

# Three Value-Creating Businesses

The Norinchukin Bank continues to offer various kinds of value to local communities, residents and national land via collaboration with cooperative organizations consisting of JA, JF and JForest. Such value is created by our three businesses.

The three businesses are the Food and Agriculture Business to support, connect, and expand the food and agriculture value chain; the Retail Business to provide various financial functions as a member of JA Bank and JF Marine Bank; the Investment Business to ensure the stable return of profits via sophisticated fund management through globally diversified investments.

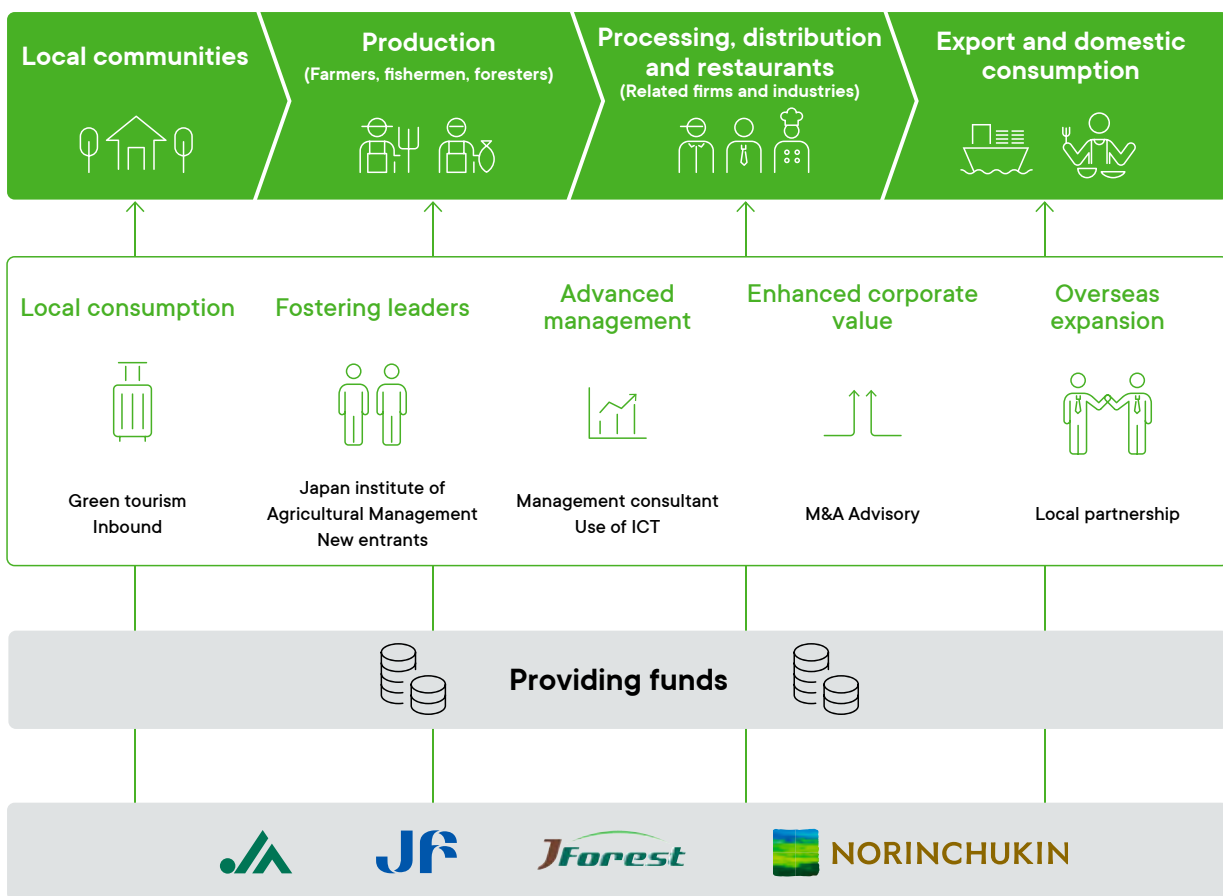




# Food and Agriculture Business

Aiming to be the “First Call Bank” in the Food and Agriculture Value Chain

## Enhance the food and agriculture value chain



### Aiming to become a leading food and agriculture bank in Asia by supporting and connecting people, organizations and corporations and expanding their networks

We established the Food and Agriculture Business as one of the new pillars of our businesses in fiscal 2016.

We will add value to the entire food and agriculture value chain covering the upstream (production), midstream (food-related industries such as processing, distribution and restaurants) and downstream (domestic and overseas consumption).

We provide not only loans and investments but also

support to expand consumption in local communities and increase exports, help develop agricultural leaders, and offer management consulting and M&A advisory services, thereby performing three functions: “support,” “connect” and “expand.” Our goals are to become the “First Call Bank” that all those in the food and agriculture value chain call on first and a leading food and agriculture bank in Asia that grows with our customers.

## Voice

### **Food and Agriculture Business is the top priority of The Norinchukin Bank. We turn the crises of the AFF industries into opportunities.**

For a financial institution based on the AFF industries, the Food and Agriculture Business is a top priority issue because it concerns an extensive range of people from producers to processors, distributors, retailers and consumers. Directly linked to the raison d'être of The Norinchukin Bank, the Food and Agriculture Business is a truly exciting business to work with.

The spread of COVID-19 had a serious impact on restaurant and inbound-related businesses, which also affected the producers who were supplying produce to those businesses. To those producers, we have provided support in cooperation with JA and JF at each locality, such as introducing new sales channels and providing emergency loans to secure their cash flow.

In addition to these crisis-response efforts, we address an increasing number of cases every year seeking solutions to the problems of specific regions or business operators, with good results. This fiscal year, income improvement for workers in the AFF industries has been included in the medium- to long-term goals for the reinforcement of sustainability management. Achieving this goal could increase successors and improve the sustainability of these industries, to which we will enhance our commitment through the Food and Agriculture Business.

To achieve that, value chain reinforcement is imperative. We will step up efforts to promote consulting and loans/investments to facilitate the growth of players operating at various stages of the chain, such as producers including agricultural corporations, AgTech companies that support production and processing/distribution business operators. Last fiscal year, we invested in

FamilyMart jointly with JA Zen-Noh and ITOCHU to realize a business alliance. Enabling such a big expansion of sales channels is a role for The Norinchukin Bank, and we will engage in further efforts to promote exports.

In the two years I was in charge of the Kanto/Koshin district until last fiscal year, I saw many vibrant agricultural corporations achieve growth, being closely supported by The Norinchukin Bank and local JA staff. Japan's AFF industries face difficult times, but that can also lead to changes. Now is the time when they can turn crises into opportunities.

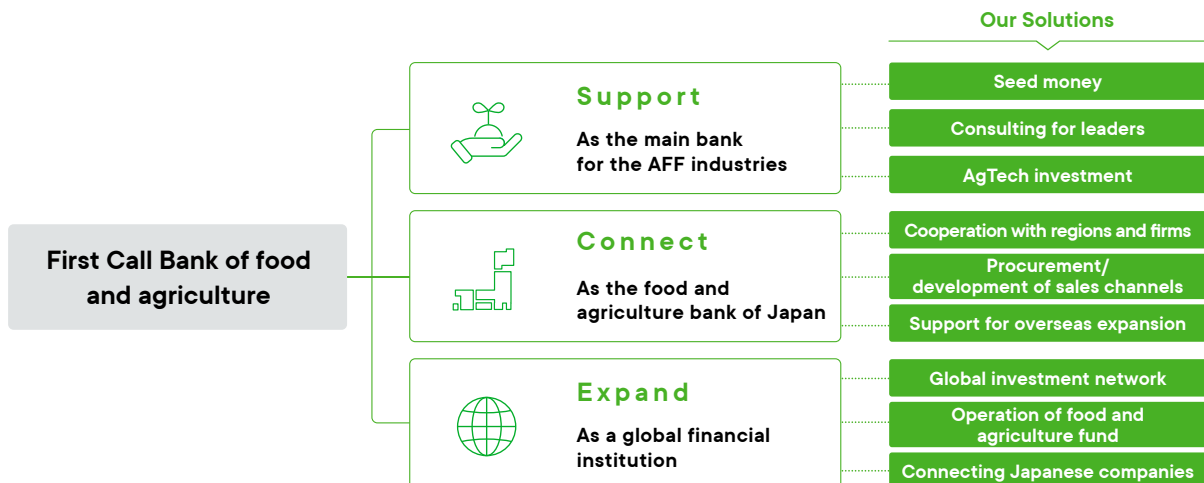
Food and agricultural industries have many stakeholders with various ideas and opinions. To ensure change, it is important to have ongoing communication. The Bank's establishment of an advisory board, consisting of seven outside intellectuals versed in a wide range of fields, is designed to draw attention to different ideas and opinions.

Our efforts satisfy the recipients of our loans and investments and eventually make the consumers happy. Which then makes us happy. That's the cycle we want to establish through the Food and Agriculture Business.



