Integrated Report

VALUE REPORT 2022

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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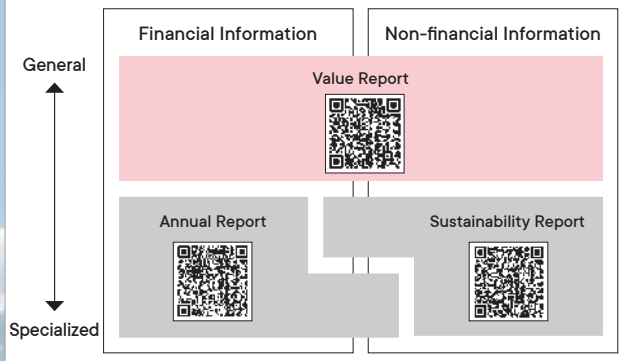
Positioning of the Integrated Reports Issued by the Bank

The Norinchukin Bank (the Bank) issues its integrated report as a synthetic document format that comprises three separate volumes to better align with the interests of respective stakeholders. For details of each volume, please see the Bank's website (https://www.nochubank.or.jp/en/) or read the two-dimensional barcode to access the PDF-formatted files of your desired report volume.



Editorial Policy

- The Bank has published the Integrated Report 2022 for the purpose of helping its stakeholders understand the Bank's initiatives for the sustainable value creation. This integrated report has been edited with reference to the International Integrated Reporting Framework publicly announced by the Value Reporting Foundation (VRF)*.
- The content of this report was verified at the Disclosure Committee regarding the appropriateness of disclosure, reported or proposed to the Supervisory Committee and the Board of Directors, the two statutory bodies under the Norinchukin Bank Act, and finally determined by the Representative Director (in charge of disclosure), in accordance with the disclosure policy of the Bank.

*Global nonprofit, private organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value. It was established by several private companies, investors, associations of accountants, administrative bodies and other organizations, with the aim of developing international enterprise reporting frameworks.

Food and agriculture evolved humans. Where is their future headed?

OKU Kazuto
President & Chief Executive Officer of
The Norinchukin Bank

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YAMAGIWA Juichi
Director-General
Research Institute for Humanity and Nature

OKU Kazuto

YAMAGIWA Juichi

OKU Kazuto
President & Chief Executive Officer since 2018.
Born in 1959 in Oita Prefecture. He joined The Norinchukin Bank in 1983 after graduating from the Faculty of Agriculture, University of Tokyo. He held various positions including Managing Director in 2011 and Senior Managing Director in 2017, before assuming his current position in 2018.

YAMAGIWA Juichi
Born in 1952 in Tokyo. He graduated from the Faculty of Science, Kyoto University, and received a Ph.D. in science from Kyoto University. He served as an assistant at the Primate Research Institute of Kyoto University and as a professor at the Graduate School of Kyoto University before assuming the office of President of Kyoto University in 2014. He has had his current position since 2021.

What separates humans from monkeys and apes is what they eat and how they eat.
Now that food is changing drastically, how will humanity change?
YAMAGIWA Juichi, one of Japan's leading primate researchers and a former President of Kyoto University who continues to provide analyses and proposals on a wide range of topics, and OKU Kazuto, President and Chief Executive Officer of The Norinchukin Bank, discussed the history and future of food and agriculture, life on our planet and our living at the Research Institute for Humanity and Nature in Kyoto.

OKU: We, The Norinchukin Bank, are a financial institution based on Japan's agriculture, fishery and forestry (AFF) industries, and our mission is to support them. In addition to being important key industries, the AFF industries are closely related to food, communities, culture and the environment, which largely overlap with Mr. Yamagiwa's research fields. I was very much looking forward to seeing you in Kyoto.

YAMAGIWA: Thank you. Food is an important and indispensable element for maintaining life. On the other hand, as you say, food has a great significance in human culture, and just studying food can lead you to answer the question of what a human being is.

Food is a source of quarrels for monkeys; they never eat with anyone in their herd nor does the herd eat together face to face. But humans eat face to face on purpose. Totally opposite to monkeys, humans put food, which could cause fights, in between them and eat together. The premise is that "you and I are good friends."

Even in humans, children don't understand this and they compete for food at first. However, they are disciplined by adults and become able to eat together without fighting. Food is the first societal norm for children. Food is a material of fighting for monkeys, whereas it is a material of connection and bonding for humans.

OKU: Then, is it a significant problem that the COVID-19 pandemic has made it difficult to sit at a table and eat together from communication perspective?

YAMAGIWA: I think it's a big problem. The first food revolution for humans was to carry food and share it with others. Unlike monkeys, gorillas and chimpanzees distribute food in groups but only when so demanded. Because they do not carry food, they do not bring food to others, asking them to eat it. This is common for all non-human primates.

When humans began to carry food, they realized that food would be a great tool for creating society, then started a life of hunting and gathering. The act of going far to collect food and distributing it among group members became a bond that connects humans. Meals have a special meaning.

OKU: I understand very well. The COVID-19 pandemic revealed that a significant part of communication especially in the field of business can be done remotely. In the post-pandemic era, meeting people in person, preferably over meals, could have a special meaning.

YAMAGIWA: That's a very important thing.

The shift from hunting and gathering to agricultural and livestock farming has accelerated the evolution of food

OKU: From what you have said, I understand that food has played a major role in the evolution of mankind in various ways. Because the AFF industries support food, "What should food and agriculture be?" is a core theme of the Bank. In fact, we are trying to nurture the food and agriculture business targeted at the value chain of food and agriculture as a pillar of our business. Of course, there are various challenges, and we are working on them through trial and error.

YAMAGIWA: In the field of food and agriculture, we are certainly facing problems. Actually, our bodies are still as they were before the start of agricultural and livestock farming and are not much different from those of monkeys and apes in terms of function. On the other hand, in the field of food, technology has developed rapidly since the transition from hunting and gathering to agricultural and livestock farming began about 12,000 years ago, and now the food industry has become a major industry, and agriculture is becoming industrialized.

This industrialization of agriculture changes greatly the way the traditional agriculture has been. Both hunting and gathering and agricultural and livestock farming are points of contact that connect people and nature, but only humans engage in agriculture. Agriculture is the first humane culture started by humans, and I think that the human body and mind remain attached to it, but the industrialization of agriculture via science and technology is rapidly separating agriculture from nature.

No two plants are the same in the natural world. However, when it becomes common to make and sell a large amount of vegetables that meet the stringent output standards, non-standard vegetables are often difficult to be sold and discarded despite the efforts made by farmers. I am the honorary director

of the Kyoto City Zoo, and such discarded vegetables are used in this zoo as feedstuff for the animals, thanks to the support by local farmers.

OKU: Food loss is a really big problem. We offer support for the use of non-standard agricultural and fishery products, but we are only halfway there.

YAMAGIWA: In a broader perspective, let me comment about my visits to Africa which I have made almost every year for more than 40 years.

Looking at the local agriculture there, they had produced originally the traditional varieties in small quantities. Then they switched their agricultural produce to ones that enable efficient and mass production for export. As a result, they run out of food to eat for themselves, causing a chronic state of starvation. They are incorporated into a global system for division of labor to ensure the mass production and mass selling of agricultural products. Meanwhile, a large amount of surplus food is discarded in Japan, and the amount of food waste is about 1.5 times that of the food supply shortage overseas. What should we do about this situation? Being able to import food might be taken for granted, but there is a risk that the situation could change drastically if something like Russia's aggression against Ukraine occurs.

OKU: In Japan, agricultural crops are produced less because they cannot compete with imported products price-wise, which leads to more abandoned farmland and less employment in the industry. The same thing is happening in the fisheries and forestry industries. An important theme for us in this situation is how we can somehow increase the income of producers and maintain the regions where the people work in the AFF industries; in other words, how we can make the AFF industry sustainable, including aspects such as the environment and food security. To achieve that, what can finance do?

YAMAGIWA: I think there are several prescriptions, one of which is how to create a brand. The Japan archipelago has the groundwork to produce cutting-edge agriculture on a global scale. The diversity of nature is still preserved, and local products grown there are diverse. This is the case not only with agriculture but also with the fishery industry. Japan has as many as 11 sites designated as Globally Important Agricultural Heritage Systems— and is the country of the world's second largest number. This is the result of different types of farming conducted with adaptation to the various regional conditions, which constitutes an advantage for Japan. Rather than the large-scale and uniform agriculture overseas, small-scale and region-specific agriculture might be more amenable to creating a brand.

OKU: That's right. In fact, some regions are producing results from such initiatives, so I would like to help increase these efforts. In so doing, you said that diversity is a key point, which make senses to me. Having said that, while the necessity of diversity is actively discussed nowadays, I feel it difficult to give an convincing explanation about its benefit.

YAMAGIWA: Then, conversely, why not explain the vulnerability of uniformity? For example, if you plant only cedar in the mountains, the forest will become dark, where no other plants will grow, destroying the ecosystem. The same is true for human society. Diversity has tolerance and receptiveness, and it is diversity that creates new things. That's my theory. In 2001, the "UNESCO Universal Declaration on Cultural Diversity" was adopted by the UNESCO General Conference in Paris, and Article 7 states that

"Creation draws on the roots of cultural tradition, but flourishes in contact with other cultures." There are many cultures, and the future is created where different cultures contact and stimulate each other. In fact, humankind has evolved that way.

OKU: I see. Thank you very much.

YAMAGIWA: Interestingly, the 17 SDG goals do not directly mention culture. There is no mention of culture even though culture is essential to a subject such as diversity, but it is difficult to verbalize culture despite its importance.

OKU: The dilemma of not being able to express value is something that we keenly felt when formulating the Bank's Purpose. Some of the goals we are trying to achieve are difficult to quantify, such as the revitalization of local communities. However, I feel that it is important to continue such efforts, while facing the difficulty of verbalizing and quantifying them.

Maintaining each region's diversity is the key to the growth of the AFF industries

YAMAGIWA: Another prescription for the AFF industries is to brand rare agricultural and fishery products and, on top of that, to add value. 20 years ago, inbound tourists to Kyoto would have visited shrines and temples within the city. Just before the COVID-19 pandemic, however, many inbound tourists were visiting places along the coast of the Japan Sea, including Maizuru. What do they do there? They eat crabs.

OKU: I knew it. That area is famous for crabs.

YAMAGIWA: Yes. The point is, think about having people visit the locale to eat crabs instead of exporting them, however popular they are. That way you could prevent the depletion of resources due to overfishing and create a source of income for the sightseeing business, in addition to the fishery industry. The idea is to think not only about the AFF industries but also how to collaborate with other industries.

OKU: I quite agree. Like you said, I think Japan's AFF industries can achieve competitiveness and higher productivity only by having local produce available to which the local culture and flavor are added.

Of course, we are putting tremendous effort into exports, but we also want to boost tourism and other businesses by leveraging those exports. "There are such delicious things in Japan." We let overseas consumers taste and know Japanese food through exports and have them think "let's go to Japan" and visit the production site. As the shift from consumption of goods to experiential consumption occurs, we could have high expectations for inbound tourists to Japan after the COVID-19 pandemic.

In addition to stimulating each region's business of local specialties and tourism, I think it would be even better if we could also offer tours of multiple regions. I'm from Oita Prefecture, and Oita has various AFF products and sightseeing spots that differ by region. By promoting prefecture-wide initiatives through the sharing of information on the food and tourist attractions within that prefecture, we could create synergies.

YAMAGIWA: I went to Oita the other day for a lecture, and it's a prefecture that has a great deal of such potential.

OKU: I think it would be best if an expanded version of Albergo Diffuso* could be realized in Oita by having multiple regions across the prefecture share the provision of hot springs, dining and lodging services.

*Albergo Diffuso means "diffused hotel" in Italian and refers to an initiative to make one entire region function as a hotel by dividing the lodging and dining services among the different accommodations and restaurants within the region. For accommodations, renovated vacant houses can also be used.

Japan's agricultural business offers excessive service Create new points of contact between producers and consumers

YAMAGIWA: The third prescription is that "the best service is not to provide service." A good example is a sushi restaurant in Japan. When you walk in and sit at the counter, they ask, "What would you like to have?" They do not say, "Today's recommendation is this," or "Please order whatever you want," but they expect the customer to have gastronomic knowledge about sushi. That's what makes it fun.

In terms of the AFF industries, production in large quantities, off-season shipments and selling only products that meet the standards have become common sense to producers and consumers today. From my perspective, however, those are excessive services. You should doubt such common sense.

OKU: Excessive service, I see.

YAMAGIWA: Yes. Originally, agricultural and fishery products were bought and sold through negotiations in the market. Consumers would go to the market and negotiate with the producers who sell the products. They would communicate with each other about the size of the products, how they were grown and how to cook them to make them taste better. This is the starting point for consumers and producers to trust each other.

Without that kind of communication, today's consumers buy items of the same standard lined up in stores at the same price without anyone in front of them to talk to. I don't think that's the way agriculture should be. Producers want to sell their products to people who really trust them, think they are tasty and feel happy about them. And producers want consumers to buy their products after explaining how much effort and love they poured into them. I think we need to make the effort to stop offering the excessive service that ensures the purchase of the same quality at any time, and to go back to the starting point. In fact, I make some "investment" every month in farmers and fishermen to have vegetables and fish delivered directly.

OKU: Recently, even in Tokyo, some producers come to sell their crops twice a month on the first floor of condominiums, saying, "Here are the crops I produced." Caring about the connection between producers and consumers, and from the viewpoint of traceability, more and more supermarkets and other stores are indicating who produced the products they sell.

YAMAGIWA: The delivery of fresh produce, a service I "invest" in, is not exactly an "excessive service," even without information on what to be delivered. However, it sometimes gives me a happy surprise, such as finding a surprisingly nice sea bream or a letter introducing recipes in the box delivered.

OKU: This relates to what you said we should question regarding common sense, but I understand that you think human evolution was a strategy to turn weaknesses into strengths. Could you elaborate on this?

YAMAGIWA: Yes. It was true until recently. However, in the last 100 years, it has been changing in a way to expand strengths, which I think is a mistake. If we keep strengthening our strengths, we will only have to continue an expansion path and eventually get stuck. It is a misunderstanding that human beings have kept strengthening their strengths since long ago. Rather, turning their weaknesses into strengths, trying to build a sustainable world, was the history of evolution and civilization of human beings.

OKU: For Japan's AFF industries, too, you think that turning weaknesses into strengths could lead to the realization of sustainable AFF industries. In this connection, you also mention the possibility of successful branding of Japan's small-scale, region-by-region, agriculture.

