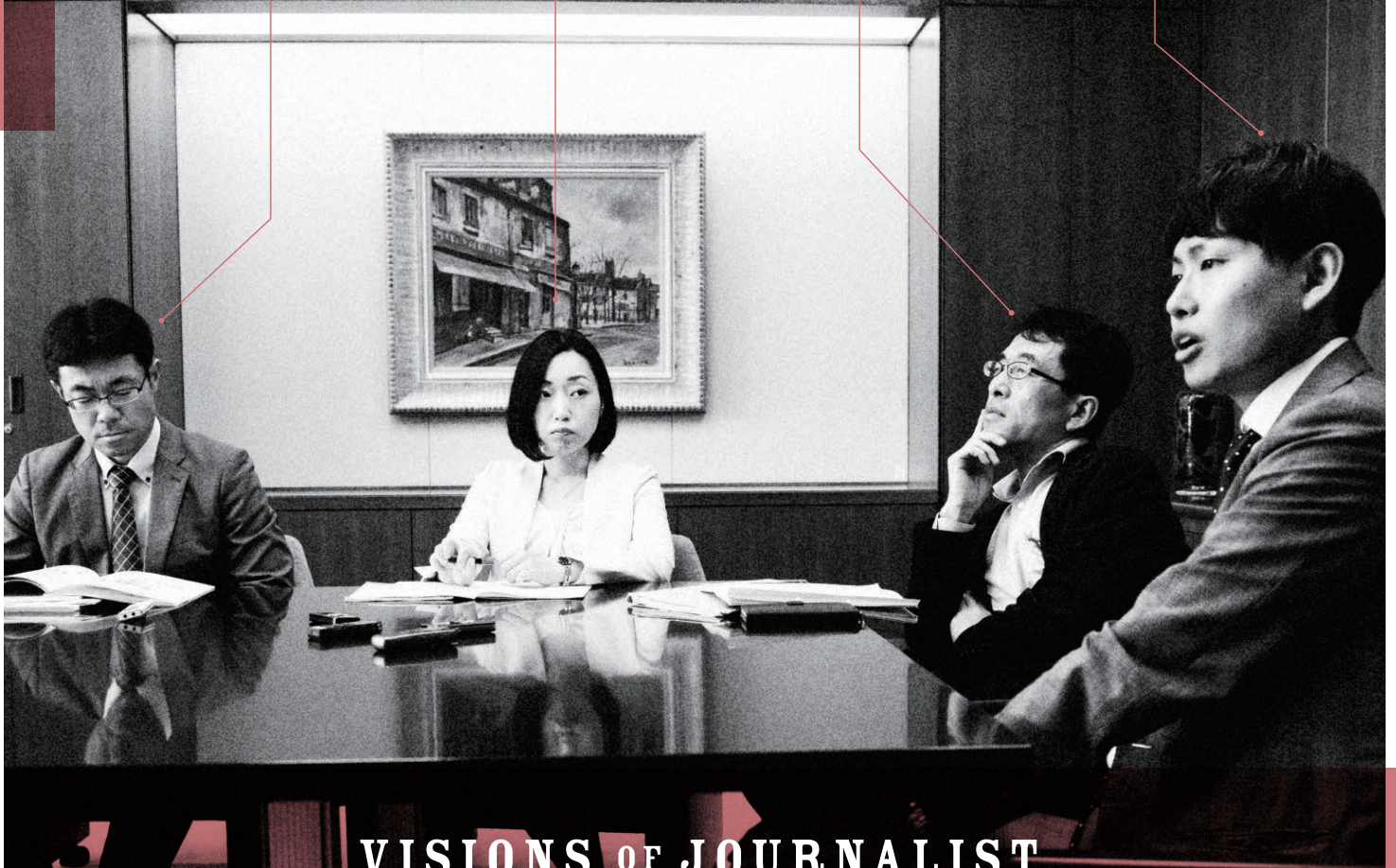


Kyodo News
**TERUHIKO
KOBAYASHI**

Yomiuri Shimbun
**HARUNA
FUKUSHIMA**

Asahi Shimbun
**MAKOTO
ODA**

Nikkei
**KOJI
OKUDA**



VISIONS OF JOURNALIST

Journalists Talk about The Norinchukin Bank and Japanese Agriculture!

How do the Japanese mass media and society see and understand
The Norinchukin Bank (hereafter "Norinchukin")?

What is expected of Norinchukin at a time when Japanese agriculture is under pressure
to transform itself and the financial environment is changing at home and abroad?

