

Value Report 2017



NORINCHUKIN

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part
1

What does The Norinchukin Bank look like?

Rethinking our *Raison d'être*



Opening
Article

01 The Professional Perspective

Japanese Agriculture: What are the **Keys** to its Growth?

Last year, a major earthquake hit Kumamoto. Mr. Hitoshi Kinouchi, who started farming in Kumamoto in 1985 despite being brought up in Tokyo, has been running Kinouchi Farm, a tourist farm growing mainly strawberries, and was one of the people who suffered serious damage. Mr. Hayato Ishii, a journalist who knows a lot about agricultural policy, visited Mr. Kinouchi, who is trying to recover from the earthquake while continuing to train young agriculture workers on the farm where he worked for many years, and Ms. Chiaki Ino, who was trained there and became independent, at the farm in Aso, Kumamoto. Here is what was discussed about the challenges facing Japanese agriculture and requests for The Norinchukin Bank.

Hayato
Ishii

Editorial Board Member and
Editorial Writer, Kyodo News



Chiaki
Ino

Young Farmer



Hitoshi
Kinouchi

Representative Director and
Chairman, Kinouchi Farm



Fear of Going Against Nature Discovered Through the Earthquake

Ishii: I heard that you suffered serious damage in last year's Kumamoto earthquake. I'd like to express my sympathy.

Kinouchi: The strawberry field which is the pillar of the operation was destroyed leaving only the frames of the greenhouses. After that, the ground collapsed completely due to the heavy rain in the rainy season, and we lost 70 or 80% of the field.

Ishii: From the plane, I could clearly see that despite it being the time for planting out rice, there were fields not filled with water. Kinouchi Farm's strawberry field is in the Tateno district very close to Aso Ohashi Bridge, which collapsed, isn't it?

Kinouchi: Because Aso Ohashi Bridge passed over agricultural water from the water source up to Tateno, I think that it will take at least a few years to start again in the same place.

Ishii: It's a major blow, isn't it?

Kinouchi: What this earthquake really brought home to me was that the damage to produce was greater when we add to nature, such as with greenhouses and so on. On the contrary, even though the harvest for field crops, such as potatoes, decreased, they grow in harmony with nature using rainwater. I was aware of a fundamental fear of going against nature.

Ino: The tomatoes that I work with were also completely destroyed. I thought that I would at least harvest, but they were already dead because there wasn't any water.

Ishii: I still cannot believe that such a large earthquake happened in Kumamoto.

Kinouchi: I was brought up in Tokyo (Machida City), so I have always experienced earthquakes, but I honestly never expected any damage from an earthquake in Kumamoto, Kyushu, where they say there are hardly any earthquakes. I'd seen and heard about the plight of disaster areas many times in the past, but I reflected on the fact that those other disasters felt somewhat unrelated to me before. This time I was powerfully reminded that Japan is a disaster-prone archipelago. At the same time, many volunteers have been helping us



Tateno district cut off by collapse of Aso Ohashi Bridge due to landslides

since the earthquake until today, and I have been touched by the kindness of Japanese people.

Ishii: Nature, including its disasters, is formidable. I think it's a major uncertain factor for agricultural management. How have you coped with it, Mr. Kinouchi?

Kinouchi: For a long time, I've believed that to develop agriculture you need to expand your land to raise yields while minimizing risk from the weather. So in addition to investing in Hananoumi Corporation, an agricultural corporation in Yamaguchi Prefecture that I have a connection with, I have taken part in the management of the corporation and provided human resources and technology related to strawberry production from Kinouchi Farm to them. Thanks to that, I've received some assistance from them since the earthquake and they've looked after employees from Kinouchi Farm temporarily, and I think that this has somehow enabled me to spread the risk and continue in business in spite of this predicament.

Ishii: As shown in this discussion, I think that the main feature of Mr. Kinouchi's endeavors is that he identifies agriculture as a business in the development of his operations. I'd like to ask about where that concept came from.

Going to South America to Question Own Commitment to Agriculture

Ishii: Please tell me about how you came into contact with agriculture in the first place while being brought up in the city, Mr. Kinouchi.

Kinouchi: I always liked plants and animals and nature, but mountains around me were being scraped away and there was rapid destruction of nature. While feeling a resistance to this, I came to feel a powerful longing for agricultural work where I could create produce with my own hands while being close to the natural environment and the earth.

Ishii: Where did your relationship with agriculture start, Ms. Ino?

Ino: When I was in high school, I learned about the work of Tetsu Nakamura, a doctor from Fukuoka who made wells in developing countries. That was the trigger that germinated a vague longing in me for a job that uses nature to enrich people around the world, and I finally chose working in agriculture after considering a variety of things.

Ishii: Dr. Nakamura worked on improving health care and irrigation channels in Pakistan and Afghanistan. Even though you are from different generations, you both share a feeling about the earth, don't you? So could you tell me about the process of how you came to choose agriculture as a profession?

Kinouchi: I entered the School of Agriculture at Kyushu Tokai University in 1980. There, separate from the practical training, I started to help farmers and, impressed by their speed and beauty of their work, my desire to be involved in full-scale agriculture strengthened. Although it was manual work, the ridges of the fields stand straight. Even when planting out seedlings, these professional farmers did a beautiful, precise job as if they had measured everything, and they worked very quickly.

Ishii: You're saying that the professional skill was beautiful. You've also had a lot of experience overseas, haven't you?

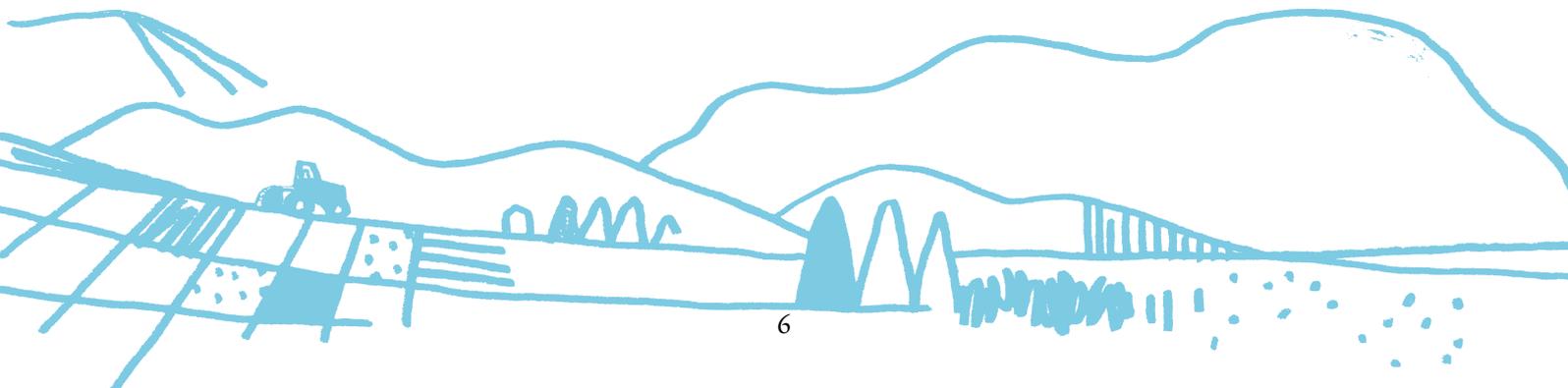
Kinouchi: Yes, I decided to go to South America because I heard the stories of a professor who had experience of



agriculture over there. The language and culture were both different, there was strong discrimination against Japanese people at the time, and a lot of crimes as well were caused by poverty. All the people were struggling to lead independent lives. I wanted to question my own commitment to agriculture while experiencing the situation on the ground.

Ishii: What kind of reaction did you get from the people close to you at the time?

Kinouchi: My parents in Tokyo were strongly opposed, saying "What are you doing going into agriculture after graduating from university?" That was expected, but I felt resentment when a teacher in the School of





Agriculture said, “Are you serious?” to me with a straight face.

Ishii: Even though migrants from Japan struggled to develop farms in South America...Did going overseas strengthen your commitment to working in agriculture?

Kinouchi: I’ve never considered agricultural work to be a hardship to this day, including when I was in South America. It’s obviously because I basically like messing around with soil. It was actually a completely different aspect of it that made me decide to work in agriculture.

Ishii: What was that?

Kinouchi: Even though the local people were leading very poor lives, no one ever had a sad face.

They were perfectly happy. So I wondered why, and I just noticed. They always had farms and pastures near them, so they didn’t worry about eating. This is quite a basic thing and leads to peace of mind.

Ishii: There have been food riots in all places and ages.

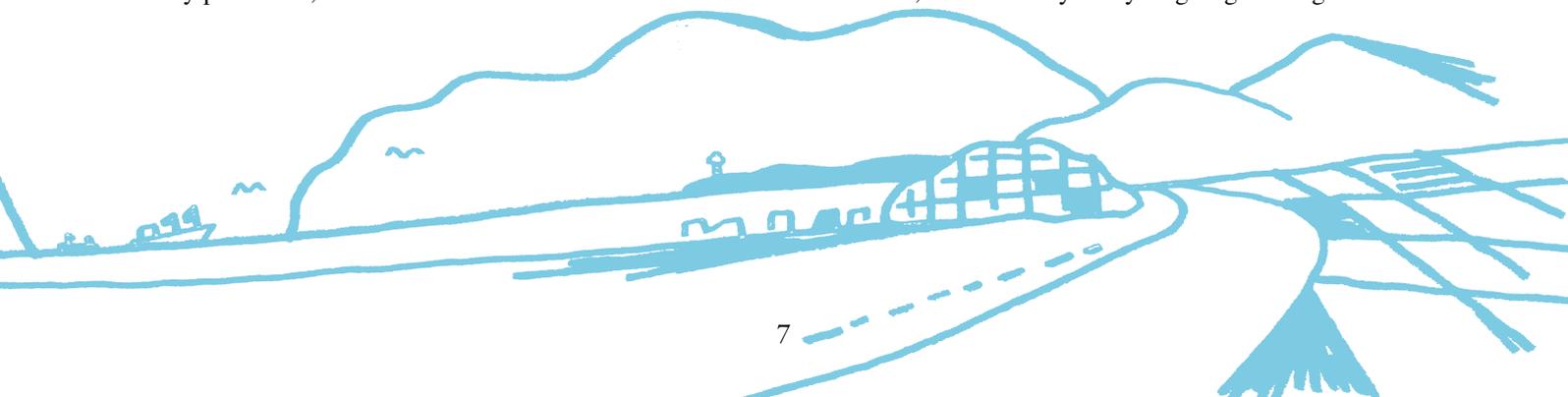
Kinouchi: At that time, I thought that Japan was dangerous. Automobiles and computers were attracting attention at the time as industries leading the Japanese economy, but I wondered whether they would be able to support the economy so that Japan can eat. On the other hand, no one was looking into agriculture. Such a society can’t continue indefinitely. I wanted to become independent through agriculture and strengthen a fundamental part of Japan.

Ishii: So you’re saying that a sense of crisis thinking about Japan’s future was the starting point for you, aren’t you? What was the process like for you, Ms. Ino?

Ino: I’m from the Kumamoto local area, and while I was going to the same university that Mr. Kinouchi went to, I had the privilege of working part-time at Kinouchi Farm. I was able to experience the satisfaction of agriculture for myself there, so, after I graduated, I worked for about a year at an agricultural corporation in Nagano Prefecture through the introduction of an acquaintance. Since the corporation had only just been established, I was able to be involved in the development of abandoned farmland through to harvesting. I also learned cultivation techniques for cucumbers and leeks grown outdoors as well as shiitake and other mushrooms grown in greenhouses. I came back to Kumamoto last spring and leased some land to be independent.

Kinouchi: It’s actually hard for a woman to come this far. Even today, there are voices flying here and there saying, “You’re a woman! Why do you start farming?” So the reality is that even if you try to lease land, you’ll get the cold shoulder, and the people close to a person who does lease you land will say things like, “What are you doing leasing your land to a woman?” Stories like this are still around everywhere.

Ishii: That means that now you have overcome such a hurdle. You battled a lack of understanding. For Mr. Kinouchi, it was “Why are you going into agriculture





Hanaasobi, a tourist complex in Aso City operated by Kinouchi Farm

after graduating from university?” For Ms. Ino it was “Why are you going into agriculture despite being a woman?” A considerable commitment to working in agriculture is something you have in common.

Starting up with Subsidies

Ishii: Next, I’d like to talk about actually going into farming. Mr. Kinouchi, I heard that after graduating from university you stayed in Minami Aso with the aim of becoming independent. How did you get the funds to buy land and equipment?

Kinouchi: At the time, unlike today, neither local government offices nor Japan Agricultural Cooperatives (JA) had any expectations at all that new graduates would actually want to farm.

Naturally, there were no credit facilities, and, to be frank, I got the cold shoulder. A university graduation certificate had no value to farmers (laughs). The mayor of the village told me to come to the local government office because they didn’t have any university graduate employees, and the local people regarded me as a land speculator. There was a friendly staff member who advised me to get myself adopted by a farming family if I wanted to farm so much (laughs). Now these stories are funny, but at the time I was full of gloom about why I was not being given the attention I deserved having graduated from the School of Agriculture with the ambition to farm. However, I believe that my mindset at

that time which was “Just you see! I’ll show you some agriculture that will get your respect in the future,” undoubtedly led to the agricultural corporation I have today.

Ishii: You turned adversity into a springboard.

Kinouchi: For a while, I decided to help a farmer I knew just to increase my experience value. Of course, it was unpaid, so I saved money by working part-time at nights for a company that cast metal parts for automobiles.

Ishii: It seems poles apart from today when there is a subsidy system for new farmers, doesn’t it?

Kinouchi: I believe there are two sides to subsidies. Certainly, now that agriculture is positioned as a growth industry and they are trying to increase the farming population, a few million yen is an amount that will make new farmers think about having a go. However, I really feel that many of the people who start from subsidies tend to give in. It’s not jealousy, but the people who farmed in times like I did and struggled to start from nothing have all kept on going for a long time.