YAMAGIWA: The same can be said for forestry. Trees planted across Japan immediately after the war have already reached 70 or 80 years old with larger diameters. Logging of these trees has not progressed because it is difficult to sell in terms of price and other factors. However, now that it has become clear that many concrete buildings do not last even 100 years in Japan, wooden buildings are gaining increased attention with large-scale wooden buildings becoming possible with technological progress. If we could coordinate these moves successfully, a new mar-

ket could be created advancing the logging of the old trees. And if you plant young trees there, the amount of carbon dioxide absorbed by the forest will increase, leading to the preservation of the global environment. By changing our way of thinking, weaknesses can turn into strengths.

OKU: The trend toward preserving the global environment has finally arrived in the forestry industry as well.

Evolving from expanding strengths to turning weaknesses into strengths

YAMAGIWA: I think the idea of cooperative organizations has also been reviewed. In contrary to the trend of bank consolidations, some of the *shinkin* banks and credit unions, which are regulated to operate within a certain region and therefore find it difficult to merge beyond those regions, are using their accessibility to local areas to their advantage. On the other hand, banks that have gone through a "huge merger" are revealing a weakness due to the largeness of the organization.

OKU: JA, JF, JForest and The Norinchukin Bank are all cooperatives rooted in local communities. Some regions in Japan have suffered exhaustion due to a decreasing population, a declining birthrate and an aging population, but we see great significance in our community-based operations and are focused on regional revitalization.

YAMAGIWA: I think a declining population is an opportunity. I even think the life in a depopulated society is actually easier. If the declining birthrate and aging population lead to depopulated communities consisting only of the elderly, the elderly become able to live to their own rhythm of life. You don't get avoided even if you move slowly on the train, and you can live in your own rhythm by being yourself in the course of nature. There's nothing richer than this.

OKU: I see. Now that technological support is advancing, depopulation is different than it used to be.

YAMAGIWA: Yes. For example, if drones deliver medicines or 5G enables remote healthcare, you don't have to go out to the hospital in a crowded city.

It is not at all a weakness for the elderly to farm in a depopulated area. In the first place, the reason why humans shifted from hunting and gathering to agriculture and pastoralism is that experts such as master archers had power in hunting, whereas agriculture can be done by anyone, young or old, men and women, as long as they know the technique. Agriculture is something that everyone can participate in, and it has become established because everyone can work together. Even when you get older, you can still do agriculture. I think it would be good to promote the use of IT to help the elderly do agriculture.

OKU: Yes. Through the AgVenture Lab initiative, we are promoting investment in venture companies that aim to solve social issues facing the AFF industries and local regions by using the power of technology. A lot of interesting technologies are coming together.

Thank you very much for your energetic and encouraging talk today.

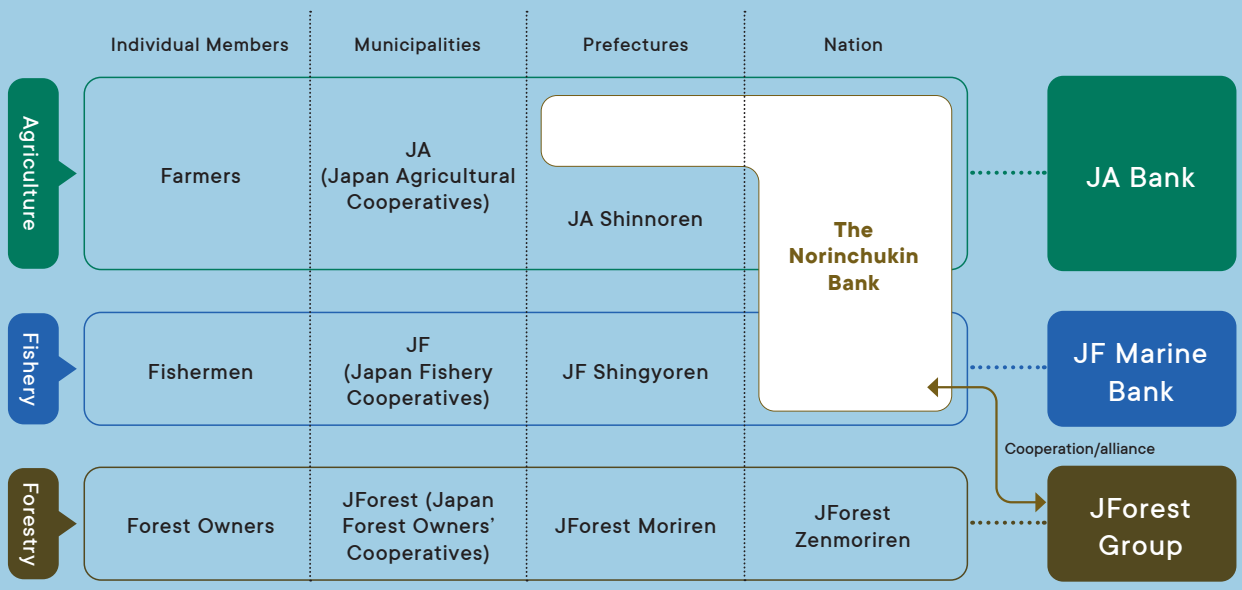
YAMAGIWA: Thank you, too. It's a pleasure to be here.

To The Next **Norinchukin Bank**

The Norinchukin Bank ("the Bank") operates various businesses in alliance with Japan Agricultural Cooperatives (JA), Japan Fishery Cooperatives (JF) and Japan Forest Owners' Cooperatives (JForest) at each locality and prefectural-level JA Shinnoren, JF Shingyoren and JForest Moriren.

In the retail banking business, JA and JF nationwide, together with JA Shinnoren, JF Shingyoren and the Bank, develop businesses as JA Bank and JF Marine Bank. JA Bank finances local needs, utilizing deposits received by each JA from individual members. Remaining funds are deposited to JA Shinnoren and used mainly to finance larger-scale firms. The Bank receives the remaining funds as deposits from JA Shinnoren and conducts investment and finance activities globally. The Bank returns the profit to JA Shinnoren and JA. Likewise, at JF Marine Bank, JF, JF Shingyoren and the Bank each play a role in managing deposits received.

JForest Group, comprised of JForest, JForest Moriren and JForest Zenmoriren (National Federation of Forest Owners' Cooperative Associations), in contrast, does not conduct banking business. The Bank cooperates in close alliance with JForest Group, providing support/subsidy for its activities and human resource development.



Our Features

Constant Mission over 99 Years:
Transforming Itself to Meet the Needs of the Times

1923-

Meeting the demand for funding in the AFF 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

Japan's AFF industries faced a shortage of funds before and after World War II until Japan's era of high economic growth. Aiming to solve that issue, The Norinchukin Bank was established in 1923. As the central body for AFF cooperative organizations, the Bank has supplied funds to AFF cooperatives throughout Japan to provide loans to producers and meet 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 AFF 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 AFF 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.

2016-

A bridge between the AFF industries and the business community

Amid the ongoing significant changes in the nation's needs for the AFF industries, we believe that the delivery of safe and secure domestic produce, which consumers, restaurants and food companies want, will pave the way to turning the AFF industries into growth industries. Leveraging our deep ties with producers and longstanding business relationships with companies related to the AFF 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.

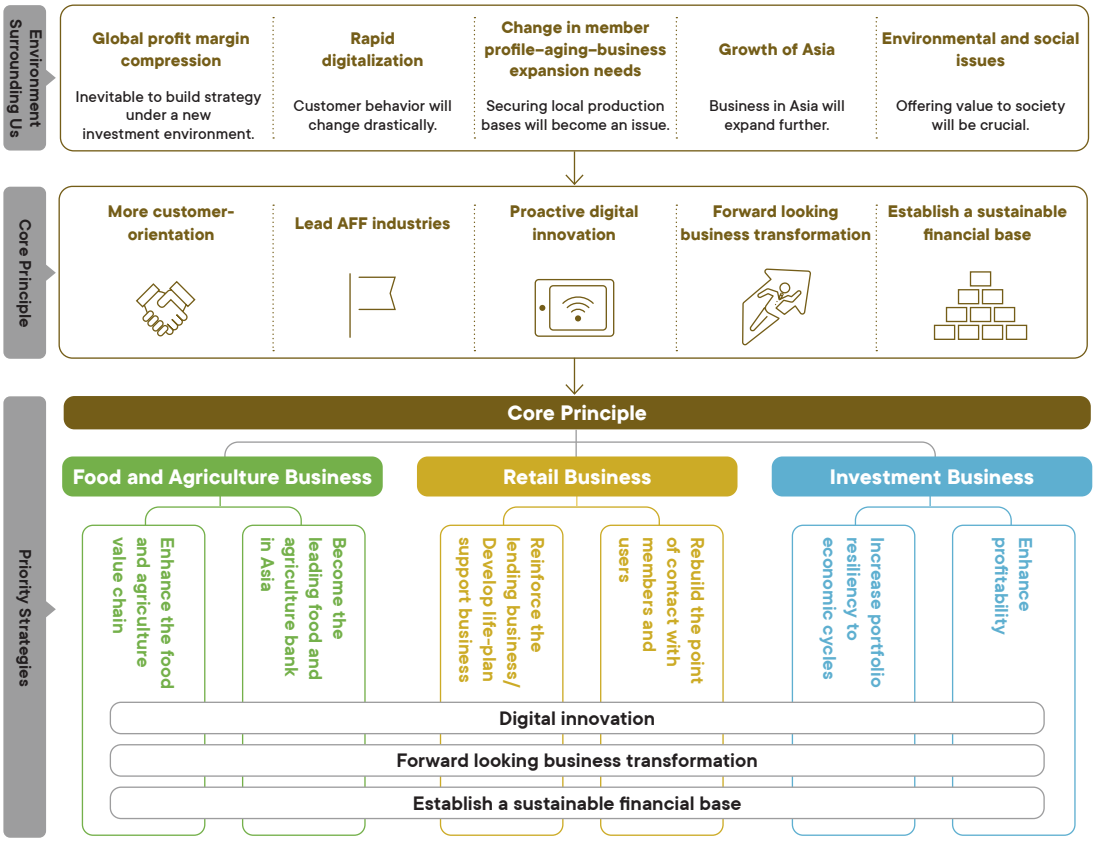
Since its establishment in 1923, The Norinchukin Bank has been managed under special legislation, initially, as the central bank for Japan's industrial cooperatives, "Sangyo Kumiai," and subsequently via the Norinchukin Bank Act.

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 AFF industries by providing financial services for the members of the AFF cooperative system."

Since our establishment, we have continued to provide support for everyone engaged in the AFF industries for 99 years while constantly transforming in line with changes in the environment surrounding the AFF industries.

2019-

Catch the Winds of Change. Create New Value.



We believe that non-continuous change will continue to occur. In such a situation, we need to optimize our operation to meet customer expectations and continue value creation. Looking ahead, we reviewed our current operations thoroughly and are now focused on achieving the 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.

The Norinchukin Bank's

Enhance the Value of the Environment

The AFF industries and communities that continue sustainable development supported by the rich natural environment

Purpose: Dedicated to sustaining all life.

– Work together with our stakeholders to foster the AFF industries and to create a prosperous future to a sustainable global environment –

Management capital (Input)

Social and relationship capital

- Nationwide network of the AFF industries cooperatives

Approx. 12.17 million people — The number of JA, JF and JForest individual members*1

6,688 branches — Total number of the JA Bank and JF Marine Bank branches across the country*2

126 Unit — The number of JA Bank mobile branches that offer financial services in rural and depopulated areas

Intellectual capital

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

99 years — History of supporting the AFF industries through finance

20 years — Integrated management of JA Bank composed of 552 JAs and 32 JA Shinnorens

24 years — Got into globally diversified investments ahead of the times

Human capital

- Expert human resources

29.8 billion yen — Total assets per employee (non-consolidated basis)

3,462 people — Number of employees

124 people — Number of employees who have studied overseas (with MBA/LLM degrees)

Financial capital

- Stable financial base

106 trillion yen — Total assets

7.3 trillion yen — Net assets

A1/A — Moody's/S&P credit ratings

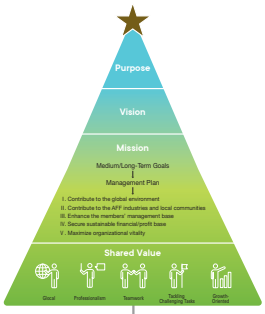
Natural capital

- Power usage 41.0 GWh (by the Bank)
- Rich natural environment that supports the business activities and daily lives of individual members and users

Business activities

Sustainable management

▶P.15



Food and Agriculture Business
Supports and connects producers and the business community and expands their networks to turn the AFF industries into growth industries
▶P.21

Retail Business
JA Bank and JF Marine Bank conduct efficient management to address the financial needs of each locality.
▶P.29

Investment Business
Ensures stable profit over the medium to long term through globally diversified investments based on advanced risk management
▶P.33

See above pages for the details and output of each business.

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

Foundations that support business activities

Enhance corporate value

*1 This figure is a simple sum of the numbers of JA cooperative, JF cooperative, and JForest cooperative individual members, each sourced from statistics at the Ministry of Agriculture, Foresty and Fisheries (MAFF), Japan.
*2 The total number of branches that handle the domestic exchange business as of March 31, 2022, operated by the Bank, JA Shinnoren, JA, JF Shingyoren and JF.

Value Creation Model

and Regions by Solving Social Issues

for food and lifestyles, and thereby contribute

Effects on Management Capital (Outcome)
(Achievements in FY2021)

Social and relationship capital

- Efforts to turn the AFF industries into growth industries and increase the income of farmers, fishermen and foresters, which could increase the local population working in the AFF and related industries, thereby revitalizing local communities

186 cases	382.2 billion yen	Cumulative 632 cases
Number of JA Bank consultations for agriculture leaders	New agricultural loans executed by JA Bank	The accumulated number of investments in agricultural corporations, etc.

- Merger of JAs/Integration of JA branches, Launch of inter-regional JF Shingyoren (Enhance management base)
- Participants in the "JA Smartphone Class" reached 14,000 nationwide (P.32).
  JA Bank App downloads exceeded one million.