**YAGI Masanobu**  
Representative Director  
and Managing Executive Officer  
Member of the Board of Directors

### **The leading food and agriculture bank in Asia**



## Case Studies of Our Food and Agriculture Business



### Collaboration with Leading Companies and Local Companies

01



#### Smart Agriculture Revives the *Shishito* of Kochi, Supporting the Entry of Shikoku Electric Power Company into the Agriculture Business

Despite being a local specialty of Kochi, the production of *shishito* has been on the decline due to the considerable effort required to grow it. Through efforts to develop labor-saving technologies at its affiliated laboratory, Shikoku Electric Power Company set up an agricultural subsidiary, Aitosa Corporation, and embarked on growing hydroponic *shishito*.

In addition to capital subscription, The Norinchukin Bank provides multifaceted support, including collaboration with local governments and JA Kochi and further looks to provide assistance for cooperation with ventures specializing in advanced agricultural technologies.

02



#### Producing Lettuce for Commercial Use at a Vegetable Factory in Tandem with Hokuriku Electric Power Company and Taikisha

Working on indoor production of vegetables to utilize electricity, Hokuriku Electric Power Company established FreDelish, a subsidiary for producing lettuce for commercial use in Tsuruga City, Fukui Prefecture, jointly with Taikisha, which offers vegetable factory solutions. The Norinchukin Bank provides capital subscription and its expertise on the Food and Agriculture Business to support the company's production and sales of lettuce under the Puri-na brand. Shipment of lettuce will begin in the winter of this year.

03



#### Concluded Capital and Business Alliances with FamilyMart, Providing Support in Regional Revitalization and Finance/Information

Capital and business alliances were concluded among four parties—FamilyMart, JA Zen-Noh, ITOCHU and The Norinchukin Bank—to develop stores and products, facilitate sales and exports of domestically produced agricultural and livestock products, and seek business collaboration in the finance, information and digital fields. Through these alliances, we will create new business models by leveraging the four companies' managerial resources to improve convenience and increase the range and quality of services, thereby contributing to the vitalization of local communities.

### Support for Restoration following the Great East Japan Earthquake

04



#### Investing to Restore Broiler Breeding, Contributing to Job Creation and Circular Agriculture

The Norinchukin Bank invested in Ozasa Farm, which started breeding broilers in Katsurao Village, Fukushima Prefecture, where poultry farmers in the village were shut down due to the Fukushima Daiichi Nuclear Power Plant accident. The farm started business in April of last year and has since bred 108,000 chickens in six poultry houses at two locations in the village. Efforts are under way to create employment for returning villagers, use feed rice produced by neighboring farmers and make fertilizer from chicken manure.

05



#### Promoting Overseas Sales of Rice Balls Utilizing a Chicken Brand that Suffered Sluggish Sales due to the COVID-19 Pandemic

"Meat Gorot Onigiri" from Date Bussan (Head Office: Date City, Fukushima Prefecture) won an award in Japan in the rice ball category of the "Bento and Prepared Meal Awards 2019." When this major hit product was exhibited for the first time overseas at the "Fukushima Pride. Fair in Hong Kong," which was sponsored by Fukushima Prefecture, The Norinchukin Bank supported it in many ways such as through business matching in collaboration with its Fukushima branch and Hong Kong (China) Representative office.

06



#### Delivering Fresh Fish from Fukushima to Tokyo via JR East, Supporting a Trial Transport from the Stage of Planning

The Fukushima Prefectural Federation of Fisheries Co-operative Associations, in collaboration with the JR East Group, conducted a trial transport of fresh fish by express trains and highway buses. By delivering the fish to restaurants at stations in central Tokyo while maintaining high freshness, the Federation promoted the tastiness and safety of "Fukushima Joban Mono" seafood and used that as a foothold to expand sales channels. The Norinchukin Bank provided full support from planning to coordinating related parties and subsidizing expenses.

Five years having passed since its launch in FY2016, our Food and Agriculture Business has demonstrated significant performance of its functions to “Connect,” “Expand” and “Support” in Japan and overseas.

Examples of the business are described along the lines of four themes.

## Local Specialties Branding/Sales Channels Expansion

07



Photo: Hokkaido Government Shiribeshi General Subprefectural Bureau

### Financed a New Agricultural Corporation Launched by Hokkaido Wine, while Supporting Its Efforts to Activate Regional Communities

Jointly with North Pacific Bank and Japan Finance Corporation, The Norinchukin Bank invested<sup>1</sup> in and financed Shiribeshi Vineyard, a company newly launched by the Hokkaido Wine Group. The company started planting brewers' grapes in 2021 and plans to start harvesting them in the fall of 2024. The company, which also plans to take over the neighboring agricultural land and pass on technology to those who wish to start farming, is expected to be a leader in regional revitalization.

08



### Okinawan Coffee Suffers Damage from the COVID-19 Pandemic, Support with an Eye on the Post-Recovery Period

Matayoshi Coffee Farm is engaged in growing and processing coffee beans and coffee farm tourism in the northern part of the main island of Okinawa. The Norinchukin Bank invested<sup>1</sup> in the company, which had been affected by the sluggish tourism business. This is the first case of investment in Japan for the purpose of reconstruction from the COVID-19 disaster through a reconstruction fund. We will also provide support for the post-reconstruction period, such as expanding sales channels, strengthening cooperation among producers in the prefecture, and introducing machinery and equipment.

09



Photo: THE JAPAN AGRICULTURAL NEWS

### In Awa, Chiba Prefecture, the Birthplace of Japanese Dairy Farming, a New 400-Cow Ranch Was Launched

The Awa area in Chiba Prefecture—the birthplace of Japanese dairy farming—faces such challenges as a shortage of successors and an aging population. For SO-up, a company founded by dairy farmers aiming for dairy reconstruction, The Norinchukin Bank has formulated management plans and provided loans and investments<sup>1</sup> in collaboration with Snow Brand Seed, Japan Finance Corporation and Chiba Milk Agricultural Cooperative since FY2017. In December 2020, the company started an advanced milking business at the new ranch with 400 cows.

## Contribution to the Food and Agriculture Value Chain

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### Cookpad's Fresh Foods e-Commerce Wide Range of Support from Upstream to Downstream

A leading online recipe website, “Cookpad,” operates “Cookpad Mart,” a fresh food e-commerce (EC) business, and The Norinchukin Bank provides support to get the business on track. By realizing collaboration between upstream (e.g., JA, agricultural corporations), midstream (e.g., refrigerator leasing companies) and downstream (e.g., railway companies that put product receiving lockers at their stations), we contributed to the construction of an online supermarket platform. We also provided a loan to Cookpad—the first loan it received from a financial institution.

11



### We Invested in the Company Operating the Largest *Sanchoku* App “Pocket Marche” Support Is Also Given in the Form of Farmer Networking

The Norinchukin Bank invested<sup>2</sup> in Pocket Marche, the developer of one of Japan's largest online market apps for *Sanchoku*, or the direct delivery of agricultural and fishery products from the farm. As the company endeavors to “realize a society of mutual assistance” by connecting producers and consumers, we not only provide capital subscription but also extend such support as producer networking. In addition, we offer collaboration toward the solution of environmental and social issues such as food loss reduction, resource protection and regional development.

12



### Contributing to the Expansion of Domestic Soybean Production and Consumption by Investing in a Developer and Manufacturer of Plant-Based Meat Made from Germinated Soybeans

Plant-based meat has attracted attention against the background of a protein crisis and ethical consumption. The Norinchukin Bank invested<sup>2</sup> in DAIZ, which develops and manufactures plant-based meat. The company's MIRACLE MEAT uses sprouted soybeans instead of oil-squeezed soybeans and features high nutritional value and a taste and texture similar to meat. With an increase in sales channels, domestic soybeans will likely see growing consumption and production.

1. The investment was made by The Agribusiness Investment & Consultation Co., Ltd., a company jointly established by the JA Group, including The Norinchukin Bank, and Japan Finance Corporation to stabilize the financial base of agricultural corporations and affiliated companies. The reconstruction fund is also operated by the company.

2. The investment was made from the “F&A (Food and Agri) Growth Industry Investment Facility” set by The Norinchukin Bank to support the enhancement of added value and international competitiveness of Japan's AFF industries.



# There Are So Many Things That the Food

**KOBAYASHI** **HAYASHI**  
**Eizo** **Mikako**

**KOBAYASHI:** It was my pleasure meeting you at the recent Advisory Board meeting.

**HAYASHI:** I appreciate that. It's a pity that we have to meet online again today, but I'm glad to see you. First, I would again like to introduce myself. I graduated from the faculty of agriculture. After joining the TV station, with a dream of becoming a correspondent familiar with agriculture, I traveled to rural areas throughout Japan, including Hokkaido. I'm continuing efforts to spread information about Japan's agriculture in a proactive manner. In that process, I was able to connect with The Norinchukin Bank and had the honor of joining the Advisory Board when it was launched this fiscal year.

