# VALUE REPORT 2020

NORINCHUKIN

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2020

NORINCHUKIN

Our work at The Norinchukin Bank won't change the world overnight.

Our focus is on the agriculture, fishery and forestry industries.
This means that nature is our partner,
and nothing in nature bears fruit overnight.
Industries in this sector don't make things
—they produce and nurture life as a legacy for future generations.

This is precisely why we are dedicated to serving those who sustain these industries
and their local communities, no matter how small the scale of their operations.
As the financial institution wholly devoted to this sector
—the very cornerstone of our nation, we strive consistently
to generate solid outcomes in the global financial markets.

Our history spans more than 90 years.

But that alone is no longer enough.
We must take on a greater role than ever before
if this sector is to continue developing in response to the changing times.

We must harness our financial knowledge to make
new contributions that extend beyond our past functions and scope.
We must do our utmost to address on-the-ground issues.
We must respond to the needs not only of producers,
but also to those of processors, distributors and consumers.

The life generated by the agriculture, fishery and forestry industries
sprouts the workings of all life well into the future.

Now is the time for each and every one of us to give our all.
We aim to make the chain of life that connects us to the future
more bounteous and more certain.

# Dedicated to sustaining all life.

The Norinchukin Bank

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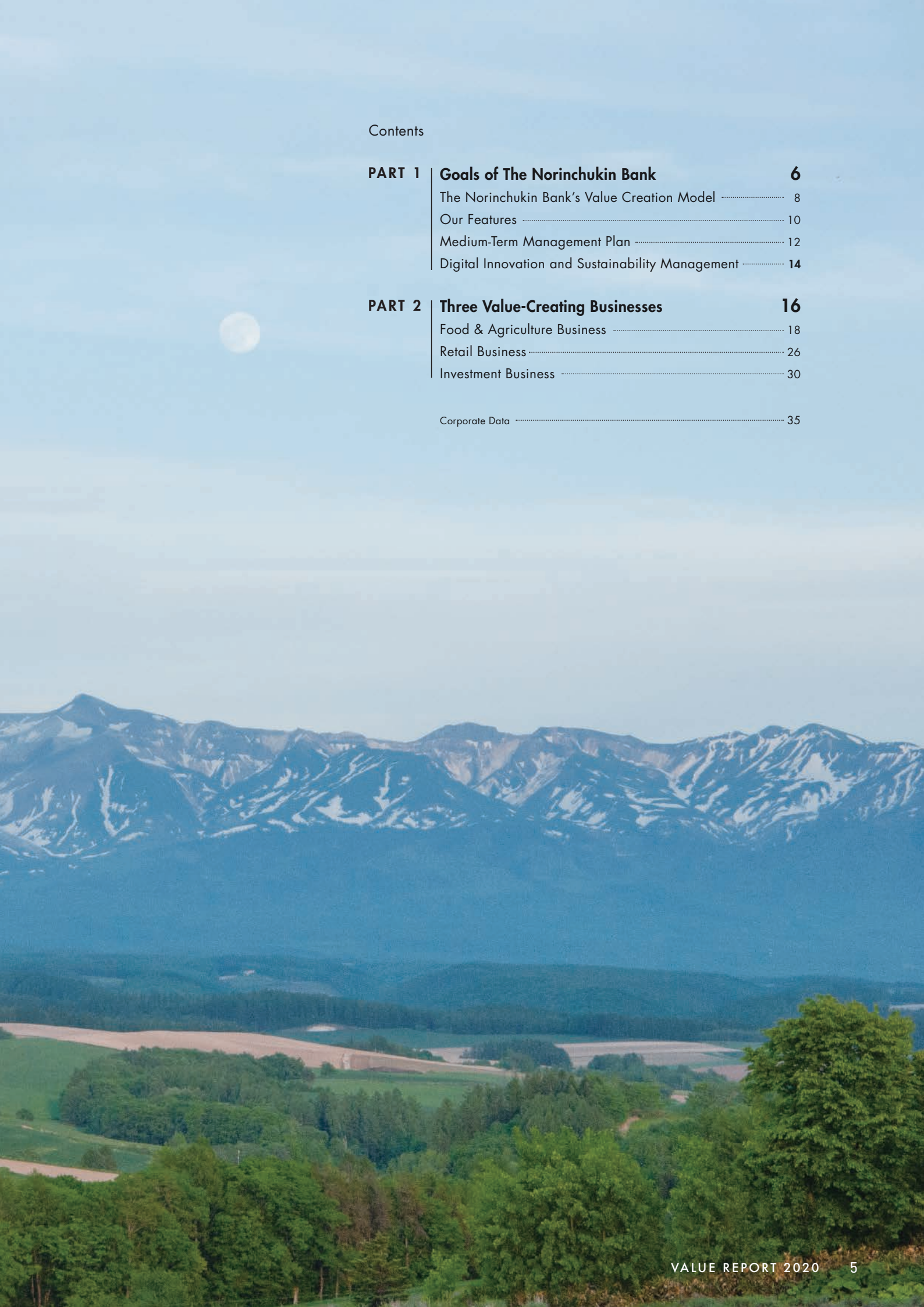


PART 1

# Goals of The Norinchukin Bank

# The Norinchukin Bank's Value Creation Model

## Resources and Strengths

### Abundant food and agriculture knowledge and leading-edge financial knowledge

**97** years
History of supporting the agriculture, fishery and forestry industries through finance

**18** years
Integrated management of JA Bank composed of 585 JAs and 32 JA Shinnorens

**22** years
Got into globally diversified investments ahead of the times

### Network of cooperatives

Cooperative system

JA JF JForest

**3,477** groups
Members of The Norinchukin Bank

**104.1** trillion yen
JA Bank savings balance

**2.6** trillion yen
JF Marine Bank savings balance

### Stable deposits and financial base

**A** (S&P)
**A1** (Moody's)
Credit rating

**23.02** %
Total capital ratio

### Expert human resources

**28.8** billion yen
Total assets per employee (non-consolidated basis)

**3,588** people
Number of employees

**119** people
Number of employees who have studied overseas (= number of employees who have obtained MBA/LLM)

INPUT

## The Norinchukin Bank's Business

### The Norinchukin Bank Business Model

**Food & Agriculture Business**
Supports and connects producers and the business community and expands their networks to turn the agriculture, fishery and forestry industries into growth industries

**Retail Business**
JA Bank and JF Marine Bank meet diverse financial needs in each region while achieving efficient management

**Investment Business**
Ensures stable profit over the medium to long term through globally diversified investments based on advanced risk management

**Corporate & Shared Services**
Supports the three business areas and promotes new initiatives such as digital innovation and sustainability management

### Our Mission

Facilitating funding for cooperative organizations → Supporting the advancement of the agriculture, fishery and forestry industries → Contributing to the development of the nation's economy

### Our Vision

Leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities

## Business Achievements

## Value Provided to Society

**OUTPUT** Business achievements related to the agriculture, fishery and forestry industries

### Turning the agriculture, fishery and forestry industries into growth industries

**Support** — As the main bank for the AFF industries*

- Seed money
- Consulting for leaders
- AgTech investment

→ Agricultural corporations → Increase producers' income / Revitalize local communities

**Connect** — As the food and agricultural bank of Japan

- Cooperation with regions and firms
- Procurement/development of sales channels
- Support for overseas expansion

→ Japanese food and agriculture companies → Offer food and agriculture value chain / Enhance corporate value

**Expand** — As a global financial institution

- Global investment network
- Operation of food and agricultural fund
- Connecting Japanese companies

→ Global food and agriculture companies → Bridge to the world based on food / Leading Asian food and agriculture business transactions

*AFF industries = Agriculture, Fishery and Forestry industries

### Providing financial services right across the country

Agriculture-related loans (JA Bank overall)

- Total: 2.4 trillion yen
  - JA: 1.2 trillion yen
  - JA Shinnoren: 0.8 trillion yen
  - The Norinchukin Bank: 0.4 trillion yen

No. 2 in Japan — Total number of JA Bank branches in Japan

No. 3 in Japan — JA Bank share of individual deposits

92 vehicles — The number of mobile branches introduced

### Generating profits

Approx. 400.0 billion yen — Returns to members profits earned from the Investment Business and the Food & Agriculture Business

**Providing return of profit and financial functions**

JA JF JForest

**Value provided to local communities, inhabitants and national land through collaboration with the cooperative system**

- Turning the agriculture, fishery and forestry industries into sustainable growth industries
- Stable supply of safe and secure food
- Revitalizing the infrastructure in rural areas
- Preserving local diversity
- Protecting the land and marine environment
- Developing the economy through the agriculture, fishery and forestry industries

1 NO POVERTY · 2 ZERO HUNGER · 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 14 LIFE BELOW WATER · 15 LIFE ON LAND · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS · 17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS

### Our Value

Dedicated to sustaining all life.

### Our Foundation

One for all, all for one.

# Our Features

Constant Mission over 97 Years:
Transforming Itself to Meet the Needs of the Times

## 1923-

**Meeting the demand for funding in the agriculture, fishery and forestry industries before and after World War II**

**Launched as the central bank for Japan's industrial cooperatives**

**Supporting producers with financial services, including loans, through cooperative organizations with the spirit of helping one another**

Producers involved in the agriculture, fishery and forestry industries faced a shortage of funds before and after World War II until Japan's era of high economic growth. Aiming to solve such a situation, The Norinchukin Bank was established in 1923. As the central body for agricultural, fishery and forestry cooperative organizations, The Norinchukin Bank has supplied funds to agricultural, fishery and forestry cooperatives throughout Japan to provide loans to producers and met the demand for large-scale funding beyond the capacity of individual cooperatives. The basis of these actions stems from our spirit of helping one another— "one for all, all for one."

## 1970-

**In light of the increase in JA Savings due to economic growth**

**Extending loans and investments into wider financial markets in addition to the agriculture, fishery and forestry industries in response to the needs of the times**

Since the 1970s, when savings deposited by individual members and local users increased considerably, we have been meeting Japan's strong demand for funds through loans and investments for companies related to the agriculture, fishery and forestry industries, the supply of funds to Japan's short-term capital markets, and investment in Japanese government bonds. Moreover, from the latter half of the 1990s, we quickly moved into top gear on globally diversified investments in global financial markets. We have returned stable earnings to members as JA, JF and JForest even in a low interest rate environment.

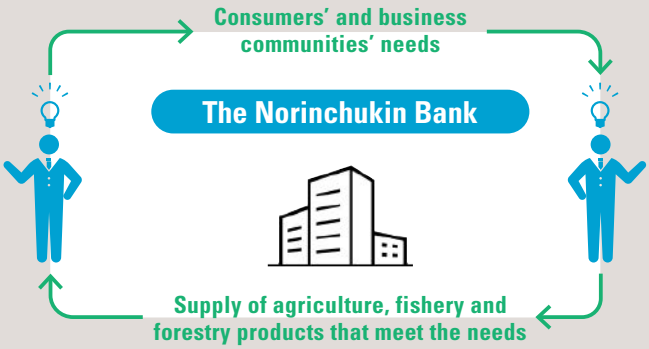
Since its establishment in 1923, The Norinchukin Bank has been managed under special legislation, initially, as the central bank for Japan's industrial cooperatives, "Sangyo Kumiai," and subsequently via the Norinchukin Bank Act.

It is a cooperative private financial institution with a clear mission to "contribute to the development of the nation's economy by supporting the advancement of Japan's agriculture, fishery and forestry industries by providing financial services for the members of the agricultural, fishery and forestry cooperative system."