Intellectual capital

- Food and agriculture business solutions in Japan and overseas
- Stable operations and enhancements of the JA Bank and JF Marine Bank systems
- Globally diversified investments/Strengthened functions of and established two new asset management subsidiaries (P.33)

Human capital

- Ratio increase of women in managerial positions (6.6%)
- Cultivate employee engagement
- Reallocation of 540 employees (cumulative since fiscal 2019) to strengthen our onsite capability and profitability

Financial capital

- Returns to members from profits earned from the investment business and the food and agriculture business: Approx. 400 billion yen
- Common Equity Tier 1 Capital Ratio: 17.87%

Natural capital

- CO_2 emissions by the Bank decreased to approx. 20,000 tons (-37% compared with end of FY2013)
- Estimation of GHG emissions at the Bank's investees and borrowers

and capital

Providing return of profit and financial functions to members

Value Provided to Society

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

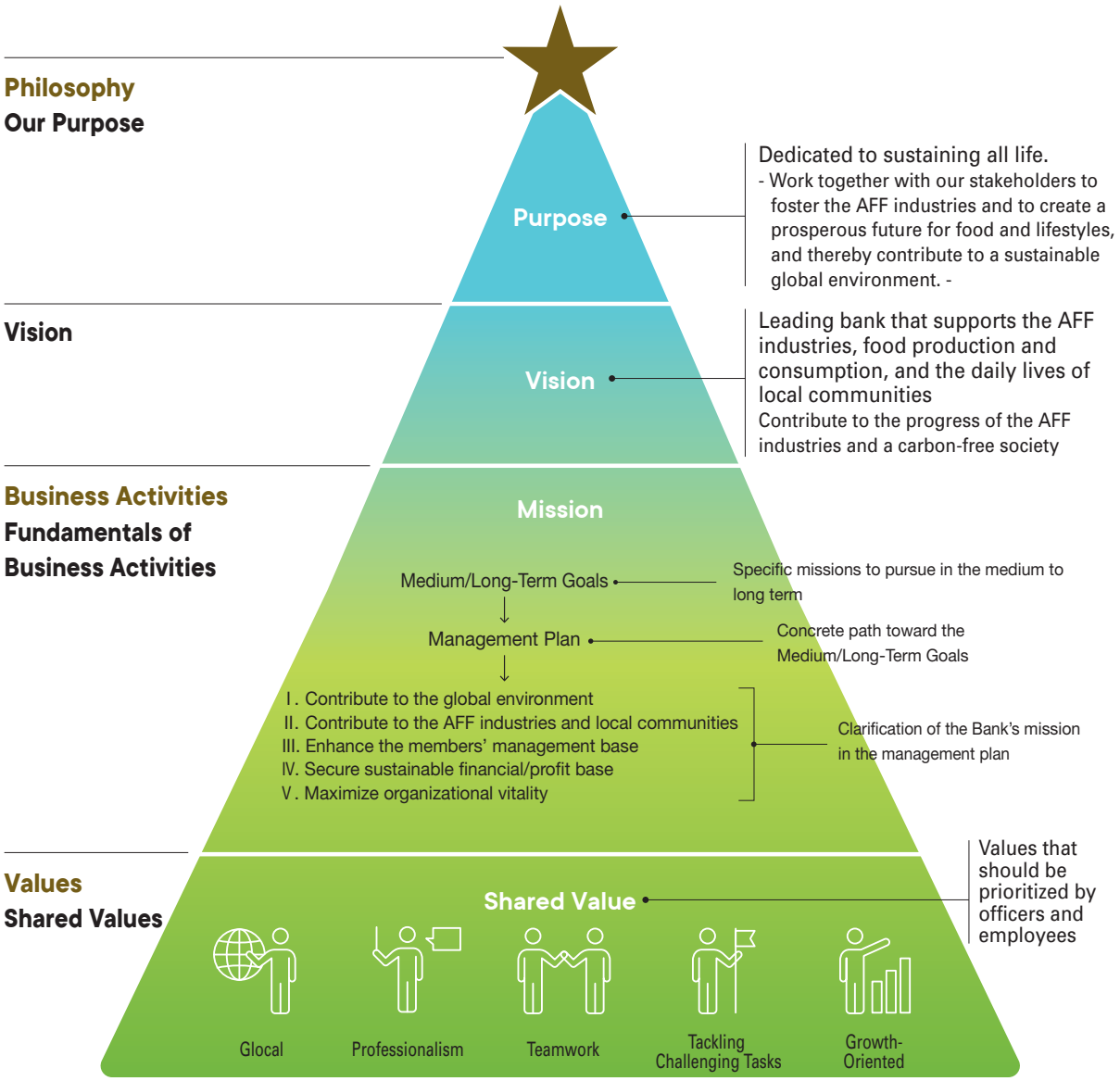
- Turning the AFF industries into sustainable growth industries
- Stable supply of safe and secure food
- Revitalizing the infrastructure in rural areas
- Preserving local diversity
- Protecting the land and marine environment
- Developing the economy through the AFF industries

Sustainability Management

The Bank presents five specific missions to continue to fulfill its overall mission of being committed to the development of the AFF industries: contribute to the global environment; contribute to the AFF industries and local communities; enhance the members' management base; secure a sustainable financial/profit base; and maximize organizational vitality. Based on these specific missions, the Bank identified its Purpose (what contributions the Bank should make to a sustainable environment and the society of the future) and its Vision (what the Bank should do to perform its purpose). To achieve these, the Bank set the Medium/Long-Term Goals and the Medium-Term Management Plan as a path guiding its daily business operations toward those Goals.

Based on the "Shared Values" that should be prioritized by its officers and employees, the Bank conducts daily business activities to achieve the goals of its Management Plan and then the Medium/Long-Term Goals. Such efforts are a path to achieve the Bank's Vision and accomplish the Bank's Purpose in society. Sharing such understanding among officers and employees throughout the Bank, we engage in daily business operations.

Through these efforts, we will deepen a dialogue with our stakeholders and meet their expectations, thereby promoting the continued development of the AFF industries and the provision of value to society.



Stakeholders:
Members (JA, JF and JForest)/individual cooperative members (i.e., people working in the AFF industries); our clients (deposit and savings, loans) including AFF-related companies; local communities; business partners in the Bank's entire operation including financial institutions, market participants and contractors; governments and municipalities; and employees

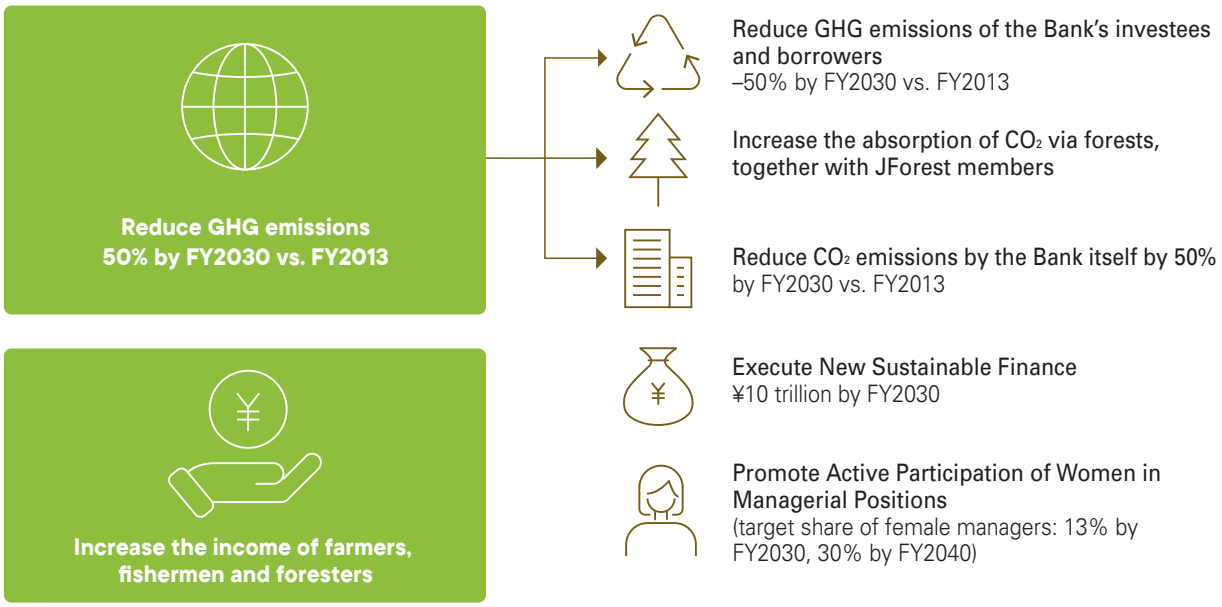
To realize its Purpose, the Bank strives to attain the Medium/Long-Term Goals: reduce GHG emissions at its investees and borrowers by 50% by fiscal 2030 compared with fiscal 2013, and increase the income of farmers, fishermen and foresters.

For the reduction of GHG emissions, we will not only promote efforts to reduce the GHG emissions from investees and borrowers and the Bank itself but also promote initiatives to absorb CO_2 through forests in collaboration with the JForest cooperative group.

To attain these Goals, the Bank will execute new sustainable finance totaling 10 trillion yen by fiscal 2030.

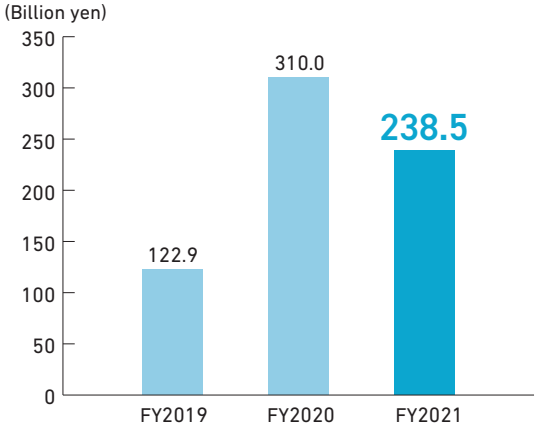
In addition, the Bank strives to raise the ratio of women in managerial positions as part of its efforts to build a corporate foundation to promote sustainable management.

The Norinchukin Bank's Medium/Long-Term Goals

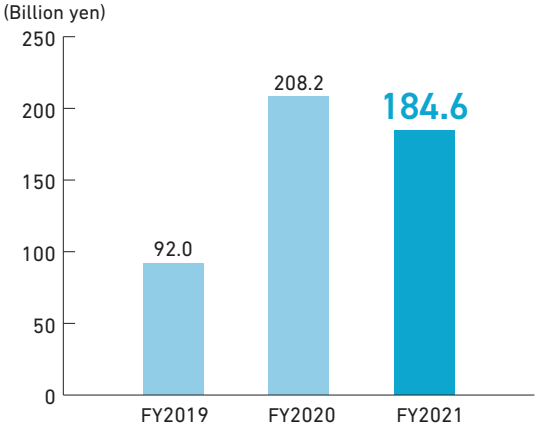


Financial Highlights

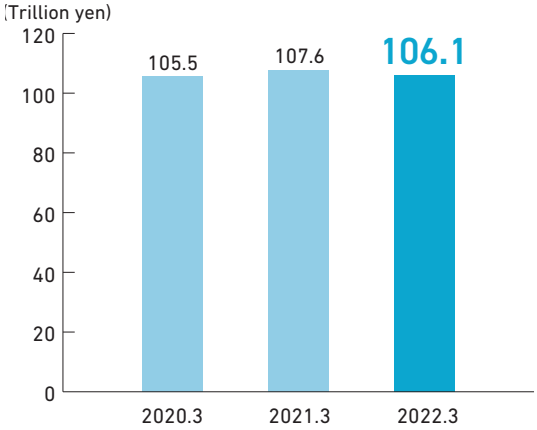
Consolidated ordinary profit



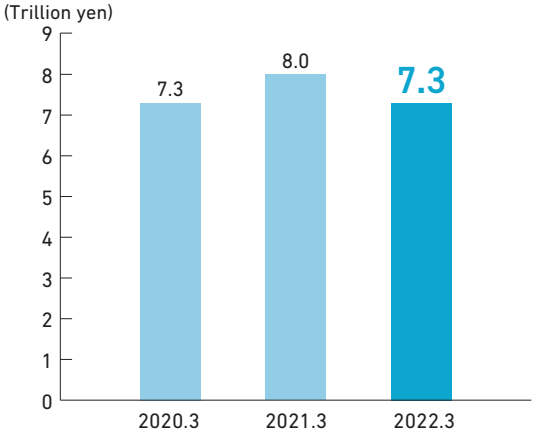
Consolidated net income



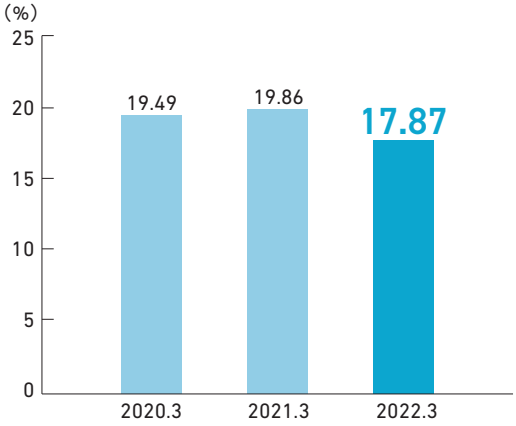
Consolidated total assets



Consolidated net assets



Consolidated common equity Tier 1 capital ratio



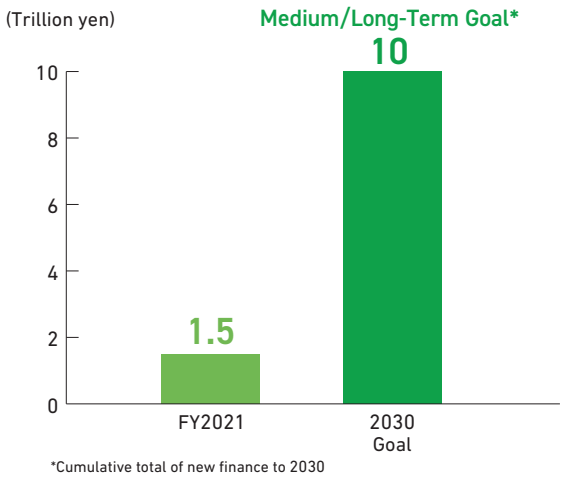
Ratings

	Long-term debt	Short-term debt
S&P	A	A-1
Moody's	A1	P-1

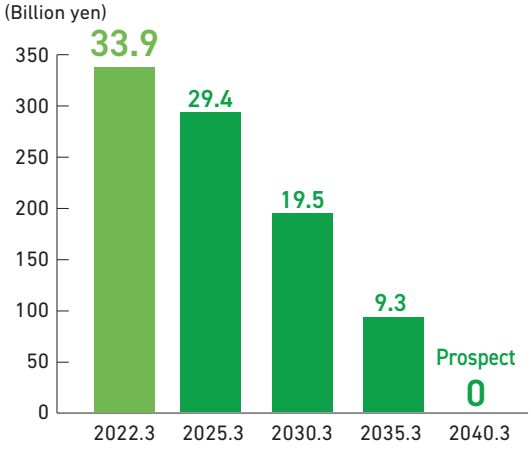
(As of March 31, 2022)