**KOBAYASHI:** I'm from Fukui Prefecture, and my parents engaged in rice and other farming. Even after I entered university and got a job away from my hometown, I would help with the farming during long holidays. At ITOCHU, I was far removed from agriculture,

engaging in advanced technologies and venture investment. However, my involvement in the AFF industries has deepened through my experience working on agricultural policy issues at Keidanren and taking part in the discussions concerning the Trans-Pacific Partnership (TPP) and JA reform. At The Norinchukin Bank, I am a member of the Supervisory Committee, which is like the position of an outside director. I am not at all a professional but rather an amateur on food and agriculture.

**HAYASHI:** Not an amateur at all. [laughs] On the Advisory Board are people from a wide range of fields, including a producer, a retail venture and a journalist. It is a truly valuable opportunity to listen to different opinions and have discussions.

**KOBAYASHI:** I don't think the establishment of the Advisory Board was too early. It should have been launched much earlier. [laughs] Given the diversity of professional backgrounds among the Board mem-

KOBAYASHI EIZO



KOBAYASHI Eizo, Director Emeritus of ITOCHU Corporation. Born in Fukui Prefecture in 1949, graduated from the School of Engineering Science, Osaka University in 1972, and joined ITOCHU Corporation, where he engaged in the electronics and information businesses. Following postings in Hong Kong and the United States, he took the position of Chief Information Officer, then President in 2004 and Chairman in 2010. He has been in his current position since 2020. He became a member of The Norinchukin Bank's Supervisory Committee in 2020.

# and Agriculture Business Can and Should Do

From production to consumption, rural areas to cities, and Japan to the world. The Norinchukin Bank's Food and Agriculture Business connects and covers every aspect of food and agriculture, and every person and every organization working therefor. Now that five years have passed since the business started in fiscal 2016, how far has it progressed and what is waiting in the future? Two members of the Advisory Board, which was newly established this fiscal year, freely talk about the past, present and future of the Food and Agriculture Business.

bers, various serious issues surface, and it's good not to forcibly narrow them. The production volume of Japanese agriculture is now only 1% of GDP. It is my proposition and dream to turn this into a real industry. To realize that, there are many problems to overcome, which cannot be narrowed into one.

**HAYASHI:** Unlike a meeting where each person speaks once in turn, you can speak freely at meetings of the Advisory Board. I am the only woman among the seven members, so I talk about the activities of women in the AFF industries.

**KOBAYASHI:** Because I have been President of JFOODO (The Japan Food Product Overseas Promotion Center) since fiscal 2017, working to expand exports, I speak a lot on those issues. Hokkaido's scallops, for example. In the case of Japan's export of scallops, all we do in Japan is cultivate, freeze and ship them to China. It is in China where they are processed into dried scallops for export to the United

States. If we could do that in Japan, the selling price would rise and employment would increase. That's exactly the kind of AFFriinnovation we want, but it cannot be achieved by the primary industry alone, requiring collaboration with secondary and tertiary industries.

**HAYASHI:** Even in the Food and Agriculture Business, we have seen many cases of product development, but successful cases of selling are rare. We need to cooperate not only with the secondary industry but also the tertiary industry.

**KOBAYASHI:** A key to the Food and Agriculture Business is the value chain. The reason why Japanese manufacturing has become stronger is that we have been able to build a value chain that is consistent throughout the fields of raw materials to parts, manufacturing, distribution and sales. In the business of food and agriculture, such a system has not yet been created, but I expect that The Norinchukin Bank will



Individual technologies are advanced, but collaboration is left behind.

HAYASHI Mikako, Ph.D. Project Professor, Graduate School of SDM, Keio University. Born in Hokkaido, graduated from the School of Agriculture, Hokkaido University in 1976. After working as a staff announcer for Sapporo Television Broadcasting, she has been a Special Research Professor in the Graduate School of System Design and Management, Keio University, since 2008, and serves as a visiting professor at the Research Faculty of Agriculture, Hokkaido University. Her books include *Let's Enjoy Rural Areas*.



There is a reason why revitalization of the primary industry is indispensable in Japan.



be able to do this. Because the chain is extensive from upstream to downstream, involving many players, there is much to do.

**HAYASHI:** The Netherlands and Spain have already realized IT-based overall optimization of logistics in the agricultural field. In Japan, individual technologies in such areas as IoT, AI and robots are advanced, but it is difficult to connect them and achieve overall systematization. Why is that? Bureaucratic sectionalism might be one reason.

**KOBAYASHI:** For example, if you set a goal of doubling the total output of agriculture, the goal could not be achieved only with the efforts of the agricultural industry. Collaboration with players in the production, processing, distribution and sales fields is essential.

**HAYASHI:** I agree.

**KOBAYASHI:** As you said, there are many wonderful technologies in Japan. For example, an IT company is doing something interesting in the agricultural sector. Starting with the question of why pesticides

are used extensively in soybean fields, they monitored pests using an IoT terminal, analyzed their moves with AI and found that the pests are attracted by light. They developed a solution in which the pests are guided by light to a bank outside the fields, where they are killed with pesticides.

**HAYASHI:** How wonderful!

**KOBAYASHI:** Yes. Japan's agriculture has many problems such as the pesticides in soybean fields, and there are many technologies that can help solve them. What is important is to make a connection between the challenges, solutions and technologies. Just like constructing a value chain. The Norinchukin Bank should be able to lead that aggressively.

**HAYASHI:** As a member of the EU, the U.K. had long operated its agricultural industry under the Common Agricultural Policy (CAP). The exit from the EU, however, has brought changes to the U.K.'s agriculture as that policy is no longer in place, and there is an increasing number of agricultural start-ups. I think that the phenomenon of growing innovative investments in changing rural areas rather than mature urban areas will be occurring in other developed countries as well. The Norinchukin Bank, too, is investing in venture companies in such fields as distribution and AgTech in the Food and Agriculture Business.

**KOBAYASHI:** When you hear Silicon Valley, you have the image of a place that gives birth to new and amazing technologies. However, it is actually a place where you can see many cases of successful matching between problems to be solved and technologies to solve them, which attracts much investment. The Norinchukin Bank's venture investment is also aimed at matching issues and solutions, and I see great potential there.

**HAYASHI:** Let me mention another case in the Netherlands where vegetable factories grow tomatoes using CO<sub>2</sub> emitted from manufacturing factories, which represents collaboration between the primary and secondary industries. It is my strong desire that this kind of innovation will increasingly occur in Japan. Sorry to keep pushing The Norinchukin Bank, though. [laughs]

**KOBAYASHI:** I expect The Norinchukin Bank will probably produce visible results in the Food and Agriculture Business in the foreseeable future, and successful cases have already been reported. There is a company called Hyakunousha, which operates a chain of rice ball shops in Hong Kong. The number of stores has already reached nearly 100. President Muneo Nishida says he wants to expand the chain globally and overtake Subway, which has the world's largest number of fast-food chain stores.



**Innovative investment in rural areas will increase.**

**HAYASHI:** The Norinchukin Bank has invested in Hyakunousha.

**KOBAYASHI:** Yes. The appeal of this company is that it only uses Japanese rice. What's more, they asked researchers at Kyoto University to find scientific evidence as to why Japanese rice tastes good even when eaten cold, and they publicized that. If you really want to sell Japanese agricultural products and foods overseas, you should go that extra step, not just vaguely saying "Japanese products are amazing!"

**HAYASHI:** Although Japan has a certification system for agricultural products and foods, Europe and the United States are still ahead of us. I think it is important to establish a certification system originating in Japan that can respect the advantages of Japanese products.

**KOBAYASHI:** I have only talked about exports, but I'd say that when Japan's AFF industries become truly sustainable, The Norinchukin Bank's Food and Agriculture Business will be recognized as a great success. In Japan, the share of the primary industry, or AFF industries, is 1% of GDP and 3% of the working population. This means that the primary industry's production and income is lower than that of the secondary and tertiary industries. Unless this figure of 1 to 3 improves to 1 to 1, no successors can be expected. Of course, this is not an issue solely for The Norinchukin Bank to address, but there is no organization better positioned to encourage movement among the administrative and political forces.

**HAYASHI:** I hope that The Norinchukin Bank will continue to support small-scale farmers, such as family farmers with other sources of income, while also fostering strong and large-scale agriculture. Such diversity is necessary to ensure the sustainability of agriculture and rural communities. The rural areas that could provide relaxation to city dwellers via agritourism should also remain intact.

**KOBAYASHI:** We, the manufacturing industry, have something to reflect on. On the wave of globalization, we moved the manufacturing bases of the secondary industry from Japan to overseas. This caused the hollowing out of the manufacturing industry, decreasing the industry's working population from 15 million to nine million. This decrease of six million people was mainly accounted for by people in local areas, which devastated the rural areas.

The overall revitalization of Japan cannot be achieved without the revitalization of local areas. As one means of revitalization, we could use the tertiary industry, including tourism, but I think that the central focus should be on strengthening the primary industry.



try. For that purpose, The Norinchukin Bank has accumulated insights and networks. The Bank's Food and Agriculture Business should and can take a considerable role in supporting Japan in the future.