Since its establishment, we have continued to provide support for everyone engaged in the agriculture, fishery and forestry industries for 97 years while constantly transforming in line with changes in the environment surrounding the agriculture, fishery and forestry industries.

## 2016-

**A bridge between the agriculture, fishery and forestry industries and the business community**




Amid the ongoing significant changes in the nation's needs for the agriculture, fishery and forestry industries, we believe that the delivery of safe and secure domestic produce, which consumers, restaurants and food processing companies want, will pave the way to turning the agriculture, fishery and forestry industries into growth industries. Leveraging our deep ties with producers in the agriculture, fishery and forestry industries and longstanding business relationships with companies related to the agriculture, fishery and forestry industries, we intend to "build" bridges between primary industry and secondary and tertiary industries. In 2016, we had a full-scale launch of such an initiative. Our Food and Agriculture Business offers diverse solutions to both producers and consumers.

## 2019-

**Medium-Term Management Plan**

Trying Now!

The agriculture, fishery and forestry industries are not the only ones having to adapt to radical changes. The financial industry also faces rapid changes in the investment environment and technologies. To address such non-continuous changes, the Bank has formulated a new Medium-Term Management Plan, covering five years from fiscal 2019 through fiscal 2023, and set out to realize the plan. Viewing changes in each of the three business areas—food and agriculture, retail, and investment—as opportunities, the Bank aims to achieve further growth together with the agriculture, fishery and forestry industries in Japan.

# Medium-Term Management Plan

(FY2019-FY2023)

Aiming to become a "leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities," we strive to catch the winds of change and create new value.

## Environment Surrounding Us

**Global profit margin compression**
Inevitable to build strategy under a new investment environment.

**Rapid digitalization**
Customer behavior will change drastically.

**Change in member profile**
–aging
–business expansion needs
Securing local production bases will become an issue.

**Growth of Asia**
Business in Asia will expand further.

**Environmental and social issues**
Offering value to society will be crucial.

## Core Principle

- More customer-orientation
- Lead AFF industries*
- Proactive digital innovation
- Forward looking business transformation
- Establish a sustainable financial base

*AFF industries = Agriculture, Fishery and Forestry industries

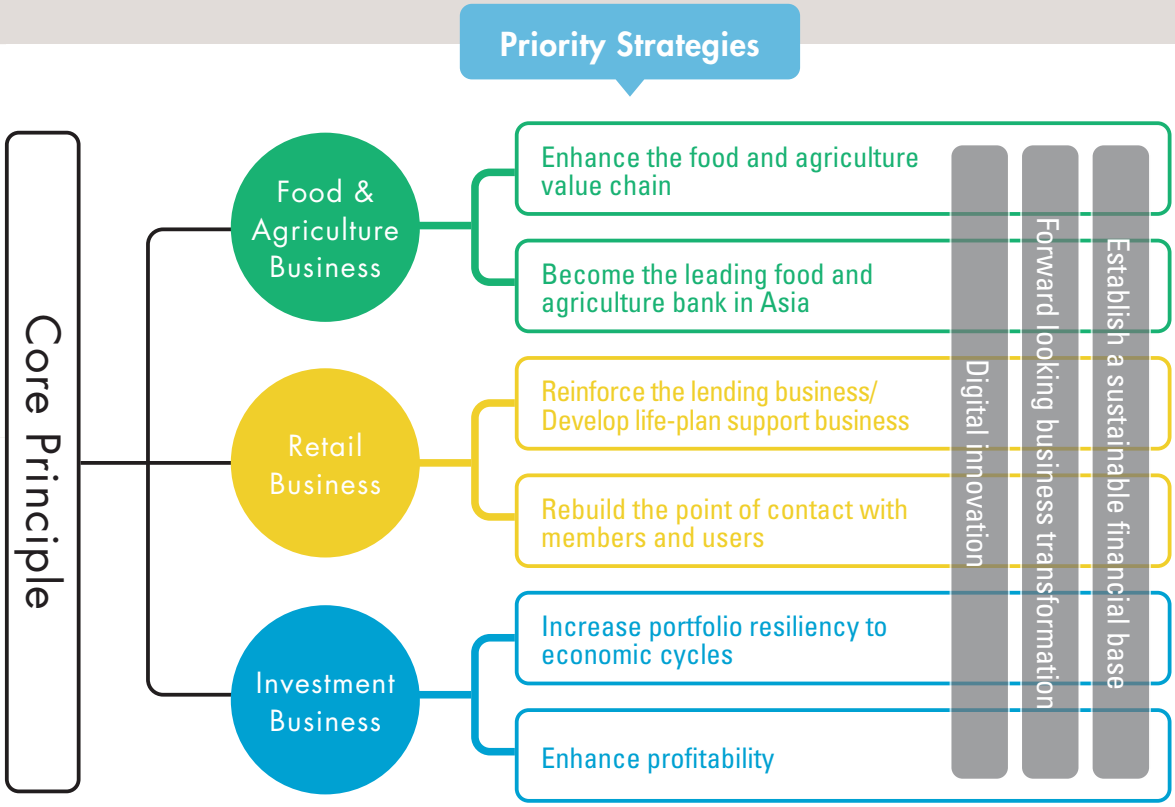
## Looking ahead to the next 10 years, we have formulated our vision of the Norinchukin Group "for the next five years."

Unprecedented changes are occurring in our business environment such as global compression of profit margins, rapid expansion of digitalization, change in the members' profile (aging and increasing demand for business expansion), growth in Asia, and environmental and social issues. Although this era of non-continuous changes has resulted in a severe environment for management, we believe that changes and new trends in the society are providing opportunities for growth.

To address the new issues anticipated over the next 10 years, we have formulated our vision of the Norinchukin Group for the next five years—the new Medium-Term Management Plan. To resolve these issues and tackle the challenging task of creating new value, it is important to conduct "customer-oriented business" and "lead the growth of the agriculture, fishery and forestry industries." To this end, digital innovation, operational reform and sustainability of financial base are indispensable. Therefore, these are set as the core principles in the Medium-Term Management Plan.

We believe that non-continuous changes will occur during the next 10 years.

In such a situation, we need to optimize our operation to meet customer expectations and continue value creation. Looking ahead to the next 10 years, we reviewed our current operations thoroughly and formulated a five-year Medium-Term Management Plan (FY2019-FY2023), "Catch the Winds of Change. Create New Value." to change our approach in conducting business and achieve significant innovation.




## Offer diverse value to the society, cooperating with the cooperative groups.

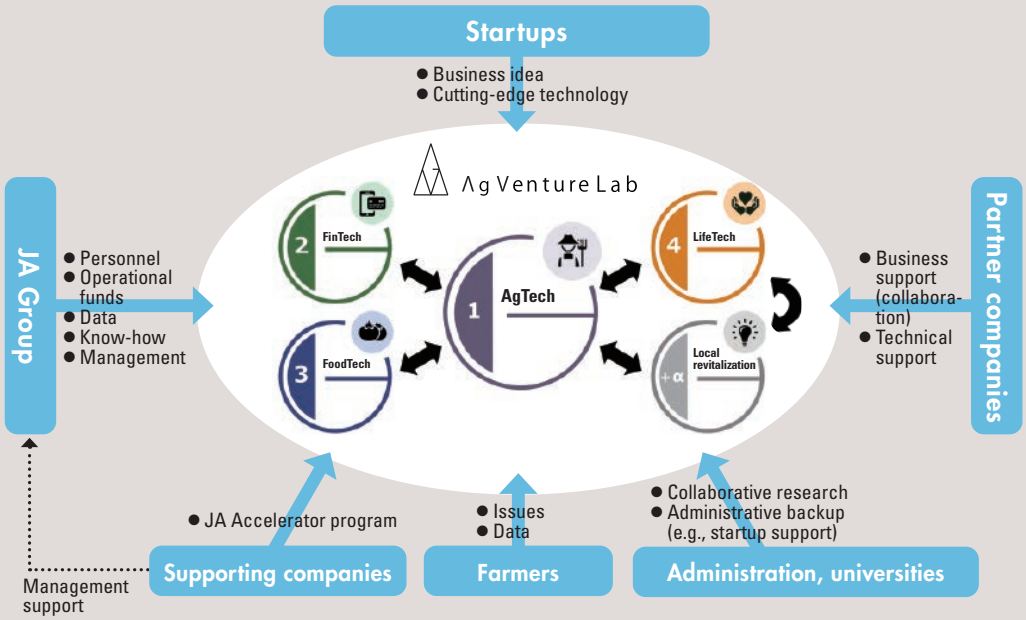
Under the Medium-Term Management Plan we will share the issues from the perspectives of individual members, users and customers and offer comprehensive services, aiming to solve those issues together with them by focusing on our core strategies for each business. Furthermore, the Bank will strengthen the initiatives from a global perspective to develop the agriculture, fishery and forestry industries, as well as food production and consumption, and revitalize local communities.

In addition to our knowledge nurtured over many years on food and agriculture, as well as finance, we possess a broad network of cooperative associations and a stable financial base. By maximizing these strengths, we will meet customer expectations, bridge domestic and global food and agriculture value chains, enhance the convenience of customers and our productivity, and continue to strengthen our onsite capability and profitability. To fulfill our perpetual mission, aiming to become a "leading bank that supports the agriculture, fishery and forestry industries, food production and consumption, and the daily lives of local communities," we will strive to realize further sustainable growth and offer value to society together with our cooperative groups.

# Digital Innovation and Sustainability Management

Toward the realization of technology-based reform and a sustainable society, we will promote future-oriented business management.

## Innovation of food, agriculture and life




### JA Accelerator

**Concept** The JA Accelerator is a program with the slogan "Innovation of Food, Agriculture and Lifestyle" to support the growth of start-up companies with innovative ideas and technologies, leading to the development of new businesses and services.

**Focus Areas**

| 1 Agriculture and food | 2 Lifestyle | 3 Finance | 4 Others |
|---|---|---|---|
| • Ideas toward the sophistication of agriculture and food and to improve efficiency<br>• Efforts that help address the labor shortage at farms | Services and business ideas to improve the convenience of people's lives | Use of cutting-edge technologies in the field of finance (banking and insurance) | • Toward community revitalization<br>• Innovative ideas across these fields, utilizing the various assets of the JA Group |

## Support Customers and Communities via Open Innovation

We aim to create products and services that leverage the strengths of JA's comprehensive businesses through aggressive collaboration with various start-up and partner enterprises, governmental administrations and universities and by promoting JA Group-wide open innovation. We intend to create comprehensive digital services that closely help the agricultural, fishery and forestry industries and related local communities through FinTech, AgTech and LifeTech and other technologies to enhance customer convenience.

In fiscal 2019, AgVenture Lab was established via the JA Group's concerted efforts. With 15 companies selected for the JA Accelerator program, we are supporting young companies with innovative technologies and ideas mainly in the fields of finance, food and agriculture.

For details, https://agventurelab.or.jp (in Japanese only)

*Voice*

## Innovation and Sustainability as a Management Issue to Address

Kazuhiko Otake
Head of Corporate
& Shared Services

To create new value in the three businesses of "Food and Agriculture," "Retail" and "Investment," The Norinchukin Bank (the "Bank") aggressively promotes the utilization of digital innovation and sustainable management. In response to the evolution of FinTech and AgTech, the Bank newly established AgVenture Lab in collaboration with the JA Group in fiscal 2019, as an effort to discover a new form of food and agricultural industries and financial business through collaboration with corporations, central government ministries and agencies, local municipalities and universities, etc. The lab-based JA Accelerator program has implemented two *cours* (courses) so far, helping the growth of 15 companies that were selected from among more than 350 applicants.