Non-financial Highlights

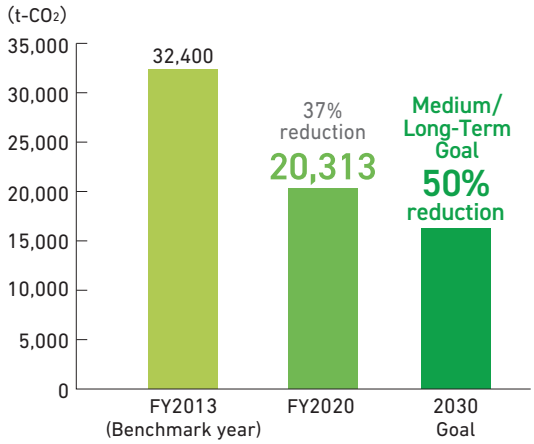
New sustainable finance



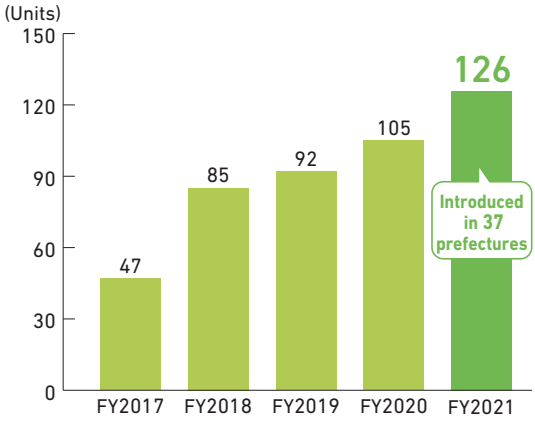
Financing for coal-fired thermal power plant projects



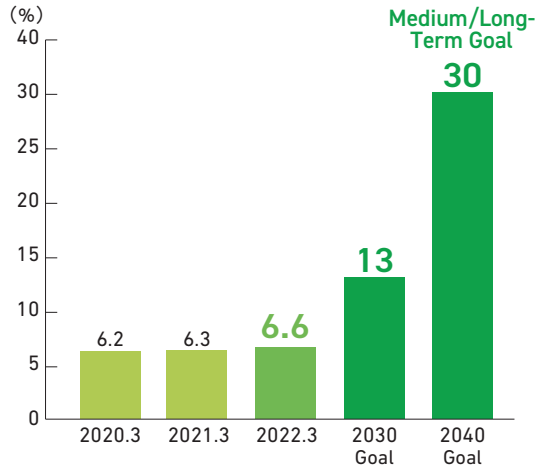
CO_2 emissions at the Bank's business locations



Number of JA Bank mobile branches introduced (Financing for everybody)



Ratio of women in managerial positions



Rate of parental leave taken by male employees*1

*1 Calculated by dividing the number of male employees who took parental leave by that of male employees whose spouses gave birth to children.
*2 The goal is that the rate of male employees who take parental leave when their spouses give birth to children will be 100%. (Cases where such leave continues to the following fiscal year are included.)

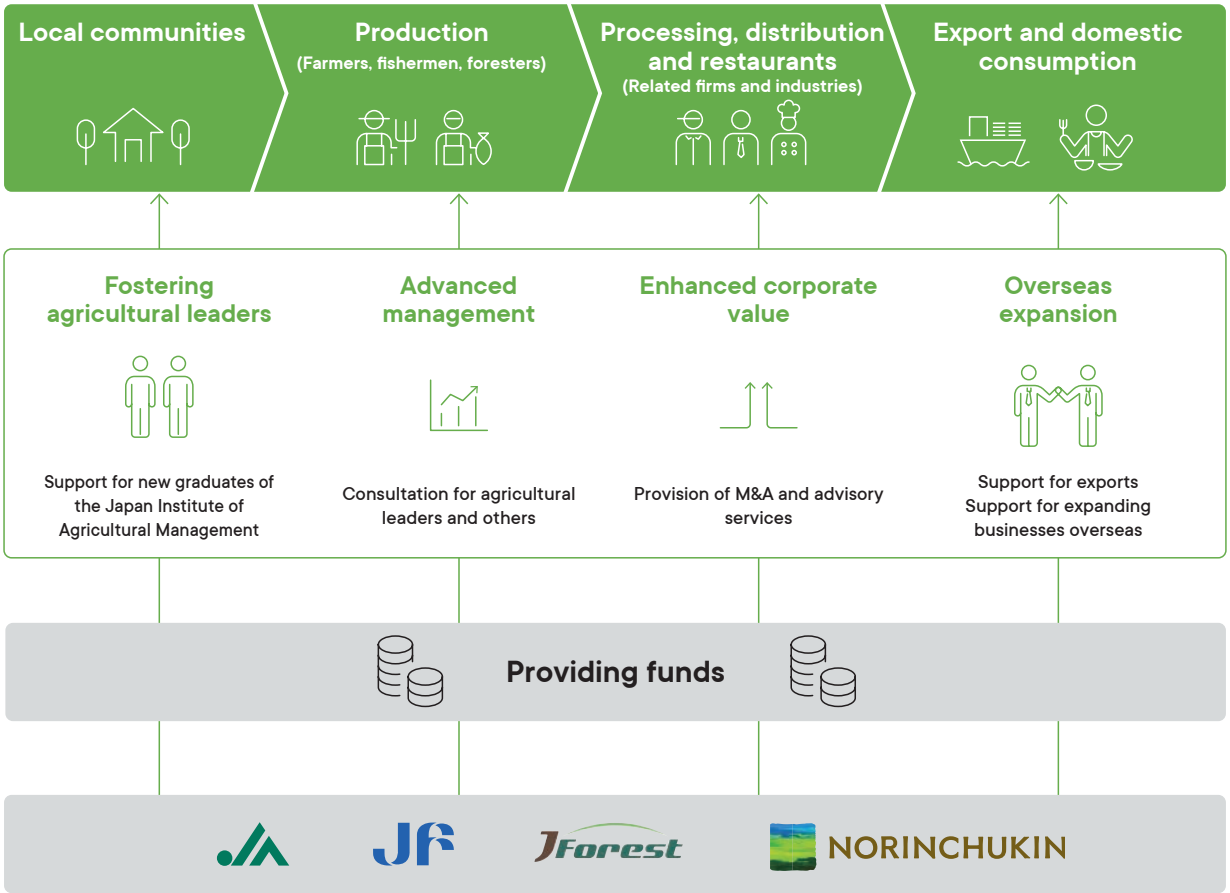
Three Value-Creating Businesses

The Norinchukin Bank continues to offer various kinds of value to local communities, inhabitants 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; and 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 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 not only provide loans and investments but also help develop agricultural corporations and leading farmers ("agricultural leaders") and offer consulting and M&A advisory services to them and others, as well as support for exports and expanding businesses overseas, 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

The environment surrounding the AFF industries and food is undergoing rapid changes. We must make those changes benefit these industries rather than adversely affect them.

In addition to the continuation of the COVID-19 pandemic, fiscal 2021 saw changes that could significantly change conventional values, including Russia's aggression against Ukraine and global-scale inflation. These changes have continued into fiscal 2022, with the influence spreading on the AFF and related industries in Japan as well.

The food and agriculture business of the Bank widely covers the broad range of food and agriculture value chain that connects producers to materials, processing, logistics and distribution services providers, and consumers. To address the recent rapid changes in the business environment, we are making focused efforts while sharing a sense of crisis with many stakeholders. Through cooperation with members of the agriculture and fishery cooperatives, we continue to help secure sales channels of AFF products and provide financial support to address changes in supply and demand. Against the rising prices of feedstuff, fertilizers, fuels and materials, etc., and their physical shortages, the Japanese government is taking the lead in stabilizing prices and supply, and we, as cooperative organizations, continue providing maximum support for the resolution of this situation.

Against the backdrop of increasing concerns for food import difficulties, the attention to the necessity of food self-sufficiency is growing in Japan. As the member of the AFF cooperative groups, the Bank has long advocated for the importance of "domestic consumption, domestic production"—the idea being to satisfy domestic food consumption with domestic production as much as possible—and food security. The recent growing understanding of such an idea enables us to step up efforts to promote the AFF industries of Japan.

To turn the AFF industries into growth industries is an important mission for the Bank and its food and agriculture business. As we are earnestly tackling many challenges to achieve this mission, we have recently focused on further expansion of the "consulting for leaders" initiative and the expansion of investments in food and agriculture–related companies.

Consulting for leaders is an initiative we launched with the aim of increasing farmers' income by conducting management consulting of agricultural corporations and leading farmers ("leaders") and providing funds according to their needs to help solve their problems. In cooperation with JA and prefectural JA Shinnoren nationwide, we supported 186 successful projects in fiscal 2021, and we aim to support 300 projects in fiscal 2022. In addition, with the revision of the Investment Facilitation Act*1, the legal investment scope of The Agribusiness Investment & Consultation Co., Ltd.,*2 is no longer limited to agricultural corporations, but to a variety of industries, including fisheries and forestry, food processing, distribution, export, and food and agriculture–related technologies.

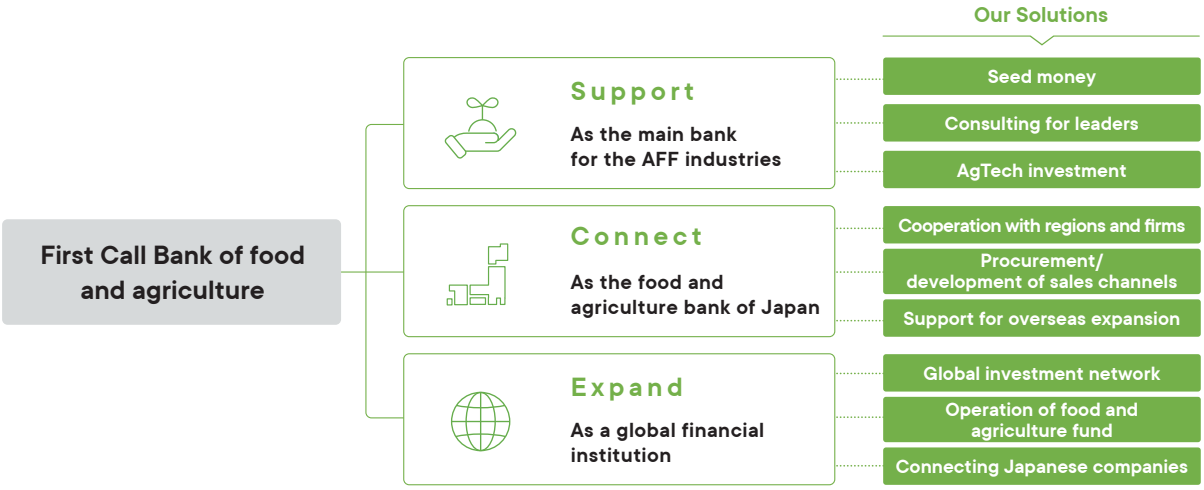
The Bank set out a sustainable management strategy in fiscal 2019 and set a long-term Purpose in fiscal 2021 with an eye toward 2030 and 2050. We will gradually set specific goals to achieve higher and larger goals and gradually increase the speed to achieve them.

*1 Revised in 2021. The formal name is "Act on Special Measures Concerning Facilitation of Investment in Agriculture, Forestry and Fishery Corporations, etc." The investment scope of The Agribusiness Investment & Consultation Co., Ltd., had been limited to agricultural corporations only, but with the revision, its scope was expanded to include forestry and fishery production corporations, processing and sales firms, exporters, food service operators and AgTech development companies.

*2 The Agribusiness Investment & Consultation Co., Ltd., is an investment and business support company jointly established in 2002 by the JA Group including the Bank and Japan Finance Corporation.

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

The leading food and agriculture bank in Asia



Case Studies of Our Food and Agriculture Business

Support

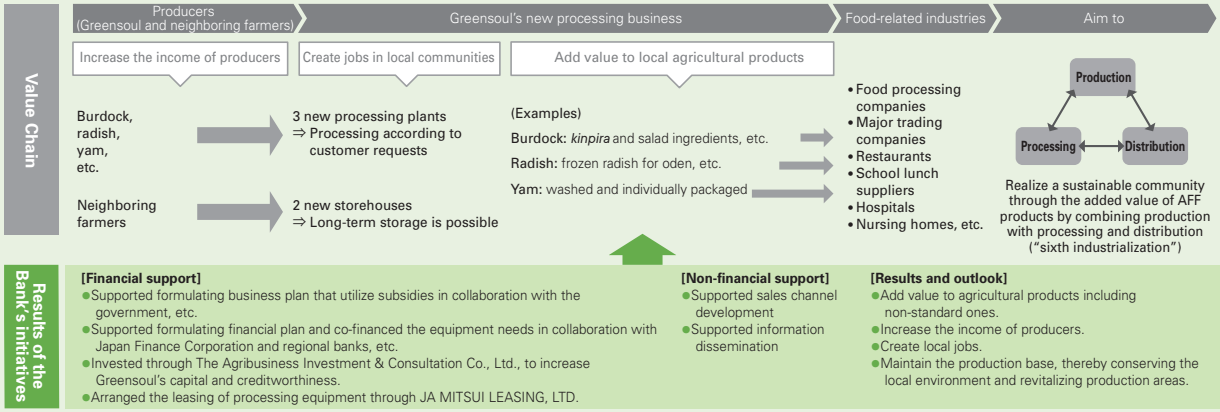
Greensoul

Multifaceted support to agriculture corporations entering the processing business

Processed agricultural products that are easy to carry and cook continue to sell well, mainly for home use even during the COVID-19 crisis. Greensoul grows vegetables outdoors in Towada City, Aomori Prefecture, including burdock, Chinese yam and Japanese radish. In fiscal 2021, Greensoul built three new processing plants and two storehouses and embarked on the processing of non-standard vegetables produced by the company and neighboring farmers.

Burdocks are processed for use in *kinpira* and salads, radishes are cut and frozen, and yams are washed and individually packaged to create high added value. The company plans to sell 600 tons of the processed burdock for salad, a flagship product, in fiscal 2022. Aomori-grown vegetables tend to be processed outside the prefecture, therefore switching to on-site processing by the producers will increase the income of producers and increase employment opportunities in local communities.