We heard unreserved views on these topics from four journalists who have covered Norinchukin.

Why Is Norinchukin Difficult to Understand?

Fukushima: It is since I started to cover the Ministry of Agriculture, Forestry and Fisheries (MAFF) that I have come to know in detail about Norinchukin and the framework called “JA Bank.” JA Bank refers to a framework consisting of three levels of organization—the Japan Agricultural Cooperatives (“JA”) that form local networks of farmers; the Prefectural Banking Federations of Agricultural Cooperatives (“JA Shinnoren”); and The Norinchukin Bank serving as a national network for providing financial services. The framework of JA Bank and the respective roles of JA, JA Shinnoren and Norinchukin are not well known. Misunderstandings concerning Norinchukin might stem from such little recognition.

Kobayashi: I also cover the MAFF and am not familiar with the financial industry. So, at first, I had thought that a bank called “JA Bank” exists. Later, I was surprised to learn that JA Bank does not refer to a single bank but rather to a framework in which JA, JA Shinnoren and Norinchukin play respective roles to create flows of money. I found it difficult to get a whole picture of the framework quickly. It is almost impossible to understand Norinchukin without knowing the whole picture.

Okuda: Because I started by covering financial affairs at my work, most of my understanding of Norinchukin was that it was a huge institutional investor without a strong impression of its loan business. Savings at JAs around the nation are collected at Norinchukin, with assets now reaching 100 trillion yen. I think Norinchukin is perhaps second to the Government Pension Investment Fund (GPIF) in terms of asset size. In addition, Norinchukin has long dealt with various overseas investments and alternative investments. In other words, since we have followed the aspects of Norinchukin more as an institutional investor rather than as a loan provider, it is not easy to write on the topic of the agricultural loans provided by Norinchukin.

Oda: I am currently an international correspondent, but it was back in the 1990s when I first reported on Norinchukin—a time when the issue of failing housing loan companies had attracted attention. The theme then was Norinchukin as a lending institution. After

that, however, I focused on the aspect of Norinchukin as an institutional investor, with fewer chances to look at the aspect of Norinchukin as an agricultural financial institution. As you can see from the profiles of the journalists who follow the issues of Norinchukin, some from the financial field and some from the agricultural field, Norinchukin has two faces, which I suppose makes it less understandable. The puzzling part is whether you should look at Norinchukin as a sole financial institution or as part of JA Bank.

Okuda: But Norinchukin is quite simple when you see it as a huge institutional investor.

Oda: Norinchukin as a financial institution is not so different from other private commercial banks. In that sense, Norinchukin is easily understandable. However, the exact relationship of Norinchukin with JA and its role within JA Bank still puzzle me.

Kobayashi: Perhaps not many people have a clear and correct understanding of what Norinchukin and JA Bank really are. People in the agricultural business or those who have relationships with Norinchukin might understand, but for others the name of Norinchukin only comes up in government debates.

Oda: The most complicated part is how Norinchukin should be positioned. Should Norinchukin handle agricultural loans? Or leave that to JA and JA Shinnoren with Norinchukin just specializing in managing funds? How should Norinchukin be positioned within the entire JA Group? Maybe this issue should start with a discussion of how to treat the individual JAs.

Reasons Why Norinchukin Bears the Brunt of Attacks

Kobayashi: From the viewpoint of agricultural finance, when you think of what the JA Group as a whole should do to answer the increasingly strong call to enhance the competitive edge of Japanese agriculture, which is also promoted by national governmental policies, it is important to consider how to enable the JA Group to perform its comprehensive strengths. Due to the huge size of JA Bank, which consists of JA, JA Shinnoren and Norinchukin, the organization could form silos. However, the group as a whole has a tremendous amount of information on Japanese agriculture and on finance. Based on such information, I think JA Bank can promote its efforts more to figure out what it can provide for Japanese

agriculture.

Fukushima: Because Norinchukin has a clear and certain recognition of its own roles, I assume that it has not felt the need to communicate externally for a long time. It has adhered to its own roles faithfully without committing to public relations efforts. That's one of the reasons why we have these questions about what Norinchukin is.