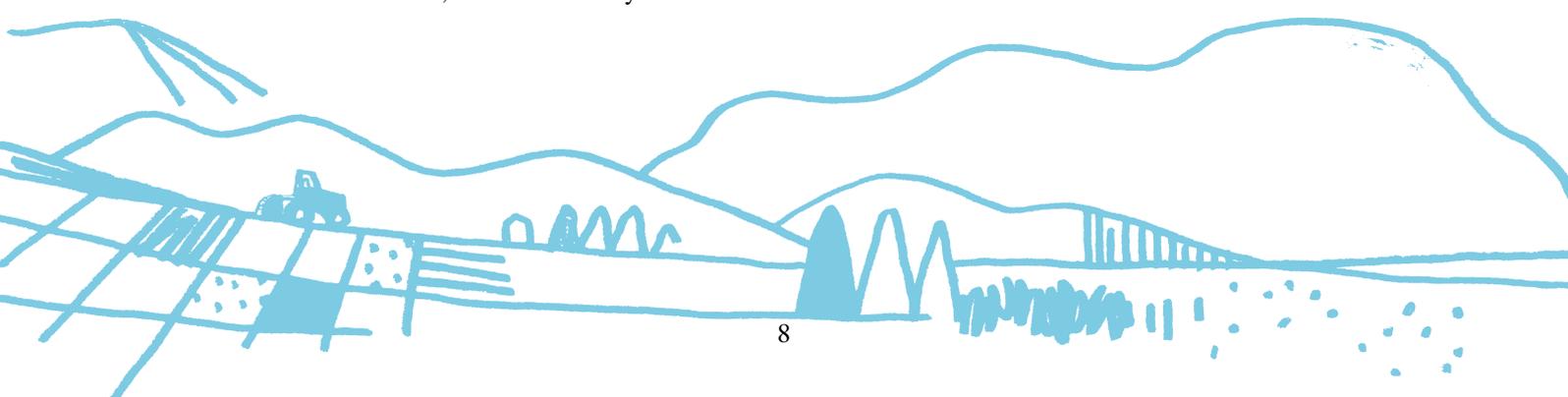
Ishii: What are you doing Ms. Ino?

Ino: I have just applied for a loan for new farmers through my local JA and have benefited from the subsidy system. Despite that, my first step was building a greenhouse using my own savings and help from my parents.

Ishii: Why is that?



The tomato farm that Ms. Ino runs. A variety called Sicilian Rouge is cultivated.



Ino: The system is really appreciated, but I had a feeling that it was somehow wrong to get money just because I was farming.

Kinouchi: We are human beings even if we have carrots in front of us (laughs).

Ino: Mr. Kinouchi always advised me to think of subsidies as savings. I agree that people who see them only as carrots are sure to fail (laughs).

Ishii: The Ministry of Agriculture, Forestry and Fisheries' Next Generation Agricultural Human Resources Investment Project is extremely generous. Up to ¥1.5 million a year is granted for two years of preparing to farm and for five years after commencing operations, but you are saying a large amount isn't necessarily good.

I guess there is room for improvement in terms of system design and operation.

Kinouchi: I think that a system for people who have been farming for two or three years and built up some achievements to be eligible for loans would be good. I'd really like this to be discussed as an agricultural policy.

Thanks to Connections with People

Ishii: What is needed with the funds is land and equipment. How did the two of you acquire them?

Kinouchi: In 1985, I was lucky to be able to lease a rice field for crop rotation from the farmer I had been helping. However, because it was a small area, it was no good for growing rice. I knew that rice production could not be established without subsidies and that the local farmers would never let go of large areas of prime land that are profitable for rice.

Ishii: So you started with greenhouses.

Kinouchi: I was aiming to be independent through agriculture, so I decided to concentrate on greenhouse produce, which can earn a profit even with a small area of land, and particularly growing strawberries, which no one else was doing at the time. Even though basically I don't really like greenhouse produce that goes against the laws of nature (laughs).

Ishii: Aiming to be independent is a choice that is so like you, Mr. Kinouchi. What did you do about equipment and so on?



Kinouchi: Like the land, a farmer I knew let me borrow his when it was free. I'm often asked, "Why Aso?" But the truth is that I could only have started in Aso where I had some connections with people.

Ishii: You were accepted as a farmer in the course of building up those kind of daily associations, weren't you? What about Ms. Ino?

Kinouchi: Ms. Ino is a local, so she has had a lot of supporters from the outset.

Ino: I get support from a variety of people. In that sense, I think I have had advantages. I was able to lease some land from someone my grandmother knows. However, I also sometimes got confused with receiving various advice. Because everyone said something different (laughs).

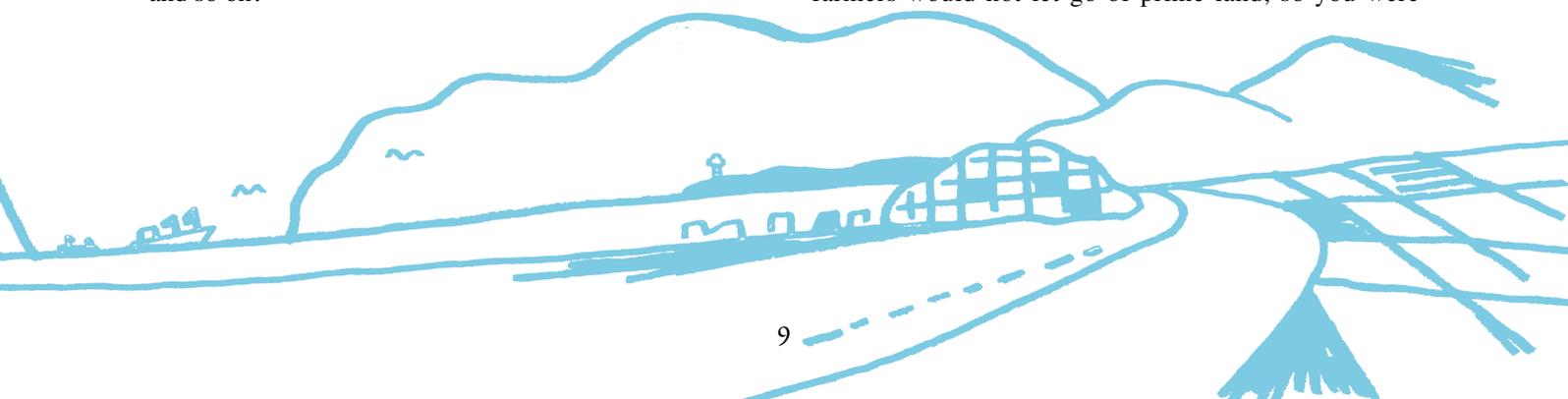
Ishii: How did you deal with that?

Ino: Basically, I have decided to go with my own ideas. For example, thinking about the direction of the wind for the way the greenhouse faces. That's because I think this kind of trial and error is important in agriculture.

Ishii: As I expected. I sense the strong will that is characteristic of a Kinouchi Farm pupil.

How to Train "Personnel"?

Ishii: Mr. Kinouchi, you mentioned earlier that local farmers would not let go of prime land, so you were



only able to get land with poor conditions. What I'd like to ask is what kind of thoughts did you have about your generation who were farming due to their parents, in other words, your generation of fellow farmers who had different competitive conditions from the outset?

Kinouchi: Even in the same generation as me, the number of people inheriting was declining, so, in that sense, I thought of them as friends. I myself had no money, and was aware of being an outsider, so I didn't expect to get prime land from the beginning. However, I did think that there was something wrong with agricultural policy, or society more precisely, not trying to correct such a disparity. Just around that time, I took part in a conference where people involved in agriculture from all around Japan came together, and they were all saying the same thing that there were no successors. So without thinking, I put up my hand and said, "Here are people who want to farm. Why is it that

there is no attempt to accept outsiders like us either under the Agricultural Land Act or the committee activities? Isn't there a need for fundamental improvements?"

Ishii: That episode sounds just like you. However, since then, the aging and declining number of farmers have become pressing issues, so the government has begun a system for encouraging consolidation of agricultural land and policies to promote incorporation of agricultural operations. I think that the allocation of money and land have become easier than in the past?

Kinouchi: We can definitely say that. In particular, I've really felt that land is starting to be consolidated over the past three years or so. I think that a generational break in the people engaged in agriculture is behind this. In other words, people in the baby boomer generation before my generation knew about agriculture, including manual labor, and my generation experienced agriculture



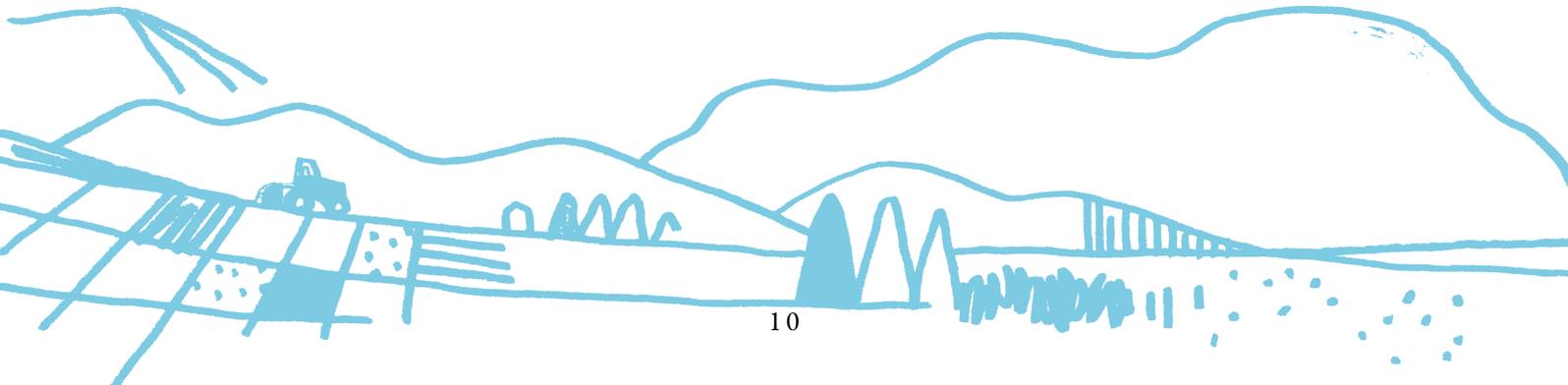
"Yumemiru Strawberry Jam" from Kinouchi Farm



"Yumemiru Strawberry Jam" is produced using the former Kinouchi Farm processing plant.



Inside the Hanaasobi Tourist Strawberry Farm greenhouse



not only with manual labor but also through the use of machinery, helping their parents. However, when we come to the generation now in their 30s and 40s, there are more people who went to the city at a young age and, with barely any experience of agriculture, don't know anything about their own family's fields.

Ishii: It has gotten harder to keep the part-time farmers who supported the villages despite aging.

Kinouchi: Yes. That's why I think the biggest challenge for Japanese agriculture today is how to secure and train "personnel."

Ishii: That's exactly why you are training farmers with management sense (eco-farmers) as the President of NPO Aso Ecofarmers Center while also teaching at university, isn't it, Mr. Kinouchi?

Kinouchi: I think that increasing personnel requires us to clear the issue of quantity first and then improve the quality. However, I think that "people who want to farm" and "people who can farm" is a separate issue.

Ishii: I think that there is an aspect that overlaps with your earlier observation about the two sides of subsidies. Because there are subsidies, the number of people working in agriculture increases, but some of those people don't continue because they started without really thinking about why they are farming. I think there is a problem that quantity does not lead to quality.

Kinouchi: In this respect, I think that the problem is with agricultural policy. I believe that agriculture will not be strengthened in the true sense through a one-size-fits-all policy in a situation where it is necessary not only to promote an increase in the scale of full-time farmers and their incorporation, but also to ask how the part-time farmers, who account for the majority in regional agriculture, can be maintained and retained while also supporting new farmers. There can be small-scale agriculture as well because we can't keep the rice terraces without it.

Ishii: The question is how to balance generous assistance with support to promote independence while respecting diversity. This is an issue we have to consider that is not limited to agricultural policy.

Aiming for Consumer-Oriented Agriculture

Ishii: At this point, I'd like to get another message for new farmers.

Kinouchi: This is something that I also tell the students I teach at the university, but I hope they will aim for consumer-oriented agriculture since they are doing it as a business. In the past, around 1988 I think, I took part in a conference where agricultural managers from all over Japan came together. While other groups were about policy and technological disputes, the tourist farming group was the only one with discussions from the sole perspective of what should be done to satisfy customers, and this had a big impact on me.

Ishii: So that kind of experience was what led you to combine agricultural production with processing (secondary industry) and distribution (tertiary industry) such as by turning the strawberry farm into a tourist farm and selling jam, which has translated into the development of a sixth industrialization which enhances value added.

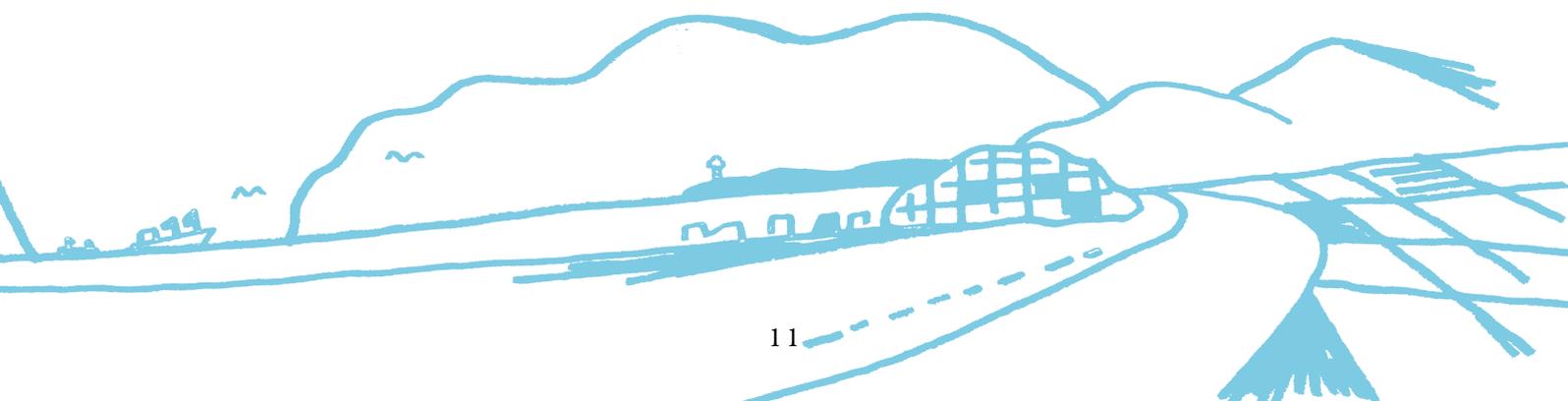
Kinouchi: My direct motivation was that we could not harvest all the strawberries with just my wife and an employee, so it was a simple motive to get the customers who came to see the strawberries to harvest them and eat them (laughs). But a desire to try to practice agriculture that pleases consumers was definitely an undercurrent.