The Bank has supported Greensoul by helping formulate business and financial plans that utilize subsidies, as well as co-financing for equipment needs, in collaboration with the Japanese government, Japan Finance Corporation, regional banks and other organizations. In addition, through the Group companies The Agribusiness Investment & Consultation Co., Ltd., and JA MITSUI LEASING, LTD., the Bank provided multifaceted support to Greensoul by making investments, leasing processing equipment and matching the company with major importers/exporters of fresh produce and wholesalers of farm-fresh products to increase sales channels.



Connect

Four fishery-related cooperatives and the municipality in Kamicho

Collaboration to revitalize the Fishery's Town Kami

Kamicho, a town in the northern part of Hyogo Prefecture facing the Sea of Japan, has two fishing harbors, Kasumi and Shibayama, and is rich in marine products, such as snow crabs, *etegarei* flatfish, white shrimp, firefly squid and sandfish. Known as "the town of fisheries," Kamicho features the active production of high-quality processed marine products of the "Kami brand" and even has a municipal ordinance to promote the dissemination of fish-eating practices in Kamicho. However, the COVID-19 pandemic has decreased the demand for tourism and restaurant businesses. In response, Kamicho, four local fishery-related organizations—JF Tajima, Kasumi Marine Products Processing Cooperative, Shibayamako Marine Products Processing Cooperative and JF Marine Bank Nagisa—and the Bank have embarked on collaborative efforts to promote the town's fishing industry.

Beginning with co-sponsoring a marketing campaign for fisheries on the EC site in fiscal 2020, the town, the four organizations and the Bank concluded the Comprehensive Cooperation Agreement to revitalize Kamicho in fiscal 2021 and co-sponsored the "HYOGO UMI MARCHE" held in MITSUI OUTLET PARK MARINE PIA KOBE and the "Midosuji Heaven White Day Marche" at Yodoyabashi odona. In fiscal 2022, we will continue to engage in various efforts to revitalize the region of Kamicho, Hyogo Prefecture, such as co-sponsoring the Hyogo Prefecture Kamicho Fair at 96 stores of Uoriki Co., Ltd., a major fresh fish retailer listed on the Prime Market of the Tokyo Stock Exchange.

Reaching its seventh year since starting in fiscal 2016, the Bank's food and agriculture business has accumulated achievements in the fields of agriculture, forestry and fisheries. Let us introduce some of the latest initiatives of "Support," "Connect" and "Expand."

Expand

Pan Pacific International Holdings Corporation (PPIH)

Export acceleration of the agricultural and fishery products by actively matching with retailers expanding operations overseas

Pan Pacific International Holdings Corporation (PPIH), the operator of the famous Japanese retail chains Don Quijote and UNY, is expanding its retail business overseas, including the United States, Singapore, Thailand, Hong Kong, Macau and Taiwan, where Japanese agricultural and marine products are popular and the Bank has provided cooperation to PPIH in alliance with the JA Group. The Bank also joins the Pan Pacific International Club (PPIC), which was jointly established by PPIH and producers, related organizations and financial institutions to promote the export of agricultural and marine products.

The Bank introduced 75 companies in the agricultural sector to PPIC during the six months from October 2020 when PPIC was launched, resulting in the conclusion of a contract to ship mini tomatoes developed by an agricultural corporation in Mie Prefecture to stores in Singapore, etc., and other successful projects. In the fishery field, we succeeded in matching PPIC with 13 companies, including producers and major fishery companies, and proposed various products such as frozen scallops, octopus and horse mackerel fillets. In addition, we introduced many processed product manufacturers to PPIC, and adjustments are under way between PPIC and 16 manufacturers to launch about 60 items. (The numbers above are as of August 2021.)

PPIC has a goal of exports amounting to 300 billion yen by 2030, and the Bank will continue to provide support to achieve that goal.

Support

JForest Zenmoriren/JForest Nebamura/JForest Miyakonojo/JForest Miyoshi

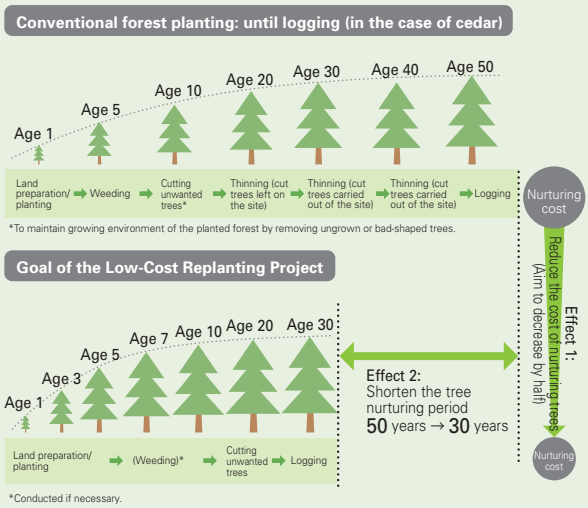
The Bank improves the sustainability of forestry by promoting "reforestation" of logged forests

About 50% of the forests that was planted in the postwar period are now more than 50 years old, but logging has not progressed due to the aging of forest owners and low timber prices. Another big hurdle is reforestation after logging due to the high cost of planting and growing trees and the long payout period.

Therefore, the Bank launched the "Low-Cost Forest Replanting Project" in fiscal 2020 in collaboration with the National Federation of Forest Owners' Cooperative Associations (JForest Zenmoriren) and will demonstrate the effectiveness of the reforestation methods as follows in the five years until fiscal 2024.

- **Use of large containerized nursery trees**: Grow nursery trees larger than usual and reduce work such as reducing the frequency of weeding after planting.
- **Integrated logging and planting**: Conduct logging of existing trees and the planting of successor trees at the same time to improve work efficiency.
- **Shift from dense planting to sparse planting**: Decrease the number of trees planted per unit area by half and reduce the labor of tree thinning.
- **Adoption of fast-growing trees**: Plant Chinese fir, which grow faster than cedar and cypress, to reduce the cutting cycle from 50 years to 30 years.

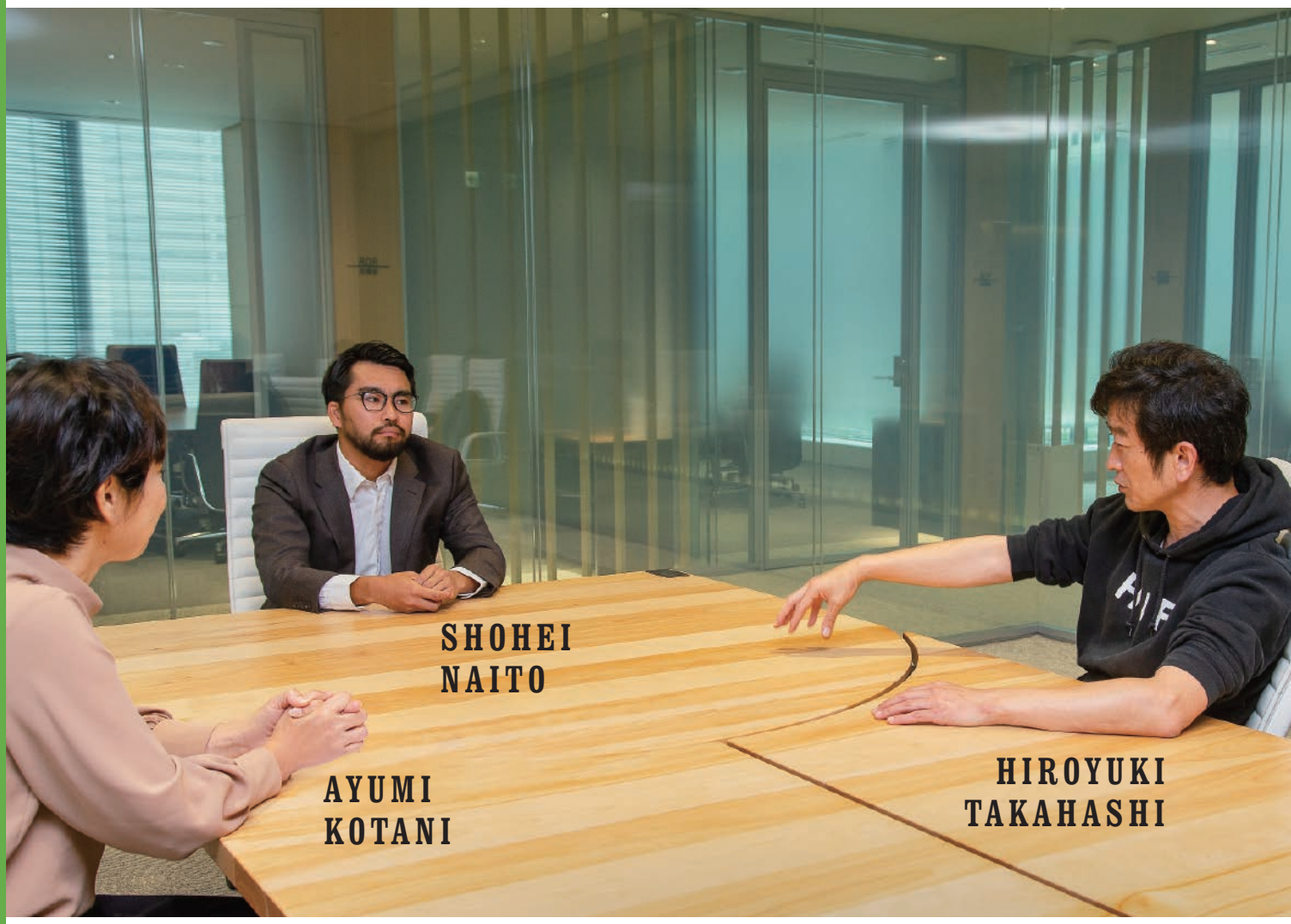
Demonstration experiments are being conducted at three locations nationwide: Nagano Prefecture (JForest Nebamura) and Miyazaki Prefecture (JForest Miyakonojo), which started in fiscal 2020, and Hiroshima Prefecture (JForest Miyoshi), which started in fiscal 2021. The demonstration experiment in Hiroshima is being conducted in "Asahi Forest," a forest owned by Asahi Group Holdings Ltd., which supports this initiative. Favorable growth of trees and improved labor productivity have already been confirmed, and it is expected that the project's results will spread nationwide.



Cross Talk

Strong, sustainable agriculture can be realized

Through the Food and Agriculture Business, the Norinchukin Bank Group actively invests in the start-ups that will shoulder the future of Japan's AFF industries.
Such investees include Amekazetaiyo, which connects rural and urban areas through an electronic commerce (EC) service for direct delivery from farms, and NIHON AGRI INC., which connects Japan and overseas via exports. KOTANI Ayumi, an agricultural journalist, interviewed the founders of these companies, both pioneers of new channels to link production and consumption areas.



[Left] KOTANI Ayumi

Agricultural journalist and "vege-ana" (a newscaster growing vegetables)

Agricultural journalist. As a vege-ana, a newscaster who grows vegetables, she is active in supporting Japanese agriculture and rural villages. Born in Hyogo Prefecture in 1970. After graduating from the Faculty of Letters, Kansai University in 1993, joined Ishikawa Television Broadcasting Co., Ltd., and worked as a newscaster. She became a freelancer in 2003 and has served as a member of several councils on development of the livestock industry and rural communities under the Ministry of Agriculture, Forestry and Fisheries.

[Center] NAITO Shohei

Representative Director and CEO, NIHON AGRI, INC.

Born in Kanagawa Prefecture in 1992. While being an undergraduate student at the Faculty of Law, Keio University, he studied abroad at the Faculty of Agriculture, University of Illinois at Urbana–Champaign. After having served in charge of the agriculture sector at McKinsey & Company, Inc., Japan, he has been at his present post since 2016.

[Right] TAKAHASHI Hiroyuki

Representative Director, Amekazetaiyo

Born in Iwate Prefecture in 1974. Graduated from the College of Economics, Aoyama Gakuin University in 1996. After serving as a member of the Iwate Prefecture Assembly for two consecutive terms from 2006, he published in 2013 the world's first magazine with foods "*Tohoku Taberu Tsushin*," which regularly runs feature stories on food creators and their harvested foods. The magazine was selected as a finalist for the prestigious "Good Design Award" in 2014. Started the Pocket Marche service in 2016.

KOTANI: In the search for strong, sustainable agriculture, I think it's important to deeply understand both sides of production and consumption, and to match them appropriately. Today, I've invited two outstanding entrepreneurs who are addressing this element in their businesses. Let me introduce Mr. TAKAHASHI of Amekazetaiyo, who operates Pocket Marche to connect regions and cities through an EC service for the direct delivery of agricultural and fishery products, and Mr. NAITO of NIHON AGRI, who handles domestic production and exports of agricultural products to Asian countries.

Now, let me dive right in. I feel both of your company names are powerful and impressive.

TAKAHASHI: In April 2022, we changed our company name from Pocket Marche, which is the same as our service name, to Amekazetaiyo. I started my business by asking how I could conserve my valuable hometown and local community, not from the desire of dedicating myself to the agriculture, fishery and food sector. People might assume that the company name "Pocket Marche" is associated only with EC-based direct delivery of agricultural and fishery products, but we also address various initiatives to further expand the "touch area," or contact opportunities, between producers and consumers. We therefore changed our company name to convey our ambitious approach to society.

KOTANI: Mr. TAKAHASHI, you created the term *related population*. In addition to the EC business, you have embarked on innovative businesses such as supporting local governments and study programs in rural regions, endeavoring to link production and consumption nationwide by your mission "Mixing up urban and rural areas."

TAKAHASHI: I am from Hananomaki City in Iwate Prefecture and have seen many sad scenes in local areas where the once strong AFF industries were suffering from exhaustion. As an assembly member, I struggled with social issues such as the increasingly aging society and the expansion of abandoned arable land. Then, suddenly, the Great East Japan Earthquake happened.

Many people came from the urban consumption areas to our production areas that had been devastated by the earthquake, which created opportunities for encounters between producers and consumers. This had the effect of causing a variety of chemical reactions that had not occurred before. So, these phenomena led me to believe that we could revitalize local communities and agriculture by mixing up urban and rural areas.

Diversity in climate and culture by area strengthen agriculture and local regions

KOTANI: Hmmm! I see. By the way, Mr. NAITO, your company name is also excellent. Your catchphrase is "Astonishing the world with Japanese agriculture," isn't it?

NAITO: Why am I engaged in agriculture now? When I traveled alone by bicycle throughout the country, I found the Japanese countryside to be most interesting. Dialects are diverse and a variety of tasty meals are served in different ways depending on the region. I was raised in Yokohama, but the more I learn about many things, I've come to believe that the countryside is supreme in Japan. This idea remains unchanged.