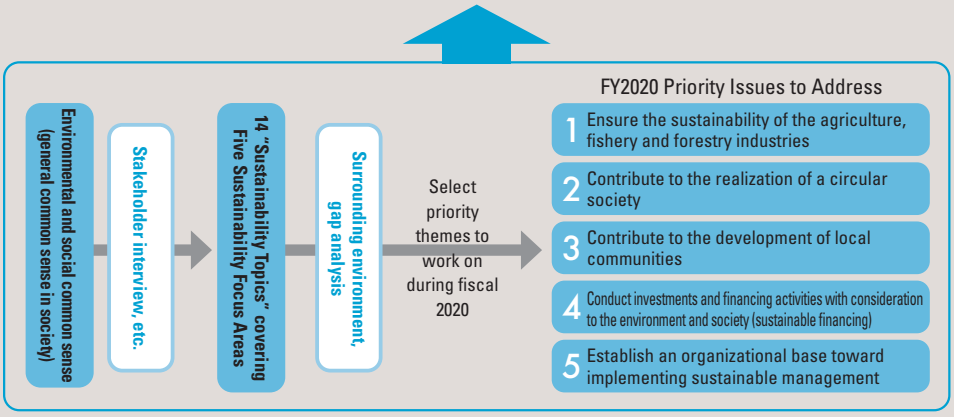
Sustainability management, on the other hand, is a theme on which the Bank is focused seriously as a financial institution founded on the agriculture, fishery and forestry industries and related local communities. In addition to the realization of the measures set out under the Medium-Term Management Plan (FY2019-FY2023), we are continuing discussion to establish another medium-term goals that cover to about 2030 with foresight even further to 2050. We are discussing how to increase sustainability in broad fields and perspectives, raising the priority level of "life," which is included in our corporate brand.

COVID-19 has changed society and economies significantly. We need to continue to address change, innovate change and change our ways, too, to ensure ongoing growth. We believe such an attitude is necessary.

**Policies and measures**

Contribute to solving environmental and social issues through business activities and ensure the sustainability of the agriculture, fishery and forestry industries and related local communities.

Major SDGs to which the Bank contributes:




## Aim to Improve Sustainability in All Business Perspectives

As environmental and social issues become increasingly diverse and serious, global initiatives toward the sustainable development of society are under way. Expectations are on the rise for corporations to address environmental and social issues such as observing the Sustainable Development Goals (SDGs) and the Paris Agreement. Understanding such changes, the Bank set out medium-term sustainability goals and is discussing initiatives to realize sustainability management at the Sustainability Committee under the Board of Directors.

In fiscal 2020, based on issues surrounding the agriculture, fishery and forestry industries, the Bank, as a financial institution founded from cooperative organizations of farmers, fishers and foresters, set out five Priority Issues to Address. By including specific measures based on these priority issues in the management plan and implementing them, the Bank will strive to contribute to ensuring the sustainability of the agriculture, fishery and forestry industries and related local communities.

For details, https://www.nochubank.or.jp/en/about/sustainability/

# PART 2

# Three Value-Creating Businesses

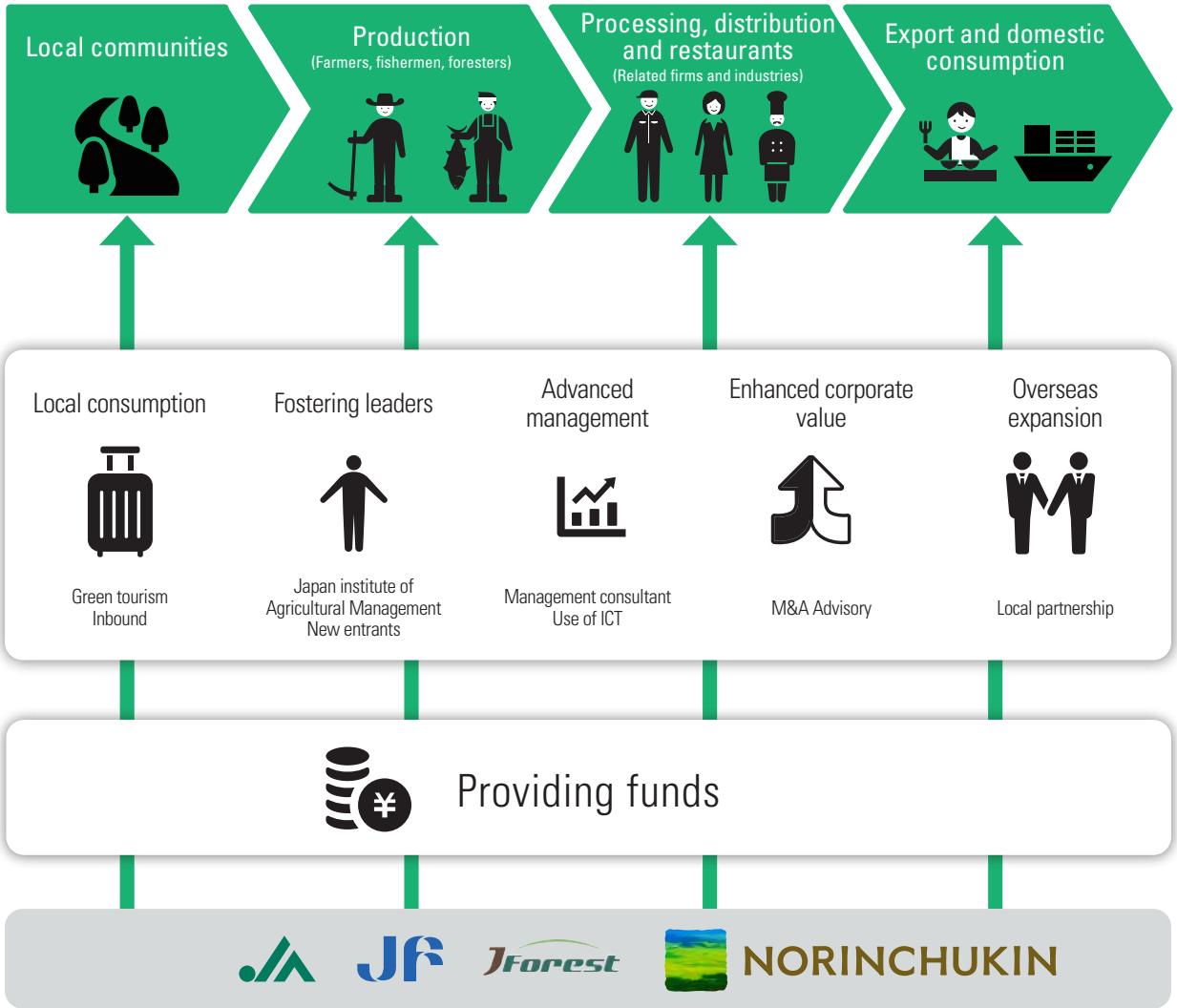
The Norinchukin Bank continues to offer various kinds of value to local communities, residents and national land via collaboration with cooperative organizations consisting of Japan Agricultural Cooperatives (JA), Japan Fishery Cooperatives (JF) and Japan Forest Owners' Cooperatives (JForest). Such value 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 & Agriculture Business

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

## Enhance the food and agriculture value chain




## Combining and utilizing funds, information, and know-hows

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

By adding 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), and supporting the local communities which brings in the values, we will continue to contribute to turn the agriculture, fishery and forestry industries into growth industries.

Our goal is to be reliable for all those who make up the food and agriculture value chain, that is, to become the "First Call Bank," the financial institution that people call on first.

Voice

## Leverage the Flexibility and Comprehensive Capabilities Used to Address COVID-19 to Achieve Our Long-Term Goals

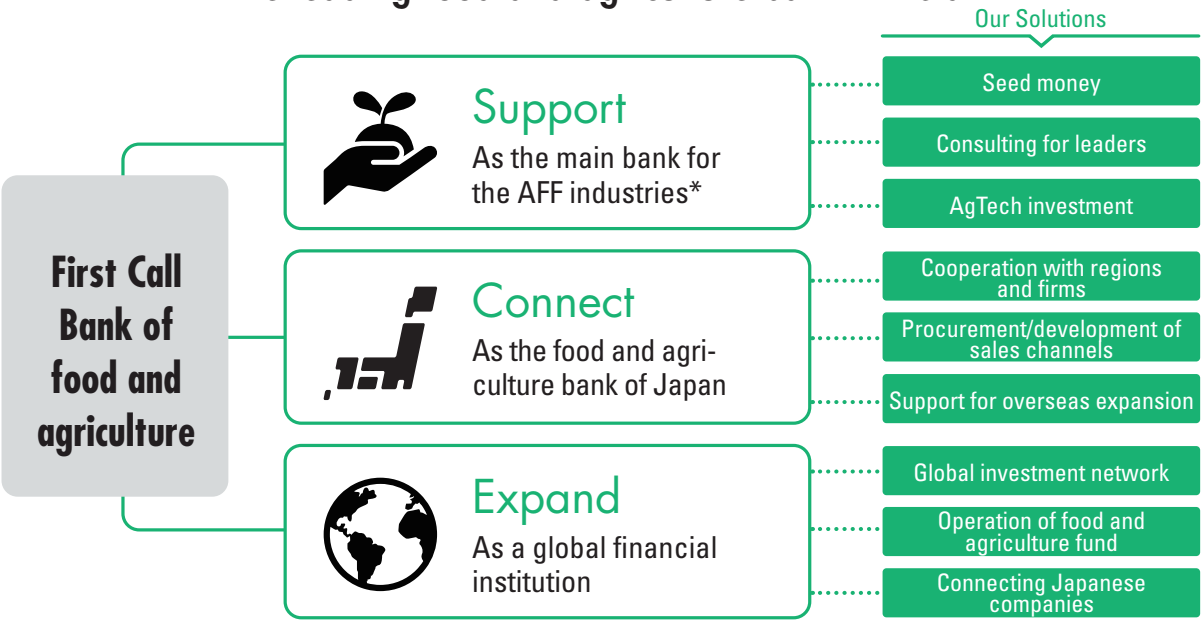
We are working vehemently to support producers and business operators who are experiencing hardship due to COVID-19. Some case studies have shown that more advanced businesses, such as those in direct sales and tourism, have suffered considerable damage. We are focused on the quick provision of support, not only financing but also introducing buyers of accumulated inventories.

At the launch of the Food and Agriculture Business five years ago, our goals were to grow with diverse customers constituting food and agricultural value chains and promote the sustainable development of local communities by turning the agricultural, fishery and forestry industries into growth industries. As a result of our efforts to perform three roles—"support," "connect" and "expand"—in cooperation with the local JA, JF and JForest, successful cases have increased in both business performance and contribution to local communities. A recent case shows successful market expansion by "connecting" major companies (including overseas corporations) and domestic producers and business operators. Toward the sustainable development of local communities and agriculture, we have started providing support for JA's agricultural marketing and supply business.

The Food and Agriculture Business clearly has plenty of room for growth. We will continue to focus not only on short-term issues such as quick response to the COVID-19 risk but also long-term issues such as labor, logistics, distribution and local communities.