Ishii: Looking at Mr. Kinouchi, what approach have you taken, Ms. Ino?

Ino: The Italian tomatoes that I work with are for processing, and they are delicious when cooked and made into a sauce. There are a lot of imports from overseas, but I'm thinking that if I can produce them in Japan and get them processed while they are fresh, I should be able to make cheap, delicious tomato sauce. It's a niche industry approach (laughs).

Kinouchi: Her point of difference is that she has developed sales channels for high value added tomatoes herself.

Ino: I am wholesaling to restaurants and similar places through buyers whom I know.



Ishii: This means that you have secured buyers who understand the value added properly by yourself. On the other hand, you said just before that you have applied for a new loan through JA, and JA Group is actively investing in agricultural production corporations in collaboration with the Agribusiness Investment & Consultation Co., Ltd., which it jointly established with Japan Finance Corporation. You can increase your capital, so you should be able to expand your business.

Ino: Actually, this time I'm thinking about trying to start *sauvage* cultivation...*sauvage*, which means wild, so I'd really like JA Group to make an investment proposal (laughs). In any case, and this is also what Mr. Kinouchi teaches, I am aware that agriculture is a slow but steady industry which starts with preparing the soil and where you cannot grow in one bound with the risk from the weather and other factors, so I am working hard.

Kinouchi: At the same time as working hard, I advise you to achieve a goal of 10 million yen in annual sales within two or three years of farming. It seems like a contradiction, but if you don't have a harvest of about 10 million yen, then obviously you don't have the means to innovate and you can't reinvest for the future either.

Ishii: You are saying to aim for 10 million yen as a margin for innovation and reinvestment.

We Want The Norinchukin Bank to Be More Aware of Japanese Agriculture

Ishii: Mr. Kinouchi, you literally started farming from zero and have raised your operation up to this after a lot of hard work. Please tell me what your awareness is of the problems for the future of Japanese agriculture.

Kinouchi: There are various problems, but a major problem I am aware of is that I think we need to have a discussion about what sustainable agriculture in Japan should be like. The first perspective is that I think it is necessary to clearly develop the aspect of an agricultural nation, as in Europe, increase the value of Japanese food and, to be frank, increase food prices in line with Europe. The second perspective is that positioning agriculture as a growth industry itself is all very well, but I wonder whether profitability will increase simply

by increasing loans and scale as in the high-tech industry and software industry, and I think that a unique business model is needed for Japanese agriculture.

Ishii: That's because agriculture has its own risks, such as natural disasters, and there are cases where economies of scale and economies of scope do not work as they do in other industries. Although various companies are interested in agriculture, the point is whether they are feasible as a business. In that sense, building up the agricultural product value chain is important in terms of realizing sustainable agriculture, isn't it? Finally, how do you take the current state of agricultural finance?

Kinouchi: Well, in terms of agricultural finance, I sometimes felt that recipients of loans are not completely open about their intentions to the lenders. As an agricultural manager, financial support for agriculture is very much appreciated. However, because agricultural managers want money, they put a positive spin on things. It's wrong to accept these kinds of optimistic management plans at face value. On the other hand, although the lenders, and particularly The Norinchukin Bank, are undoubtedly financial professionals, I sometimes wonder whether they really understand agriculture. Of course, I am well aware that a person who has never farmed or even lived in a farming area does not develop the judgement of a professional immediately on joining the Bank. But if the Bank intends to strengthen its role as a financial institution in JA Group, I would like them to study the reality for farmers, agriculture, and agricultural management. Various companies have entered the industry, but, unfortunately, not many of them have achieved a good profitability. The reality is not so great. I would like the Bank to seriously consider and commit to profitable agriculture in partnership with agricultural managers even though it takes some time rather than wasting money on parties where there is no reality business-wise.

Ishii: You think the Bank should deal seriously with individual farmers because it is now trying to increase its participation in the agricultural sector, such as through the establishment of the Food and Agriculture Business. One more thing is that some media is critical



Hitoshi Kinouchi

Born in Kanagawa Prefecture in 1961. Graduated from the School of Agriculture, Kyushu Tokai University. Despite a non-farming background, pioneered strawberry cultivation in Aso. Participated in establishment through management of Hananoumi, a major farm on the largest area of reclaimed land in western Japan. Established NPO Aso Ecofarmers Center and serves as its President. Former Kumamoto Prefectural Board of Education Chairman. Currently a full-time professor at Tokai University. Publications: *Daichi he no Yume – Tokaikko Nogyo ni Idomu* (Dreams for the Earth – A Metropolitan’s Quest into Agriculture)

Hayato Ishii

Born in Gifu Prefecture in 1958. Graduated from the Faculty of Letters, The University of Tokyo and joined Kyodo News. After being stationed in Washington and serving as Deputy Director of Economics Section, currently Editorial Board Member and Editorial Writer for Kyodo News. Publications include *Nogyo Chotaikoku America no Senryaku* (The United States: Strategy of an Agricultural Super Power). Jointly translated *Tsusho Senshi: Bei Tsusho Daihyo-bu (USTR) no Sekai Senryaku* (Trade Warrior: The Global Strategy of the United States Trade Representative (USTR))

Chiaki Ino

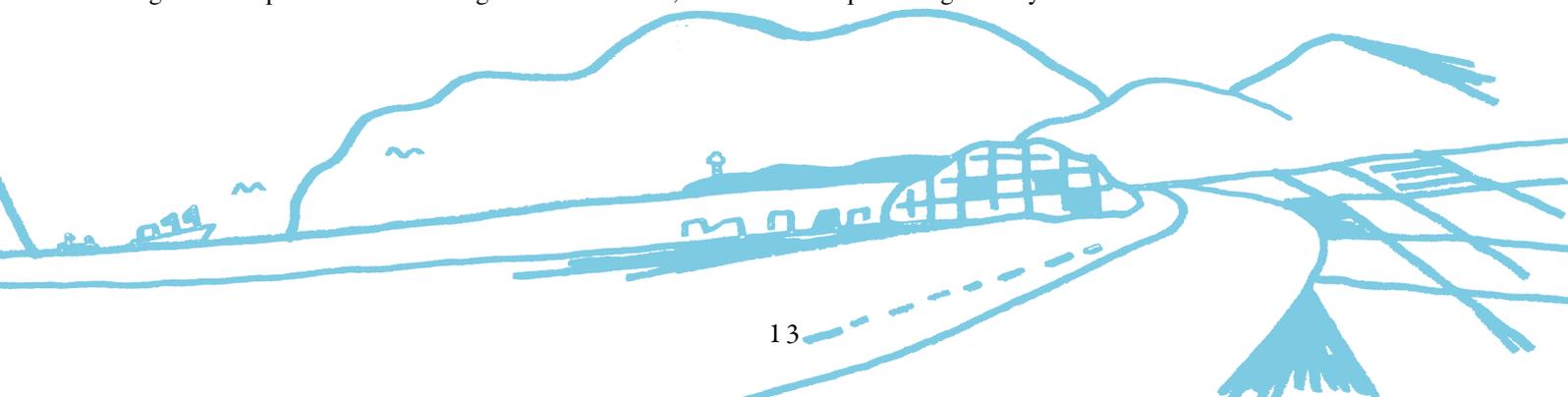
Born in Kumamoto Prefecture in 1992 Graduated from the School of Agriculture, Tokai University. Worked part-time at Kinouchi Farm while studying. After graduating, built up experience at an agricultural corporation in Nagano Prefecture and went independent in Aso City, Kumamoto Prefecture in 2016. Expanding sales channels through local networks. Mainly cultivating non-native species of tomatoes with the motto “Delicious and high quality that consumers can eat with peace of mind.” Aiming to train personnel in the future to pass on her own experience.

of the Bank as an institutional investor. The tone is that managing a huge amount of funds in the global financial market is not appropriate for an agricultural financier.

Kinouchi: There are criticisms of the Bank’s stance on returning profits from investment in securities, such as bonds and stocks, to JA and individual members, or on the pursuit of investment profit even from some producers. But I believe that the investment business is essential for JA to maintain its farming and livelihood guidance operations in each region. In that sense, I think

that it is wrong to brand the investment business as shameful, and I even think that the Bank should stress more strongly that investment profits translate into projects that are in the interest of producers.

Ishii: That’s because investment profits are returned to farmers not only in the form of diverse information and services but also in the form of interest and dividends through the Cooperative System. Thank you for giving me your instructive opinions and observations today despite being so busy.





02 Vision of Journalists Covering Agricultural Policy

What we want The Norinchukin Bank to be

Producers are not the only ones taking a close look at our on-the-ground support. Agricultural policy journalists who report on agriculture, fishery and forestry policies at numerous local newspapers all over Japan are also friendly yet tough “watchers of The Norinchukin Bank.” We have received “expectations” and “requests” from frontline journalists in Kumamoto, Miyagi, and Fukushima prefectures, which are all in the midst of recovery from disaster.

VOICE
01



KUMAMOTO
NICHINICHI SHIMBUN

VOICE
02



KAHOKU SHIMPO
PUBLISHING CO.

VOICE
03



Fukushima-Minpo Co.

VOICE
04



THE FUKUSHIMA
MINYU SHIMBUN

Vision of Journalists

VOICE

01



Masaki Saruwatari

Journalist, Political and Economic Affairs Section, Editorial Office,

KUMAMOTO NICHINICHI SHIMBUN



Graduated from Seinan Gakuin University. Joined KUMAMOTO NICHINICHI SHIMBUN in April 1999. In charge of economic affairs coverage in Political and Economic Affairs Section since March 2015 following stints in Sports Section and the Nankan Bureau. Aged 42 and from Kumamoto City.

Original Reconstruction Support Menu Works Also No.1 in Nationwide Venture Finance

In April 2016, there was a major earthquake in Kumamoto, which recorded the maximum seismic intensity of 7. Damage in the agriculture sector amounted to 130.5 billion yen, primarily to infrastructure such as farmland and irrigation channels. In such an adverse environment, it is The Norinchukin Bank's original menu of reconstruction support in addition to national and prefectural government projects that have played a significant role in recovery and reconstruction for farmers.

Shortly after the earthquake, The Norinchukin Bank started to make low-interest loans and other assistance to affected agriculture, fishery and forestry workers, which reached a total of 2.1 billion yen as of January 31, 2017. The Bank also established a subsidy scheme worth approximately 600 million yen, which included livestock purchasing expenses for affected farmers. Agricultural venture managers, who lost their water sources and established wells with emergency loans, have also expressed the view that the prompt funding kept the adverse impact on crops to a minimum.

However, damaged farmland and farmers are scattered around the prefecture, and reconstruction is still underway. An assiduous and medium-to-long term perspective is essential in support for the affected farmers.

Before the earthquake, Kumamoto's agriculture had been "thriving." While national agricultural production had been

flat at around 8.5 trillion yen, Kumamoto Prefecture's agricultural production had risen for six years in a row. In 2015, agricultural production was 334.8 billion yen, up 2% from the previous year, and ranked 6th out of 47 prefectures, putting agriculture within range of becoming a growth industry.

While the increase in production is mainly due to the rise in agricultural commodity prices, the presence of agricultural corporations with high-level management capabilities cannot be overlooked. In particular, enterprises that are concentrating on expanding scale and mechanization have been prominent, offsetting the decline in production capacity due to the fall in the number of farmers.

The Norinchukin Bank has been providing loans and investments for agricultural corporations, including venture enterprises. Its activities in Kumamoto Prefecture ranked first nationwide with 30 investments totaling 271 million yen as of January 2016 through the Agri-Seed Fund, which has converted a portion of profits into a fund, and the Support Fund for Business Entities of Agricultural Leaders. Hokkaido ranked second with 15 investments.

Some of the agricultural corporations are in competition with local Japan Agricultural Cooperatives (JA). However, exploring coexistence and mutual prosperity as well as improving competitiveness will translate into preparation for the liberalization of trade in the future.



JA-Kumamoto fruit sorting plant where machinery was damaged in the earthquake (April 2016)

The feed tank of a livestock farmer in Kikuchi City which collapsed due to the earthquake (April 2016)



Government officials inspecting farmland in Aso City where a two-meter difference in the level of land was formed due to the earthquake (May 2016)

VOICE
02 →

Akira Tayanagi
Journalist, News Department,
KAHOKU SHIMPO PUBLISHING CO.



Graduated from Tohoku University. Joined KAHOKU SHIMPO PUBLISHING CO. in July 2005. Member of Economic Affairs Coverage Team, News Department since April 2016 following stints in the News Department, Kesenuma Head Office and Ogawara Branch Office. Aged 34 and from Yokohama City.

Essential to Expand Operations Throughout Tohoku from Points Across the Region

It has been six years since the Great East Japan Earthquake and the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station. The regeneration of primary industry in the affected area is still underway, but producers who are using the disaster as a springboard to expand their sales channels in the metropolitan area and the Kansai region and to increase their international competitiveness are appearing. The Norinchukin Bank is required to provide a tailored response to producers in the process of reconstruction and strong backing for pioneers.

The JA Group, which includes The Norinchukin Bank, has held a Tohoku Reconstruction Support Business Conference in Sendai every year since 2012, which is attended by affected farmers, marine product processing industries, and department stores from the metropolitan area and a total of more than 160 business negotiations have been concluded. Moves to develop new products aimed at individuals and to collaborate with the restaurant industry are increasing with the aim of expanding urban sales channels.

USHICHAN FARM, an agricultural corporation from Ishinomaki City in Miyagi Prefecture, has discovered a way out overseas. The farm fattens a total of about 5,000 head of cattle in Miyagi and Iwate Prefectures and has developed its own original brands of beef for each area. Kazutaka Sato, the CEO, who received a 1.1 billion yen loan from The Norinchukin Bank has reflected that overseas demand for beef cattle has growth potential and that the loan opened up a path to reconstruction.



USHICHAN FARM agricultural corporation

Kesenuma Shishiori Processing Cooperative, a cooperative made up of affected marine product processing companies in Kesenuma City, Miyagi Prefecture, aims to export marine products with the assistance of The Norinchukin Bank. In March 2017, Kesenuma Shishiori Processing Cooperative had its first business conference in Singapore and sold Kesenuma food ingredients and processed goods. The Sendai Branch of The Norinchukin Bank says of the response that although PR was the main focus, there were buyers who entered into concrete business negotiations.