I wanted to help liven up local regions, so I went abroad and learned agriculture in the United States as I believed that the AFF industries form the basis of a society. At present, our company works to efficiently produce quality-focused agricultural products on a fairly large scale in Japan for delivery to global markets.

TAKAHASHI: As Mr. NAITO noted, it used to be that a feature of Japan was the strong uniqueness and diversity stemmed from different social climates and cultures by region. Now, however, regions are losing their originality with a trend toward unification. Agriculture is no exception. Some might insist that they are promoting the sixth industry by integrating the processing and tourism industries. But such products and tourist sites will not be attractive if the region loses its originality. To strengthen agriculture and local regions, I believe it is fundamental to make long-lasting regional agriculture survive and flourish in every region. On the other hand, growth is difficult in the domestic market even with high-quality or interesting goods because of the decline in the working-age population that has a strong consumption appetite. What can we do in such an adverse situation? One proactive measure could be collaboration with the tourism industry, combined with product and service development that focuses more on inbound tourists. My company is active in this approach. Another approach might be expanding exports, which I believe Mr. NAITO intends to pursue.

To further strengthen Japanese agriculture

KOTANI: Mr. TAKAHASHI focuses on the diversity of the AFF industries, which involves utilizing local resources by region. Meanwhile, Mr. NAITO emphasizes quality and productivity. At first glance, your focus seems different, but I'm sure that you have in common a pursuit of stronger agriculture as the basis of your initiatives.

NAITO: Our staff, including myself, believe that the ultimate strength of Japanese agriculture is excellent product quality and it has long been sustained by small regional farmers who have dedicated themselves to research and development in the spirit of *takumi*, or superb craftsmanship. I emphasize scale, efficiency and uniformity in terms of production because these

are factors lacking in Japanese agriculture. High product quality based on small-scale agricultural management is the driving source for export competitiveness. However, even if you gain high popularity in overseas markets by palatability, you cannot make your business a success with insufficient or unstable supply, or too high prices. Our motto is "Let's scale up for stable and efficient production."

KOTANI: I've heard that the main exports from your company are apples, potatoes and kiwi. What initiatives are you taking to improve efficiency and quality while increasing the production scale?

NAITO: The prices of domestically produced apples

are higher than those of U.S. produced ones. However, both personnel expenses and rent, which account for a major ratio of their production cost, are higher in the United States and New Zealand than in Japan. Of course, various conditions differ between Japan and overseas, but I think that there is plenty of room to ensure export competitiveness if productivity can be improved by applying a better production method with ingenuity, together with the good quality of the products.

KOTANI: I see. By the way, in the case of Amekaze-taiyo, Mr. TAKAHASHI, your major market is inside Japan and the core of your business is directly connecting producers and consumers, isn't it?

TAKAHASHI: Yes, that's right! I do so because the AFF industry is essentially very enjoyable for urban consumers. But, in reality, production and consumption, as well as the production area and the consumption area, are separate from each other. As a result, the attractiveness of agriculture has not yet been well communicated to consumers. That's why I sometimes say that "we must address the task of converting agriculture into entertainment." This slogan means that we want consumers to know and experience agriculture and local communities and to better understand the value of nature, by transmitting information from producers to consumption areas and inviting urban consumers to local production areas. In other words, such connections are equivalent to letting consumers pay not only for agricultural products but also for their accompanied value.

KOTANI: You talk about the conversion of agriculture into entertainment. What a nice idea! I've rented an experience farm located within the metropolis of Tokyo. Engaging myself directly in production makes me really feel the tenderness and affection of agricultural products, as well as the fun and importance of agriculture.

TAKAHASHI: On the other hand, with the producers' side often separated from consumption, it is difficult to understand who consumers are and what they want even though they are the priority target. In the future, however, producers will be able to evaluate their products by themselves and sell them at convincing prices while increasing contacts with consumers to expand the touch area. Following the Great East Japan Earthquake, I saw many urban-resident volunteers visit the devastated areas for exhausting recovery workloads, but rather return home being more energetic. People in urban areas may feel hard to live because of the lack of feeling alive, whereas there is goodness and power in rural areas such as that experienced by Mr. NAITO.

"Keep it small but strong domestically" and "Scale up and exporting" are both correct answers

KOTANI: Mr. TAKAHASHI and Mr. NAITO, I'm convinced that you both aim to make agriculture and local regions stronger and more sustainable through your business activities. To this end, what do you think are the essential factors?

NAITO: One key point is income for farmers. In Aomori Prefecture, where we cooperate with local producers in cultivating apples, when I ask every farmer, "When have you earned more money—before you started exporting your products or now?" I get the response "Definitely now." Although the unit price for exports is not explicitly high, we can remain competitive with multiple sales channels even when domestic market prices decline in a rich harvest year. In addition, if the potential exists to increase the current annual export volume from 30,000 tons to 100,000 or 150,000 tons, the producers' expectations also rise to meet that challenge. This could pave the way to the emergence of successors.

TAKAHASHI: The rise in income is important. I know a farmer in Wakayama Prefecture who made the highest sales through our Pocket Marche website. His farm is run by his family only, yet the farm's highest monthly sales reached 4 million yen. When I visited and asked him directly how he achieved this, he responded, "I don't gather customers by myself, but my clients voluntarily help me to solicit other customers."

KOTANI: There is not a single solution to increase income. While scale expansion for export is necessary, you also need a fan-based marketing approach with direct, face-to-face communications.

TAKAHASHI: Such new approaches are fun for producers. What's less enjoyable is a possible tendency of almost fixed human relations in rural areas that might result from social phenomena such as the dwindling number of children, the aging population and the shrinking population. New encounters can be created through events such as the expansion of fans nationwide from EC site-based shipments and the local migration of professionals such as the employees of Mr. NAITO's company. The fun through such new ways of thinking is important to the continuation of agriculture.

NAITO: At our company, we find pleasure in working together with locals. Some of our staff, including one of our founders, have migrated with pleasure to local production areas.

TAKAHASHI: I hope that your company expands to Iwate Prefecture next.

NAITO: Thank you for the kind words. We will ask for your cooperation at that time.

KOTANI: A fantastic collaboration is produced here right now. I expect future innovation from you.

"One point breakthrough" for ventures JA and The Norinchukin Bank is strong at "Full rollout"

KOTANI: In conclusion, I assume you have contacts with The Norinchukin Bank and the JA Group in doing your businesses. What are your thoughts about them? Outspoken criticism is welcome. (Laughter)

TAKAHASHI: JA Group's network throughout the country is a material asset. How can JA operate that network effectively in the new era? I think this theme is well deliberated at the front lines. However, it must be difficult for a gigantic organization. Small ventures like us must respond to changes quickly. In my opinion, JA/the Bank can become very competitive if small ventures and JA/the Bank can mutually cooperate via the role sharing of "one point breakthrough" by ventures and a "full rollout" by JA/the Bank.

NAITO: I'm with you. Looking around the world, only Japan has multifunctional organization groups such as JA Group that have a huge number of affiliated producers, and dedicated instructors by production area; are equipped with well-maintained, replete facilities

such as fruit-sorting areas; and have full distribution access nationwide. Accordingly, JA Group's existence could be deemed an enormous infrastructure asset of Japanese agriculture and is a best practice for global agriculture.

I believe that JA should continue to shoulder the major role it has now in the years ahead. The challenge is how its significant network can be fully utilized in the modern age. Maybe, JA needs to align itself with major changes in the environment.

TAKAHASHI: A director of JA told me that a previous strength of JA was having a structure whereby farmers could dedicate themselves to production. However, such segregation of production from distribution and consumption is not necessarily a strength today. I wish we could help JA create a new technique to address the current situation.

NAITO: The Agribusiness Investment & Consultation Co., Ltd., invests in our company, and many JAs cooperate with us in our production activities. We have had no issues or competition with them, and I hope that we can cooperate to further advance our mutual interests in global markets.

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 Bank)

Number of members in JA Bank

JA 552 | JA Shinnoren 32 | The Norinchukin Bank 1

585 organizations operate business in an integrated manner

(April 1, 2022) (Source) The Bank

Number of JA cooperative members

10.42 million

(Source) Comprehensive Agricultural Cooperatives Statistical Tables (2020), Ministry of Agriculture, Forestry and Fisheries

Total number of branches nationwide

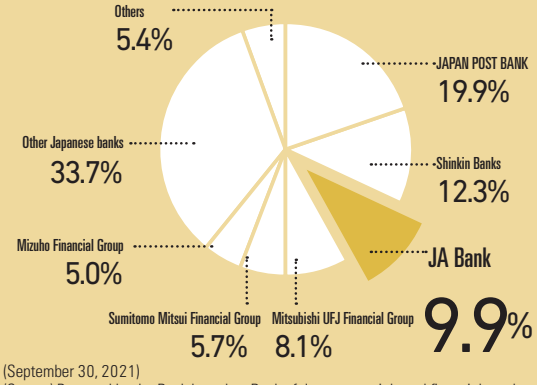
No. 2 in Japan

(6,995* branches nationwide, 13.2% domestic share)

*Calculated by the Bank based on the data as of the end of FY2020 contained in the Financial Journal Special Edition 2022

JA Bank's share of deposits from individuals

No. 3 in Japan



(September 30, 2021)
(Source) Prepared by the Bank based on Bank of Japan materials and financial results briefing materials by respective banks

JA Bank savings balance

108.3 trillion yen

(March 31, 2022)

Number of mobile branches introduced

126

(March 31, 2022)

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 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 Bank is responsible at the national level.

In the field of agriculture, we formed a financial network 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 financial 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 operated 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 face-to-face transaction channels including "branch offices providing comprehensive services" equipped with specialists and client-relationship managers 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. In addition to the financing function 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.

Voice

Strengths of JA Bank and JF Marine Bank: Rooted in diversity and integrity

The Bank develops businesses as JA Bank and JF Marine Bank throughout the country, in alliance with JAs and JFs nationwide, together with JA Shinnoren and JF Shingyoren at each prefectural level. The Bank's Retail Business currently faces new issues in addition to the COVID-19 pandemic. The domestic AFF industries are exposed to strong cost-increasing pressure against the backdrop of rapid changes in the global situation, including the high level of global inflation and Russia's aggression against Ukraine, thereby requiring the Bank to rapidly provide enhanced and extensive support to the relevant domestic industries. This global situation has also impacted directly to the Bank's Retail Business in terms of system development and implementation, which are crucial for our service quality improvement. Eyeing the potential negative impact of the global semiconductors shortage, the Bank is working on measures to maintain our system development and implementation pace.

In the past year, the balance of assets under management (AUM) at JA Bank largely increased. The so-called Fund Wrap Service (discretionary investment management services) started to be handled at several JAs in April 2022. Meanwhile, the volatility of the present financial market stands out. Talking with some employees on the frontlines, I really feel that, rather because of this volatility, it is important for JA Bank to stick to its basic concept of helping members and users in their financial asset formation from a long-term perspective through caring communications with them. I have noticed a good reaction to the life-plan support program that JA Bank has conducted so far.

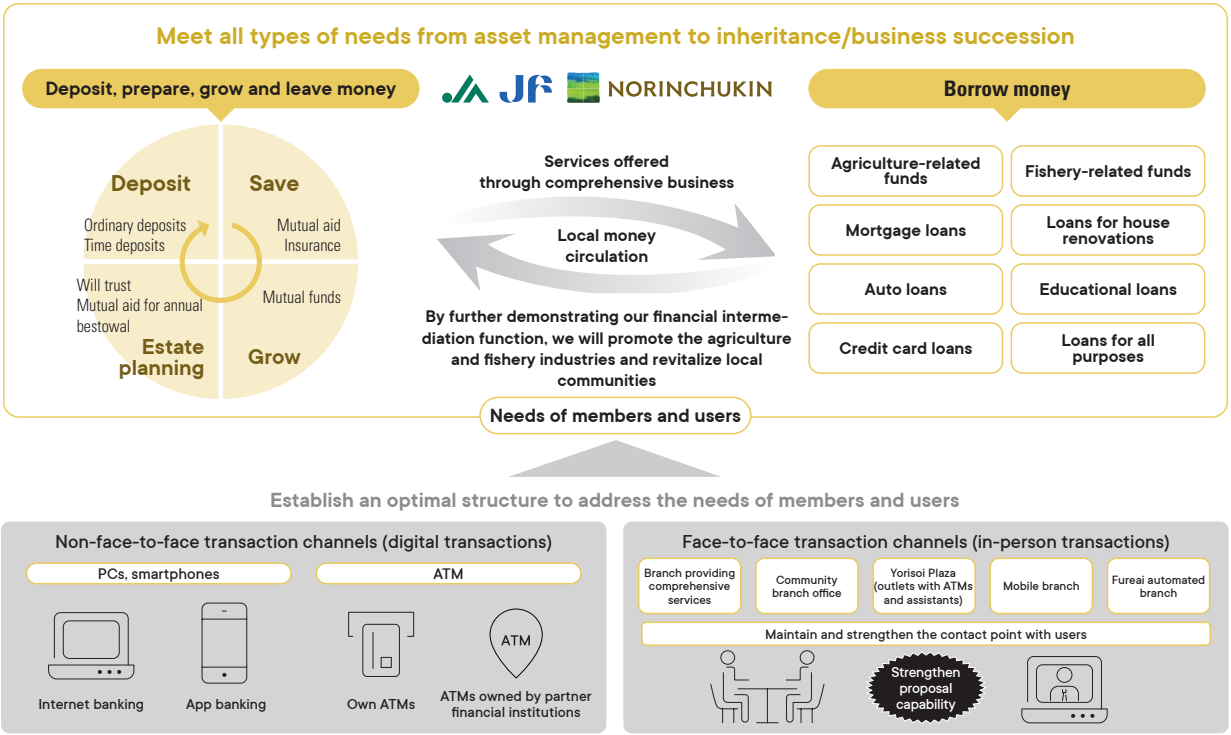
JA Bank's new Medium-Term Strategies covering three fiscal years have started, effective from fiscal 2022. In this medium-term strategy plan, JA Bank holds up the slogan of "Further demonstrating our financial intermediation function" to support agriculture, support the lives of people who live in local regions and liven up the local regions themselves. Having said that, the situation and issues each region or organization faces are diverse.

