

## Message from the CEO



### **KITABAYASHI Taro**

---

Representative Director and President  
Chief Executive Officer  
The Norinchukin Bank

# Acknowledging reflection and returning to the fundamental roots of our organization, we will build on our strength for the next 100 years.

## Reflections on Fiscal 2024 financial results and lessons for the future

For the fiscal year ended March 31, 2025 (hereinafter fiscal 2024), the Bank reported a consolidated net loss of ¥1.8 trillion. This was the largest loss in our history of over 100 years, and resulted to deplete the internal reserves that our predecessors have diligently accumulated together with our members. We deeply acknowledge that serious concerns and anxieties have arisen among our members and stakeholders due to the financial results. As the leader of the Bank, I'm filled with remorse that we were not able to meet the trust and expectation of our stakeholders and I will be strongly committed to fulfill my responsibilities going forward.

Amid our challenging condition, our members have generously supported a capital increase of ¥1.4 trillion. This capital enhancement was a huge support for the Bank that established a strong foundation for the Bank's new beginning. We sincerely thank our stakeholders for their understanding and encouragement we received, and I renewed my pledge to fulfill our members' trust.

Since the late 1990s, the Bank has promoted internationally diversified investment and built an asset management model that generates a stable return while hedging risk. Despite our commitment to internationally diversified investment, the prolonged low-interest-rate environment led the Bank to somewhat concentrate in bonds and weight toward specific regions – both being factors contributing to the loss in fiscal 2024. Furthermore, while the Bank

has faced numbers of significant changes in the external environment, it has successfully navigated through the challenging times. These success may have led the Bank to fall into a certain degree of normalcy bias.

In addition, while the Bank is a highly stable organization with relatively low employee turnover rate, I feel that we were not adequately prepared to incorporate diverse viewpoints and external opinions to its full extent. We now deeply understand the necessity of establishing an organizational mechanism that enables to identify risk from various perspectives.

As we sincerely acknowledge these reflections, we will further diversify our asset portfolio by both product and region. In addition, we are promoting strengthened governance framework that incorporates appropriate checks and diverse perspectives into the management decision-making process. Specifically, we have established a system in which each of the investment, financial planning, and risk management department independently makes agile decisions, while each department appropriately checks each other. Moreover, we are inviting external experts as observers to the Financial Strategy Committee, to actively reflect objective and specialized opinions into our financial operation.

Risk cannot be gauged solely by way of systems and metrics. What truly is important is to respond to an intuitive concern from frontline staff in response to the question, "Is our current practice really okay?" From the lessons learned, I consider it essential to build a flexible organization that effectively captures



such voices.

Although we incurred the cost of recording net losses, I believe we have effectively mitigated negative impacts on P&L for the future by completing sales of low-yielding assets, such as low performing bonds, during fiscal 2024. In fiscal 2025, leveraging the capital provided by our members, we plan to make new investments and loans across a broad range of asset classes to diversify revenue sources and expect full fiscal 2025 to be profit at ¥30 billion to ¥70 billion range. We will also continue pursuing stable profits in fiscal 2026 and beyond.

### Reestablishing trust and rebuild “earning power” Resolution as the new President

In light of the Bank’s financial results, my first goal as the new President & CEO is to reestablish the trust with our stakeholders.

The first step is of course to rebuild our “earning power.” It is crucial that we methodically reconstruct a sustainable management foundation that balances profitability and financial soundness to return value to our members. Without securing stable earnings, we

cannot continue to support our members and, above all, people engaged in the agriculture, fishery, and forestry (AFF) industries who sustain the lives of the community. The Bank is now required to review its business structure to ensure a framework capable to generate stable profits with an appropriate level of risk-taking.

However, the “earning power” we refer to here does not simply mean a profit-first approach. Rather than focusing on short-term profit targets, we must emphasize on long-term sustainable earnings. Increasing uncertainty is making it difficult to forecast business conditions, and we expect both ups and downs in the future. In such an environment, we consider it important to make decisions that consistently meet stakeholder expectations rather than single-mindedly pursuing higher profits. We will make choices based on careful consideration and effort, aiming to build a system that reliably delivers and steadily accumulates results under any circumstances, instead of making decisions solely based on what looks most profitable, efficient, and rational based on temporal market conditions.

As mentioned above, diversification of investment targets is fundamentally essential, however, in order

to firmly embed this as a system and mindset throughout the Bank, we are considering revising our organizational evaluation indicators. We plan to shift to a framework that evaluates not only individual and department specific short-term profit target and achievement, but also the creation of social benefit and medium-to-long-term value.