In reality, sales have not returned to pre-earthquake levels for many producers. There has been a significant impact from the loss of business partners due to the earthquake as well as business partners being taken by other areas in the period before reconstruction was achieved. The twin obstacles of weathering and rumor are impeding reconstruction in Fukushima Prefecture where the nuclear power accident occurred. Fukushima products containing radioactive substances are unlikely to be on the market in the first place due to meticulous inspections and distribution management, but consumers in urban areas still tend to avoid them.

In its FY2016 – FY2018 Medium-Term Management Plan, The Norinchukin Bank states that the "Food and Agriculture Business" will be a pillar of new business. It will link producers and the business community to make agriculture into a growth industry. It will be essential to mobilize all kinds of measures including loans and investments, export assistance, and nurturing of the next generation of farmers to expand operations throughout Tohoku from points across the region.



Annual Tohoku Reconstruction Support Business Conference in Sendai

VOICE
03 →

Naoyuki Saito

Journalist, News Department, Editorial Office,
Fukushima-Minpo Co.

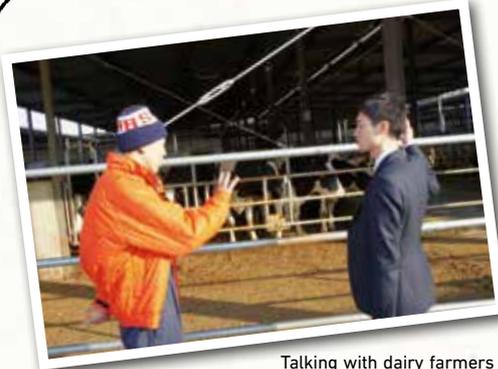


Graduated from Waseda University. Joined Fukushima-Minpo Co. in April 2003. Responsible for prefectural government in News Department from April 2014 following stints in Copy Desk, Editorial Office, the Sukagawa Branch, the Tanagura Branch Office, and the Social Affairs Department. Aged 38 and from Date City.

Cattle Farm Restored from Disaster to Support Large-Scale Dairy Farming

It has been six years since the unprecedented multiple disasters of the earthquake, tsunami, and nuclear power station accident. All measures have been taken to revive the farming industry, which is a core industry, with the decontamination of farmland and the establishment of a testing system for radioactive substances. Market confidence is steadily returning, albeit step by step. However, every time news is reported about contaminated water or molten fuel at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, where decommissioning is continuing, rumors over fears about whether the prefecture's agriculture, fishery and forestry products are safe or not come up again. It could be said rumors like continuous snow cover that never melts are the same thing as prejudice or discrimination.

Despite being exposed to irrationality about Fukushima products, producers have faith in the power of agriculture. "There's no point in worrying. We adults must make an effort to be optimistic for the children of Fukushima," says Kazumasa Tanaka, President of Feliz Latte, a restored cattle farm in Tsuchifune, Fukushima City. He is a dairy farmer who was forced to evacuate due to the nuclear power station accident and had to put down his cows. In September 2015, he started the largest dairy operation in Tohoku together with fellow affected dairy farmers. The farm milks about 500 cows and delivers instantly to dairy cooperatives in the prefecture using state-of-the-art equipment. This milk is loved inside and outside the prefecture as Rakuou Milk and Rakuou Café au Lait. Fumiko



Talking with dairy farmers and deepening knowledge is also important daily work for The Norinchukin Bank employees



The dairy farmers who operate the restored cattle farm

Hayashi, Mayor of Yokohama City, who inspected the ranch, spoke highly of Rakuou Café au Lait and paved the way for it to be sold in the convenience stores in Yokohama City municipal buildings. Sales are apparently still strong now.

The restored cattle farm got on track for large-scale dairy farming through joint management. In addition to national and prefectural support, The Norinchukin Bank's Reconstruction Support Program provided funding assistance. The Bank has provided backing of approximately 570 million yen in loans and investments as expenses for installation of state-of-the-art equipment and working capital through its Reconstruction Loan and Reconstruction Fund. The restored cattle farm has established a goal to develop and sell sixth sector products utilizing its own milk in the near future. The farm's delicious milk products and large-scale management know-how are bringing people in from Japan and overseas, as well as providing a place for new farmers to work. We hope that The Norinchukin Bank will demonstrate its role further in regional revitalization centered on agriculture.



Shipping raw milk from a restored cattle farm boasting state-of-the-art equipment

VOICE
04 →

Takeshi Honda
Journalist, News Department,
THE FUKUSHIMA MINYU SHIMBUN



Graduated from Fukushima University. Joined THE FUKUSHIMA MINYU SHIMBUN in April 2008. Working in Head Office Prefectural Government Press Room since April 2015 following stints in Head Office Copy Room, Head Office News Department, Iwaki Branch News Department, and as Manager of Inawashiro Branch Office. Aged 36 and from Koriyama City.

High Evaluation for the Support Summed Up in the Words of the Producers Working Hard

"The Norinchukin Bank had the same aspiration for the reconstruction and revitalization of Fukushima agriculture." These are the words of Eiju Hangai, President of Minamisoma Tomato Farm (Minamisoma Fukko Agri KK), a newly established vegetable factory in Minamisoma City, Fukushima Prefecture, which faces the Pacific Ocean and was hit by the Great East Japan Earthquake and the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station.

With the recovery of agriculture from a complex disaster that is without any global precedent presenting a major challenge, the Minamisoma Tomato Farm was completed in November 2015 using subsidies from the national government and loans from The Norinchukin Bank. Shipments of "Asubito tomatoes," (asubito means people who open the way to the agriculture of tomorrow in Fukushima) began in March the following year. There are currently around 70 staff, and more than 8 million tomatoes can now be shipped a year. Eiju Hangai commends the advice of The Norinchukin Bank, which had similar aspirations, for its friendly service and close scrutiny of business plans as being instrumental in the establishment of the farm.

Fukushima Prefecture is also facing the challenges of population decline and the aging of its population. Now we want to shift focus from the relatively mild Pacific side to Tadamimachi in Minamiaizu district, which is covered with

heavy snow in the winter.

Compared with the "Nango tomato," the vegetable brand of Minamiaizu district, Tadamimachi has few new entrants into rice production, and there are many elderly people. In July 2016, local farmers established Nekka, a limited liability company, to manufacture shochu from the town's renowned rice in what is said to be Japan's smallest distillery and to take over rice production.

The Norinchukin Bank provided Nekka with support for the formulation of funding plans. Yoshihiro Wakisaka, Representative Partner, says that The Norinchukin Bank joined with the local JA to be in the most familiar place and worked from a local perspective. The rice shochu made its debut in April 2017.

The evaluation of The Norinchukin Bank is summed up in the words of Mr. Hangai and Mr. Wakisaka, producers working hard on the ground.

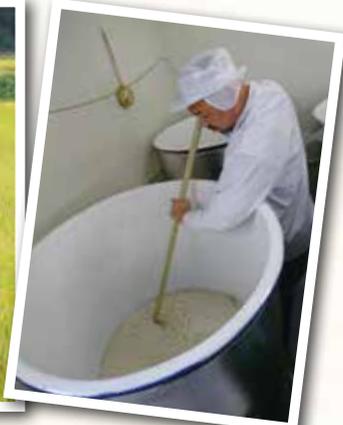
Reconstruction of agriculture from the earthquake and the nuclear power station accident and regional revitalization require the power of cooperatives that place an emphasis not only on the economic dimension, but also on the social dimension. As a financial institution that is based on agricultural, fishery and forestry cooperatives, The Norinchukin Bank is expected to provide even more support than before for the diverse initiatives of enthusiastic producers.



Minamisoma Tomato Farm ships over 8 million tomatoes a year



All the officers of Nekka

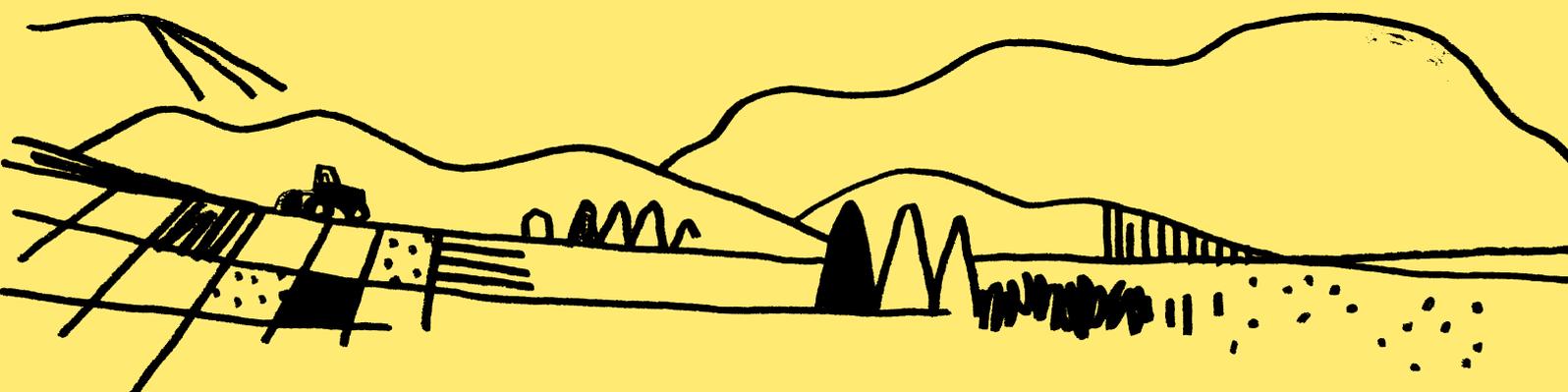


Striving to produce rice shochu

part
2

Where is The Norinchukin Bank headed?

The values we want to create



01 Our Features

Constant Mission over Ninety Years:

Transforming Itself to Meet the Needs of the Times.

1923 ~

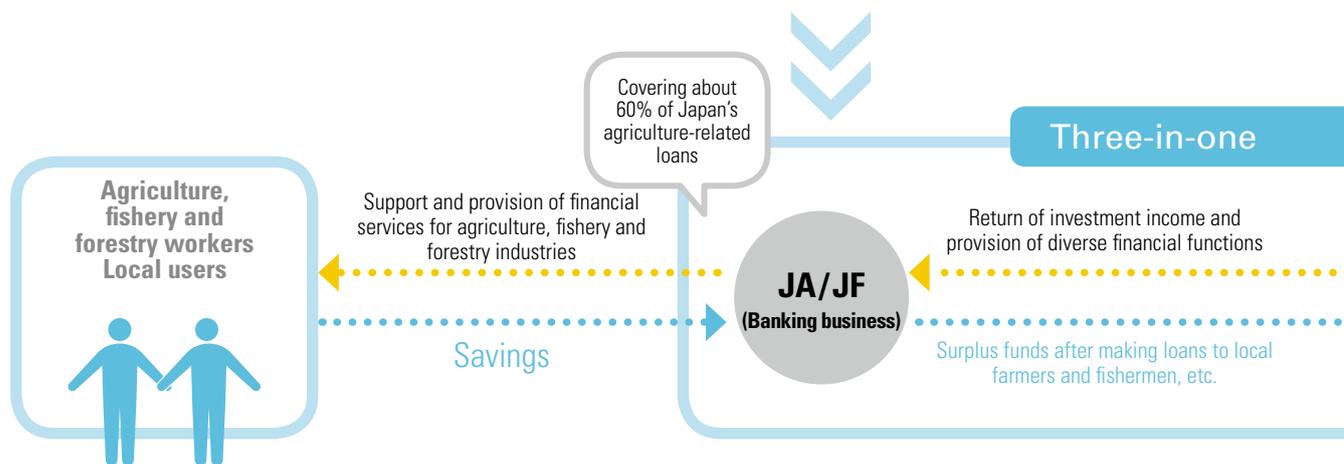
Meeting the demand for funding in the agriculture, fishery and forestry industries before and after World War II



Launched as the central bank for Japan's industrial cooperatives

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

Producers involved in the agriculture, fishery and forestry industries faced a shortage of funds before and after World War II through to Japan's era of high economic growth. The Norinchukin Bank, which was established in this environment in 1923, supplied funds to agricultural, fishery and forestry cooperatives in each area to provide loans to producers and met the demand for large-scale funding that individual cooperatives were incapable of servicing as the central body for agricultural, fishery and forestry cooperative organizations based on the "one for all, all for one" spirit of helping one another.



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 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 the agriculture, fishery and forestry industries by providing financial services for the members of the agricultural, fishery and forestry cooperative system."

Since its establishment through to the present day, we have continued to provide support for everyone engaged in the agriculture, fishery and forestry industries for over 90 years while constantly transforming itself in line with changes in the environment surrounding the agriculture, fishery and forestry industries.

1970 ~

2016 ~



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

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

Anticipating changes in the environment surrounding agriculture, fishery and forestry industries

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

What's Next?



cooperatives

Prefectural Banking Federations of Agricultural Cooperatives (JA Shinnoren)
Prefectural Banking Federations of Fishery Cooperatives (JF Shingyoren)

Return of investment income and provision of diverse financial functions

Surplus funds after making loans to large-scale farmers and fishermen and companies in prefecture, etc.