Tetsuya Kanamaru
Head of Food & Agri Banking Business

## The leading food and agriculture bank in Asia




*AFF industries = Agriculture, Fishery and Forestry industries

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

In our Food and Agriculture Business, we not only engage in financing such as making loans and investments but also provide support to expand consumption in local communities, help develop agricultural leaders through the Japan Institute of Agricultural Management, and provide management consulting and M&A advisory services mainly for agricultural corporations.

The keywords for these initiatives are "support," "connect" and "expand." In addition to providing these three functions, we will support our customers' overseas expansion aggressively to incorporate the growth in Asia into Japan and link such initiatives to further develop Japan's food and agriculture industries. Aiming to become a leading food and agriculture bank in Asia that grows with our customers, we will continue to offer enhanced solutions.

# Case Studies of Our Food & Agriculture Business

Our Food and Agriculture Business, which was launched in FY2016, has demonstrated significant performance of its functions to "Connect," "Expand" and "Support" in numerous projects in Japan and overseas.

## 01 Connect

### Kochi — Shipping and Processing of Kochi's Special Produce Nira (Oriental garlic or Chinese chives) Joint Establishment with Shimizu Corporation

Kochi Prefecture is a major production site of *nira*. The biggest bottleneck in the shipment of *nira* is the *soguri* operation—removing unnecessary leaves, measuring the weight and binding a predetermined volume of *nira* together for shipping. To automate this *soguri* operation line, SHIMIZU AGRI PLUS Inc. was established via a joint investment by Shimizu Corporation and the Bank. SHIMIZU AGRI PLUS' operation is focused on this *soguri* operation via a contract to help maintain local producing areas.

### Miyagi — Sell "Miyagi Salmon" Worldwide Increase the Value of Farmed Fish

*Ginzake* "Miyagi Salmon" is of high quality, as each fish is treated carefully using the *ikejime* method and shipped. The Bank, leveraging its national and overseas networks, connected JF Miyagi and export trading companies and supported the full-scale export of Miyagi Salmon to the United States for the first time, contributing to further strengthening the brand power of the *ginzake* produced in Miyagi Prefecture, which enjoys the domestic top share.

### Ehime — Normally Unwanted Akamoku Seaweed Can Be Kneaded in Sanuki Udon

Despite its high nutritional value, Akamoku seaweed is deemed undesirable in western Japan, where people normally do not eat Akamoku seaweed. Aiming to create new value, the Bank connected Ehime Prefecture Fisheries Cooperative Association and a major noodle manufacturer in Kagawa Prefecture and helped to develop Akamoku udon by kneading Akamoku seaweed into Sanuki udon, special produce from Kagawa Prefecture.

### Osaka — Bring Kansai's Food Ingredients to Midosuji! Hold a Summer Festival to Add Buzz to the City's Central Area

Toward Expo 2025 Osaka, Kansai, Japan, and Midosuji's 100th anniversary in 2037, the Bank, in alliance with Mitsui Fudosan Co., Ltd., and Midosuji Town-Making Network, started working to add buzz to the local community. With the cooperation of the Osaka municipal government, various projects have begun to give Midosuji a boost, offer local foods and culture, expand consumption of products and services produced by local municipalities and extend passenger transportation to various locations.

### Nagasaki — Green Tourism Experience Support for JA Financing and Mutual Insurance

In alliance with JA Nagasaki Saikai, the Bank supports school tourism for local parents and children, conducted by the Matsuura Railway, which operates in the most western region of Japan, and the Nagasaki Prefectural Hokusho Agricultural High School. Through a facility and experience tour at the agricultural high school, the Bank connects multiple stakeholders and contributes to educating community residents about the attraction and value of local agriculture and JA.

### Shizuoka — Buzz-Filled Interaction Park "KADODE OOIGAWA" Will Open Near Shin-Tomei Expressway Shimada-Kanaya Interchange in November 2020

With green tea, agriculture and tourism as its themes, an experience-type food park, "KADODE OOIGAWA" is a project via the collaboration of four entities—JA Ooigawa, Shimada City, Oigawa Railway and NEXCO Central Nippon Expressway. "KADODE OOIGAWA" includes a *marche* (market), which spreads in the prefecture's largest shopping area, and restaurants using food ingredients directly from local farms. Based on food and agriculture, this food park introduces the attraction of the area along the Oi River. The Bank supports the project through investing in it.

## 02 Expand

Thai-land

### Established a Business Partnership with Kasikorn Bank Cooperation in Food and Agriculture, Technology and Finance

In February 2020, the Bank established a business partnership with Kasikorn Bank, one of the largest banks in Thailand. Via this business partnership, we not only offer local currencies, provide syndicated loans and offer sophisticated services in the M&A advisory field to customers of both banks but also facilitate the technological interaction in the Agri-Food tech field and work to establish sustainable agriculture to solve the social issues of Japan and Thailand.

United States

### Supported the M&A of a Subsidiary of JA Zen-Noh Jointly with Coöperatieve Rabobanks U.A., the Netherlands

To help Zen-Noh Grain Corporation (ZGC), a subsidiary of JA Zen-Noh, acquire 35 inland grain collection equipment units operated by Bunge North America, Inc., in the United States, the Bank, jointly with Coöperatieve Rabobanks U.A., provided an M&A advisory service. By strengthening the supply chain from inland production sites to export ports, the Bank expects to make a significant contribution to the stable supply of the raw ingredients of mixed feed.

UAE

### Selling Saroma Wagyu in the Middle East Helped Develop a Sales Channel for Wagyu—Beef Produced in Japan

The Gulf Japan Food Fund is an investment fund that the Bank established in cooperation with Mizuho Bank. A wholesale meat company in the UAE, in which the Bank has invested via this fund, used to sell mainly Australian beef. However, through a collaboration among the Bank, ZEN-NOH International Corporation and Hokuren, this wholesaler has begun handling Hokkaido Saroma *wagyu*, thereby developing a new export sales channel from Japan to the Middle East.

Southeast Asia

### Exporting Sweet Potatoes for DON Hakurei DONKI Helping Cause a Yakiimo (Roasted Sweet Potato) Buzz from the Aspect of Procurement

The Bank conducted business matching, connecting the PPIH Group's DON Yakima DONKI stores under a business model suited for Southeast Asia and agricultural firms in Kyushu, a major area for producing sweet potatoes. While supporting stable procurement for DON Yakima DONKI, causing a *yakiimo* buzz in Singapore and other countries in Southeast Asia, the Bank supports agricultural firms that are striving to expand sales channels overseas as well.

## 03 Support

Toyama

### Investing in an Agricultural Firm Cultivating JA Zen-Noh's Proprietary Cherry Tomatoes

In alliance with JA Zen-Noh, the Bank has supported the cultivation and shipment of JA Zen-Noh's original cherry tomatoes, "Angeles," for the first time in Toyama Prefecture. We advertised Angeles using media and helped expand the seeding area. In addition to investment, by leveraging its consulting function, the Bank conducts total coordination of business management, thereby realizing an increase in producers' income.

Ehime

### Historical High Investment in Bejoy, a Pork Producer

The Bejoy Group is a corporate group operating pig and chicken farms and producing, processing and selling meat for human consumption within the prefecture. With the Bejoy Group having business expansion plans such as constructing a large-scale pig farming facility, the Bank has contributed to the group's fund diversification through investments, offered solutions for improving productivity and helped strengthen the collaboration with the JA and JF Groups.

Okaya-ma

### A Major Vegetable Distributor Has Entered the Restaurant Business Brokered Vegetables Produced by Female Farmers

When the Kuraka Group, a wholesaler of vegetables and fruits and a producer/seller of cut vegetables, entered the restaurant business, the Bank proposed development of a menu using agricultural ingredients produced by Okayama *Nogyo Joshi* (a women's agricultural organization), which consists of female farmers in the prefecture, thereby improving the number of restaurant visitors and raising the recognition of local agricultural produce.

Aomori

### Free Lodging by Helping at the Destination Securing Labor During the Peak Harvesting Season

This project is a collaboration between JA and a start-up company Otetsutabi (*Otetsudai* [help] + *tabi* [trip]), matching farms in need of short-term labor and young people who want to visit the countryside. The Bank is working to solve issues faced by the agriculture, fishery and forestry industries and local communities by strengthening the collaboration with Otetsutabi, which participates in JA Accelerator.

おてつたび × JA

Case Studies of Our Food & Agriculture Business

Agriculture

Beef Production
@Iitate Village

# Supporting Young Livestock Farmers Devoted to Revitalizing Iitate Livestock Farming Village, in Collaboration with Municipalities, JA and Governmental Financial Institutions

With a population of approximately 6,000 residents including 200 beef cattle breeders and 12 beef cattle growers, this village in Fukushima Prefecture used to be a strong producer of "Iitate Beef" brand meat and calves before the Fukushima Daiichi Nuclear Power Plant disaster.

Although the nuclear power plant accident forced the cattle farmers to relocate or suspend business operation, the evacuation order was lifted at the end of March 2017. As village residents and producers are returning to the village, the current population is 1,200 residents with eight beef cattle breeders, one beef cattle breeder/grower and one milk cattle grower/breeder, showing signs of a comeback for this livestock farming village.

Yutaka Yamada (age 37) and Hiroki Amano (32) started a beef cattle breeding business in this village in 2019. Mr. Yamada, a native of this Iitate village, participated in his father's multi-functional operation of cattle breeding and cultivation of tobacco after graduating from college. Aiming to "make the cattle breeding operation the main business of his generation," Mr. Yamada received overseas training. However, immediately after he purchased high-quality mother cows, the nuclear power accident occurred (March 11, 2011).

Recognizing that agriculture and livestock farming were impossible for a while, Mr. Yamada took a job at a meat shop in Kyoto, wanting to stay in work related to beef even though his real job was on hold. In 2016, he returned to Fukushima City with his wife and children to live with his parents and began to pursue the reopening of the beef cattle breeding operation.

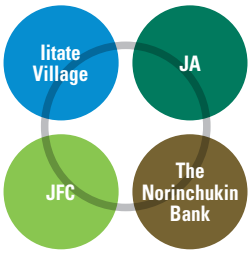
On the other hand, Mr. Amano was born in Saitama Prefecture. He jumped into the world of agriculture to help his grandfather operate a beef cattle breeding and rice cultivation business in Soma City, Fukushima Prefecture. Mr. Amano decided to increase the number of cows aiming to realize circular agriculture that uses rice straw to feed cattle and cattle droppings to fertilize rice paddies and agricultural fields. Just as Mr. Amano was planning to expand the cattle facility, the Great East Japan Earthquake and nuclear power plant accident occurred.

Although he was able to continue rice cultivation and livestock farming because Soma City was outside the evacuation area, he had a hard time finding a site large enough to expand the cattle facility. Then he heard from a livestock farmer from Iitate village who had evacuated to Soma City that the evacuation order was soon to be lifted, which would make livestock farming again possible in the village. Mr. Amano also learned that there are many highly skilled breeders in the village and that solid measures are in place to address radiation, which made him feel safe.

Mr. Yamada and Mr. Amano, who started working on beef cattle breeding operations and agriculture in Iitate village, received support from the village government office and local JA-Fukushima Mirai. They planned land acquisition and construction of beef cattle facilities, for which the Bank's Fukushima Branch supported the funding in collaboration with Japan Finance Corporation (JFC), together with the village government and JA.