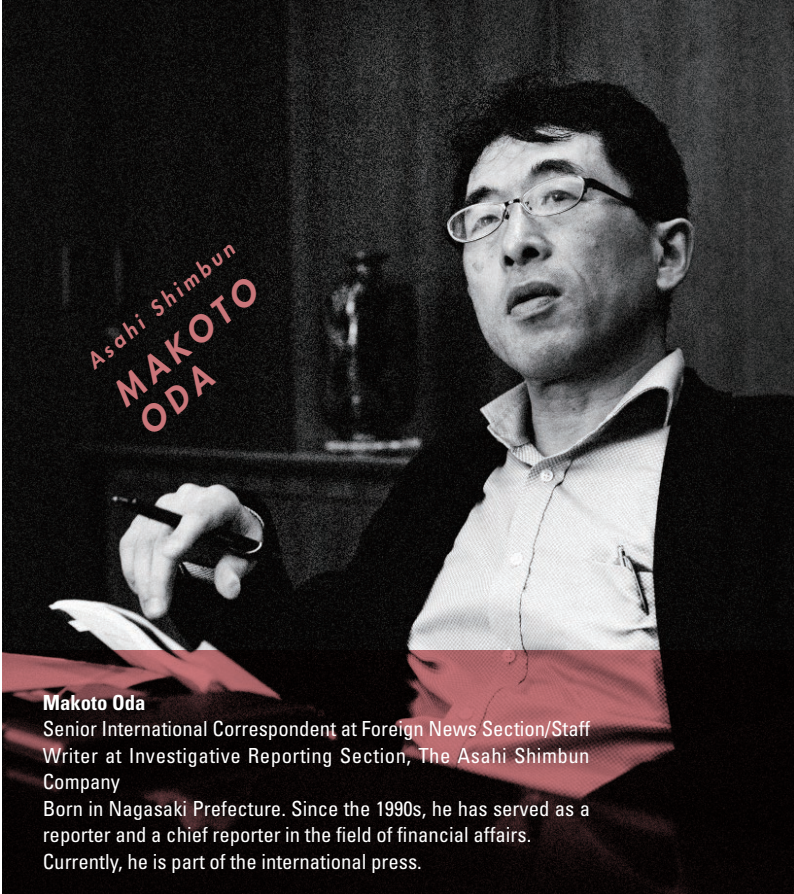
Oda: I agree. I think Norinchukin has not made active efforts to make it understood by saying "this is what we are." Maybe it didn't even need to do so. That's why it has been able to keep a low profile until now.

Okuda: The general public and those who have little interest in these matters believe that Norinchukin is a governmental financial institution or the like. But it is not. Norinchukin should do more to deliver at least that level of message. Norinchukin's name might invite political attack, but in practice it is just a private commercial bank. Nevertheless, there are circumstances that force it to follow political intentions. That is something I do not feel is right.

Kobayashi: When Mr. Shinjiro Koizumi—then Director of the Agriculture and Forestry Division and now Chief Deputy Secretary-General of the Liberal Democratic Party of Japan—made a statement criticizing Norinchukin relating to the reform of the government's agricultural administration, I had a strong im-



Teruhiko Kobayashi
Staff Reporter at Economic News Section, Editorial Bureau, Kyodo News
Born in Tokyo. He is the chief reporter in the field of agricultural administration.



Makoto Oda
Senior International Correspondent at Foreign News Section/Staff Writer at Investigative Reporting Section, The Asahi Shimbun Company
Born in Nagasaki Prefecture. Since the 1990s, he has served as a reporter and a chief reporter in the field of financial affairs. Currently, he is part of the international press.

pression that it was an easy target for criticism from a political space. The name "The Norinchukin Bank" itself, which literally includes words meaning "central bank," seems to suggest political involvement. Norinchukin has managed funds of about 70 trillion yen; nevertheless, its functions and roles are not well known. Such poor recognition might have exposed it to criticism. From the standpoint of Norinchukin's roles in the context of turning agriculture into a growth industry, I think the criticism was partly unavoidable. It is less visible where Norinchukin plays roles in promoting the revitalization or growth of the agriculture, forestry and fishery industries. The existence of JA and JA Shinnoren might make how Norinchukin is functioning less apparent. To counter the severe criticism, Norinchukin should have sufficient materials to present a counterargument.

Fukushima: The figures for agricultural loans cited by Mr. Koizumi refer to the part handled directly by Norinchukin alone but do not include the parts handled by JA and JA Shinnoren. The entire amount of agricultural loans provided by JA Bank is much bigger, which I had not realized until I became involved with agricultural issues. The press might also be blamed for not reporting such information extensively, but I expect Norinchukin to advocate as well because it has the evidence to do so.

Evaluating Norinchukin...