As one of Japan's major institutional investors

The Norinchukin Bank

Interest and dividends

Loans and investments

Investment income

Globally diversified investments

Companies related to the agriculture, fishery and forestry industries

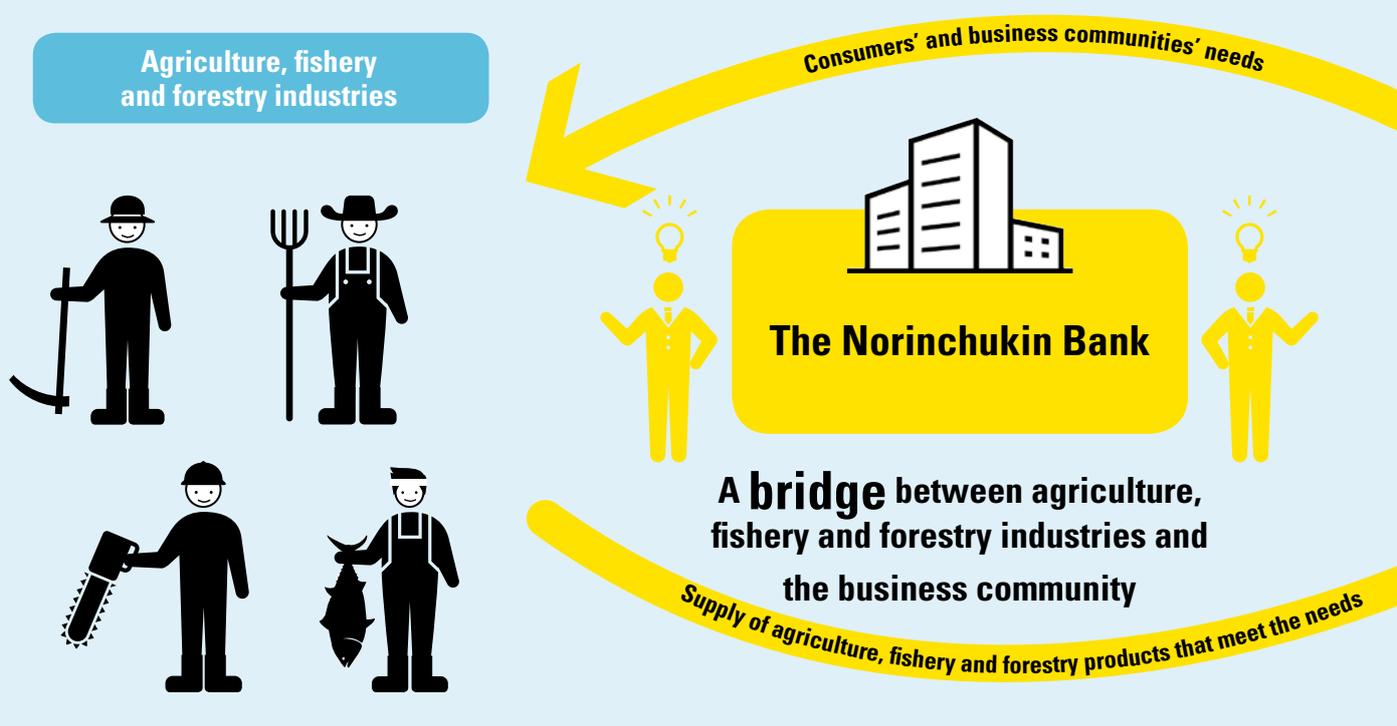


Global financial markets



02 Our Present and Future

Striving to Resolve New Challenges
with the Aim of Turning Agriculture,
Fishery and Forestry Industries into Growth Industries



Role as "Bridge" now expected

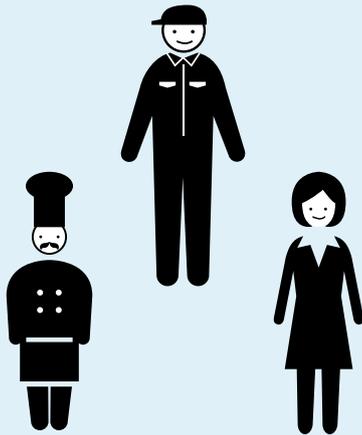
The needs of consumers have changed significantly during the past 40 years. An "outsourcing of meals" has taken place, which includes eating out and prepared meals. There has been a major shift in the purchasers of fresh food from consumers who cook it in their kitchens to restaurants and processed food companies. These companies, which have responded to the voices of consumers so far, seek to be supplied domestically produced agriculture, fishery and forestry products with quality, volume and price that are stable year round. We believe that meeting the needs of these companies and delivering safe and secure domestic agriculture, fishery and forestry products that consumers demand will pave the way to turning the agriculture, fishery and forestry industries into growth industries.

Therefore, based on the deep ties with producers in the agriculture, fishery and forestry industries around Japan and long-standing business relationships with Japan's iconic food-related companies, both of which are our strengths, we will play a role as a coordinator to link the two together. In order to achieve this, rather than simply acting as a "bridge" between primary industry and secondary and tertiary industries, we will actively work on "building" the bridges ourselves. The Bank will connect producers to the diverse needs that arise out of the concept of incorporating market needs into a product and provide the solutions required to produce results. These initiatives are what is now expected of us.

We believe that there are three key factors in order for Japan's agriculture, fishery and forestry industries, and agriculture in particular, to grow as industries. The first is strengthening the management capabilities of large-scale farmers and agricultural corporations leading the agriculture industry of the future. The second is maintaining the protective functions of all farmers, regardless of their scale, in communities, villages and the production base. The third is production that meets consumer needs more. We believe that addressing these factors is the key to turning the agriculture, fishery and forestry industries into growth industries.

Industries related to agriculture, fishery and forestry industries

- Materials manufacturers • Trading companies
- Distributors • Food processors
- Wholesalers and retailers • Restaurants



Consumers



Strengthening the management of future leaders and supporting the protectors of the production base

Amid an ongoing decline in operators due to the aging of the population, a full-scale trend toward expansion in management scale and forming corporations has developed. In response to this trend in agriculture, we aim to become a financial institution that will be trusted even more by the large-scale farmers and agricultural corporations that will lead the agriculture industry of the future.

With a concept of strengthening our foundation, we will work on management challenges faced by leaders in each development stage in a hands-on manner. Rather than limiting ourselves to making loans only, we will provide diverse solutions that will strengthen management capabilities to support long-term growth for leaders.

Meanwhile, small-scale family farmers account for 90% of agricultural entities. We believe that in Japan which is mountainous and where each area has its own diverse characteristics, a variety of operators, regardless of their scale, play multi-faceted roles in addition to agricultural production. These roles include the maintenance of the production base of waterways and farmland as well as local villages and the preservation of the land and the environment, and we believe the continuation of these roles is a prerequisite for the sustainable development of agriculture.

We will support this diverse variety of farmers with the aim of comprehensively turning agriculture into a growth industry.

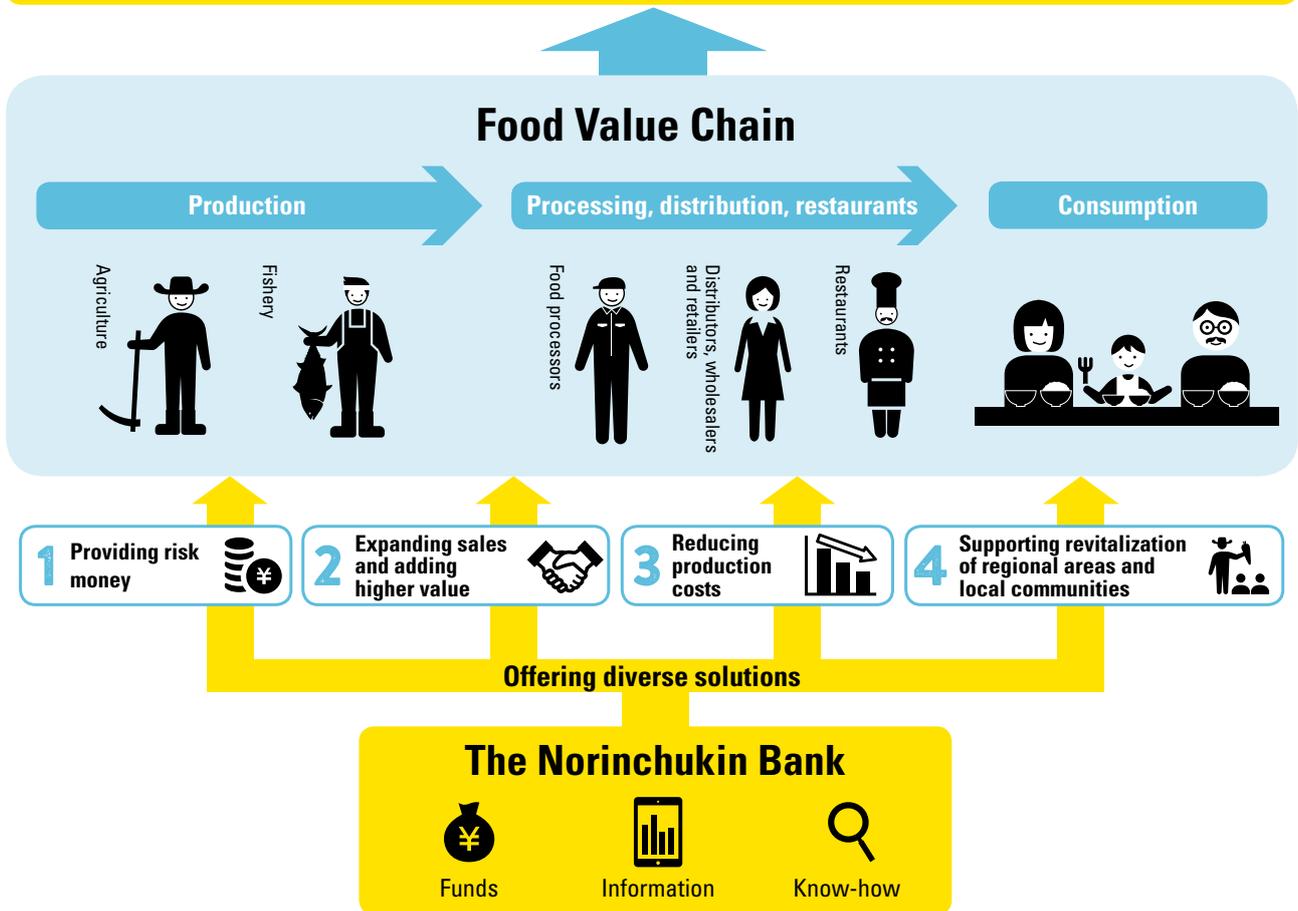
03 Three Value-Creating Businesses

#1 Food and Agriculture Business

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

Toward Realization of Turning the Agriculture, Fishery and Forestry Industries into “Growth Industries”

- Increasing Value Added of Producers and Business Community Respectively -



Combining and utilizing funds, information, and know-how

We established the Food and Agriculture Business as one of the new pillars of our businesses under the new Medium-Term Management Plan, which commenced in April 2016 in order to turn the agriculture, fishery and forestry industries into growth industries. We aim to turn the agriculture, fishery and forestry industries into growth industries by increasing value added across the entire food

value chain from upstream to downstream with four initiatives, which are 1. Providing risk money, 2. Expanding sales and adding higher value, 3. Reducing production costs, and 4. Supporting revitalization of regional areas and local communities. Our goal is to be reliable for all those who make up the food value chain to become the “First Call Bank”, the financial institution that people call on first.



Food and Agriculture Business initiatives

1 Providing risk money

- ▶ Loans and investments depending on stage of development and growth



Establishment of 50.0 billion yen investment facility

Main initiatives

Agri-Seed Fund
(for small to medium-sized
agriculture-related corporations)

240 1.8
investments billion yen

**Support Fund for Business Entities
of Agricultural Leaders**
(for large-scale agriculture-related corporations)

18 500
investments million yen

Sixth Industrialization Fund
(for groups related to agriculture, fishery and
forestry workers)

11 1.0
investments billion yen
(most achievements among similar funds)

2 Expanding sales and adding higher value

3 Reducing production costs

- ▶ Providing solutions for management challenges



Main initiatives

Business conferences in Japan
Business matching
Business conferences overseas
Export seminars

Strategic alliance with
Rabobank (the Netherlands)
(Food and agriculture related financial
business sector) (May 2015)

Agri-Seed Lease
(assistance for farm equipment
procurement costs)

24.8 billion yen

4 Supporting revitalization of regional areas and local communities

- ▶ Supporting revitalization of regional areas and local communities
which are inseparable from growth of agriculture, fishery and forestry industries



Main initiatives

Agricultural entrant support

Farming operation
costs assistance
2,539
cases

Training placement
assistance
651
cases

**Support for Japan Institute of
Agricultural Management**
(through AgriFuture Japan, its managing entity)

No. of
graduates
45

No. of
current students
31

Inbound Green Tourism

(regional revitalization through an increase in the number of
regional tourists and expansion in exports due to
appealing communication about Japanese food)

No. of tours
on a trial basis
5

No. of SNS notification
recipients
Over 1
million

C O L U M N

Building a 500-staff structure for the Food and Agriculture Business

In order to strongly promote the Food and Agriculture Business and to give it a clear profile based on "food," we merged the loan department for the agriculture, fishery and forestry industries and the corporate loan department, which had previously been separate. This established the Food & Agri Banking Business, which brings front office functions through to planning functions together into one business.

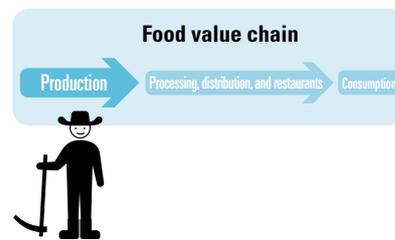
We have assigned a staff of more than 500 out of our total of approximately 2,000 employees on main career tracks to the business. They will contribute to turning the agriculture, fishery and forestry industries into growth industries by providing diverse solutions that increase value added for both the producers and the business community that make up the food value chain.



CASE 01



Matching a manufacturer and an agricultural corporation



Supporting the needs of agricultural corporations aiming to raise productivity with the introduction of state-of-the-art weather service

Deciding what to do in the fields while reading the weather for the distant future is essential for raising agricultural productivity. Experience was considered important in the past, but now that there is an increase in young agricultural entrants, the use of a variety of weather services is also on the rise.

In this environment, our Maebashi Branch supported business matching of GENKI FARM 20, an agricultural corporation in Gunma Prefecture, with MEISEI ELECTRIC, CO., LTD., which provides weather services.

This business matching was facilitated when IHI Corporation, a business partner of our Corporate Business Division at Head Office, introduced POTEKA, which was developed by its group company MEISEI ELECTRIC (Iseaki City, Gunma Prefecture).

POTEKA obtains weather information such as precipitation, wind speed, temperature, and humidity with a sensor installed in the fields and enables the user to browse, collect, and analyze the information using a cloud server. Obtaining pinpoint weather information from POTEKA, makes it possible to forecast the weather in advance rather than relying solely on experience and to streamline work procedures in addition allowing the standardization of work throughout the year by analyzing accumulated information.