**Hayashi:** I couldn't agree more. I have high expectations for The Norinchukin Bank's Food and Agriculture Business. Thank you for this opportunity today.

### About the Advisory Board

In 2021, The Norinchukin Bank launched the Advisory Board consisting of seven experts as an advisory body to the Board of Directors. The Bank will reflect the broad and deep knowledge of these experts in the development of the AFF industries; the revitalization of regional communities; and advancement of the Food and Agriculture Business. The members are as follows (honorifics omitted).

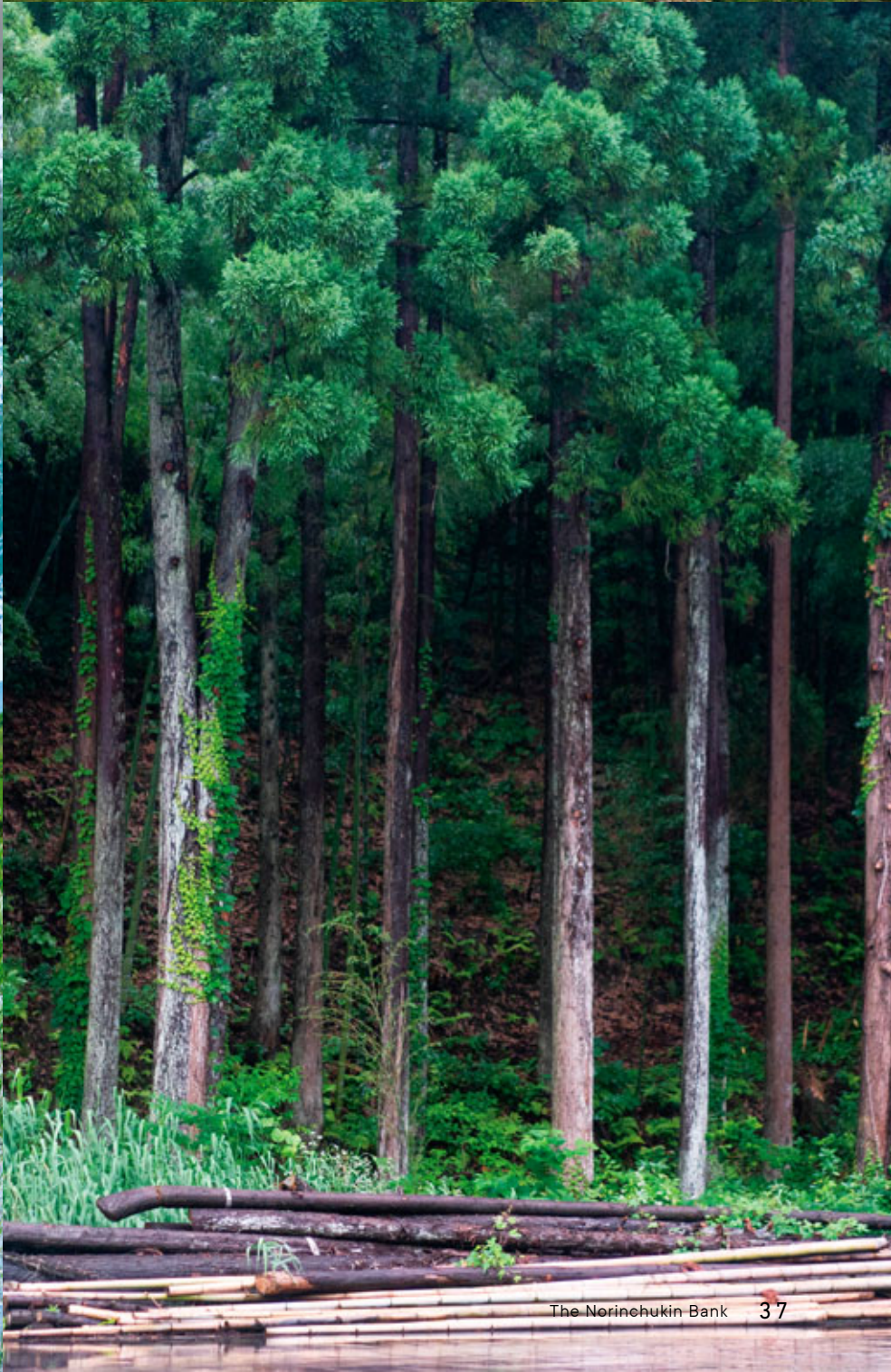
ISHII Hayato, Director of Kyodonews Agri Laboratories  
KIKUCHI Hirokazu, Representative Director of WAGOEN; President of WAGO  
KOBAYASHI Eizo, Director Emeritus of ITOCHU Corporation  
TAKASHIMA Kohey, Representative Director and CEO, Oisix ra daichi Inc.  
HAYASHI Mikako, Visiting Professor, Graduate School of Agriculture, Research Faculty of Agriculture, Hokkaido University; Ph.D. Project Professor, Graduate School of SDM, Keio University  
MIWA Yasushi, Expert at the Center for the Strategy of Emergence, The Japan Research Institute, Limited  
YAMAZAKI Shuji, President and CEO of JA Zen-Noh











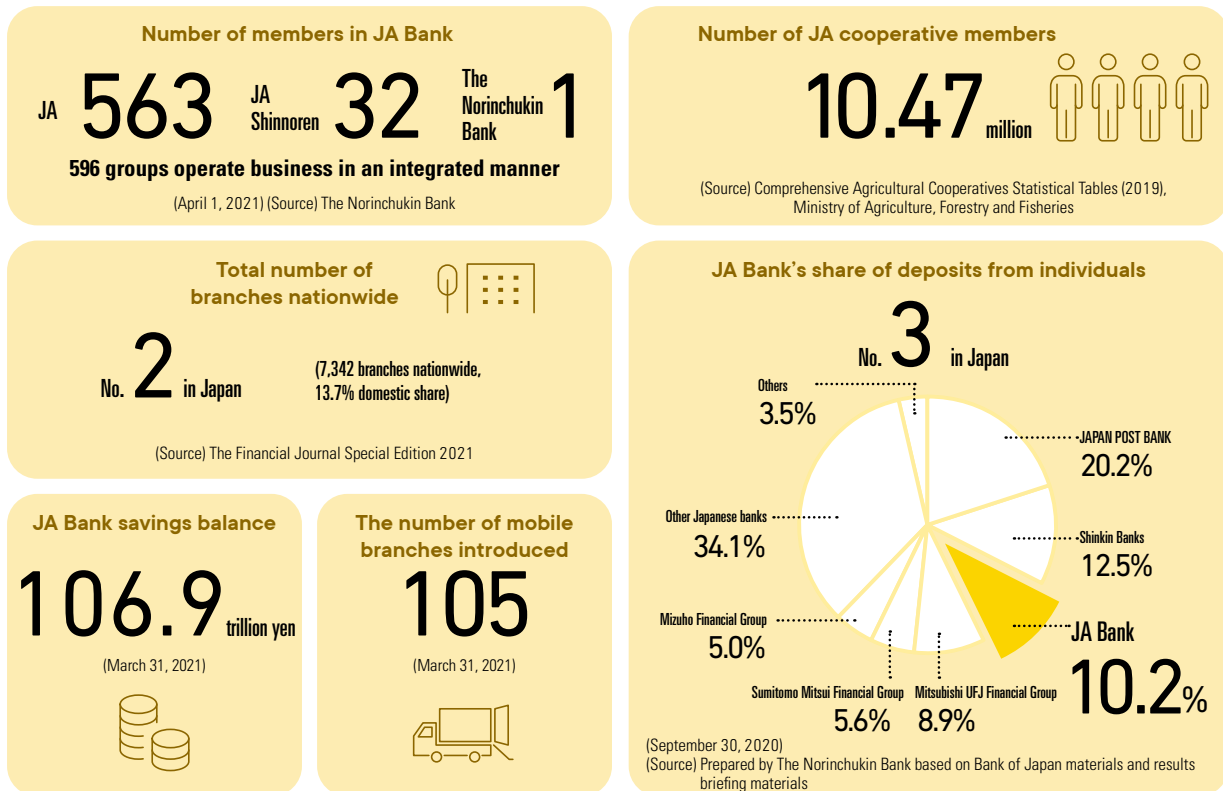


# Retail Business

Providing a range of financial functions  
as a member of JA Bank and JF Marine Bank

## JA Bank by numbers

Introducing the performance and initiatives of JA Bank (JA, JA Shinnoren, The Norinchukin Bank)



**Developing businesses effectively as JA Bank and JF Marine Bank, while meticulously addressing the needs of each region, individual member and customers.**

JA and JF in regions all around the country provide meticulous services to meet financial needs that vary by each region and by individual member and customer, as independent financial institutions. To provide these retail services more efficiently and effectively, JA Shinnoren and JF Shingyoren are responsible at the prefectural level, and The Norinchukin Bank, cooperating with other entities, is responsible at the national level.