For example, the Fukushima Branch supported business planning. To get a subsidized loan or a government grant, the applicant needs to prepare and present a 15-year plan. Although a meticulous and extensive plan that covers from the purchase of mother cows, the birth of calves and the sale of calves to the replacement of mother cows was required, the Fukushima Branch staff provided tenacious support, resulting in successful fund procurement.

Mr. Yamada's new cattle facility was inaugurated in April 2019. A new cattle facility of Mr. Amano, who already lives with his family in Iitate village, is scheduled to be completed in the fall of 2020 on the land he acquired. The endeavors of these two young men in their 30s will help revitalize a livestock farming village and accelerate the revival of the "Iitate Beef" brand significantly. Foreseeing the future incorporation of these two men's businesses, the Bank will continue to support them together with the village government and JA-Fukushima Mirai.



Mr. Yamada (left) and Mr. Amano chatting in Mr. Yamada's cattle facility, which was inaugurated before Mr. Amano's

The cattle facility was built as a property of Iitate village.

*Objet d'art* of an Iitate cow, which was a coveted limited edition sold within the village before the earthquake.

*Recompiled version of Newsletter No. 14 issued in February 2020

Forestry

Wood Solution Network

# Wood Solution Network to Expand and Accelerate the Use of Lumber Produced Domestically

Planting → cutting → shipping out → lumber production → processing → distribution → consumption. Whether pillars of a house or furniture, or a pair of chopsticks, all products made from trees undergo such a process to reach consumers. The Wood Solution Network (WSN) is a platform with ongoing activities via collaboration among industries, academic organizations and financial institutions, pursuing a goal to expand demand and boost related industries and local communities throughout this wood value chain, which helps raise the value of lumber produced in Japan.

The number of wooden buildings has been increasing since around the beginning of the 2000s mainly in Europe and the United States. Given the strong social demand for corporations to address environmental issues, the construction field is also undergoing a shift—a shift to the use of wood, which has a lower environmental burden compared to steel and concrete. Japan also has seen the emergence of various wooden buildings in actual construction and planning in recent years.

That said, demand for lumber in Japan has yet to increase significantly. Total demand for lumber in 2018 was 82.48 million cubic meters, up 0.8% year over year, slightly higher than two-thirds of the peak demand of 121.02 million cubic meters in 1973. A major factor in this sluggish growth is the decline in the number of new housing construction starts due to the decreasing population. Now that forests planted after World War II are ready for harvesting, we need to create lumber demand for buildings other than detached residential homes.

Against such a backdrop, in October 2016, the Bank contributed to the establishment of an endowed research department at the University of Tokyo for the study of lumber-using systems. At the same time, the Bank launched WSN, which collaborates with this research department. The WSN is a platform that aims to solve various issues with a goal to expand the lumber use with the participation of 31 companies and organizations related to trees such as forester organizations, lumber manufacturers engaging in the processing and distribution of lumber, furniture makers, trading companies, general contractors and housing builders.

These companies and organizations participate in activities of the WSN's Structural Materials Subcommittee, Interior Materials Subcommittee and Mutual Understanding Subcommittee. For example, in fiscal 2019 the Structural Materials Subcommittee produced a guidebook for builders to promote the use of wood for non-residential buildings titled "Seize the Current Trend! Incorporate Wood Construction and Sustainable Lumber Use into Management Strategy to Increase Corporate Value" toward the dissemination of non-residential medium- to large-scale wooden buildings.

With some representative non-residential wooden buildings in Japan as examples, the guidebook explains that costs can be reduced even with wooden buildings and that such buildings are eligible for a government subsidy and have merits related to taxes and accounting. It also corrects the common misunderstandings related to construction costs, earthquake and fire resistance, and noise cancellation quality.

Also, at the Mutual Understanding Subcommittee, JForest, which is on the supplier side, has provided direct hearing opportunities for processing and distributing companies, on the demand side, regarding consumer needs. The effectiveness of this activity was reflected in a comment from a JForest associate: "I deeply felt the seriousness toward the use of lumber produced in Japan."

The second *cours* of WSN's activities started in October 2019 with the promotion of various initiatives toward expanding the use of wood in alliance with member companies and organizations. Specifically, dissemination activities progressed by targeting government agencies using the guidebook produced during the first *cours*, and WSN adopted and started working on new themes suited to current trends (e.g., the effective utilization of the Forest Environment Transfer Tax, strategies to explore overseas demand for lumber produced in Japan and the use of lumber from the perspective of investing in SDGs/ESGs).

A major part of the Bank's support activities related to "trees" had been focused on forest improvement or such upstream-side support. In contrast, WSN has become an important platform in addressing the downstream side—exploring the demand for lumber.

## Wood Value Chain

**Trees' Added-Value Chain from Cutting and Shipping Out, Lumber Production, Processing and Distribution to Consumption**

| Cutting and shipping out | Lumber production and processing (including second-stage processing) | Distribution | Consumption |
|---|---|---|---|
| • Privately owned forests, government-owned forests<br>• JForest, etc. | • Lumber production factories<br>• Plywood factories, etc. | • Lumber trading companies<br>• Construction lumber trading companies, etc. | • General contractors<br>• Housing and furniture makers, etc. |

**Strengthen the forestry and related industries as well as local communities by expanding the final demand for lumber**

The *Bunka-Koryu* (cultural interaction) Center of Otsuchi Town in Iwate Prefecture is a large-scale three-story glass-walled wooden building

Two guidebooks issued by the WSN with the aim of promoting non-residential wooden buildings and the use of wood for interiors (Both are downloadable on the WSN Web site in Japanese only.)

*Recompiled version of Newsletter No. 9 issued in September 2019

Case Studies of Our Food & Agriculture Business

Fishery

Kesennuma Kanae Fishery Corporation@Miyagi

# Collaboration among Six Competing Companies at Kesennuma Fishing Port Supported the Establishment of a New Company through the Purchase of a New Fishing Boat

The Kesennuma Fishing Port in Miyagi Prefecture is a renowned fishery base boasting a ¥15.4 billion annual catch, which ranks as the 10th highest in the nation, and a 65,000-ton catch, the 11th highest in the nation (fiscal 2019).

The main species caught by "nearshore longline tuna fishing" are swordfish and blue shark. Given that the peak season for harvesting these species is different from the peak season for catching other species by different fishing methods (e.g., Pacific saury and bonito), these differences contribute to the stable revenue of the Kesennuma fish market throughout the year.

However, the number of nearshore longline tuna fishing boats in Kesennuma declined from more than 120 boats at the peak in the 1970s to 12 boats in and after 2015. This ongoing decline was due to the shift in the species fishermen caught as the number of tuna decreased, the plunge in tuna prices, aging fishermen, aging fishing boats and the increase in the number of fishermen who quit the fishing business or reduced their number of fishing boats. During this declining trend, the Great East Japan Earthquake occurred.

To address this worsening management environment, six companies that had competed in nearshore longline tuna fishing, sharing the same risks, have begun collaborating, which was triggered by the start of "*Ganbaru* (striving, grinding) Fishery Revitalization Support Project" No. 2 in fiscal 2016 for the Japanese government to supply relief funds for fishermen who experienced damage from the earthquake. When a local fishery revitalization committee was launched, which was a condition for receiving the aid, business collaboration was on the agenda.

Initial voices proposed moderate collaboration such as group operation or a fishery production cooperative. Fishermen considering collaboration were concerned about letting go of their own fishing boats—important assets.

However, when an experiment was conducted under a "*Ganbaru* Fishery" initiative of six companies sharing fishery information and making joint purchasing, the trial was successful in reducing costs for fuel and fishing tools. By reallocating each company's volume of catch according to the level of demand, fish prices were stabilized and then increased. Toward the ultimate collaboration—establishment of a new company and business integration—six companies are working in tandem.

A new company, Kesennuma Kanae Fishery Corporation, was inaugurated in October 2018, realizing an initial catch in September 2019, followed by the first sailing of its new fishing boat, *Kanaemaru*, in December 2019. About these accomplishments, Ichiro Suzuki, President, representing these six companies, states: "We've come so far thanks to the Norinchukin, who followed through the consultation with kindness and sincerity."

He is especially thankful for "Norinchukin's advice leveraging its know-how as an industry-specialized financial institution" when negotiations stalled facing issues such as the management structure of the new company and the appropriate pricing for the transfer of the eight fishing boats owned by the six companies to the new company. In addition, toward replacing the old fishing boats, the Bank has helped formulate a construction plan and acquire approval under the "Lucrative Business" Subsidy Program by the Ministry of Agriculture, Forestry and Fisheries (MAFF) to construct three new common-use fishing boats. Coordinating with Japan Finance Corporation, the Bank executed a loan amounting to ¥548 million* for constructing the first new fishing boat.

Mr. Suzuki, President, chuckles, stating: "The Bank keeps spanking me, telling us to discuss sixth industry products." This new company, with its new business development, aims to cause a ripple effect throughout the local community. To that end, expectations are higher than ever for the Bank to provide both financial and non-financial support.

*The breakdown of the loan amount was ¥200 million from The Norinchukin Bank and ¥348 million from Japan Finance Corporation with The Norinchukin Bank as its agent.

New nearshore longline tuna fishing boat *Kanaemaru* (149 tons) of Kesennuma Kanae Fishery Corporation

Caught swordfish

Kesennuma Fishing Port, a good port made by nature

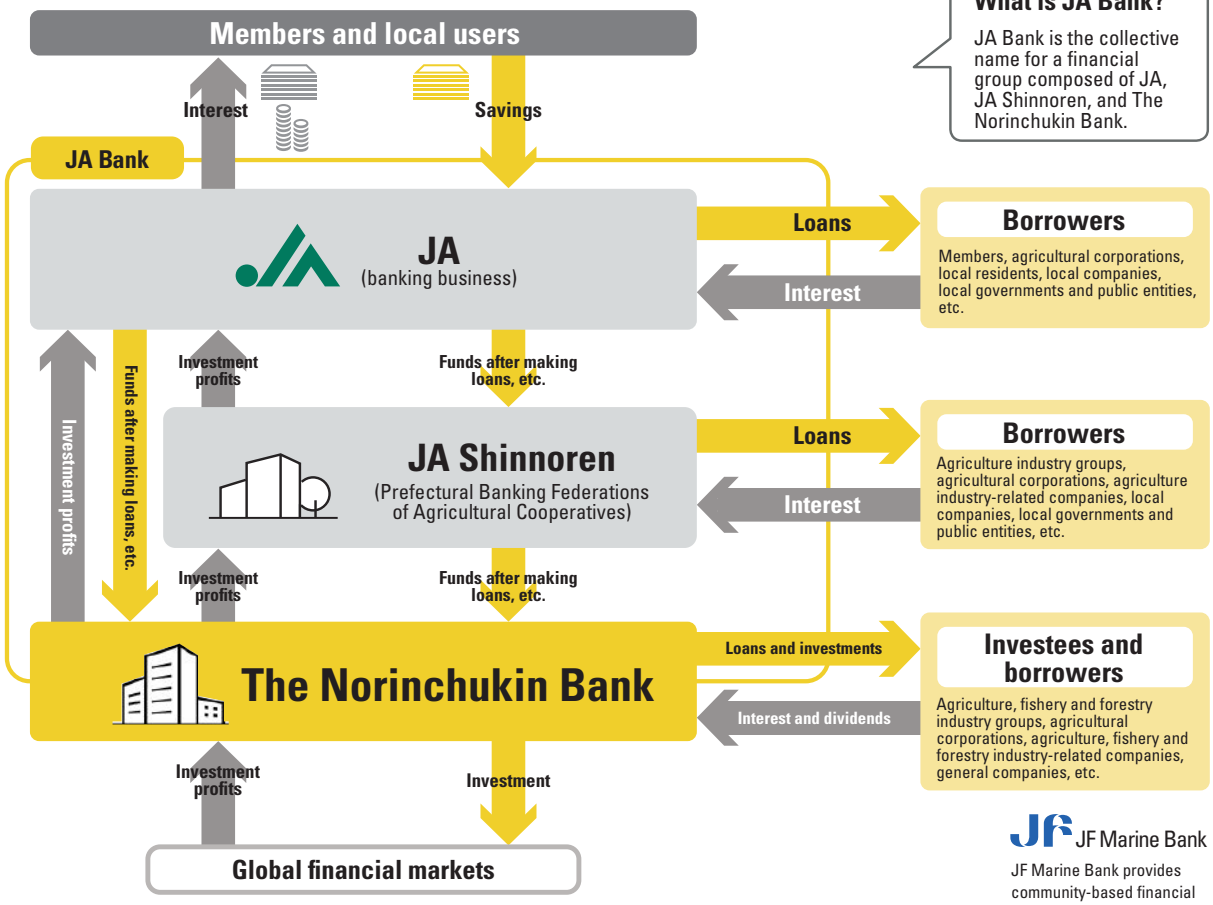
Mr. Suzuki, President, who promoted the collaboration of six companies

*Recompiled version of Newsletter No. 11 issued in November 2019

# Retail Business

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

## Flow of funds at JA Bank




**What is JA Bank?**

JA Bank is the collective name for a financial group composed of JA, JA Shinnoren, and The Norinchukin Bank.