Oda: My view is that Norinchukin has contributed fully to JA and JA Shinnoren by returning the results of its fund management to them. If political circles bring up the issue of agricultural loans, they should not have criticized Norinchukin alone but rather look at the entire JA Bank. However, it is also true that the time has come for Norinchukin to transform itself. It now confronts a big issue of how its funds should be invested as the investment environment has become tough even with its globally diversified investments. When it comes to transforming Norinchukin, it is necessary to consider how to transform JA Bank as a whole. I think it is necessary to reform the agricultural administration and finance.

Kobayashi: Speaking of efforts to carry out such reforms, Norinchukin recently has promoted its “Food and Agriculture Business” and I am interested in how this move will develop in the future. Norinchukin’s initiatives to that end include holding business conventions and seminars for those who are interested in international exports, and with Norinchukin’s commitment, I think it would provide an opportunity to demonstrate the strength of the JA Group as a whole. Considering that the National Federation of Agricultural Cooperative Associations (JA Zen-Noh) focuses on exports, I think it would be interesting if these ef-



Yomiuri Shimbun
**HARUNA
FUKUSHIMA**

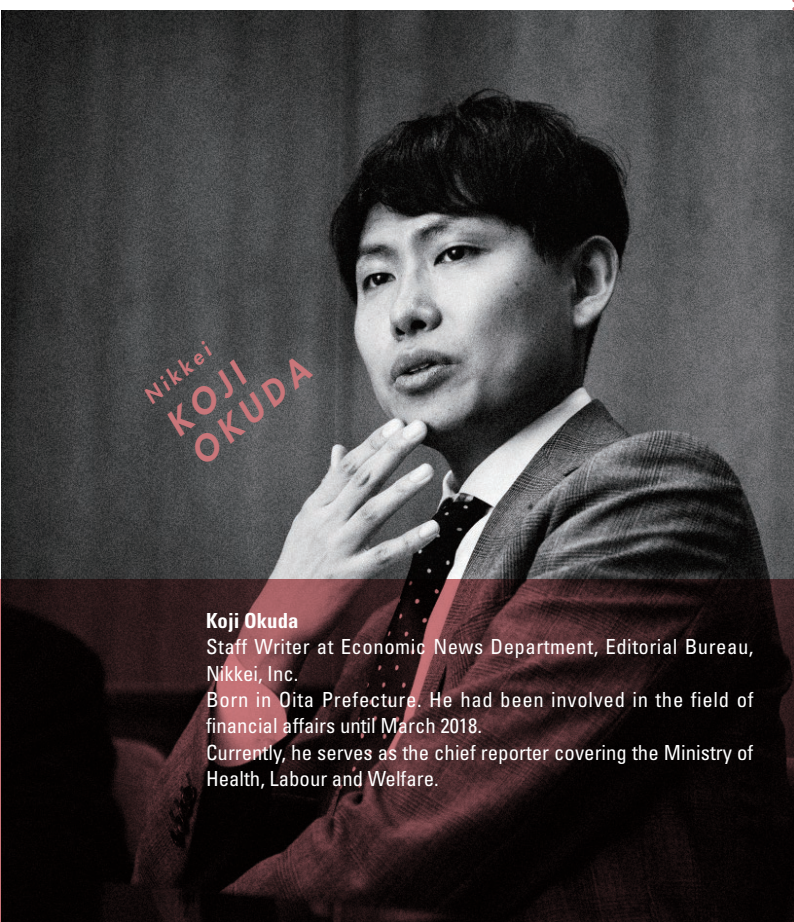
Haruna Fukushima

Staff Writer at Economic News Department, The Yomiuri Shimbun
Born in Ishikawa Prefecture. She is a reporter in the field of agricultural administration.

orts were actually shown with concrete figures. I heard that export-related figures already have grown owing to Norinchukin’s steady efforts to hold frequent business conventions. Although its current moves might not provide instant results, I would like to keep an eye on how Norinchukin performs its roles. Achieving strikingly successful results would change the situation surrounding it.

Fukushima: Norinchukin’s business extension to the field surrounding agriculture, such as the Food and Agriculture Business, shows a new phase in its initiatives. The ratio of agricultural loans provided by Norinchukin alone might be small, but considering that JAs provide loans to small-scale farmers and that general regional banks would not easily make loans to such farmers, you could say that the primary role of JA Bank as a whole is fulfilled. However, regional banks, which have strong connections with food processors and distributors, also have been increasing their agricultural loans recently. To compete against those regional banks, JA Bank must display its distinctive character and advantages. That’s the point I am paying attention to.