In the field of agriculture, we formed a financial group called "JA Bank" together with JA and JA Shinnoren. JA Bank offers appropriate financial products and services to accommodate customers' life events such as starting work, getting married, buying a house and retiring from work, and proposes stable asset building and management.

These services are collectively called the "life-plan support business," through which, in addition to various financial services such as savings, settlements and housing loans, JA Bank provides mutual fund and will trust services. Combining the services of other businesses oper-

ated by JA, we provide services that are possible only by businesses providing comprehensive services for customers of many generations.

Also, we are strengthening and expanding the non-face-to-face transaction channel by enhancing the functions of JA online banking and JA Bank App, etc.

In addition, we are reestablishing a face-to-face transaction channel including "branch offices providing comprehensive services" equipped with public relations personnel and specialists and "Yorisoi Plaza" to strengthen the contact point with users while enhancing efficiency.

In the field of fishery, JF Marine Bank, jointly operated by the Bank, JF and JF Shingyoren, develops business. Other than addressing the need for funds by utilizing its knowledge as a fishery-dedicated financial institution, JF Marine Bank provides support such as consulting services for life support loans according to life events and business succession, thereby supporting the fishery business and the lives of local residents.



## JA Bank and JF Marine Bank: Indispensable Bases for Regional Communities

In the Retail Business, we engage in efforts through our Medium-Term Strategies to support the growth of agriculture and regional communities, strengthen the lending business, provide the life-plan support business and rebuild the point of contact with members and users. However, it is not our goal to acquire loans and investment trusts or to reorganize unprofitable stores. Our mission is to support the AFF industries through the network of cooperative associations; support the regions where the AFF industries are based; and enrich the lives of people who work and live in those regions.

To achieve that, how can we realize the potential of the AFF industries and how can we address the demands of stakeholders, including members and users? Throughout the nation, JAs and JFs have made voluntary and creative approaches to address these issues with remarkable results. Supporting and expanding those efforts throughout the nation is a role of The Norinchukin Bank.

The Bank should provide proactive support so that JAs and JFs nationwide can operate the banking business in an integrated manner as JA Bank or JF Marine Bank to provide quality and advanced financial services consistently throughout the country while catering to the customized needs of a particular region. To thoroughly implement this policy, the Bank is trying to change its way of thinking and operation.

In response to the COVID-19 pandemic, JAs and JFs have provided quick and accurate support for members and users who face difficulties. Such JA/JF efforts have been assisted by the Bank. For example, we supported JAs and JFs as they introduced online consultation tools in an effort to prevent the spread of the COVID-19 infec-

tion, thereby enabling members and users reluctant to visit JA/JF stores to receive financial consultations.

JA Bank and JF Marine Bank have long extended support to members and users affected by large-scale disasters, such as enabling withdrawals up to a designated amount without a passbook or a cash card. The relationship of trust with members/users and regional communities that serves as a basis for the cooperatives facilitates such a service being offered.

JAs and JFs engage in efforts such as providing food to local children's cafeterias and installing solar panels on buildings that can serve as locations for disaster management to fulfill their role as a cooperative organization rooted in the local community. The Bank provides necessary support to help JAs and JFs nationwide pursue their roles in respective regions.

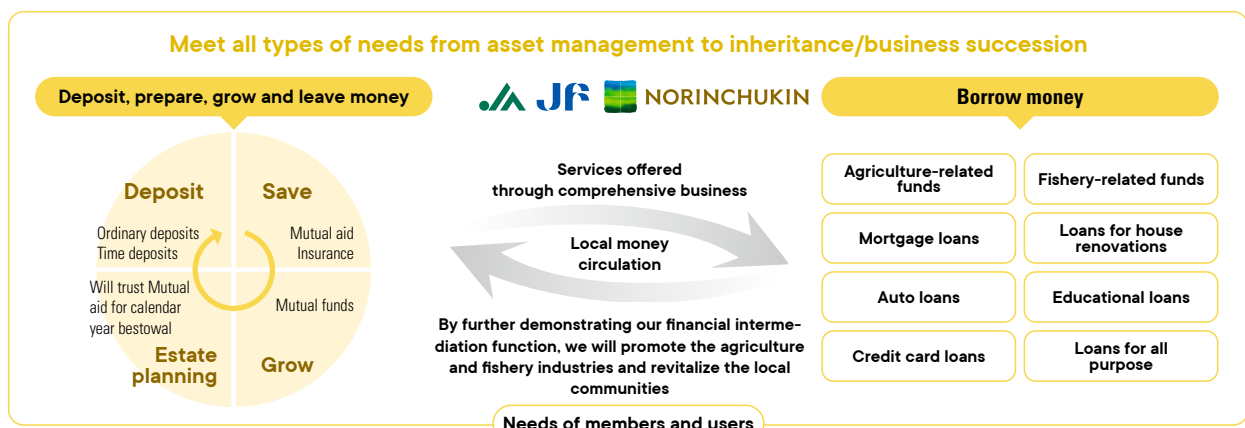
Not all efforts produce immediate results. However, if we listen to the needs of members and users and provide various services accordingly, we can build a stronger relationship of trust. Along with the trust that we can gain as cooperative associations deeply rooted in local communities and connected to workers in the AFF industries, I strongly believe that our creative efforts will eventually blossom.



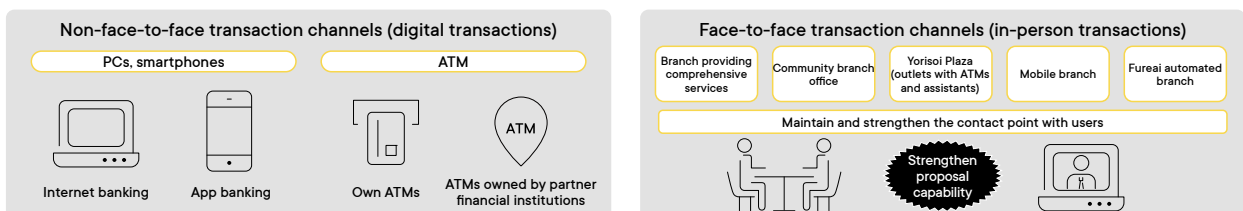
**AKIYOSHI Ryo**

Director and Managing Executive Officer  
Member of the Board of Directors  
Co-Head of JA and JF Business Support

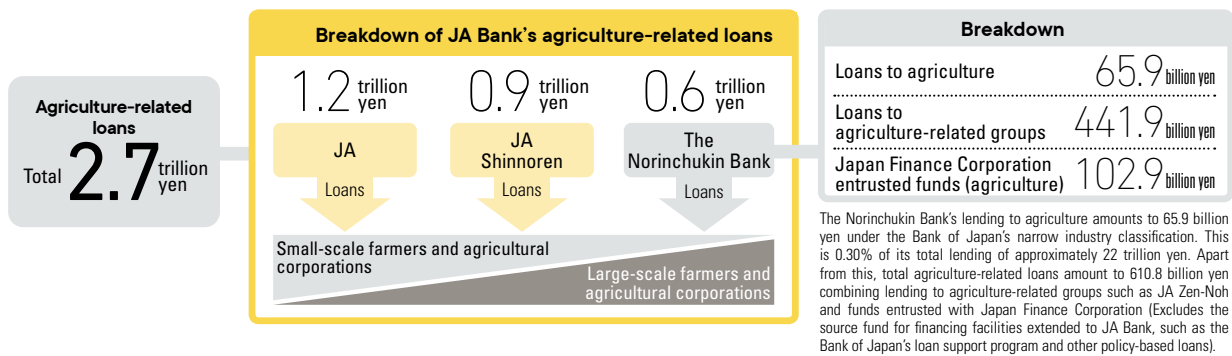
## Offering new value to daily lives of local communities



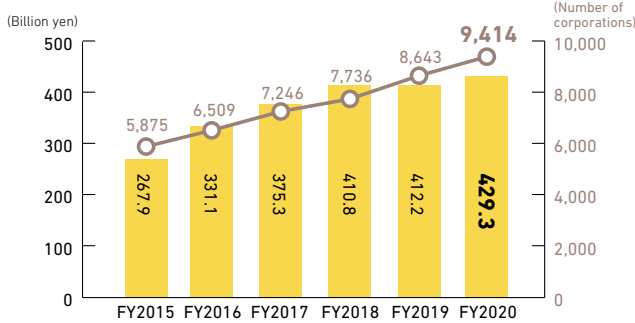
### Establish an optimal structure to address the needs of members and users