JF Marine Bank

JF Marine Bank provides community-based financial services with a similar division of roles.

## Developing businesses effectively as JA Bank and JF Marine Bank, while meticulously addressing the needs of each region

JA and JF in regions all around the country provide meticulous services to meet financial needs varying in each region as independent financial institutions. To provide these services more efficiently and effectively, JA Shinnoren and JF Shingyoren are responsible at the prefectural level, and The Norinchukin Bank, cooperating with other entities and leveraging economies of scale, is responsible at the national level in the Retail Business.

Among the JA cooperative organizations, The Norinchukin Bank, together with JA and JA Shinnoren, forms a financial group called "JA Bank."

The savings are first used by JA itself to meet local funding needs, mainly to provide loans for local farmers, agricultural corporations and users. Funds after such fund management are deposited with JA Shinnoren at the prefectural level and used to make loans to large-scale farmers and agricultural corporations and companies within the prefecture. Funds after that are deposited with us.

As the manager of such deposited funds, we make loans to and investments in agriculture, fishery and forestry industry groups, agricultural corporations, agriculture, fishery and forestry industry-related companies and other corporations in general in addition to investing in to global financial market with a diversified portfolio, returning profit acquired through such investments to JA Shinnoren and JA.

Also, in the fishery field, JF, JF Shingyoren and The Norinchukin Bank are collectively known as "JF Marine Bank," developing businesses efficiently in a similar way to JA Bank.

Voice

## To Support Customers Facing Changes Directly, We Continue to Change Ourselves, Too.

The goals of our Retail Business are for JA Bank and JF Marine Bank nationwide to continue to be financial institutions trusted and chosen by residents in local communities, offer new value to local residents' lives and grow together with the members and users. To realize these goals, in fiscal 2019, JA Bank offered the life-plan support; JF Marine Bank reinforced financing for the fishery business and accelerated an initiative to strengthen and reorganize its business base through inter-regional integration of JF Shingyoren.

From the end of fiscal 2019 through fiscal 2020, COVID-19 has caused significant unanticipated changes such as volatile financial markets and increased difficulty in sales activities. Therefore, JA Bank has strengthened its ongoing measures to be able to continue to offer appropriate services and products to each customer. We have strengthened the contact point with members and users by reestablishing face-to-face transaction channels and strengthening and expanding non-face-to-face transaction channels; improved our functions and capabilities to address broader needs by offering asset building and management methods such as investment trusts other than deposits, even addressing inheritance and business succession plans; and continued to provide further support for producers, business operators and local communities facing direct COVID-19 risks. To address a broad range of issues, we are striving to accelerate changes in our measures and initiatives.

Shozo Goto
Head of Retail Banking Business

*Prefectural Banking Federations of Fishery Cooperatives

## JA Bank by numbers

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

### Number of members in JA Bank

JA 585 | JA Shinnoren 32 | The Norinchukin Bank 1

618 groups operate business in an integrated manner (April 1, 2020)

(Source) The Norinchukin Bank research

### Number of JA cooperative members

1,049 million

(Source) Comprehensive Agricultural Cooperatives Statistical Tables (2018), Ministry of Agriculture, Forestry and Fisheries

### Total number of branches nationwide

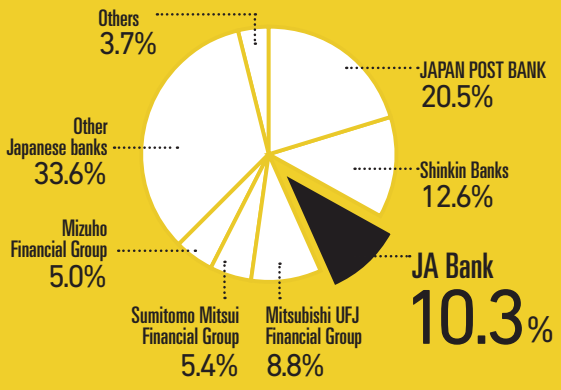
No. 2 in Japan

(7,670 branches nationwide, 14.2% domestic share)

(Source) The Financial Journal Special Edition 2020

### JA Bank's share of deposits from individuals

No. 3 in Japan




(September 30, 2019)
(Source) Prepared by The Norinchukin Bank based on Bank of Japan materials and results briefing materials of each financial institution

### JA Bank savings balance

104.1 trillion yen

(March 31, 2020)

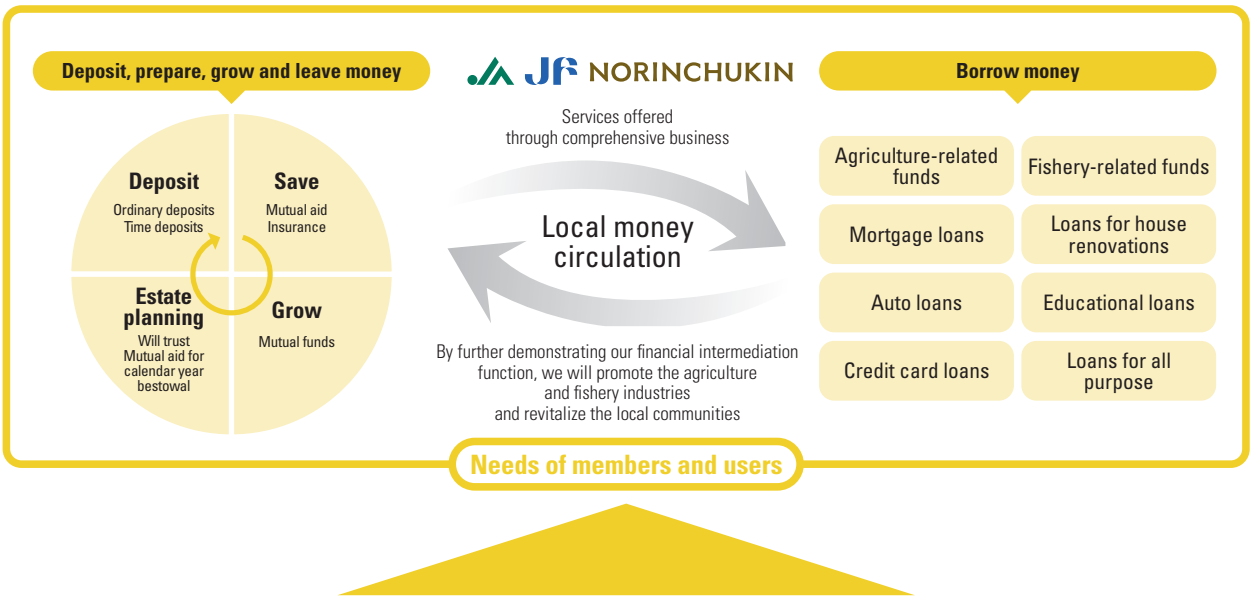
### The number of mobile branches introduced

92

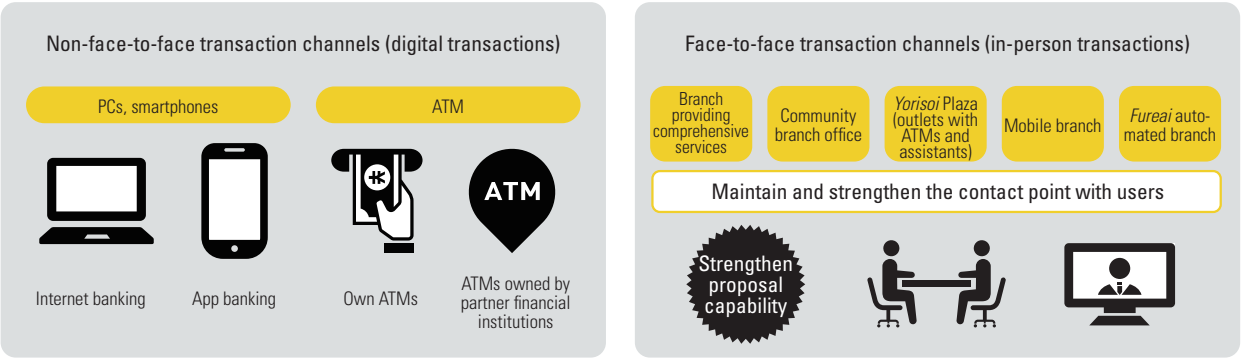
(March 31, 2020)

## Offering new value to daily lives of local communities

### Meet all types of needs from asset management to inheritance/business succession




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




## Conducting a life-plan support business to realize the life plan desired by individual members and customers and fulfill their needs

JA Bank conducts "life-event sales," which offers financial products and services timely and appropriately to accommodate individual members and customers' life events such as starting work, getting married, buying a house and retiring from work, and furthermore offers "life-plan consulting" to propose stable asset building and management.

These services are collectively called the "life-plan support business." By making proposals tailored to the life plans and needs of individual members and customers, we strive to help them achieve their desired life plan and fulfill their needs.

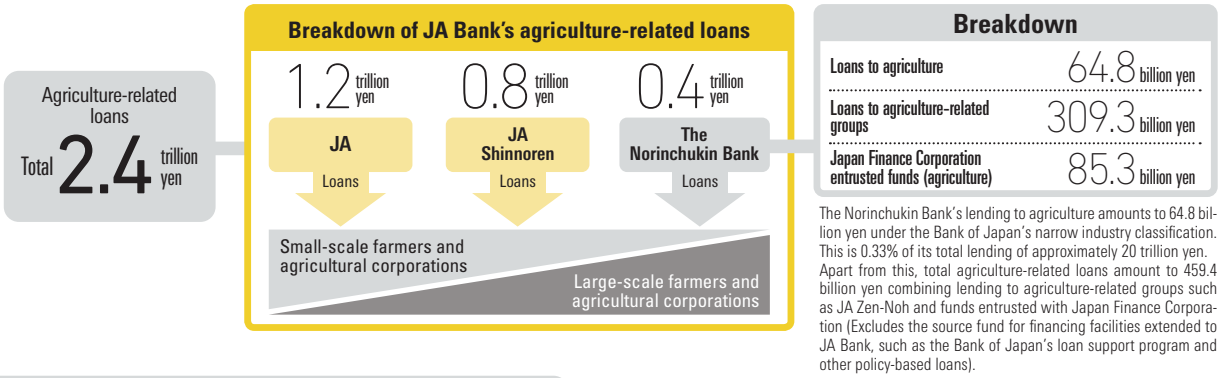
Specifically, in addition to various financial services such as savings, settlements and housing loans, JA Bank provides mutual fund and will trust services. Combining the services of other businesses operated by JA, we provide services that are possible only by businesses providing comprehensive services for all customers from the silver generation to the next generation.