In the course of widely disseminating the attractions of POTEKA to all the agricultural managers with whom it has built relationships through a variety of opportunities on a daily basis, the Maebashi Branch introduced MEISEI ELECTRIC to GENKI FARM 20, which is proactively raising

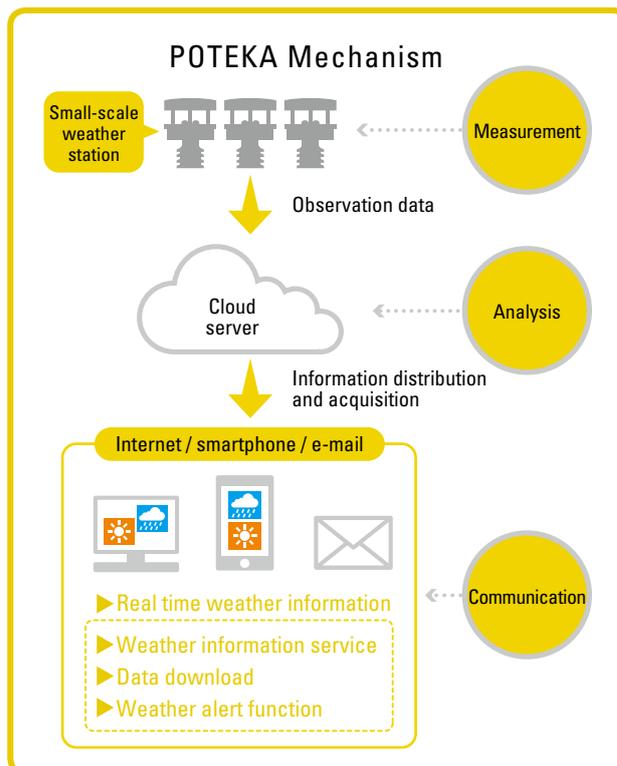
agricultural productivity using IT. The Branch made repeated visits to GENKI FARM 20 with MEISEI ELECTRIC to finalize service content for the mutual advantage of the producer and manufacturer and to provide the necessary support through to the commencement of use. We played the role of a bridge connecting both businesses, which only we, having a customer base both in the agriculture, fishery and forestry industries and in the business community, can play.

Today, GENKI FARM 20 refers to POTEKA data while holding its meeting every morning. Full-scale use of the data throughout the year is still in the future, but daily productivity is steadily rising, with flexible reviews of work plans based on the data and number of workers each day.

As in this case, we are providing support to raise productivity nationwide. This includes business support aimed at introducing IT in Miyagi Prefecture for the revival of the JA Miyagi Watari Strawberry Farm, damaged in the Great East Japan Earthquake, and in Kumamoto Prefecture for achieving streamlining of breeding management operations at Sugimoto Honten CO., LTD., an agricultural corporation that fattens Japanese Black beef cattle.



Example installation: POTEKA can accurately forecast wind direction and speed 36 hours in advance to avoid problems with neighboring areas when spraying agricultural chemicals. It can also identify optimal harvest period by collecting and analyzing data such as accumulated temperature and precipitation.

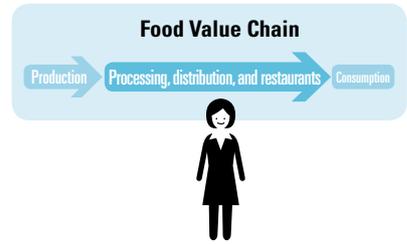




CASE 02



Acquiring overseas company for UK exports of Japanese food ingredients



▶ Acquiring all shares in UK food wholesaler with the aim of generating global “Japanese food” demand

Taking the appeal of Japanese food ingredients to the global market, the JA Group’s new venture in the Food and Agriculture Business has started.

In November 2016, the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and we acquired all the shares in UK food wholesaler SFG Holdings, Ltd. SFG is a wholesaler of Asian and ethnic foods which procures over 1,000 food ingredients from 35 countries around the world, mainly in Europe and Asia and sells to restaurants as well as retailers and wholesalers in the UK and Ireland. This was the first time that ZEN-NOH has wholly acquired an export-related overseas company.

It is expected that demand for food in Japan will fall over the medium-to-long term in conjunction with the aging and decline of the population. In this environment, it is essential to create new demand to turn the agriculture, fishery and forestry industries into unwavering growth industries. Therefore, ZEN-NOH established JA ZEN-NOH International Europe Limited in London in 2015 in an effort to popularize Japanese food while identifying the needs of end users through sales of Japanese foods and management of restaurants. The acquisition of SFG was a part of these efforts, and it is planned to take advantage of SFG’s supply chain, including its customer base and distribution networks, to promote sales of Japanese foods such as rice and wagyu beef.

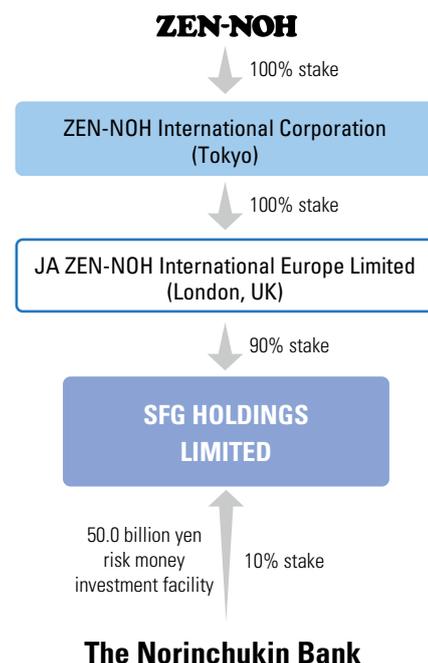
Corporate acquisitions require highly specialized know-

how. We not only offered diverse solutions in association with investment and acquisition, including due diligence of financial and legal affairs, business model and profitability, but also focused efforts on firmly aligning the management philosophies of both parties, which is the most important thing in a corporate acquisition.

In order to be deeply familiar with the management policies of SFG, we and ZEN-NOH held interviews with the company over a long period. As a result, we found that SFG has been growing while rigorously implementing quality control and constantly developing new food ingredients. We decided on the full acquisition in the belief that SFG’s business base will play a significant role in creating overseas demand for and expanding exports of Japanese food ingredients, which is the goal of the JA Group.

The Norinchukin Bank, in partnership with ZEN-NOH, will do its utmost for the growth of SFG and the further expansion of Japanese food ingredients overseas.

Scheme of 100% Acquisition of SFG by ZEN-NOH and The Norinchukin Bank



TOKIMEITĒ, a Japanese restaurant that JA ZEN-NOH International Europe Limited operates in London



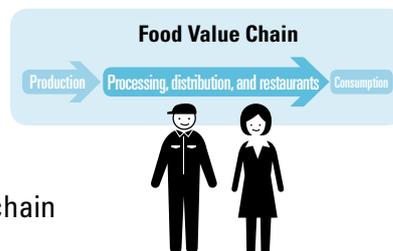
An SFG truck ready to make deliveries early in the morning at 5am



CASE 03

Kesennuma

Supporting construction of value chain for Kesennuma fishery products



▶ Constructing a new fishery product value chain in cooperation with processors who lost entire production base in the earthquake

The fishery product processing cooperative in Kesennuma, Miyagi Prefecture, one of Japan's leading fishery centers which suffered catastrophic damage in the Great East Japan Earthquake, has been driven by a sense of crisis to unite and launch a new business venture.

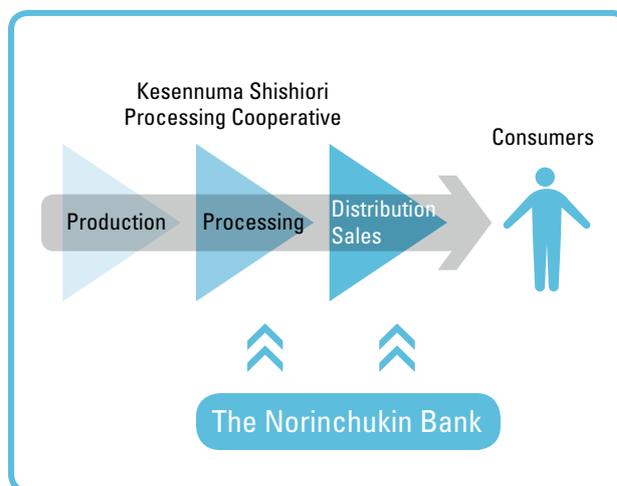
Fishery processors in Kesennuma, which boasts Japan's top catches of fresh bonito, lost their entire business base in the earthquake. Before the earthquake, each processor bought their own seafood and produced and sold their products under their own brands. However, the processors, who had lost their entire business base, shared a sense of crisis about "not being able to survive without businesses working together on revitalization." In August 2012, 17 processors came together to establish the Kesennuma Shishiori Processing Cooperative. The aims were to reduce expenses by sharing newly established facilities and to promote the development of sales channels inside and outside Japan to resolve structural issues in the fishery industry, such as the decrease in fish consumption taking place in Japan.

We provided comprehensive support as the main bank including working with the cooperative to formulate the facilities and equipment plan and providing low interest loans. In addition, we have contributed approximately 50 million yen in support funding and are providing full backing for initiatives to develop overseas sales channels while collaborating with each of the companies involved, including Mitsui & Co., Ltd.

The cooperative has achieved quality control and energy

conservation through such means as introduction of the most up-to-date cold storage and sterilization equipment, and the stabilization of operational status through the shared use of the facilities has also led to a reduction in the burden of expenses. Furthermore, the cooperative organizes PR events and business conferences in Southeast Asian countries using Singapore as a base and invites overseas buyers to Kesennuma for business negotiations. It is also starting to gradually feel more confident in expanding sales channels by actively working to develop and improve products based on local tastes.

We will continue to provide support going forward utilizing our networks inside and outside Japan to build this new fishery product value chain.



A PR event in Singapore



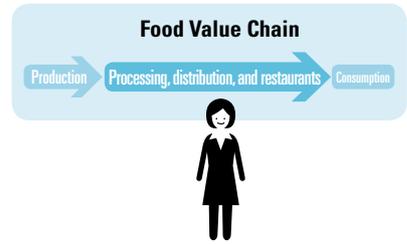
Product range in the cooperative's newly established "Umitogochiso" brand



CASE 04

Japan Nationwide

Promoting use of lumber and domestic lumber



▶ Building a network that considers the present and future of Japan's forest resources

The activities of cross-industry networks that discuss the effective utilization of Japan's forest resources have been attracting attention. The recovery afforestation carried out after World War II with the slogan "Clothe the ravaged land in green" and the trees planted due to expanded afforestation to supply lumber for Japan's economic growth have matured over the period of half a century, and the time has arrived to think about the effective utilization of these trees as domestic lumber. Meanwhile, demand for lumber has fallen to about 60% of what it was in the 1970s, when Japan's demand for lumber peaked. As it is difficult to anticipate a major recovery in demand in the future due to such factors as the fall in the number of housing starts because of the declining population, extending the applications for lumber is a pressing issue.

The "wood" value chain extends from logging production in the mountains through to the use of wood as a material in houses, furniture, and paper. In October 2016, we established the Wood Solution Network (WSN) with the aim of expanding the use of lumber, primarily domestic lumber, widely by taking an overall view of the entire value chain and resolving the various issues in each process.

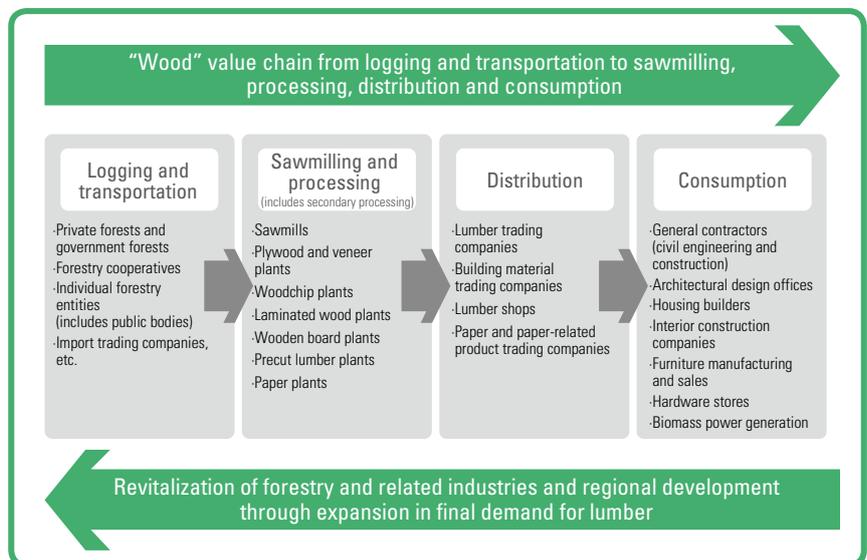
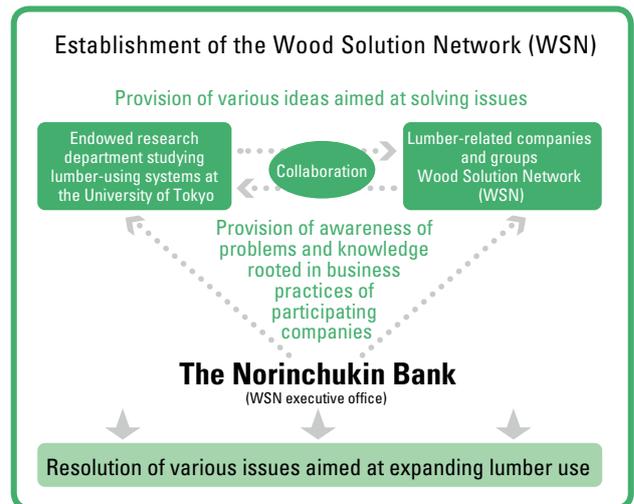
Twenty six companies and groups, including representatives of forestry producer groups, sawmills, trading companies, and housing builders responsible for processing and distribution are taking part in the WSN at present.

The WSN has initiated its activities as a platform for collaboration among industrial, academic and financial sectors to encourage cooperation between the participating companies and groups working with a research department at the University of Tokyo endowed by us for the study of lumber-using systems with the aim of creating innovative solutions and growth businesses to increase the competitiveness of lumber-related industry.

The WSN has established three sub-committees. One is a committee that aims to expand the use of

lumber in structures other than housing as structural materials such as pillars, beams and walls. Another committee will explore the potential for the use of lumber as an interior material in office buildings. The other committee will deepen mutual understanding about the situations faced by upstream and downstream industries while spotlighting the production frontline.

We will support the activities of the participating companies and groups as the executive office for the WSN. We will contribute to the revitalization of Japan's forestry industry and the resolution of industry issues around lumber.