Accordingly, JA Bank first launched an initiative to clarify its management strategy so that every JA can examine what roles it wants to pursue based on its own position. As a nationwide organization, the Bank intends to provide various supporting measures so that it can back up the initiatives taken by the respective JAs. In addition, JAs and JFs need to establish solid management bases to demonstrate their roles in their respective regions. To this end, JA Bank and JF Marine Bank are promoting thorough improvement of operations without causing a decline in convenience for members and users by leveraging non-face-to-face channels such as online banking.

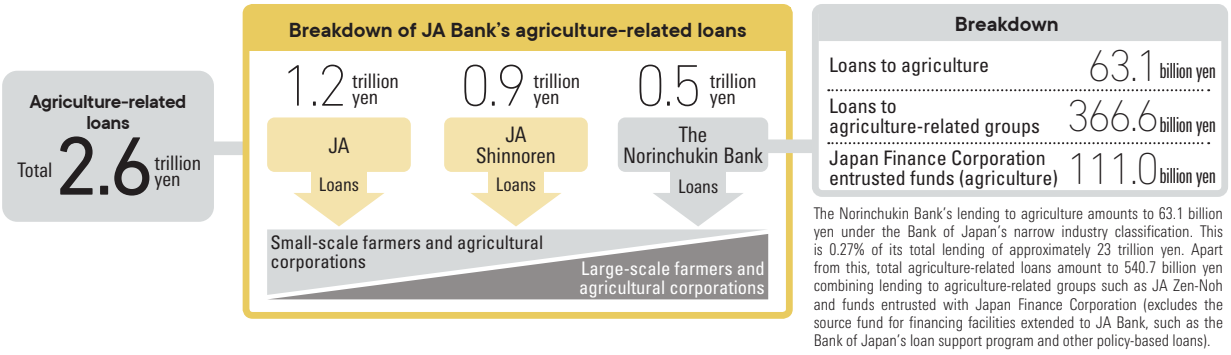
There is a basic principle for cooperatives that a variety of stakeholders should address the common goal of revitalizing the AFF industries and local communities in a unified manner. The Bank aims to improve the overall value while recognizing both diversity and integrity as described above in the retail business.

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

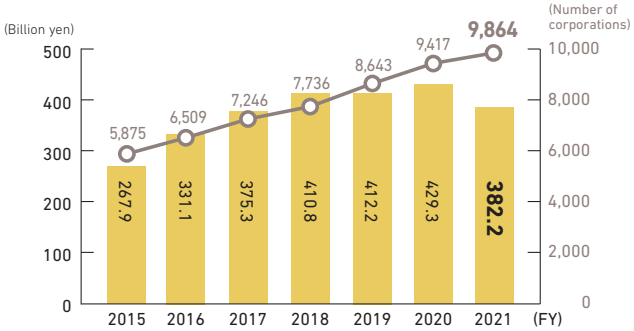


JA Bank's agriculture-related loans

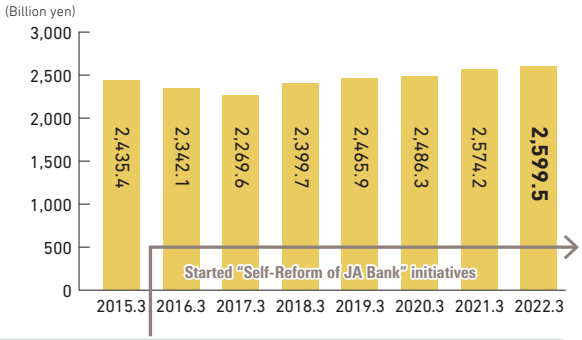


The Norinchukin Bank's lending to agriculture amounts to 63.1 billion yen under the Bank of Japan's narrow industry classification. This is 0.27% of its total lending of approximately 23 trillion yen. Apart from this, total agriculture-related loans amount to 540.7 billion yen combining lending to agriculture-related 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).

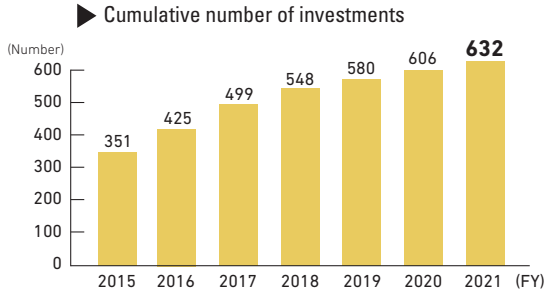
Trends in the amount of new agricultural loans executed and the number of agricultural corporations as business partners

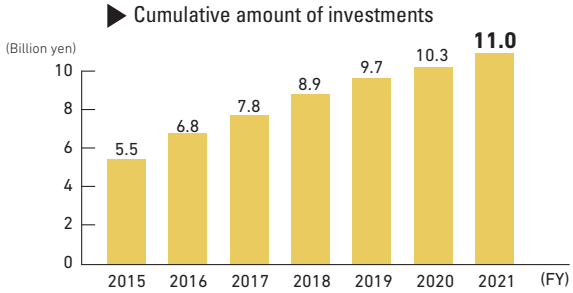


Balance of agriculture-related loans



Investments in agricultural corporations through the Agribusiness Investment & Consultation





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 Bank play 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 Bank play the major role in meeting funding needs for farmers and agricultural corporations running large-scale operations.

As a result, JA Bank's agriculture-related loans total 2.6 trillion yen (including loans facilitated by JA Bank on commission for Japan Finance Corporation) with 1.2 trillion yen at JA, 0.9 trillion yen at JA Shinnoren and 0.5 trillion yen at the Bank.

The somewhat diminishing trend of JA Bank's agriculture-related loan balance turned to an increasing one in fiscal 2017 as a result of the strengthened approach efforts to agricultural corporations. Such trend accelerated in fiscal 2020 as a result of responding to our customers' financial needs amid the COVID-19 pandemic, and the new agricultural loan amount totaled 429.3 billion yen, a large increase from fiscal 2019. The loan demand decreased temporarily in fiscal 2021 due to the decline in the COVID-19 related loans, while the Bank continued responding to the wide range of financing needs.

JA Bank not only provides loans but also makes investments. For example, it actively invests in agricultural corporations that have technological capability but do not have sufficient capital to stabilize their financial position, supplying funds according to the growth stage of such firms. Through this initiative, the number of investment projects and the amount of investments executed via 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, handle low-interest loans nationwide for customers affected by the spread of COVID-19 and consult on various relief methods including revision of repayment terms for existing loans.

JA Bank's "JA Smartphone Class," a Nationwide Service That Leaves No One Behind

The information gap between those who can fully use digital technology and those who cannot is often called the "digital divide." This issue is not new, but the divide has been expanding, influenced by the common use of smartphones and the spread of remote work culture resulting from the COVID-19 pandemic.

Resolving the digital divide has become a grave social issue even for countries where digitization has been actively promoted. Those who tend to require appropriate countermeasures are the elderly. Members and users of JAs nationwide are no exception. Therefore, the Bank launched the "JA Smartphone Class" in fiscal 2021 across the country to address this issue, in cooperation with the Central Union of Agricultural Co-operatives (JA-ZENCHU).

The Bank dispatched lecturers in collaboration with two leading telecommunication companies and provided members and users of JAs with free lessons to master smartphone use. For the classes, three dedicated courses (Introductory, Basic and Advanced) were prepared.

During the process of setting up the class, we received a lot of positive responses from JAs nationwide. When we held an online briefing session for JAs to explain our plan in July 2021, the attendance requests flooded and quickly exceeded the connection limit of 1,000. Approximately 1,100 classes were held throughout the country from July-end 2021 to March-end 2022, and about 14,000 people applied during that period. We continue running the JA Smartphone Class in fiscal 2022 and have so far welcomed numerous participants at a pace faster than the previous fiscal year on a year-on-year basis.

The major goals of the class are to 1) revitalize communications among family members, relatives, friends, etc., via communication apps, and 2) promote the active use of online financial service apps such as ones offered by JA Bank and JA Kyosai (cooperative mutual aid). The benefits of participating in the class are not limited to these goals. A variety of lessons are offered in response to local needs, including how to register for and use e-mail distribution services on farming-related information; heads-ups on deceptive advertising or in-app billings; and information on the safety confirmation service in case of disasters.

The Bank aims to address reducing the digital divide as a priority issue by holding the JA Smartphone Class, but we are looking ahead to other possibilities as well. One is to enrich the lives and farming of members and users and maintain and strengthen the bonds between individuals, as well as between members/users and JA. This approach could lead, by extension, to fulfilling "Leave no one behind," the principle of the SDGs in terms of social services including finance.

Three Easy-to-Understand Courses

- **Introductory Course** for people who intend to use a smartphone for the first time
- **Basic Course** for people who are not accustomed to operating a smartphone
- **Advanced Course** for people who want to enjoy using the various functions of a smartphone

Several Applications Deemed Highly Compatible with the Cooperative's Activities Offered

- Financial service Apps
  (e.g. insurance app and banking app such as JA Bank App)
- Communication Apps
- Flea Market Apps

Supports to Facilitate JAs to Open the JA Smartphone Class

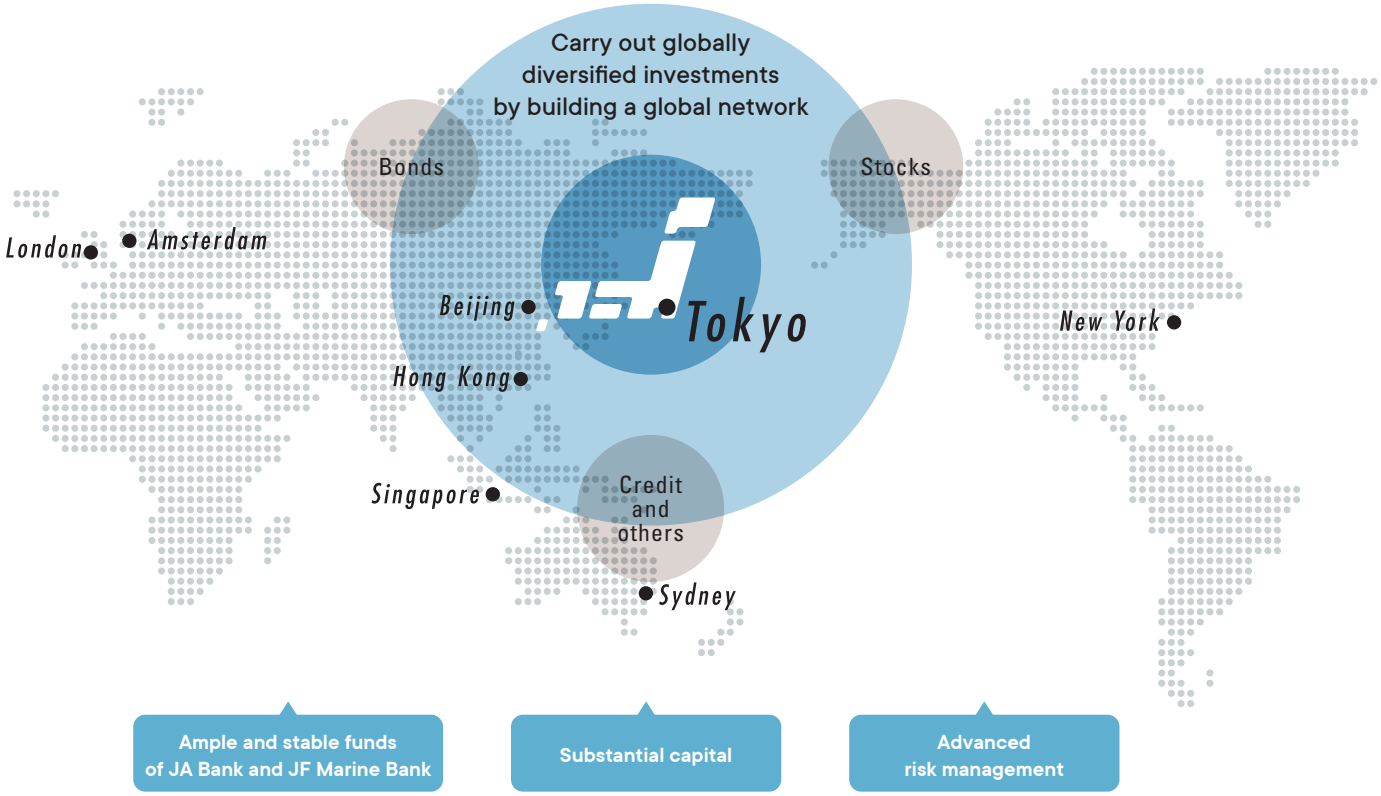
In collaboration with telecommunication companies, we provided the following measures for JAs to improve the efficiency of the class participation application processes, in consideration of applicants being unfamiliar with the use of smartphones.

1) Unified application office per region to reduce application process workload at each JA
2) Two-dimensional barcodes for application that can be commonly used nationwide for easier application processes

JA Smartphone Class

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 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 worked 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, Beijing, 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.

Voice

More revenue source diversification to mitigate the impact of the great turnaround of the investment environment

In fiscal 2021 and 2022, the global financial markets plunged into turmoil. Inflation in the United States followed an unusual evolution, in which the Federal Reserve Board (FRB) withdrew its initial judgment that inflation would be temporary, partly affected by Russia's aggression against Ukraine. Such a surprising change of view by the authorities spread to other countries. Consequently, rising interest rates worldwide are not expected to abate in the near term.

The Bank's Investment Business aims to secure a revenue source that might not be affected by market fluctuations in its Medium-Term Management Plan. To this end, we have prepared for the reconfiguration of our portfolio to cope with the increase in interest rates, based on the assumption that the global environment of ultra-low interest rates, which was caused by the COVID-19 pandemic, would end at some point.

Nevertheless, the transformation of actual markets has progressed at a speed beyond our preliminary assumptions, thereby causing us to take a defensive stance. As a result, we are confident that our portfolio will have to be readdressed after the present situation quiets down.

The investment business of the Bank has two pillars of earnings: revenue from its own portfolio management and commission revenue as asset management fees for assets under management. Considering the current circumstances regarding portfolio management, increasing commission revenue will an important theme in the future.