To address the needs of these members and users, 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.

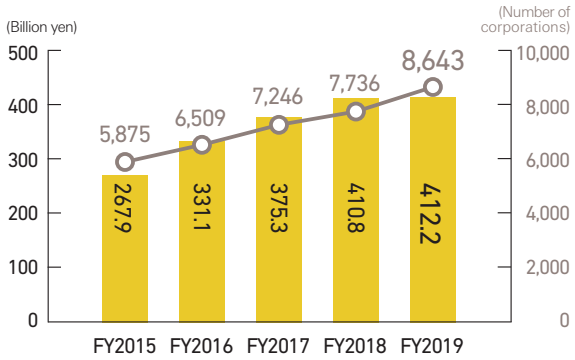
JF Marine Bank also is engaged in a life-plan support business targeting fishery workers, utilizing its knowledge as a fishery-dedicated financial institution. Specifically, JF Marine Bank provides support such as consulting services for inheritance, life support loans according to life events and business succession.

## JA Bank's agriculture-related loans

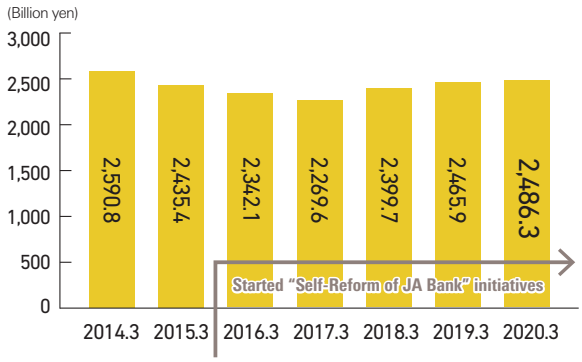



The Norinchukin Bank's lending to agriculture amounts to 64.8 billion yen under the Bank of Japan's narrow industry classification. This is 0.33% of its total lending of approximately 20 trillion yen. Apart from this, total agriculture-related loans amount to 459.4 billion yen combining lending to agriculture-related groups such as JA Zen-Noh and funds entrusted with Japan Finance Corporation (Excludes the source fund for financing facilities extended to JA Bank, such as the Bank of Japan's loan support program and other policy-based loans).

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

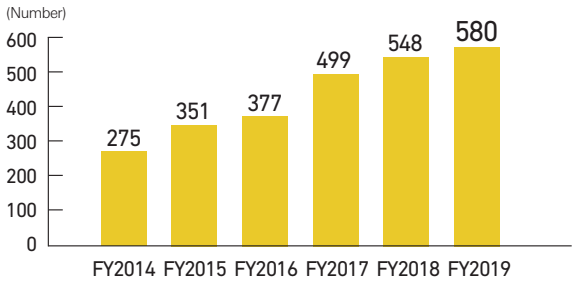



**Balance of agriculture-related loans**

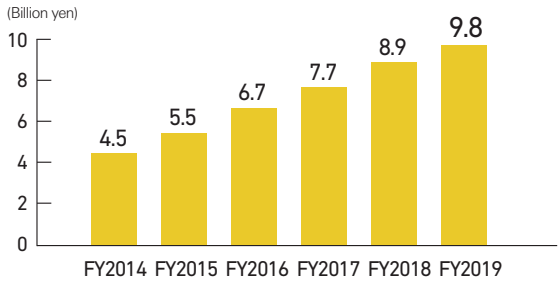



**Investments in agricultural corporations through the Agribusiness Investment & Consultation Co., Ltd.**

▶ Cumulative Number of Investments




▶ Cumulative Amount of Investments




## 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 ¥2.4 trillion (including loans facilitated by JA Bank on commission for Japan Finance Corporation) with ¥1.2 trillion at JA, ¥0.8 trillion at JA Shinnoren and ¥0.4 trillion at The Norinchukin Bank.

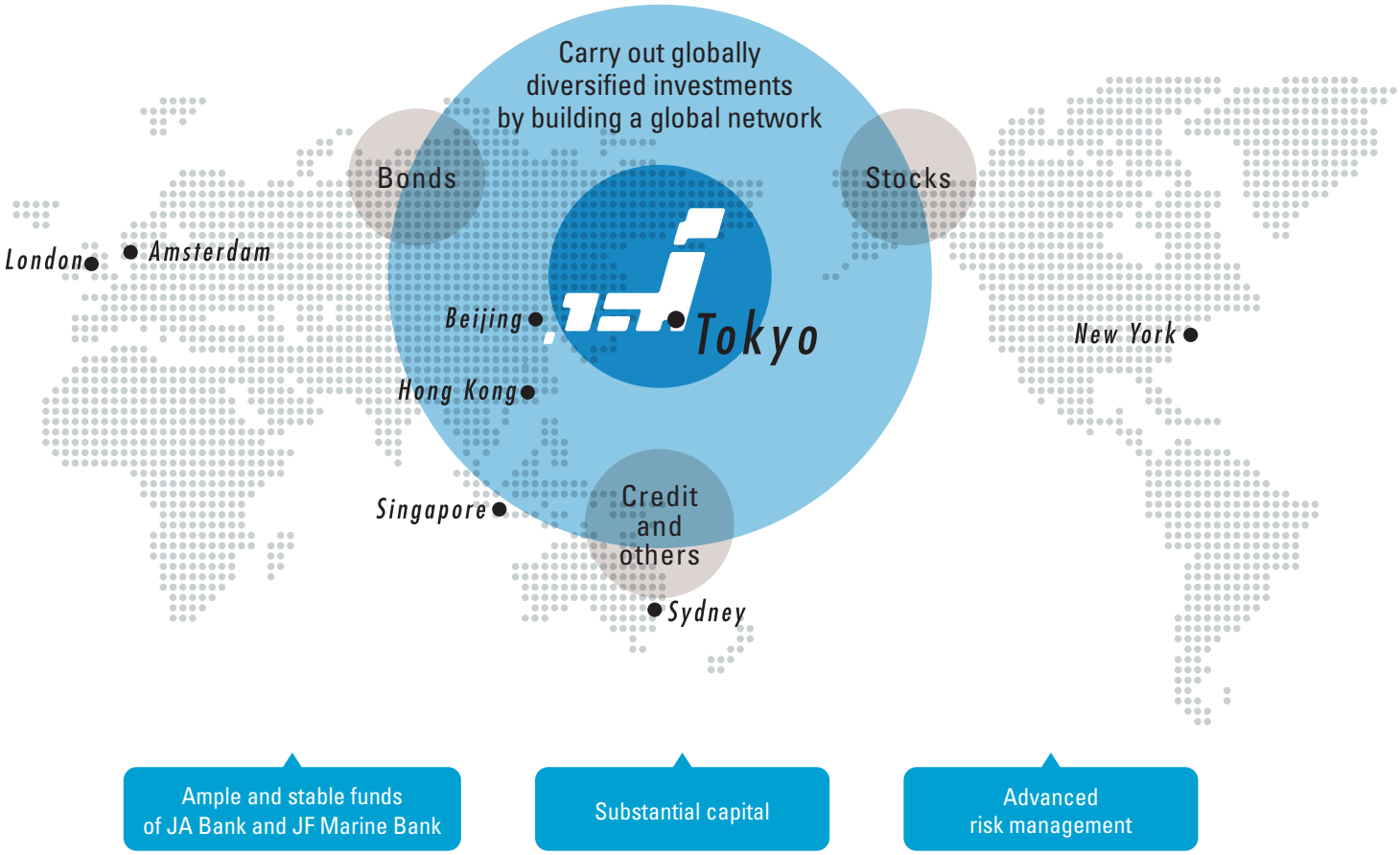
Although a slight decline occurred in the balance of agriculture-related loans of JA Bank for a few years, the balance shifted to an increase on a year-on-year basis as of March 31, 2017, thanks to strengthened efforts at approaching agricultural corporations. The amount of newly made agricultural loans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

# 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

We play 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, given the era of low-interest rates that began some 20 years ago in Japan, the Investment Business has worked on "globally diversified investments" at an early stage in the global financial markets. We have built a global network using overseas sites including New York, London, Singapore, Hong Kong, Beijing and Sydney. 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 fluctuate considerably, 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.

Voice

## Continuous Evolution and Deepening of Globally Diversified Investments Pursuit of Profitability in an Environment Where Rapid Changes Could Occur

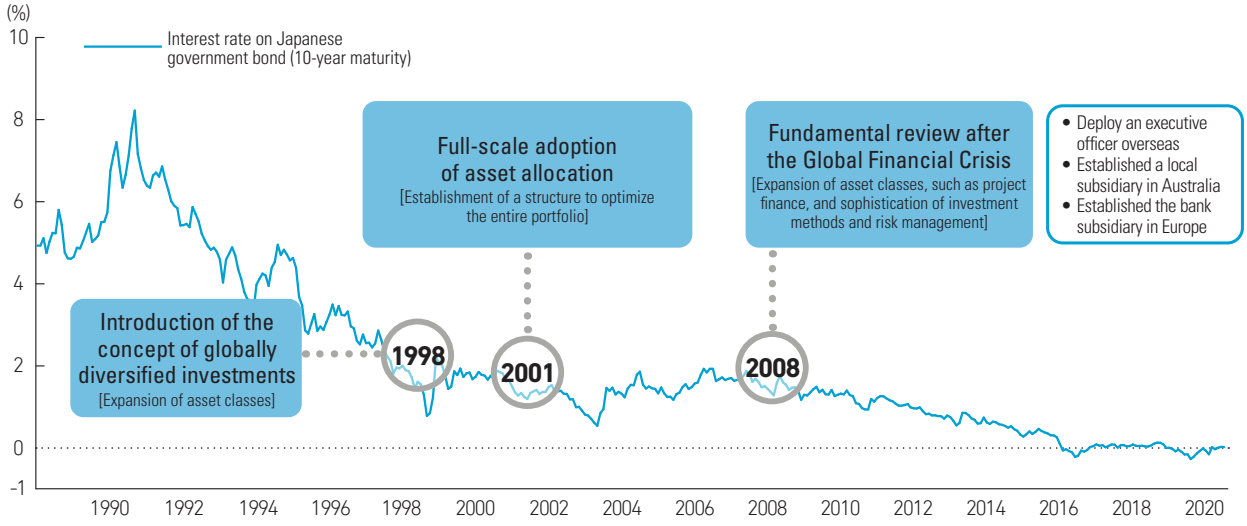
Our Investment Business has two major themes, one of which is how to diversify investments to stabilize overall profitability. Injecting substantial resources into overseas investments and expanding investments from traditional asset categories to new asset types, we have evolved our globally diversified investments in our own way. Regarding project finance, we newly established overseas subsidiaries, striving to ensure many investment opportunities. In the previous fiscal year, we strengthened our initiatives in real estate and private equity. In addition to purchasing existing financial products, we are focusing on accessing the source of profitability itself directly. Likewise, by diversifying our investment assets and deepening risk management, we will strive to fully address the market volatility caused by COVID-19.