At the same time, we must not forget the origin of the Bank. Our mission—and the reason for our establishment and existence—is “to contribute to the sustainable development of AFF industries.” As I will discuss later, the environment surrounding AFF industries is becoming increasingly severe. Under these circumstances, it is necessary for the Bank and its staff to once again recognize the Bank’s primary role in supporting the AFF industries and shaping the future through the power of finance.

When I took office as President & CEO in April, I questioned myself once again - “What does it mean to work at the Bank?” Working at the Bank doesn’t mean being just a financial professional. It means to be passionate about Japan’s AFF industries and to be deeply committed to the sustainability of local communities. The Bank’s staff including myself would keep promoting reforms to build an organization we can be proud of.

### Approaches to enhancing income for the sustainable development of AFF industries

Japan’s AFF industries are at a difficult juncture. The aging population and declining birthrate have led to a shortage of workers in the AFF industries, making the maintenance of farmland and fishing grounds increasingly difficult. This situation has been exacerbated by global inflation and the resulting rise in material prices. Changing climate has increased the frequency of crop failures and natural disasters. These intricately interwoven factors undermine the ability of AFF producers to increase their incomes, which could be called as structural problem. Given these conditions, we believe the Bank needs to extend beyond traditional financial support and provide practical consulting services that effectively support production sites. This is not merely lending or investment, but comprehensive support aimed at enhancing the business value of AFF businesses. Currently, JA Bank, including the Bank, has been providing consulting service, which recently exceeded 1,000 cases over the last four years. We have also confirmed certain degree of income improvement as

a result of solutions we have proposed. With the goal of expanding these consulting services to 3,000 cases by fiscal 2030, we will strive to further enhance our quality of consulting service we provide to farmers.

Furthermore, there is strong demand from the AFF industries for multifaceted support, including IT-driven management consulting, advisory services and marketing support related to business succession, and the introduction of business partners with the aim to expand sales channels. We fully recognize the pressing need for such support. Additionally, AFF industries are also calling for assistance with new initiatives, such as developing various credits linked to environmental issues. We are committed to advancing our efforts in these areas.

Another initiative we are focusing to drive income growth involves the establishment and enhancement of food and agriculture value chains by adding value through integration of the entire workflow—from production, processing, distribution, and consumption—linking upstream AFF producers with midstream processors and distributors, downstream retailers and consumers, and even exporters. This is based on the idea that issues that are difficult to resolve individually can be handled via holistic approach encompassing the entire value chain. We believe that the efforts of AFF businesses must be fairly evaluated and their products must be priced appropriately for income growth to materialize. To promote a virtuous business cycle, the Bank leverages the strength of its diverse domestic and international network spanning the entire value chain to provide broad-based support, including not only the provision of growth capital but also facilitation of business matching, export, and other opportunities.

However, at this point we cannot confidently say that “our initiatives are all sufficient” in answering questions on how the Bank’s initiatives are integrated in the front lines and making impact to the AFF industries. We receive voices from both inside and outside that the Bank’s activities have not been effectively promoted and our messaging remains insufficiently strong. We take these comments seriously and strongly believe it is necessary to disseminate more clearly at what achievements we are aiming, what actions we are undertaking, and what changes we are bringing about.

Clearly defining roles among the Cooperative System is also a critical theme. Regional-level JA, JF, and JForest, prefecture- and national-level federations and unions—including the Bank—must redefine how they collaborate from their respective vantages and

reconstruct a maximally effective collaborative approach to achieve a common target of enhancing the sustainability of AFF industries. To achieve this, we believe that the Bank covering every aspect from the start to the end is not the best way. Rather, the Bank to focus on what it can do as a nationwide federations, and each organizations responding in its respective roles would result in the development of AFF industries.

A stable food supply is fundamental to national security. People sustain their lives by eating, and eating is essential for passing life on to the next generation. Moreover, AFF businesses provide many other values that cannot be expressed as mere economic indicators, such as land conservation, regional employment, and cultural preservation. To support these activities, we are working closely with local communities as a stalwart partner in shaping a sustainable future for Japan.

### Our societal role as outlined in Nochu Vision 2030

We have formulated our Medium-Term Vision as “Nochu Vision 2030”, which sets out our “visions” for 2030, and are promoting initiatives to realize them. We have established five themes (visions) as guidelines for our future actions regarding the role we will play in society, which will ultimately lead to the realization and fulfillment of our purpose.