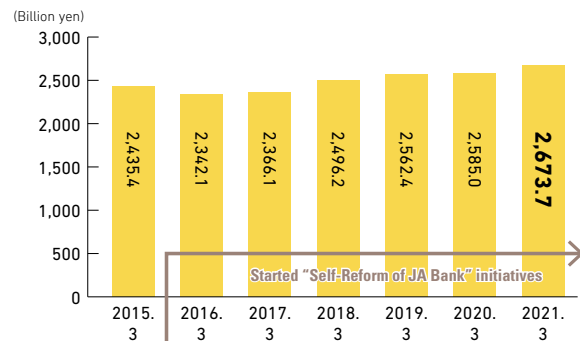
### JA Bank's agriculture-related loans



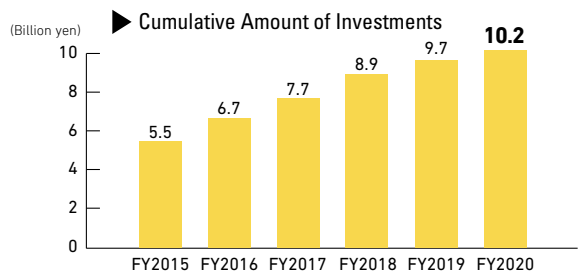
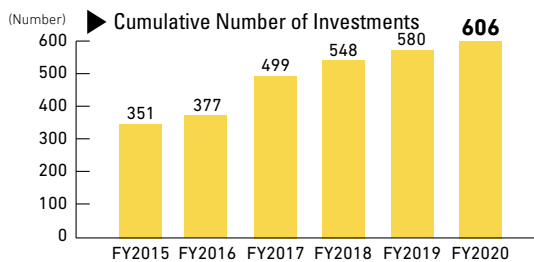
**Trends in the amount of new agricultural loans executed and the number of agricultural corporations as business partners**



**Balance of agriculture-related loans**



**Investments in agricultural corporations through the Agribusiness Investment & Consultation Co., Ltd.**



### Strengthening the provision of loans and investments in the "Agriculture" field JA Bank continues to be the main bank for the agriculture industry

JA, JA Shinnoren and The Norinchukin Bank are playing each role as JA Bank in the area of agricultural loans. JA meets the funding needs of small-scale family farmers and agricultural corporations in each region, whereas JA Shinnoren and The Norinchukin Bank play a central role in meeting funding needs for farmers and agricultural corporations running large-scale operations.

As a result, JA Bank's agriculture-related loans total ¥2.7 trillion (including loans facilitated by JA Bank on commission for Japan Finance Corporation) with ¥1.2 trillion at JA, ¥0.9 trillion at JA Shinnoren and ¥0.6 trillion at The Norinchukin Bank.

Although a slight decline occurred in the balance of agriculture-related loans of JA Bank for a few years, the balance shifted to an increase on a year-on-year basis as of March 31, 2017, thanks to strengthened efforts at approaching agricultural corporations. The amount of newly made agricultural loans also has continued to increase

since fiscal 2016, when we strengthened this approach.

Furthermore, JA Bank not only provides loans but also makes investments. For example, it actively invests in agricultural firms that have technological capability but do not have sufficient capital to stabilize their financial position, supplying risk money according to the growth stage of such firms. Through this initiative, the number of investment projects and the amount of investments executed via the Agribusiness Investment & Consultation Co., Ltd., which was established by the JA Group jointly with Japan Finance Corporation, are on a steady rise.

Moreover, JA Bank and JF Marine Bank, as the main bank operating in agricultural and fishery local communities, respectively, started handling low-interest loans nationwide for customers affected by the spread of COVID-19 and consulting on various relief methods including revision of repayment terms for existing loans.

## Strengthening the Management of JF Marine Bank Inter-Regional Integration of JF Shingyoren Has Started

Japan Fishery Cooperatives, or JFs, are a cooperative organization that protects the lifestyles and businesses of fishery workers. Currently, 875 JFs<sup>1</sup> throughout the nation engage in various activities to support the development of fishery and local communities. Of these, 75 JFs<sup>1</sup> engage in the credit business on their own, and most are members of JF Shingyoren (Prefectural Banking Federations of Fishery Cooperatives). The JFs, JF Shingyoren and the Bank collaborate as JF Marine Bank to implement financial services.

As a member of the JF Group, JF Marine Bank provides community-based finance functions for fishery businesses, and it is the mission of JF Marine Bank to continue to fulfill such a role. However, the business environment surrounding JF Marine Bank is facing a turning point. Due to the prolonged stagnation of the Japanese economy and sluggish fishing yields, the number of fishery workers continues to decline and the reorganization of JFs is progressing around the nation.

In this environment, improving management efficiency and strengthening the financial base have emerged as major topics for JF Shingyoren (Prefectural Banking Federations of Fishery Cooperatives). A movement has accelerated toward federations uniting more broadly beyond the prefecture in which they are based. The Bank has supported this initiative from an early stage. After wide-ranging discussions, task groups were launched in three areas of Japan—East Japan, West Japan and

Kyushu—in 2015 to realize a merger of the prefectural federations within each area. In April 2021, new inter-regional banking federations of fishery cooperatives were launched, and the West Japan area of federations aims to achieve inter-regional integration in fiscal 2022.

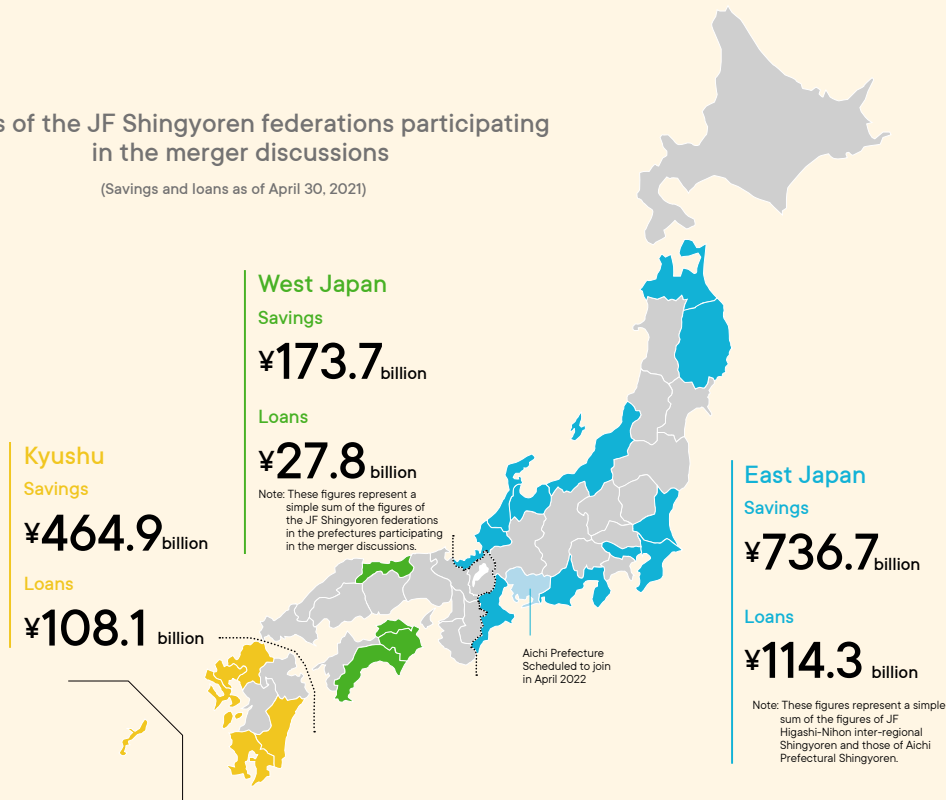
In the East Japan area, 11 prefectural banking federations in the Tohoku, Kanto and Chubu regions were consolidated to form JF Higashi-Nihon inter-regional Shingyoren, with Aichi Prefectural Shingyoren scheduled to participate in fiscal 2022. That will make an inter-regional banking federation of fishery cooperatives with savings of ¥736.7 billion and loans of ¥114.3 billion. Meanwhile, in the Kyushu area, five federations in Kyushu and six federations in Okinawa merged into JF Kyushu inter-regional Shingyoren with savings of ¥464.9 billion and loans of ¥108.1 billion. (See the figure below.)

These inter-regional mergers will improve management efficiency, allocating more resources to strengthen the contact point with fishery communities, and enable the provision of high-quality financial services based on a solid financial foundation. That will further deepen the relationship of trust among JF Shingyoren, JFs and their customers. The Bank will increasingly fulfill its roles to strengthen the fishery financing function of JF Marine Bank, establish a sustainable business model and promote the regions that support the fishery industry.