Main bank for livelihoods of members and everyone in the community

JA Bank by numbers

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

Number of members in JA Bank

JA **655** JA Shinnoren **32** The Norinchukin Bank **1**

688 groups operate business in an integrated manner (as of March 31, 2017)
(Source) The Norinchukin Bank research

Number of JA cooperative members

10.27 million



(March 31, 2015) (Source) Comprehensive Agricultural Cooperatives Statistical Tables (2014), Ministry of Agriculture, Forestry and Fisheries

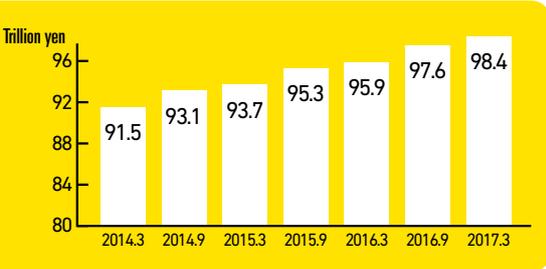
JA Bank savings balance

98.4 trillion yen

(March 31, 2017)



(Source) The Norinchukin Bank research



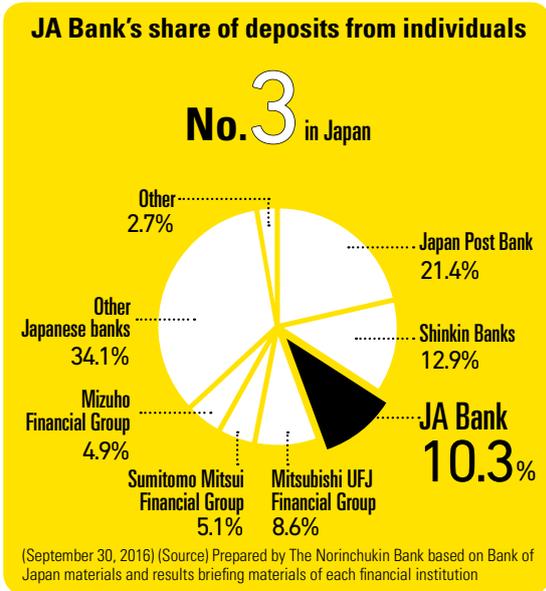
Total number of branches nationwide*

No. 2 in Japan



(8,147 branches nationwide, 15% domestic share)

* Number of JAs and number of branches is number of JA branches handling domestic exchange (March 31, 2016) (Source) The Financial Journal Special Edition



Number of ATMs available free of charge*

Over **67,000**

(about 1/3 of all ATMs)



*ATMs available for JA Bank users. Number of ATMs includes alliance partners with free withdrawal fees on weekday daytime periods (March 31, 2016)
(Source) Prepared by The Norinchukin Bank based on White Paper on Financial Information Systems and materials from ATM operators

New Challenges for JA Bank

C O L U M N

Introducing mobile branches nationwide

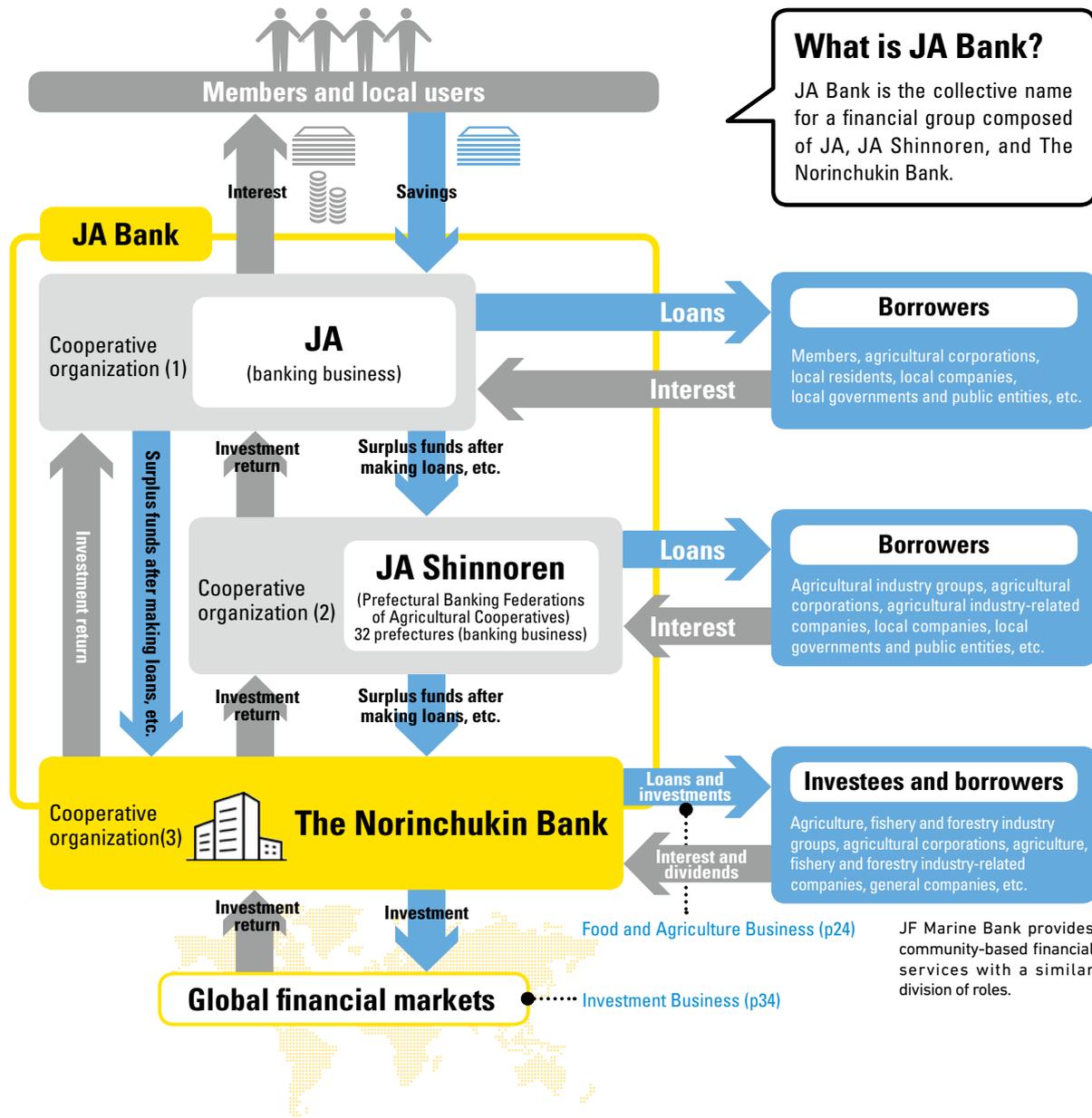
JA Bank is working on "provision of financial services connecting agriculture and local communities/users and contribution to local communities" as one of the pillars of the "Self-Reform of JA Bank". Putting this into practice, we have launched the full-scale utilization of mobile branches nationwide that are equipped with service terminals for financial business and go around communities. In fiscal 2016, JA Bank introduced 25 of the vehicles. We plan to introduce around 100 vehicles in total nationwide.

JA Bank will continue to provide community financial infrastructure while also utilizing these mobile branches.



A JA mobile branch going to the customer

Flow of Funds at JA Bank



Managing JA Bank and JF Marine Bank funds efficiently while meticulously meeting funding needs in each area

At JA Bank, JA, JA Shinnoren, and The Norinchukin Bank share responsibilities for implementing efficient management of funds. The savings deposited by members and local users are firstly used by JA itself to meet local funding needs. Specifically, JA provides loans for local farmers, agricultural corporations and users. Surplus funds after making loans at JA are deposited with JA Shinnoren at the prefectural level and used to make loans to large-scale farmers and agricultural corporations and companies within the prefecture. Surplus funds after that are

deposited with us.

As the ultimate manager of these deposited funds, we make loans to agriculture, fishery and forestry industry groups, agricultural corporations, and agriculture, fishery and forestry industry-related companies in addition to investing in securities on global financial markets to return profit from investments to JA and JA Shinnoren.

There is also a division of roles at JF Marine Bank between JF, JF Shingyoren, and The Norinchukin Bank to implement efficient management of funds.

JA Bank: Japan's biggest lender accounting for approximately 60% of all agriculture-related loans

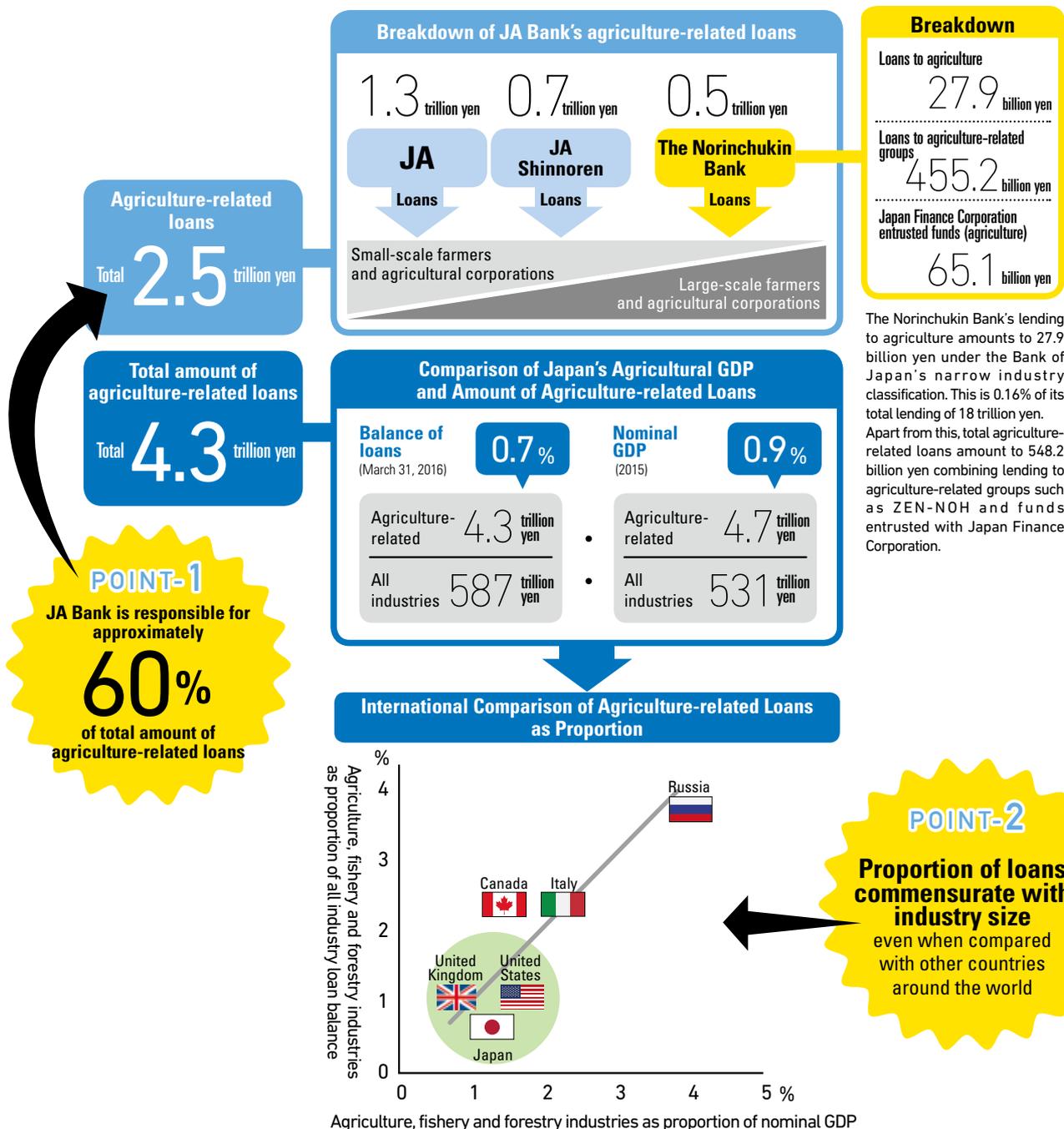
JA, JA Shinnoren, and The Norinchukin Bank are also responsible for different responsibilities at JA Bank with regards to agricultural loans. JA meets the funding needs of small-scale family farmers and agricultural corporations in each region while JA Shinnoren and The Norinchukin Bank play a central role in meeting funding needs for farmers and agricultural corporations running large-scale operations.

As a result, JA Bank's agriculture-related loans total 2.5 trillion yen (includes public loans through JA Bank) with 1.3 trillion yen at JA, 0.7 trillion yen at JA Shinnoren, and 0.5 trillion yen at The Norinchukin Bank, making JA Bank the largest lender accounting for approximately 60% of the

total amount of agriculture-related loans (4.3 trillion yen).

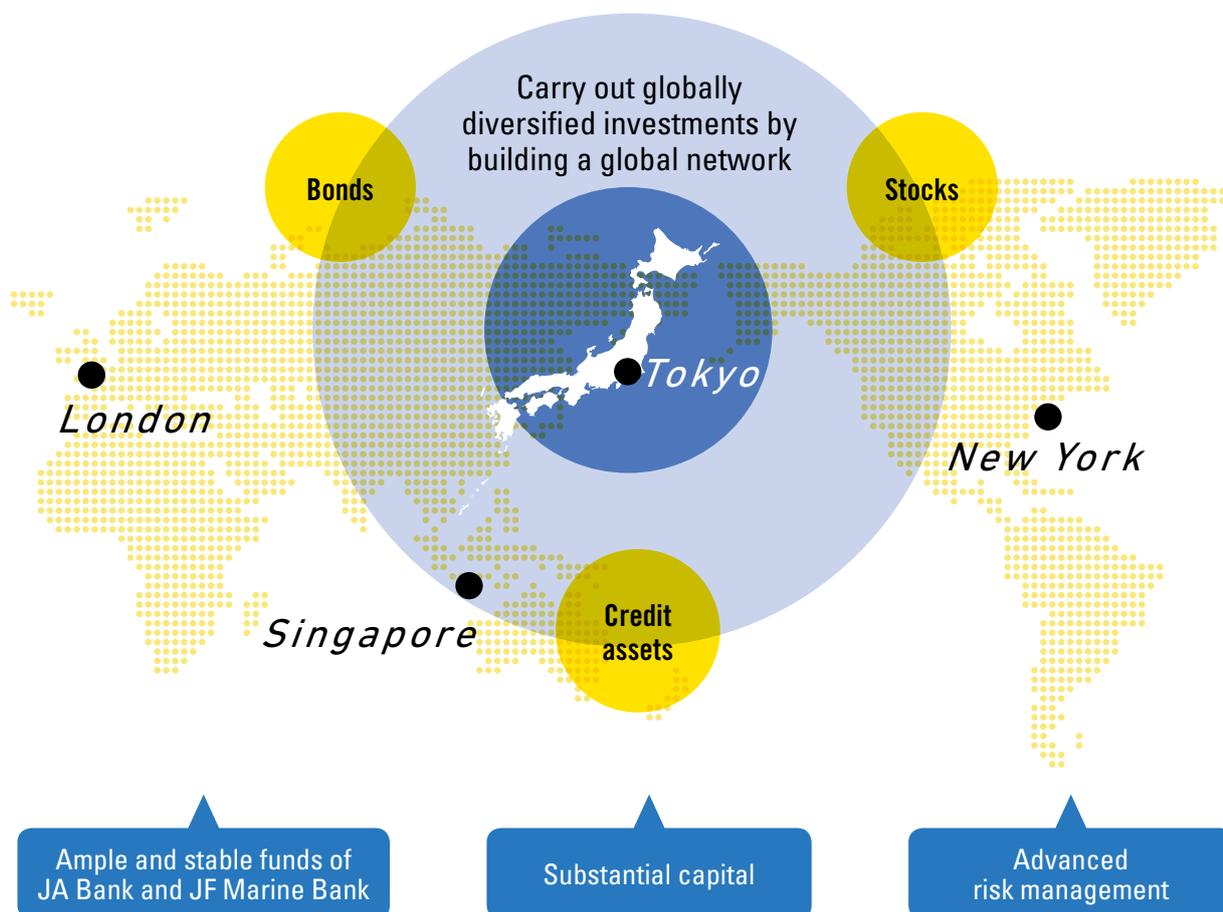
Moreover, the total amount of agriculture-related loans equates to approximately 0.7% of gross domestic loans, and this is roughly on a par with the percentage of GDP accounted for by agriculture. The trend is the same in other developed countries, and it can be said that Japan's total amount of agriculture-related loans is commensurate with the size of the industry.

