



OKU Kazuto

President and Chief Executive Officer
The Norinchukin Bank

Changes after the COVID-19 pandemic Agriculture, fishery and forestry industries confront tough times

In May 2023, all restrictions on activity associated with the spread of COVID-19 were lifted in Japan. It felt as though I had warped through time to a future world where generative AI is in full swing, similar to the opening line in Yasunari Kawabata's novel, *Snow Country*, in which he writes, "The train came out of the long tunnel into *yukiguni* (snow country)." I also feel that the mindset of business managers has changed drastically from the deflationary economy and shrinking

consumption tendencies that had lasted for over 30 years. Since the beginning of 2024, the Nikkei stock average has increased by over 40,000 yen, and the overall market shows signs of vitality. The depreciating yen helps improve exporting company's financial performance, which contributes to stock price positively, and even to the current trend of increase in basic salary.

Meanwhile, the AFF industries continue to face harsh conditions, such as sharp price surges in production inputs over the past few years. While gasoline prices have stabilized somewhat compared to before, feedstuff and fertilizer prices remain high, putting a strain on the production environment and making it especially

100 years thus far, and 100 years ahead

— Contributing to the future of AFF industries,
our members, and the global environment —

difficult for AFF industries producers to pass on rising costs in the sales price.

Our very mission is to respond to our members and the global environment, centered around AFF industries producers

AFF industries' producers are the core stakeholders of the Bank. In this difficult environment, our goal remains unchanged: to continue providing our utmost support. To make AFF industries sustainable, first and foremost, we need enough farmers, fishermen, and foresters, and increasing this working population dictates the necessity to raise incomes. As such, the Bank promotes improved income for AFF industries producers as a major goal. Not only is the Bank directly involved in efforts to achieve this goal but we also engage in indirect efforts through our members, including JA, JF, and JForest. This highlights the importance of stabilizing the management base of our members who collectively support AFF industries producers. We therefore return profits and provide many other features to our members as well as providing support as needed.

Another element essential for making AFF industries sustainable is the stabilization of the global environment, including the climate. With this point in mind, the Bank is also actively involved in global environmental issues. Responding to the core AFF industries producers, the members who support that core, and the underpinning global environment, is the mission of the Bank.

Sustainability management of the Norinchukin Bank
Using our medium-term vision as a beacon to fulfill our purpose

While the Bank is engaged in sustainability management, we do not see this as a solitary effort. It is a concerted effort that involves AFF industries producers, members such as JA, JF, and JForest, and the group organizations associated with those members. I see sustainability management as the pursuit of providing value to society through the Group's collective efforts. This value, in terms of the JA Group, is to provide consumers with an endless supply of safe and secure food. This necessitates financial resources as well as the ability to brainstorm and implement various initiatives in collaboration with non-financial organizations.

Based on this premise, and while sustainability management is linked to our Purpose we set forth, the Bank itself must first consider what direction to take toward achieving its medium-term goals and use that as a beacon for managing the business. To that end, we have formulated the Medium-term Vision and set forth five visions for where we want to be in 2030.

In order to supply food, it is important that AFF industries are sustainable. To this end, we have set engagement in environmental issues as our first aspiration: engaging in initiatives that create a positive impact on the global environment as well as on local communities in terms of the environment, society, and economy.

And the key to producing farmers, fishermen and foresters lies in increased income. Which brings us to our second aspiration: raising the income of farmers, fishermen and foresters; and striving for sustainable development of AFF industries and local communities.

We will continue with our consulting efforts for AFF corporations and leaders, but we also intend to work on visualization using data wherever possible. For example, in agriculture, there is a world of tacit knowledge otherwise known as expert skills, which, if visualized with data, may allow us to understand what constitutes tastiness. Combining this with the global environmental efforts described earlier, we may even be able to propose methods to scientifically optimize fertilizer usage. We intend to expand this initiative from not just efforts by the Bank but to a widespread effort through collaboration with JA and other members.

In addition to consulting, we will continue to focus our efforts on initiatives with an emphasis on food value chains. Many areas of agriculture allow for the application of various technologies. Incorporating robotics and smart agriculture to address labor shortages is an important aspect. Furthermore, distribution is also key to making and delivering agricultural produce. Because the Bank is connected to companies that fulfill this role through financial transactions and the like, we will study and implement various solutions that offer the best way to deliver produce to consumers. It is also necessary to expand the value chain outside Japan. With a declining population, there is only so much we can do if we think only of consumption in Japan. Japanese sake and fishery products are now popular export goods, but how we go about producing and selling goods that are in demand outside of Japan will become a key issue, which we will support.