The second theme is investments from the perspective of ESGs and SDGs. In addition to adopting the Equator Principles and endorsing the TCFD*, we aim to contribute to ensuring sustainability through financing— by investing in Sustainable Development Bonds, for example.

*Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board (FSB).

Keito Shimbu
Head of Global Investments

## Progress in globally diversified investments




We introduced the "globally diversified investments" in fiscal 1998. To address the impact of low interest rates and intensified competition in investments and loans in Japan, we aimed to expand asset classes to enhance our asset management capability.

In fiscal 2001, we introduced the concept of asset allocation on a full scale and established an asset management structure to optimize our entire portfolio. Since fiscal 2008, the year when the finance crisis occurred, we made a fundamental review of our asset class selection method and strove to establish a sturdy portfolio with low volatility (changes in prices).

Afterward, we engaged in the expansion of asset class and the sophistication of investment methods and risk management as well as structural improvement. We entered project finance business (see page 45) and other investments.

From fiscal 2017, we have been strengthening our operational structure by sending our Board members to overseas business bases as resident officers. We also have newly established a local subsidiary in Australia to conduct mainly project finance businesses and a local subsidiary in the Netherlands to operate the Bank's banking business in Europe (see p. 33).

## Today's globally diversified investments by Norinchukin

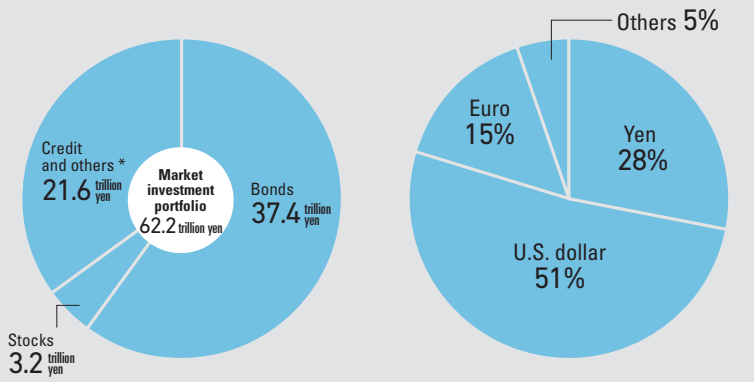
It has been approximately 20 years since the introduction of the concept of globally diversified investments and more than 10 years since the collapse of Lehman Brothers. During that time, our globally diversified investments have continued to evolve and deepen, which is reflected in our current portfolio.

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

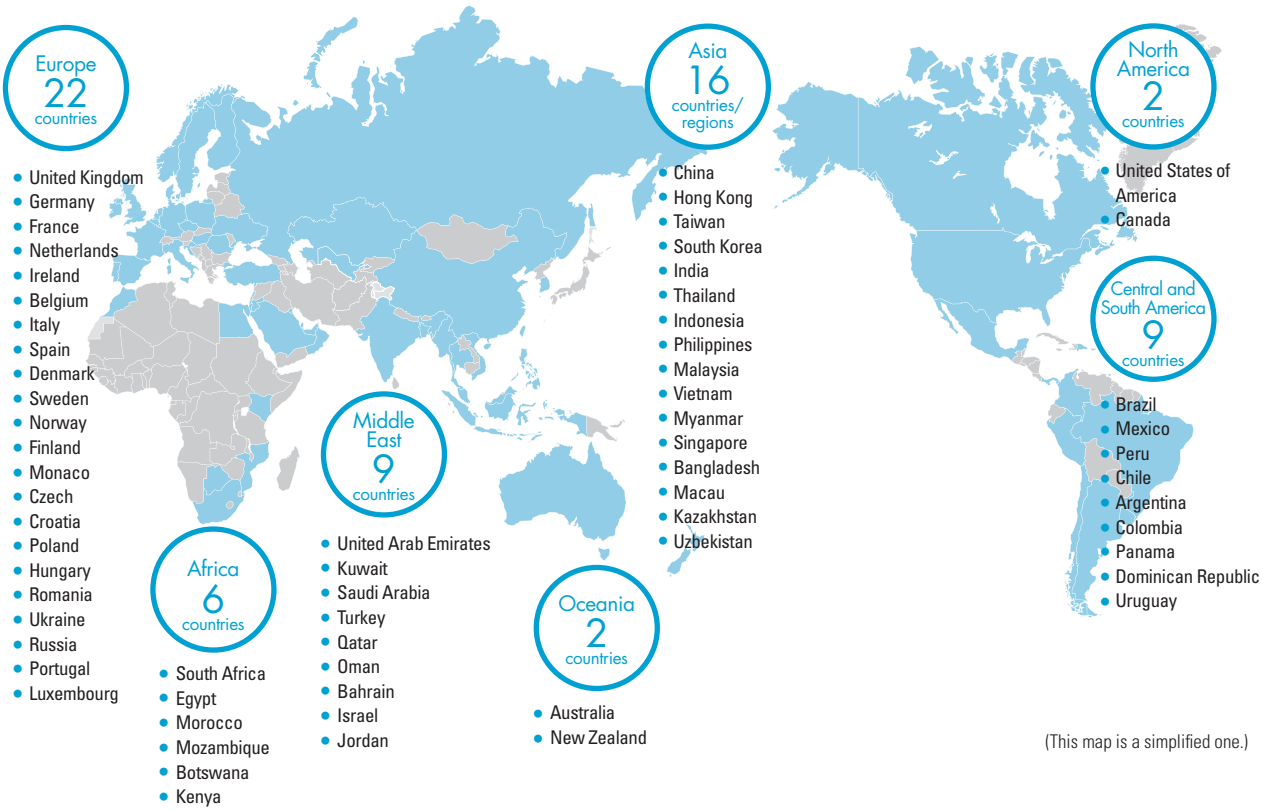
### Establishment of a portfolio based on the characteristics of assets




* "Credit and others" includes Credit Assets and Alternative Investments. (March 31, 2020)

## 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.)

## Approaching the Source of Profitability —The Norinchukin Bank's Business in Europe

In the Investment Business, we are working on an approach to chase the source of profitability. For example, in fiscal 2017 the Bank established a local subsidiary in Australia, a lucrative place with many projects in the field of project finance, which provides financing for specific businesses/projects such as infrastructure improvement.

In fiscal 2019, the Bank launched a local subsidiary, Norinchukin Bank Europe N.V., in the Netherlands, where continuing growth is expected as a source of profitability both in financial and non-financial businesses in Europe, which is experiencing significant changes due to Brexit and other issues. The local subsidiary in the Netherlands will develop a wide range of businesses in tandem with the existing London Branch of the Bank.

**Major Operations of Norinchukin Bank Europe N.V.**

1. To provide stable funding of foreign currencies for Euro-denominated investments
2. To offer financial and non-financial services to Japanese companies operating in Europe
3. To participate in Europe-centered project finance

COLUMN

### Birth of a Subsidiary of the Bank in the Netherlands to Address Changes in a Turbulent Europe Quickly

The Brexit issue, which had been looming since 2016, reached a milestone at the end of January 2020 when the United Kingdom departed from the European Union (EU) formally, marking a new era for European economies and businesses. At that time, the Bank established a subsidiary, Norinchukin Bank Europe N.V (NBE), in Amsterdam, the Netherlands. NBE was approved by the European Central Bank (ECB) in August 2019, becoming the only overseas banking business subsidiary of the Bank.

The existing London Branch is the Bank's outlet operating mainly the financial business in international financial market in London, whereas NBE is a "local bank" that develops the Bank's Investment Business and Food and Agriculture Business in Europe as a member of the Norinchukin Group.

The Netherlands was chosen as the location of the Bank's subsidiary mainly because of Europort—Europe's largest port for commerce that is used by many Japanese companies—being located in Rotterdam, with easy access to Germany and Belgium, where the European business bases of many Japanese companies are located. Moreover, the Netherlands is the central operational base of Coöperatieve Rabobank U.A., a business partner of the Bank and an international giant in agricultural financing. NBE's major operations are 1) to provide stable funding of foreign currencies for Euro-denominated investments; 2) to offer financial and non-financial services to Japanese companies operating in Europe; and 3) to participate in Europe-centered projects in project finance. Preparation is under way toward full-scale operation.

To take on a broad range of business operations, NBE is equipped with specialists in various fields with different backgrounds. The staff totals less than 40 from more than 10 countries. This group of diverse professionals, while sharing the Norinchukin identity, could trigger a "chemical reaction" creating unprecedented initiatives for the Bank.—Atsushi Yasutake (President and CEO) states the following:

"While working to establish NBE, I keenly viewed diversity as a source of creativity. Given the COVID-19 risk, Europe is experiencing tremendous changes at a dazzling speed. Despite such turbulence, our greatly diverse team can cope with such a situation."

The speed and scale of changes in Europe is exemplified by the ongoing acceleration of the shift to non-fossil fuel by each country's government and companies upon receiving the EU's decision to reduce $CO_2$ emissions down to actual zero within the EU member countries by 2050. "Experience that we accumulate in tackling radical changes in Europe using our diversity as a weapon will provide significant knowledge that will also change the entire Norinchukin Bank. NBE has such a role as well," says President Yasutake.

Staff at Norinchukin Bank Europe and President Yasutake (second row, fifth person from the right)

# Corporate Data

## Consolidated financial results highlights

| | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 |
|---|---|---|---|
| Ordinary Profits | 171.0 billion yen | 124.5 billion yen | 122.9 billion yen |
| Profit Attributable to Owners of Parent | 147.6 billion yen | 103.5 billion yen | 92.0 billion yen |
| Net Assets | 6,746.0 billion yen | 7,473.2 billion yen | 7,261.6 billion yen |
| Common Equity Tier 1 Capital Ratio | 19.02% | 16.59% | 19.49% |
| Tier 1 Capital Ratio | 19.02% | 19.65% | 23.02% |
| Total Capital Ratio | 23.50% | 19.65% | 23.02% |

| | | |
|---|---|---|
| Name | | The Norinchukin Bank |
| Role | | A national financial institution of cooperative organizations whose members include agricultural, fishery and forestry cooperatives which contributes to the advancement of Japan's agriculture, fishery and forestry industries |
| Date of establishment | | December 20, 1923 |
| Representative | | President & Chief Executive Officer: Kazuto Oku |
| Paid-in capital | | ¥4,040.1 billion (As of March 31, 2020) |
| Total assets (On a consolidated basis) | | ¥105,482.0 billion (As of March 31, 2020) |
| Members (Shareholders) | 3,477 groups | Japan Agricultural Cooperatives (JA), Japan Fishery Cooperatives (JF), Japan Forest Owners' Cooperatives (JForest), and related federations, as well as other agricultural, fishery and forestry cooperative organizations that have invested in the Bank (As of March 31, 2020) |
| Number of employees | 3,588 people | (As of April 1, 2020) |
| Number of business locations | 25 sites | (In Japan) Head office: 1<br>Branch: 19<br>(Overseas) Branch: 3<br>Representative office: 2<br>(As of April 1, 2020) |

Departments and titles of persons appearing in this report are those as of the time of each interview, in principle.

The Norinchukin Bank
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