The first theme is to “Create impact for the global environment, society, and economy.” The AFF industries need to be sustainable not only commercially but also environmentally. To this end, environmental issues such as decarbonization and conservation of biodiversity, as well as social issues such as human rights would need to be addressed. Based on this understanding, the Bank is actively promoting initiatives to create a positive impact and to reduce a negative impact.

The second is to “Support sustainable development of AFF industries and local communities”. Using the aforementioned initiative as a core initiative, we will accelerate our support for people involved in AFF activities. Furthermore, we aim to promote the digital transformation of the AFF industries by investing in companies with innovative ideas and solutions. This second theme is the most fundamental and universal theme as it is connected to the purpose of the Bank.

The third theme is to “Create value for cooperative members and users through optimal integration of digital and real,” is an initiative mainly pursued by JA

Bank and JF Marine Bank. The strength of JA and JF lies in their close real-world connections with their members and customers. As a provider of loans and other financial services, the Bank supports the development of real-world relationships while also promoting initiatives that contribute to the revitalization of local communities where JA and JF play important roles. Furthermore, we are responding to growing demand for digital transactions and aim to provide even more valuable services by combining our strengths in the both physical and online.

The fourth theme is to “Ensure stable returns and play a role as the national level banking institution for the AFF cooperatives”. As mentioned above, we are responding to the bitter experience of recording financial losses by shifting to a diversified business model that avoids excessive concentration of revenue sources and risk. The Norinchukin Group will work as one to build and maintain a sustainable financial and profitability base.

The fifth and final theme is to “Realize a flexible and resilient organization that continues to take on challenge of changes”. This theme serves as an essential foundation of the organization to realize the preceding four themes. We will aim to evolve as an organization that can take on challenges, by developing human resource with diverse perspectives and expertise, and creating new business value through IT and digital technologies.

These themes are all interconnected and will contribute to strengthening the foundation underpinning the AFF industries as well as regional communities. “What do we want to achieve by 2030?” I believe by sincerely considering this question and spreading the visions throughout the organization would translate into a power that would support the Bank’s own evolution.

### Strengths and responsibilities of The Norinchukin Bank as a cooperative banking institution

The most distinctive feature of the Bank is that, unlike ordinary corporate organization targeting profit maximization, we are a “mutual benefit” organization structured as a cooperative association. This doesn’t simply reflect how the organization is managed, but it represents the values and principles that defines the reason of our existence. In other words, all our activities are organized around the clear purpose of “serving our members.”

Furthermore, as specified in the Norinchukin Bank Act,

the purpose of the Bank is clearly defined as “contributing to the sound development of the AFF industries and the advancement of the national economy.” We are deeply honored to provide business with a clear mission which is socially meaningful. Being aware of the Bank’s position in the society and having a guiding principle that prevents us from wavering, are the aspects that provides us tremendous strength as we pursue our business from a long-term perspective.

These organizational characteristics also contribute to our strength in stable financing base. The deposit base built on the trust of our members, including JA, JF, and JForest, allows us to pursue long-term fund management—the driving force to pursue our commitment to solidly support AFF activities and local communities.

On the other hand, there are times that our own characteristics and strengths possess some “weaknesses.” For example, while sharing standards foster unity, they may also work to exclude diverse opinions. Stability can be a major strength, but it may also slow our response to changes. In this era of discontinuity and rapid change, the Bank must be acutely mindful of this concept and evolve as an organization in ways appropriate.

I think the important aspect for future of the Bank is “the ability to balance standards that seems to be contradictory.” In other words, “stability” and “flexibility,” “homogeneity” and “diversity,” and “tradition” and “innovation”, these standards shouldn’t be viewed as mutually exclusive concepts, but must be managed to coexist and create synergies within our organization.

It is essential that all employees deeply understand the significance and value of our characteristics and strengths, and incorporate them into their daily work to sustainably leverage them. This requires ongoing dialogue between management and the frontline staff, sharing experiences and ideas across branches, and a mindset among each employee to continually ask themselves, “Why are we here for?”

As we are keenly aware of the difficulty to flexibly respond to changes and continue to meet social expectations while maintaining the fundamentals as a cooperative, we will continue to sincerely face these challenges. I believe that our responsibility goes beyond relying on our existing strengths; it also involves creating new capabilities that build the next 100 years for the Bank.

July 2025