Note 1: As of April 1, 2021

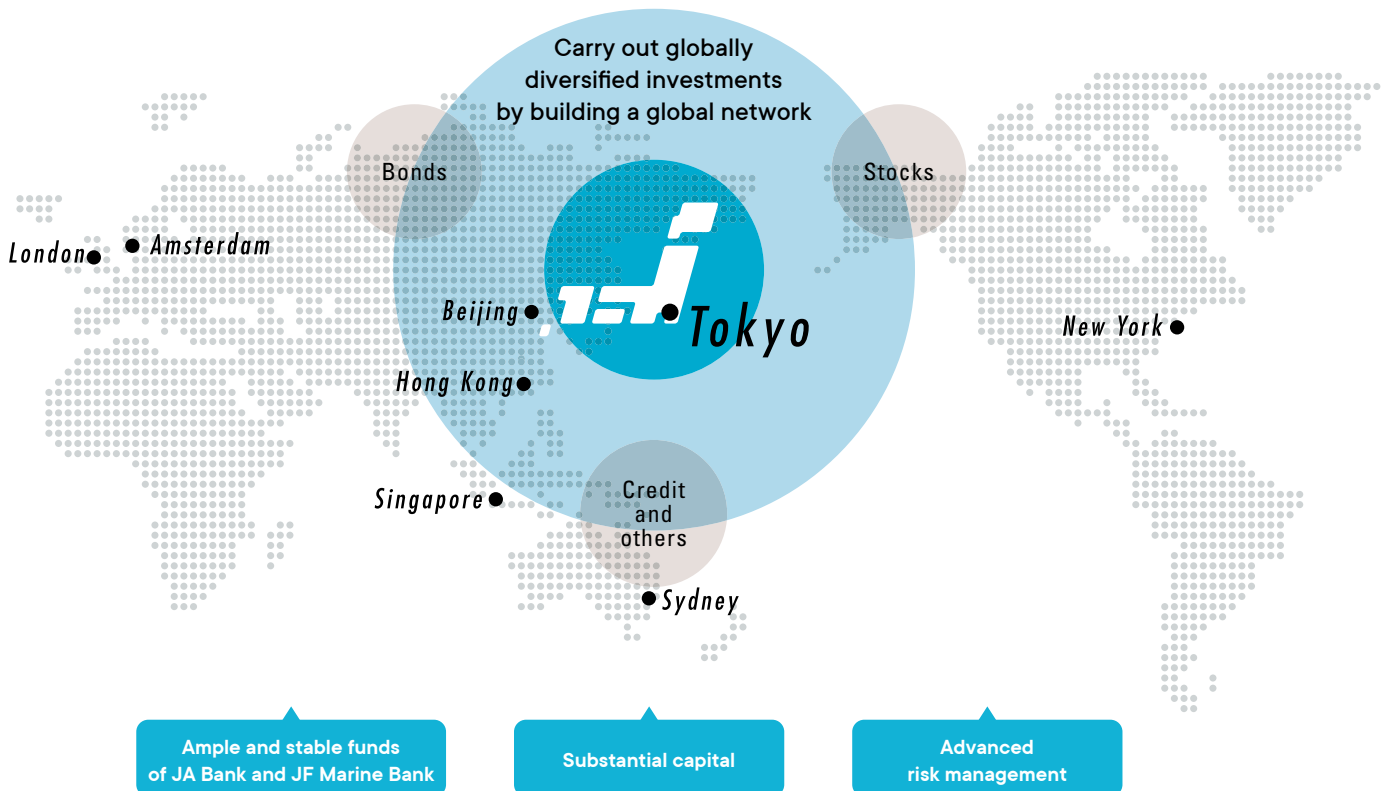
### Status of the JF Shingyoren federations participating in the merger discussions

(Savings and loans as of April 30, 2021)



# Investment Business

Pursuing stable profit as the ultimate manager of funds  
for JA Bank and JF Marine Bank



## Ensuring stable profit over the medium to long term through globally diversified investments based on advanced risk management

The Norinchukin Bank plays a role as the ultimate manager of funds entrusted with JA Bank and JF Marine Bank. To fulfill this role, the Investment Business engages in efficient management taking advantage of economies of scale while continuing to ensure stable profit over the medium to long term and return it to our members as the ultimate objective.

Aiming to achieve this objective, for approximately 20 years since the start of the low-interest rate era in Japan, the Investment Business has been working on “globally diversified investments” in the global financial markets. We have built a global network using overseas sites including New York, London, Singapore, Hong Kong, Bei-

jing, Sydney and Amsterdam. We control the risks of our overall portfolio by conducting due diligence with ample information and diversifying our investments in assets with different risk-return characteristics rather than concentrating investments in limited asset classes.

In particular, we utilize hedging for the risk of exchange rates, which could fluctuate significantly, as much as possible for investment in foreign currency denominated assets.

To pursue the utmost stability of profits for the medium and long-term, we constantly review our investment methods and risk management and will continue taking on the challenge of upgrading our globally diversified investments.

**Aiming for Stable Profits in a Changing Environment by Reinforcing Asset Management Business and Enhancing the Vitality of the Organization**

With the onset of the COVID-19 pandemic toward the end of fiscal 2019, we initially anticipated more serious damage than we had suffered following the Global Financial Crisis. While we pursued conservative portfolio management in the highly uncertain market environment, the financial markets recovered as the monetary and financial authorities took drastic measures to respond to the disaster. Indeed, the framework of revised financial regulations based on the lessons of the Crisis worked effectively. As a result, our portfolio contributed to the increase in profits of the Bank in fiscal 2020.

The Bank's Investment Business manages the funds entrusted by the cooperative system in a safe and appropriate manner and returns the profits to the system. The Medium-Term Management Plan begun in fiscal 2019 aims to secure a source of income that is not affected by economic cycles. The COVID-19 pandemic brought unprecedented change to the business environment, but I believe our efforts have enabled us to withstand that change.

Although we continue to tackle the stabilization of profits, we have newly embarked on reinforcing our asset management business this fiscal year. Specif-

ically, we have transferred our credit and alternative investment functions to Norinchukin Zenkyoren Asset Management Co., Ltd. (NZAM), our asset management subsidiary, to meet the various needs of institutional investors (see page 45). This business is less susceptible to economic cycles.

Along with diversification of the financial base by strengthening the asset management business, our challenge for this fiscal year is to enhance the vitality of the organization. I have heard criticism that The Norinchukin Bank is a bureaucratic organization. Being bureaucratic has a risk that an organization will become rigid and unable to adapt to change. That could hinder flexible responses in today's constantly changing world. To prevent that, we engage in initiatives to recognize the diversity of individuals to enhance their motivation and flatten the organization to break away from the conventional top-down decision-making system.

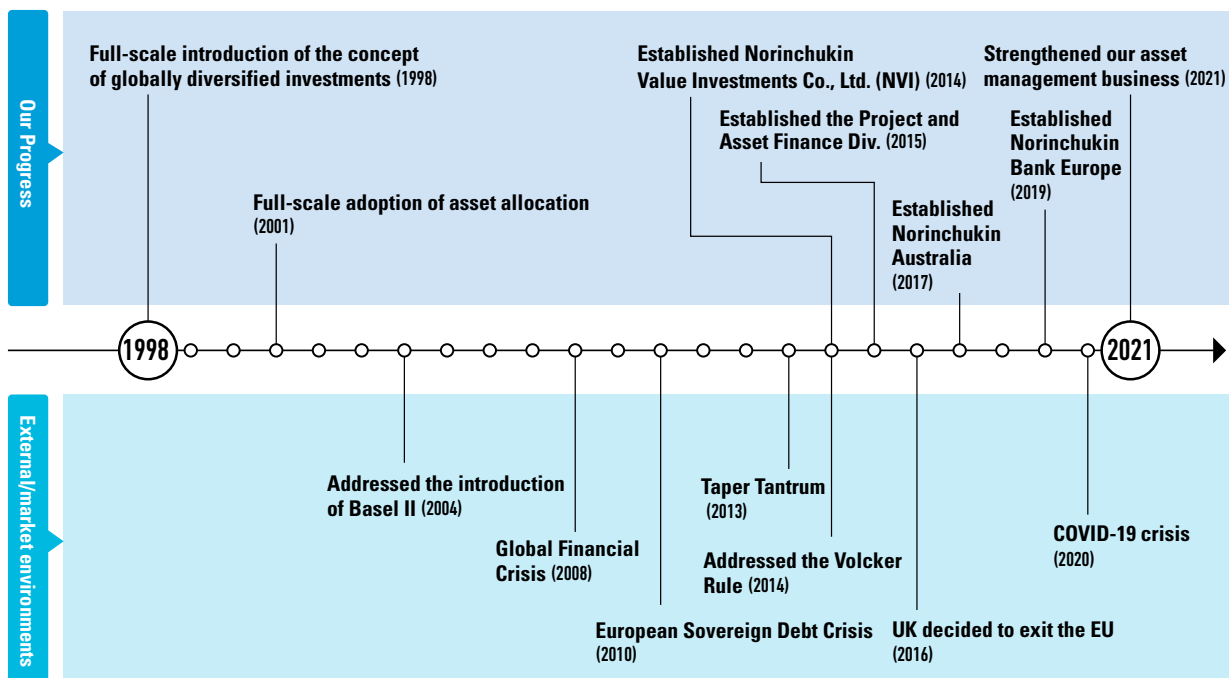
The expansion and deepening of sustainable finance is another big theme. Although we have already worked on ESG investment, the Investment Business puts a greater focus on sustainable finance, as the Bank has begun to strengthen sustainability management this fiscal year.

In the arena of globally diversified investments, it will be necessary to cope with the reaction of the financial markets when the United States reverses its monetary easing and fiscal stimulus measures that were implemented in response to the COVID-19 pandemic. Sustaining stable profits even with a drastic change in the market trend from a rate cut to a rate hike is another mission for this year.