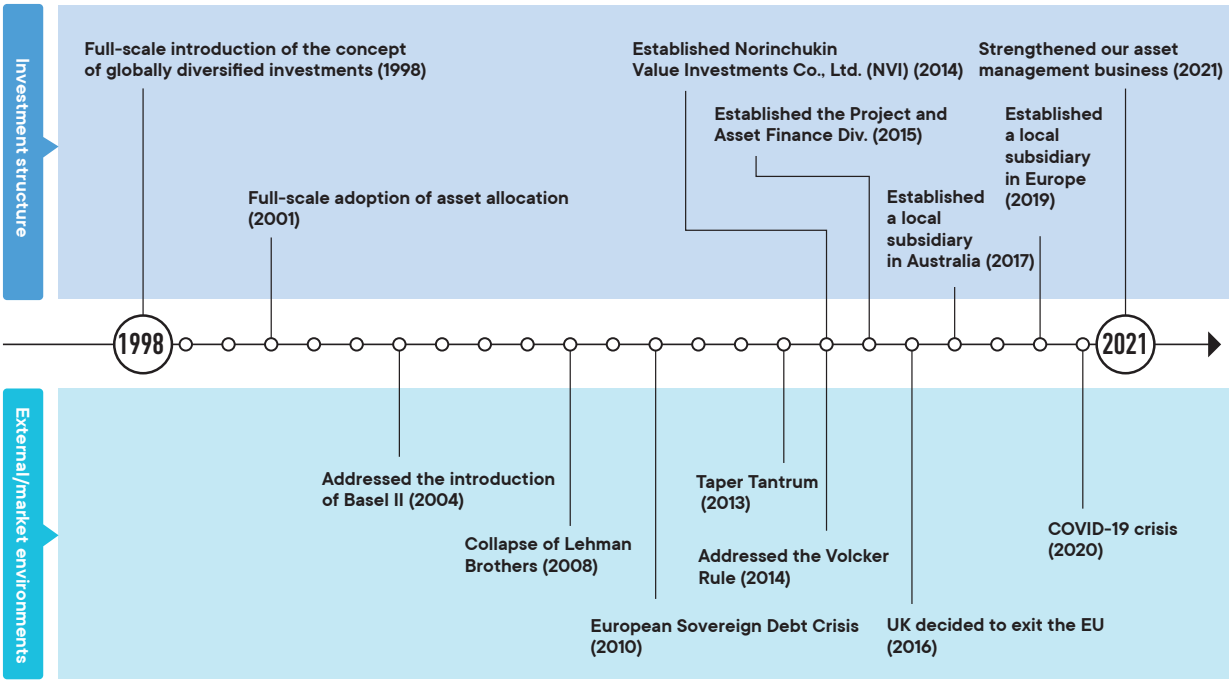
We address the further utilization of subsidiaries as a specific measure to meet such a request. We newly set up two companies in fiscal 2021—Norinchukin Capital Co., Ltd. (NCCAP), and Nochu-JAML Investment Advisors Co., Ltd. (NJIA)—in addition to The Norinchukin Trust & Banking Co., Ltd., which handles fund management, trust products, etc.; Norinchukin Zenkyoren Asset Management Co., Ltd. (NZAM), which manages credit and alternative investments; and Norinchukin Value Investments Co., Ltd., which specializes in investments in value stocks.

NCCAP is reinforcing our private equity investment business, whereas NJIA is a private REIT (real estate investment trust) business as a joint venture with JA MITSUI LEASING, LTD. Although there are many competitors in these business fields, the Bank has experience in both fields and we aim to increase investment targets, expand business scale and raise revenue by increasing the degree of freedom through the business separation and the launch of these subsidiaries.

The mission of the Bank's Investment Business is to ensure the stable return of profits every year to our member cooperatives, which entrust 60 trillion yen in funds with the Bank. We are proud that our skills and know-how to achieve this mission constantly are the strong competence against our competitors, and that will be a powerful weapon in the asset management business as a new pillar of earnings.

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

Progress in globally diversified investments



Bolstering the Asset Management Business—The Norinchukin Group is making group-wide efforts to diversify revenue sources

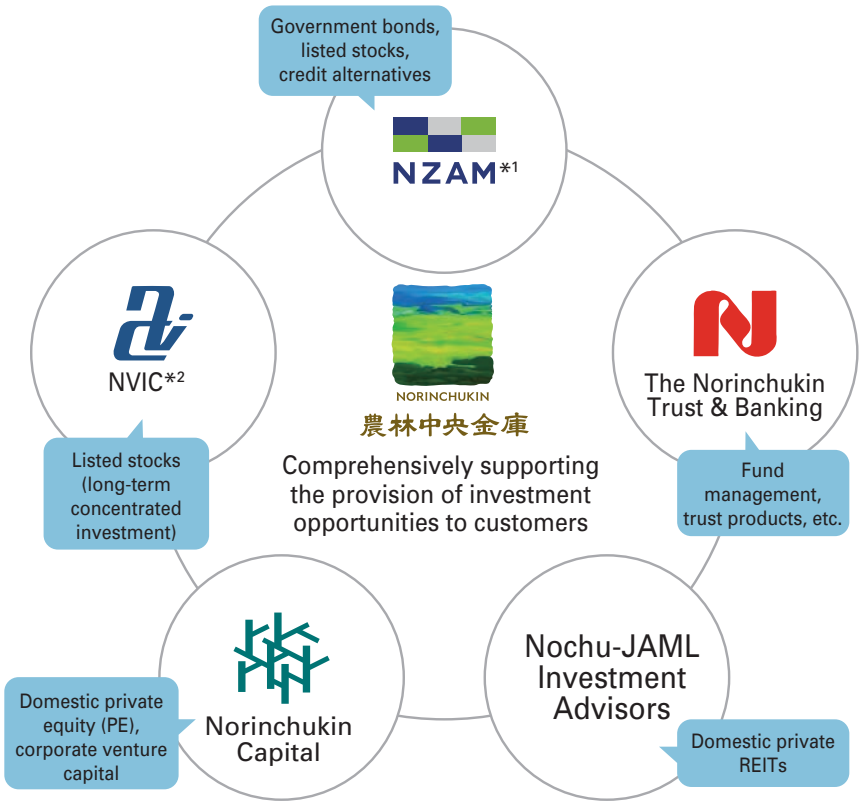
Under the policy of reinforcing our asset management business, we have newly embarked on offering products to clients after having transferred our credit and alternative investment functions to NZAM, an affiliated company of the Bank, in fiscal 2021. In addition, we newly established NCCAP for private equity investment and NJIA for managing domestic real estate private REITs. We intend to effectively use our management experience to meet diversified customer needs (including, e.g., ESG investment products, green real estate investments).

Our expert team within the Bank that has bolstered the asset management business has also been assigned to strengthen the group-wide asset management business. At the same time, we aim to increase and stabilize revenue from the investment business by ensuring management fees that are not affected by economic fluctuations and to leverage this business to realize our Purpose.

The transfer of investment functions to NZAM also strengthens our infrastructure investments further.

Asset Management Group Companies of The Norinchukin Bank

—Providing customers with extensive product lineups—



*1 Norinchukin Zenkyoren Asset Management
*2 Norinchukin Value Investments

COLUMN

Broadly supporting from mature companies to venture enterprises via private equity investment

Norinchukin Capital Co., Ltd. (NCCAP), is our new private equity (PE) investing firm established in August 2021. Its predecessor was the PE investment department of the Bank and had a history of more than two decades in alternative investment including PE. Consequently, NCCAP has the aspect of a savvy veteran investor. As an in-house department of the Bank, the operation was mainly focused on investing in third-party-managed funds. In NCCAP, we will establish our own funds for direct investments in companies. The No. 1 Fund, which launched with 39 billion yen in assets in October 2021, consists of primarily two mainstay investment pillars. One is growth investment, in which we as a minority shareholder invest in a private company that needs growth capital. The other is buy-out investment to obtain the management right to a mature company through an investment that accounts for more than 50% of the shareholding ratio. In terms of direct investment, we worked on growth investment when we were a business department of the Bank, whereas the buy-out investment is a new sector for us following NCCAP's foundation. Such a situation is associated with the banking regulation that limits the holding shares of a company by a banking entity for investment purpose. As this regulation was mitigated for the case of subsidiaries, entry into the buy-out sector via direct investment has become available to us by establishing NCCAP.

In the PE investment, the processes of "sourcing" to find potential investees and "hands-on" to improve corporate value are the keys for success. The Bank has a broad network centering on the food and agriculture sector, in addition to the knowledge cultivated until now. Consequently, the availability of information and/or utilization of human relations therein is a tremendous asset for NCCAP. Moreover, the rising need for risk money, as represented by the successive creation of promising start-ups, and the increasing necessity for business succession serve as a spur to promote our business in this sector.

Following the No. 1 Fund, we plan to launch an innovation investment fund to invest in start-ups during the second half of this year. We will provide risk money and management support to companies that are at various stages by implementing these two funds and collaborate with many stakeholders to achieve favorable results. While we anticipate the Bank to be the sole investor in these funds initially, we will offer subsequent funds to external investors in a few years, with aims to expand our asset management business.

WADA Toru
Norinchukin Capital Co., Ltd.
President and CEO

COLUMN

Aiming to increase new profit-earning opportunities with the Bank's excellent real estate investment skills

Nochu-JAML Investment Advisors Co., Ltd. (NJIA), was established as a joint venture between the Bank and JA MITSUI LEASING, LTD., to newly develop the asset management business in the real estate field, including the management of private REITs (open-ended unlisted privately placed real estate investment corporations).

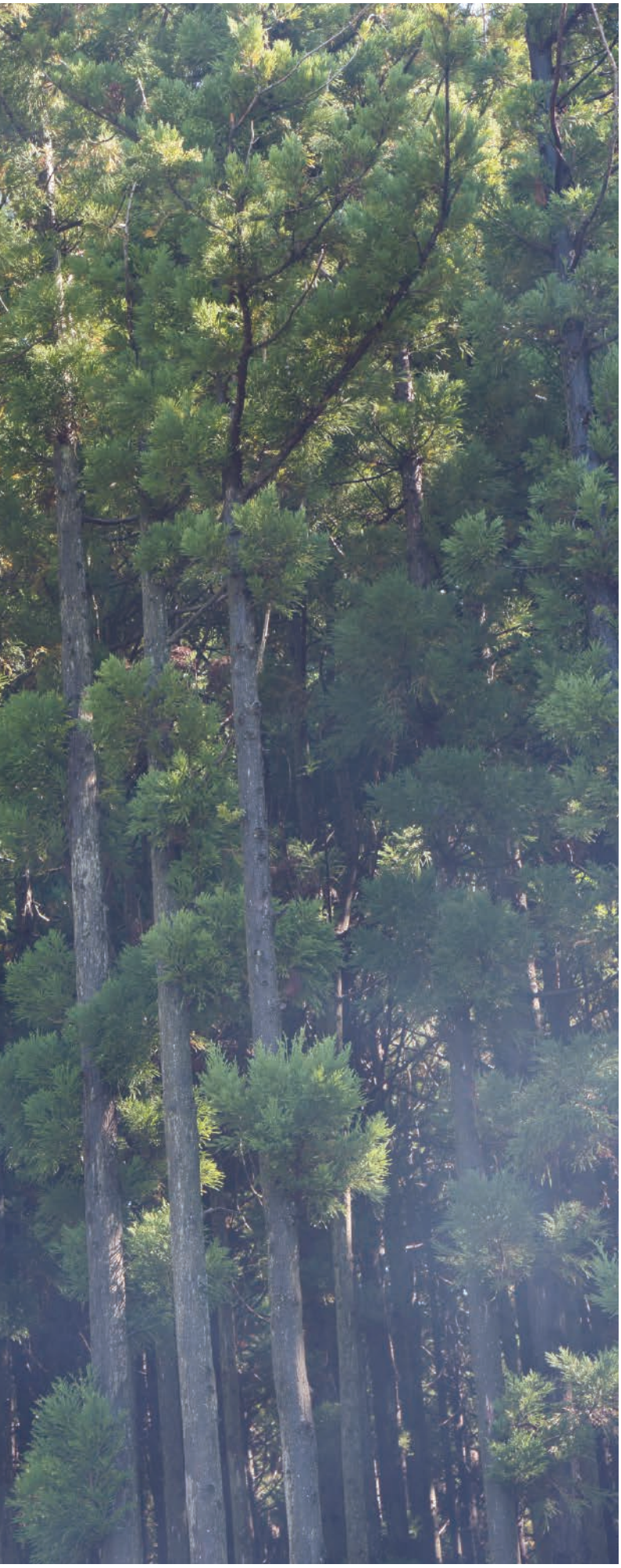
Under the concept of globally diversified investments, the Bank early invested in diversified types of real estate properties in the real estate structured finance market in Japan and overseas, which is an alternative investment sector. We have developed insight regarding properties and extended a broad network in Japan and overseas through such abundant investment experience. Meanwhile, the JA MITSUI LEASING Group (JA MITSUI LEASING, LTD., and JR Mitsui Leasing Tatemono Co., Ltd.) has a wealth of performance history and broad know-how in the development, operation and management fields for real estate properties. The formation of NJIA has established a system to fully utilize such corporate strengths and resources of both parties as a comprehensive power that compensates each other for the enhanced asset management business in the real estate sector.

First, we would like to meet the needs of domestic investors, who seek stable, long-term income from real estate despite the low interest rate environment, considering the operation of private REITs scheduled to start this autumn and the subsequent growth thereof. We aim to expand the size of private REIT assets to approximately 30 billion yen within one year and 100 billion yen within five years from the operational start and further increase it up to 500 billion yen on a medium- to long-term basis.

Furthermore, NJIA intends to demonstrate its solution function, in association with the Bank and the JA MITSUI LEASING Group, to meet the needs of the corporate real estate (CRE) strategy employed by clients of both companies.

Through initial communications with our stakeholders, our private REIT vision was well received with high expectations. To meet such rising expectations from numerous stakeholders including investors, we will develop the high-quality asset management business while creating an environment in which our staff can capitalize on the strengths of their diversified talents and skills.

YAMASHITA Kazunori
Nochu-JAML Investment Advisors Co., Ltd.
President and CEO



Corporate Data

Name	The Norinchukin Bank	
Role	A national financial institution of cooperative organizations whose members include agricultural, fishery and forestry cooperatives that contributes to the advancement of Japan's agriculture, fishery and forestry industries	
Date of establishment	December 20, 1923	
Representative	President & Chief Executive Officer: OKU Kazuto	
Paid-in capital	¥4,040.1 billion (As of March 31, 2022)	
Total assets (On a consolidated basis)	¥106,138.3 billion (As of March 31, 2022)	
Members (Shareholders)	3,317 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, 2022)
Number of employees	3,462 people	(As of March 31, 2022)
Number of business locations	25 sites	(In Japan) Head office: 1 Branch: 19 (Overseas) Branch: 3 Representative office: 2 (As of March 31, 2022) Note: The above does not include one suboffice in Japan.

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

The Norinchukin Bank
VALUE REPORT 2022
Published in August 2022
by the Financial Planning & Control Division