The third aspiration calls for providing robust support for the business operations of JA and JF. In the case of JA, this calls for us to work with JA to make it the preferred choice of local business operators and farmers so that they consider JA a worthy partner. For this to happen, JA must have its own customer handling skills, and it is important that JA not fall behind the recent digitalization movement. For our part, we need to send the message that we want to become an organization that supports farmers, and that we're willing to work hard together.

In order to realize these three aspirations, the Bank needs to acquire competencies for securing profits and solving a variety of problems. Profitability is a major point in and of itself, and so is our fourth aspiration. Nothing raises profitability more than the organization and its people. Building a foundation that draws out the desire of employees to make things happen is an important element. We emphasize this as our fifth aspiration. We are currently looking ahead to 2030, but

we know the environment and other circumstances will continue to be volatile. In that sense, this may seem like an abstract vision, but knowing that it cannot be made without aspirations, we have expressed our vision in words.

Diversity is a strength Realizing employee job satisfaction

The employees of the Bank are tasked with various duties ranging from AFF industries and the global environment to investing. As a result, we have many talented human resources with a good balance of skills, which makes our employees highly attractive. At the same time, this balance may be what discourages individuals from taking an active role in forging ahead. I truly believe that diversity is a strength and that it is important for an organization to have a diverse pool of individuals. Homogenous organizations are strong when the tasks and means for accomplishing those tasks are defined. However, in the face of unpredictable events and unexpected outcomes, everyone must feel and think independently while pursuing shared goals. Only then can they follow the best path for the circumstances at the time. Expanding diversity is an initiative we intend to continue focusing on.

Another appealing factor of the Bank is our many employees, who have a strong desire to be of help and support the AFF industries. The core of job satisfaction is not only compensation for labor, such as receiving a salary, but also a combination of fulfillment and being in an area they want to be involved in. We want to firmly encourage each and every employee to achieve that desire.

Aspirations of a flat organization Accepting adversity as a sign of growth

There is a concept of a teal organization, which states that an organization evolves through seven steps. The sixth step is the so-called flat organization. This is considered to be a state where values and organizational direction are shared, where employees have various personality types, and where a variety of opinions come from the bottom up. I have always been fond of an organization that is flat and conducive to dialogue, and while we have made various attempts to achieve this sixth step, it does have its difficulties.

In the face of these difficulties, which may be big or small, or even painful, I remember the words of Friedrich von Schiller, a German philosopher, "Genuine morality is preserved only in the school of adversity,"

and try to accept the feeling of adversity as a sign of growth. I would like to realize my version of an ideal organization while drawing encouragement from the words of Jules Verne: “Anything you can imagine, you can make real.”

Over the course of a century, roles have changed Moving beyond difficulties toward the next 100 years

Lastly, the Bank celebrated its 100th anniversary in December 2023. The history of the Bank started with a 50-year time-limited statute. The purpose of its creation was to provide loans to farmers who desperately needed financing for their operations. From there, through economic growth and other factors, the Bank was given an additional role to “manage funds and return profits to our members.” Consequently, the time-limited nature disappeared. The history that led up to this 100th anniversary has profoundly moved me, and this past year has served as a time to personally reflect about how we want to approach the next 100 years.

In order to fulfill our role of managing funds and

returning profits to members, the Bank established a business model of making globally diversified investments as an institutional investor. In particular, after the 2008 financial crisis, the Bank primarily invested in bonds because of the creditworthiness of the issuer and their liquidity. However, over the past two to three years, we have been significantly impacted by rising interest rates outside of Japan, particularly in the U.S. With regards to the soundness of the Bank, despite these conditions, we have maintained a high level of capital adequacy compared to other peer banks in addition to meeting various regulatory standards.

Meanwhile, in order for the Bank to continue fulfilling its role, we are working to improve our current investment portfolio in recognition of the necessity to strengthen our medium- to long-term profitability. To carry this out steadily, we are currently proceeding with our members for capital enhancement of the Bank.

We have clear responsibility to overcome obstacles to meet up with our members’ expectation especially on this occasion of our 100th anniversary. I am determined to overcome this challenging time and fulfill my responsibilities toward the next 100 years.