Okuda: As for its Investment Business, Norinchukin steadily has carried out globally diversified investments, and its newly started infrastructure investment (alternative investment) has reached almost 1 trillion yen, a move followed by other institutional investors in Japan. Mr. (Norihiro) Takahashi (former Senior



Nikkei
**KOJI
OKUDA**

Koji Okuda

Staff Writer at Economic News Department, Editorial Bureau, Nikkei, Inc.
Born in Oita Prefecture. He had been involved in the field of financial affairs until March 2018. Currently, he serves as the chief reporter covering the Ministry of Health, Labour and Welfare.



Managing Director of Norinchukin and former President of JA Mitsui Leasing, Ltd.) previously engaged in managing funds at Norinchukin and became the President of GPIF because of Norinchukin's stable reputation as an institutional investor. Though Norinchukin executed a large-scale capital increase after the collapse of Lehman Brothers in 2008, it has since continued stable operations to my disappointment (laughs). Of course, that is the way a financial institution should be, though.

Oda: Norinchukin has done well as a financial institution to make it through the times when it suffered from bad loans and the 10 years following the Global Financial Crisis. I am concerned that Norinchukin does not seem to have set a clear new goal after achieving its target of collecting JA savings worth 100 trillion yen. I pay close attention to how Norinchukin is addressing the severe operating environment, such as the continuation of extremely low interest rates, the rising cost of foreign currency funding and other negative factors for fund management, as well as the movement to realign regional banks to address the state of overbanking in Japan. On one hand, Norinchukin is a solid institutional investor, but, on the other hand, it is asked to help solve agricultural issues in Japan. Norinchukin's initiative to promote the Food and Agriculture Business is excellent and

interesting, but to what extent can this cover the agricultural issues? Although it might be Norinchukin's unique first step toward solving agricultural problems, getting involved further in agriculture will necessitate addressing, for example, the issue of the labor shortage.

VISIONS
OF
JOURNALIST

How Can Norinchukin Address the Expectations and Challenges Concerning the Agriculture in Japan?

Kobayashi: As has been pointed out, the issue of aging farmers continues to be raised, with no solutions on the horizon. The key is how much agriculture can attract young people. Agriculture must become an attractive choice when young people think about their career. If domestic agricultural production decreases, you cannot promote exports either. To address such an issue, I think it is necessary to stress the importance of raising the capacity of agricultural production.

Fukushima: Again, my worry is the labor shortage. Currently, the number of people starting to farm is on the rise. I, myself, have some agricultural experience, such as growing corn and buckwheat and helping farmers plant rice as activities of a gardening club I

belonged to during my student days. But the number of farmers remains insufficient. The reality is that the shortage is being partially addressed by a growing dependence on technical interns from overseas. In terms of labor alone, there is doubt that Japanese agriculture can really be sustainable. Clearing such doubt is critical to ensure the sustainability of Norinchukin.

Okuda: Solutions that can be provided by a financial institution to address the issues of aging farmers and the labor shortage include financing technologies to lessen the burden on agricultural workers and reduce the need for labor. Because in Japan information on such technologies tends to accumulate in Tokyo, it is advantageous for Norinchukin to have its headquarters in Tokyo. Is the only way to benefit Japanese agriculture an increase in agricultural loans directly to farmers and agricultural corporations? I would think it better to take a broader view of agricultural loans and include loans to entities, even if not agricultural entities, that help reduce the burden on farmers and/or increase agricultural productivity.

Kobayashi: Norinchukin already has started the supply of risk money in the form of capital contributions. I think Norinchukin should consider increasing such efforts if careful evaluation shows that they generate good results.

Okuda: Though Norinchukin suffered a huge loss in the aftermath of the Global Financial Crisis, it has

since invested with an upgraded review. That's what I hear from financial institutions that sell investment products to Norinchukin. Some institutional investors have forgotten such suffering and become less strict about their due diligence in the past 10 years. However, Norinchukin is excellent in that it has maintained that carefulness until now. Looking forward, it is currently trying to focus on the big trend moving from savings to asset building, while there are some challenges to be addressed including the establishment of sales and other systems.

Oda: Norinchukin has responded well to the changing business environment, as seen in the fact that it was the early adaptor of globally diversified investments among Japanese financial institutions. To address future changes in the agricultural and financial environments at home and abroad, there is no doubt that Norinchukin must continue to transform itself.

Some of the various topics and issues brought up in this roundtable talk are also reported on page 23 and thereafter in this report. Please read them as well.

We would like to extend our sincere gratitude to the journalists who provided their honest comments, including questions, criticisms, expectations and suggestions.

VALUE REPORT 2018 Editorial Team