Japan now has a national commitment to turn agriculture into a growth industry. JA Bank, the main bank for agriculture, will continue to steadfastly meet the funding needs associated with an expansion in the size of the agricultural industry.



#3 Investment Business

Pursuing stable profit over medium-to-long term as the ultimate manager of funds for JA Bank and JF Marine Bank



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

We play a role as the ultimate manager of funds entrusted with JA Bank and JF Marine Bank. In order to play this role, the Investment Business engages in efficient management taking advantage of economies of scale with continuing to ensure stable profit over the medium-to-long term as the ultimate objective.

Since an era of ultra-low interest rates began some twenty years ago, the Investment Business implemented “globally diversified investments” in the global financial markets at an early stage in order to achieve this objective. We have built a global network using overseas sites in

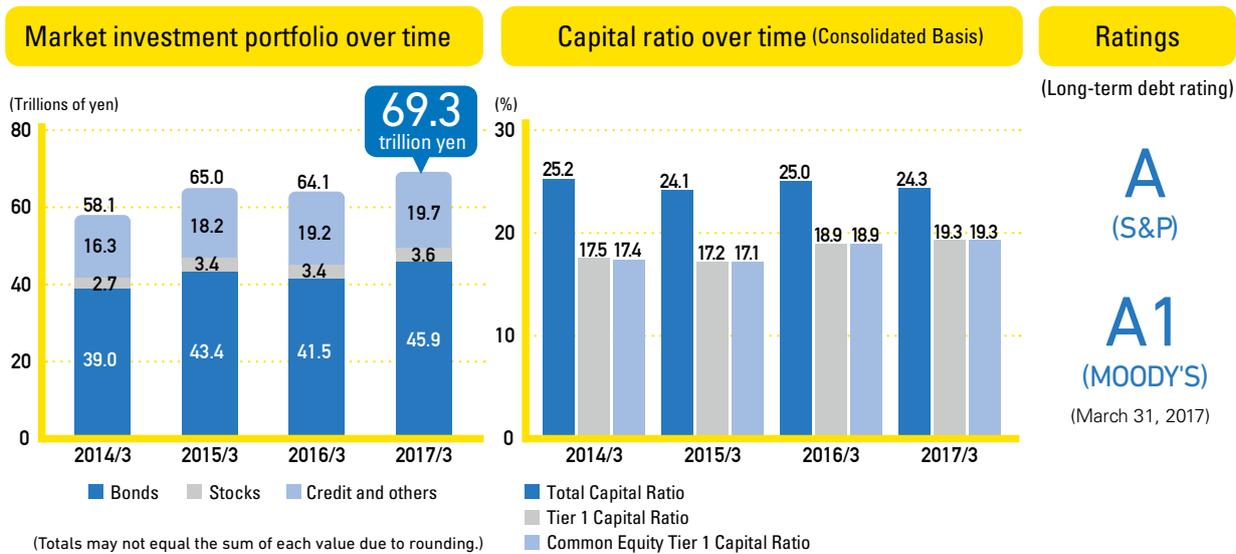
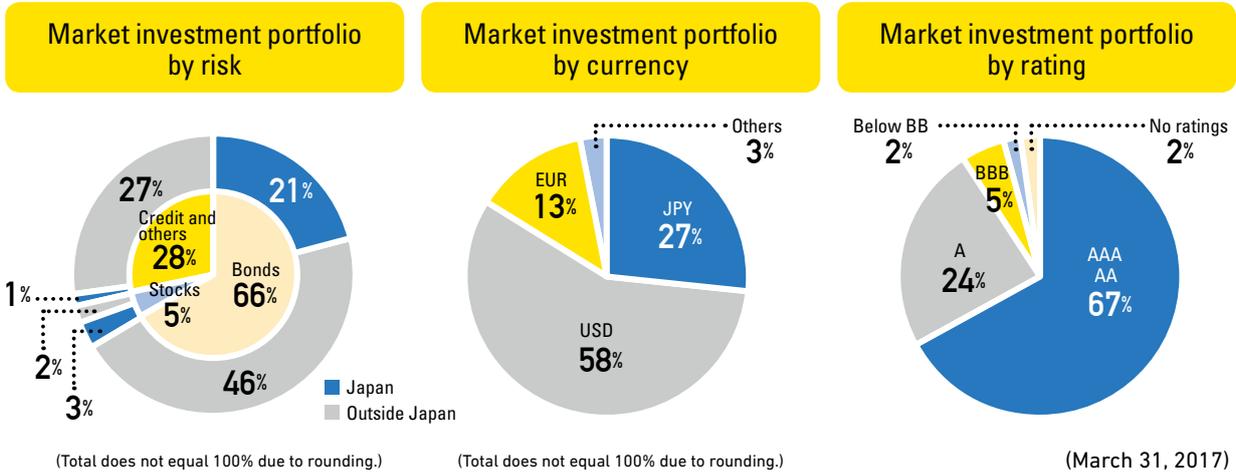
New York, London, and Singapore in addition to controlling our overall portfolio risk by diversifying our investment in multiple assets with different risk-return characteristics rather concentrating investment on one asset class.

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

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

Globally diversified investments by numbers

Market investment portfolio around 70 trillion yen, foreign currency-denominated assets proportion around 70%, over 90% high-quality assets with rating of A and higher

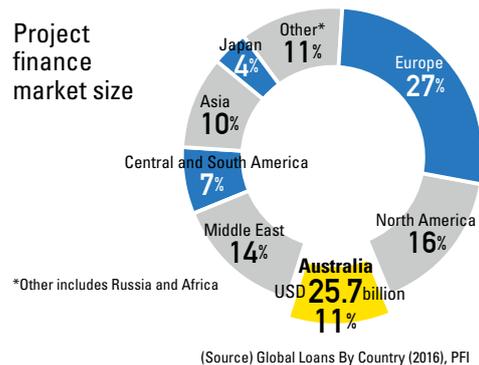


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Establishing a local subsidiary in Sydney

We established a local subsidiary, Norinchukin Australia Pty Limited, in Sydney, Australia in February 2017 as a part of our advancement of globally diversified investments. Ample project finance opportunities are expected in Australia due to the new construction of social and economic infrastructure and privatization, and we will seek to increase our local project finance loan portfolio.

Project finance market size



04 The Norinchukin Bank's

Resources and Strengths

The Norinchukin Bank's Business



Abundant food and agriculture savvy human resources supporting Food and Agriculture Business and leading-edge financial knowledge

500 people

Food and agriculture savvy human resources supporting Food and Agriculture Business

94 years

History of supporting agriculture, fishery and forestry industries through finance

15 years

Integrated management of JA Bank composed of 655 JAs and 32 JA Shinnorens

20 years

Got into globally diversified investments ahead of the times

Network of cooperatives

3,640 groups

Groups investing in The Norinchukin Bank

98.4 trillion yen

JA Bank savings balance

2.6 trillion yen

JF Marine Bank savings balance

Stable deposits and financial base

A
(S&P)

A1
(MOODY'S)

Credit rating

24.3%

Total capital ratio

Expert human resources

29.3 billion yen

Total assets per employee (non-consolidated basis)

3,601 people

Number of employees

150 people

Number of employees who studied overseas (= number of employees who obtained MBA/LLM)

INPUT

The Norinchukin Bank Business Model

Food and Agriculture Business

Connecting producers and the business community to turn agriculture, fishery and forestry industries into growth industries

Retail Business

JA Bank and JF Marine Bank meeting diverse financial needs in each region while achieving efficient management

Investment Business

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

Our Mission

Facilitating funding for cooperative organizations

Supporting the advancement of the agriculture, fishery and forestry industries

Contributing to the development of the nation's economy

Our Vision

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

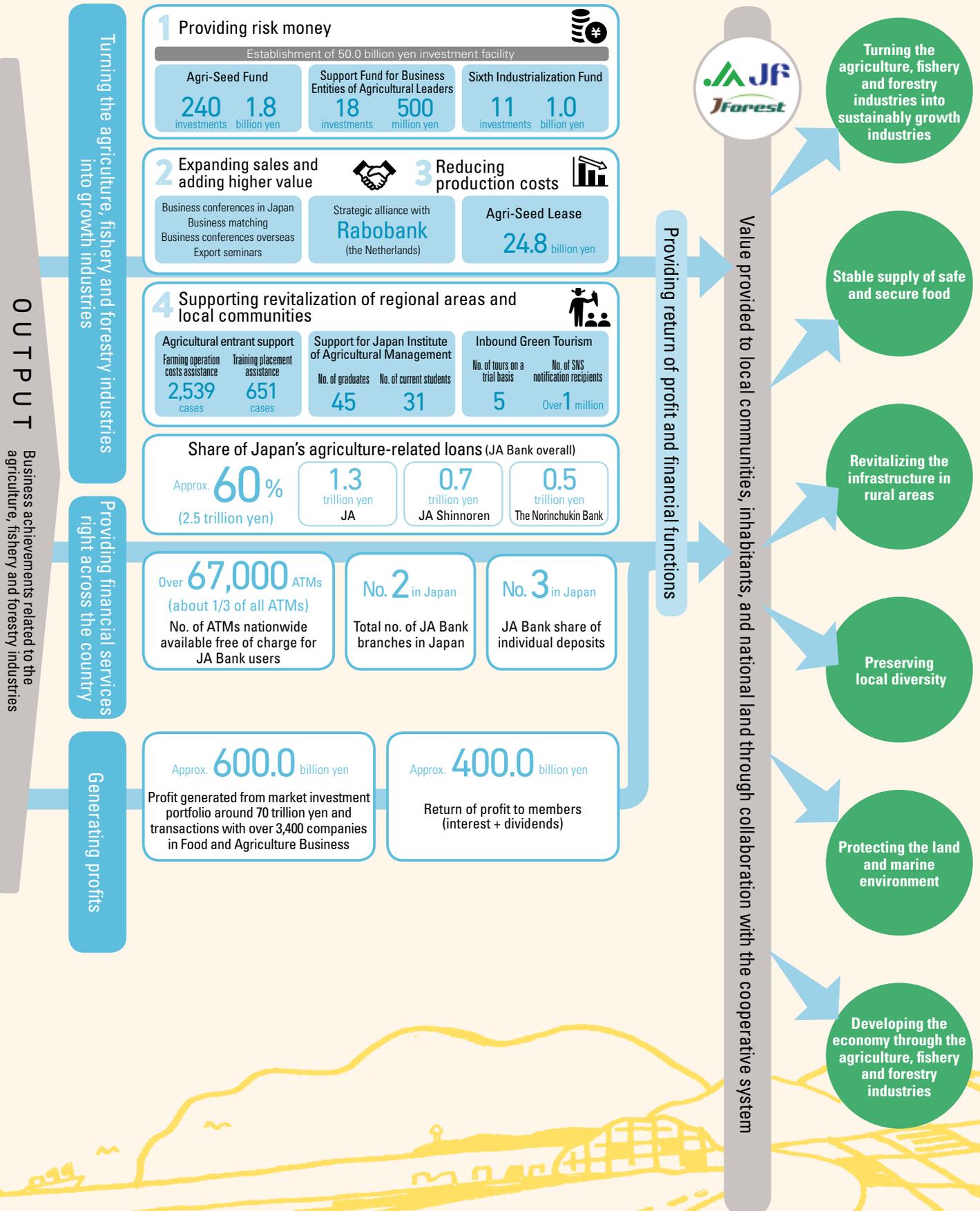
Our Foundation

One for all, all for one

Value Creation Model

Business Achievements

Value Provided to Society



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 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

Corporate Data

Consolidated financial results highlights

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Ordinary Profits	514.5 billion yen	324.9 billion yen	214.0 billion yen
Profit Attributable to Owners of Parent	411.3 billion yen	271.2 billion yen	206.1 billion yen
Net Assets	7,308.1 billion yen	7,186.7 billion yen	7,008.8 billion yen
Common Equity Tier 1 Capital Ratio	17.17%	18.94%	19.31%
Tier 1 Capital Ratio	17.24%	18.99%	19.34%
Total Capital Ratio	24.19%	25.07%	24.39%

Name	The Norinchukin Bank	
Role	A national financial institution of cooperative organizations whose members include agricultural, fishery and forestry cooperatives which contributes to the advancement of Japan's agriculture, fishery and forestry industries	
Date of establishment	December 20, 1923	
Representative	President & Chief Executive Officer: Yoshio Kono	
Paid-in capital	¥3,480.4 billion (As of March 31, 2017)	
Total assets (On a consolidated basis)	¥107,062.7 billion (As of March 31, 2017)	
Members (Shareholders)	3,640 groups	Japan Agricultural Cooperatives (JA), Japan Fishery Cooperatives (JF), Japan Forestry 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, 2017)
Number of employees	3,601 people	(As of March 31, 2017)
Number of business locations	42 sites	(In Japan) Head office: 1 Branch: 19 Office: 17 (Overseas) Branch: 3 Representative office: 2 (As of March 31, 2017)





NORINCHUKIN