**YUDA Hiroshi**  
 Director and  
 Managing Executive Officer  
 Member of the Board of Directors  
 Chief Investment Officer

**Progress in globally diversified investments**





## Today's globally diversified investments by The Norinchukin Bank

It has been approximately 20 years since the introduction of the concept of globally diversified investments and more than 10 years since the collapse of Lehman Brothers. During that time, our globally diversified investments have continued to evolve and deepen, which is reflected in our current portfolio.

The portfolio consists of roughly four kinds of asset classes—bonds, stocks, credit assets and alternative

investments—each with different investment targets, which are described below.

In line with the expansion of asset class, the exploration for investment opportunities is also expanding. Our directors and staff in charge of Global Investments have visited as many as 66 countries/regions worldwide for investigation and the number of such locations is expected to increase going forward.

### • Bonds

Investment in high-rating bonds such as the government bonds of Japan, the United States and Europe, aiming at stable interest income

### • Stocks

Investment in listed stocks to acquire capital gains

### • Credit Assets

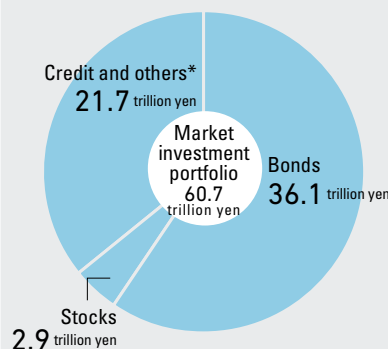
Investment in securitized products backed by U.S. or European corporate bonds or corporate or retail loans, and conduct project finance to turn credit risks into profits

### • Alternative Investments

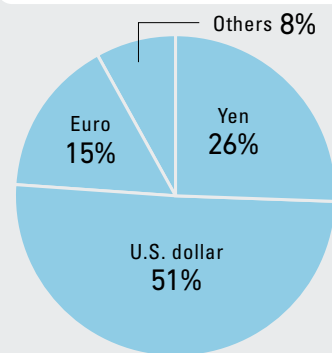
Investment in real estate, infrastructure, private equities and hedge funds, etc., which are different from traditional assets, aiming to expand the profit base by diversifying investment assets

### Establishment of a portfolio based on the characteristics of assets

Market investment portfolio by asset class



Market investment portfolio by currency

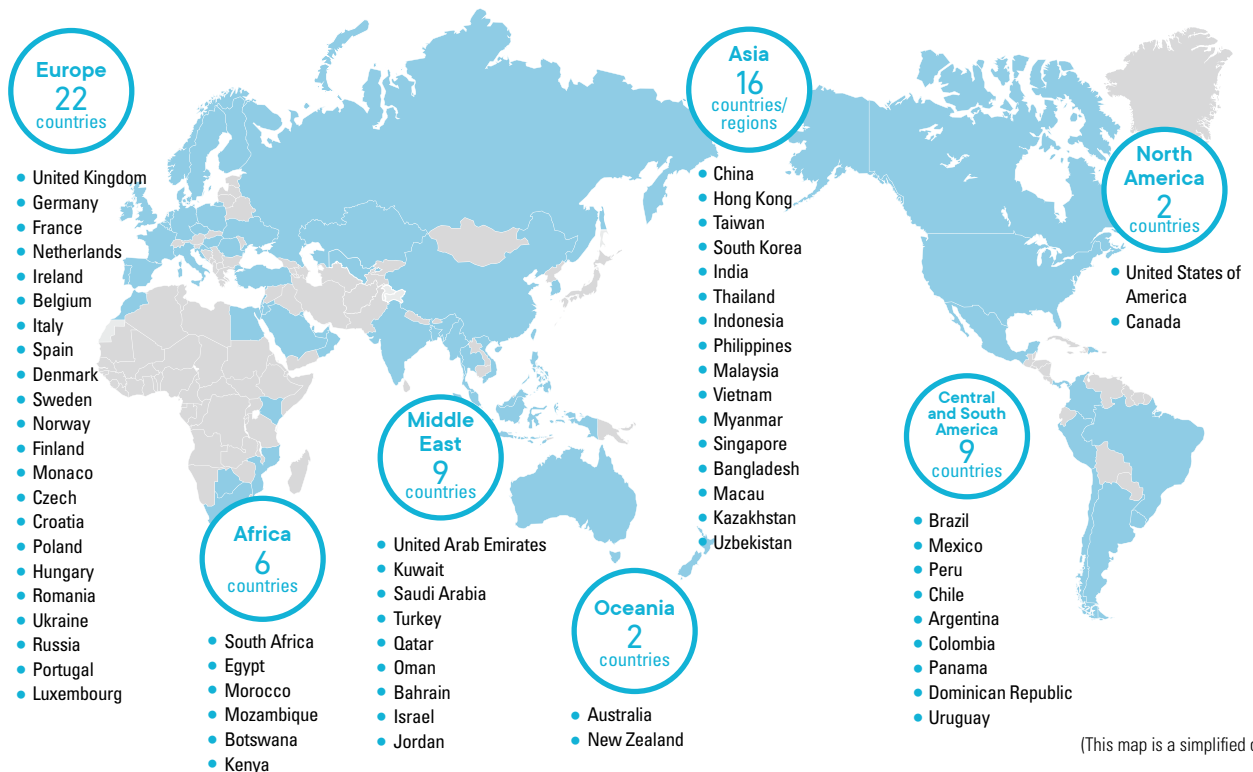


\* "Credit and others" includes Credit Assets and Alternative Investments.

(March 31, 2021)

## Search for investment opportunities

Countries and regions visited by Global Investments staff for investigation and/or negotiations for investment projects



(This map is a simplified one.)

## Bolstering the Asset Management Business to Diversify Revenue Sources

The Norinchukin Bank's globally diversified investments enjoy a high reputation based on its long-term experience and steady track record. Recently, we decided to transfer our credit and alternative investment functions to our subsidiary Norinchukin Zenkyoren Asset Management Co., Ltd. (NZAM), to bolster our asset management business.

The asset management business earns asset management fees in accordance with the size of entrusted assets, securing a revenue stream that is not susceptible to economic fluctuations. In addition to our proprietary investment and trading, we are going to secure fees in this business. We will further promote the diversification of revenue sources to enhance and stabilize Investment Business revenue.



Being transferred to NZAM, infrastructure investment will be further strengthened

### C O L U M N

#### Some Investment Functions Have Been Transferred to a Subsidiary, Creating a New Pillar of Earnings

In April 2021, nearly 30 employees working for the Investment Business of the Bank were transferred to Norinchukin Zenkyoren Asset Management Co., Ltd. (NZAM). NZAM—a subsidiary between the Bank and the National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren), which operates JA mutual aid projects—manages assets entrusted from investors as well as the Bank and Zenkyoren.

Those transferred from the Bank are the people and functions of credit and alternative investment (see the upper section on page 44). Prior to the transfer, NZAM had engaged mostly in managing traditional assets such as bonds and stocks. This transfer has expanded its investment scopes significantly, tripling the balance of assets under management (AUM) to about ¥15 trillion.

NZAM's President and CEO USHIKUBO Katsuhiko, who had served as Global Head of Credit Investment Division at the Bank until March 2021 and has led NZAM since April 2021, explains as follows.

"The Norinchukin Bank aims to increase the pillars of earnings to secure stable revenue in a business environment of low interest rates and tightening regulations. By leveraging our investment expertise, fee income from our asset management service for third-party investors will become a strong pillar, on top of our contribution to the Bank's Investment Business as an investment arm."

Asset management firms already exist in great numbers, suffering severe competition due to low management fees in some fields. However, USHIKUBO recognized an opportunity.

"With the prolonged difficulty of investing in traditional assets, I saw growing demand for investment opportunities in relatively new areas such as credit and alternative

investment. In Japan, there are many investors who are interested in but have no resources and/or experience in these arenas. Fortunately, The Norinchukin Bank was one of the first Japanese investors to enter the market about 20 years ago, and I believe we have a competitive edge."

Discussions on the development of the asset management business began in early 2020. The discussions yielded fruit in just over a year given the growing needs of third-party investors, suggestion from Zenkyoren and the corporate culture of The Norinchukin Bank. "We emphasize speed when we initiate change. We also have a corporate culture of involving the younger generation in new initiatives," said USHIKUBO.

"We have had many inquiries and much interest since April," notes USHIKUBO. The company plans to further increase AUM and personnel in the future.

"Many professionals with different careers and backgrounds have gathered at NZAM. I wish to share our purpose and vision with them and further increase their motivation and abilities. To achieve that, many challenges lie ahead. However, I will swiftly address the challenges by relying on our diversity as an advantage to create a new pillar of earnings, thereby providing more value to society than ever before."



**USHIKUBO Katsuhiko**

President and CEO  
Norinchukin Zenkyoren  
Asset Management Co., Ltd.