

# 03 Three Value-Creating Businesses

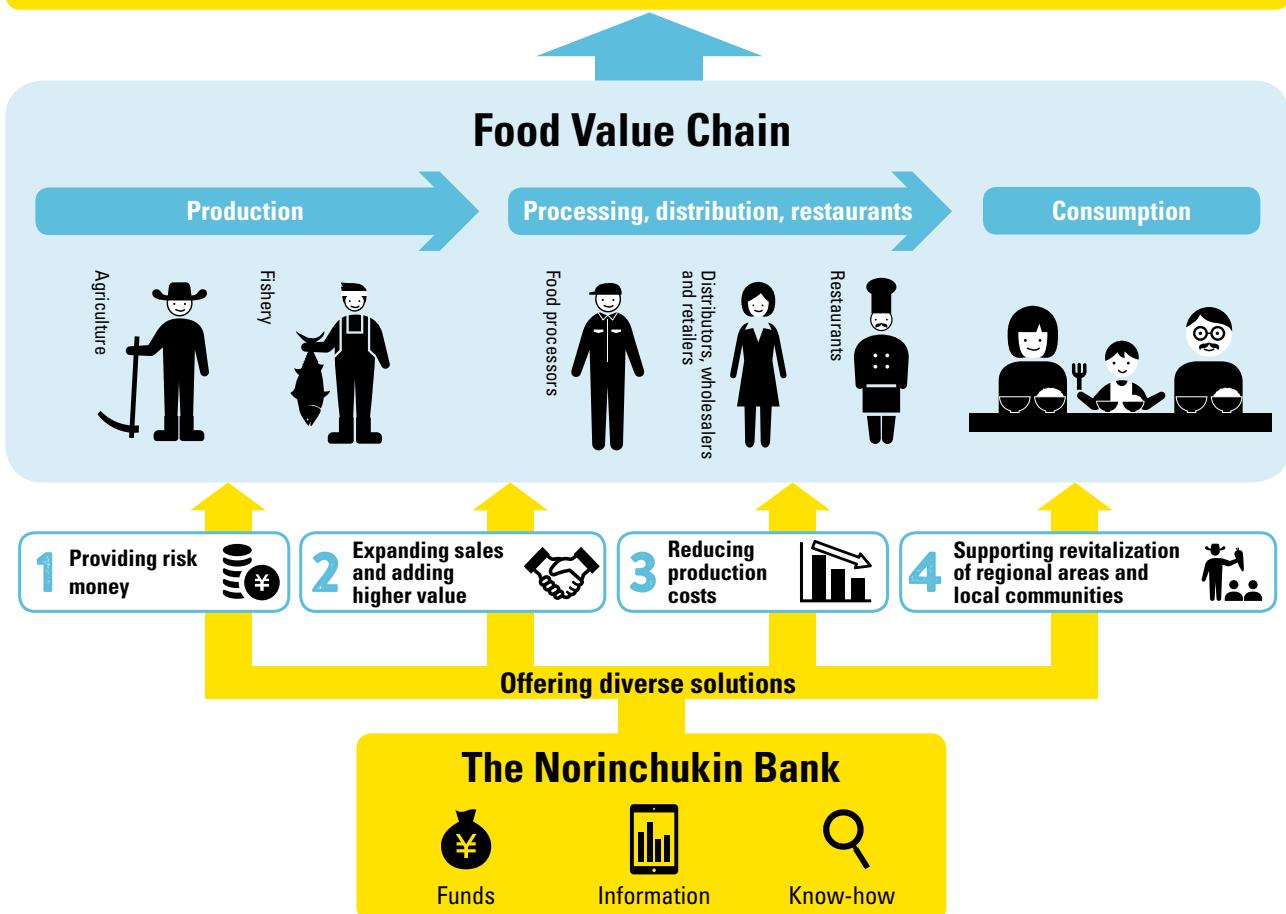
#1

## 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



Main initiatives

Establishment of 50.0 billion yen investment facility

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

**240**  
investments      **1.8**  
billion yen

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

**18**  
investments      **500**  
million yen

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

**11**  
investments      **1.0**  
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**

COLUMN

## 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.

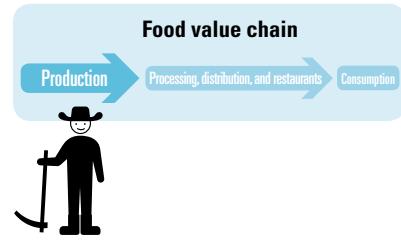
We have assigned a staff of more than 500 out of our total of approximately 2,000 employees on main career tracks to the business. They will contribute to turning the agriculture, fishery and forestry industries into growth industries by providing diverse solutions that increase value added for both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



## CASE 01

**Gunma**

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 (Isesaki 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

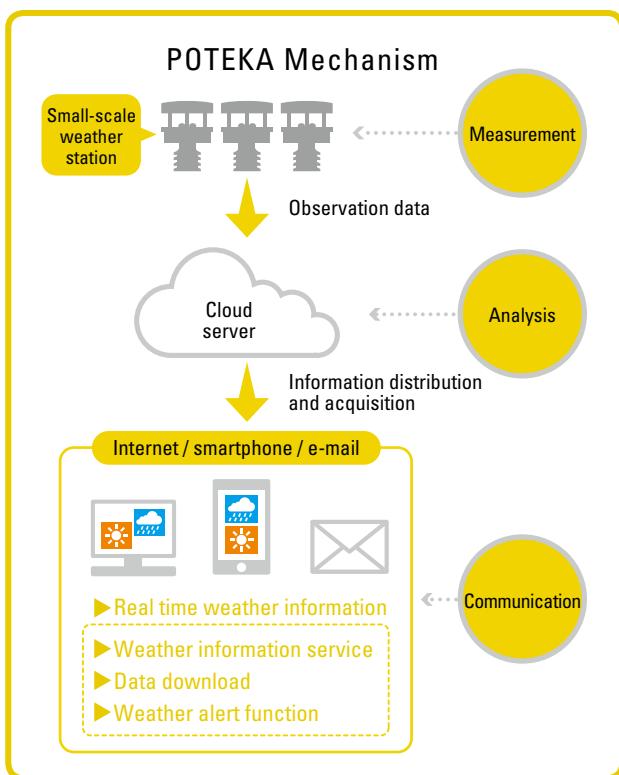


Example installation: POTEKA can accurately forecast wind direction and speed 36 hours in advance to avoid problems with neighboring areas when spraying agricultural chemicals. It can also identify optimal harvest period by collecting and analyzing data such as accumulated temperature and precipitation.

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.





## CASE 02

United Kingdom

Acquiring overseas company for UK exports of Japanese food ingredients

Food Value Chain

Production → Processing, distribution, and restaurants → Consumption



### ► 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.

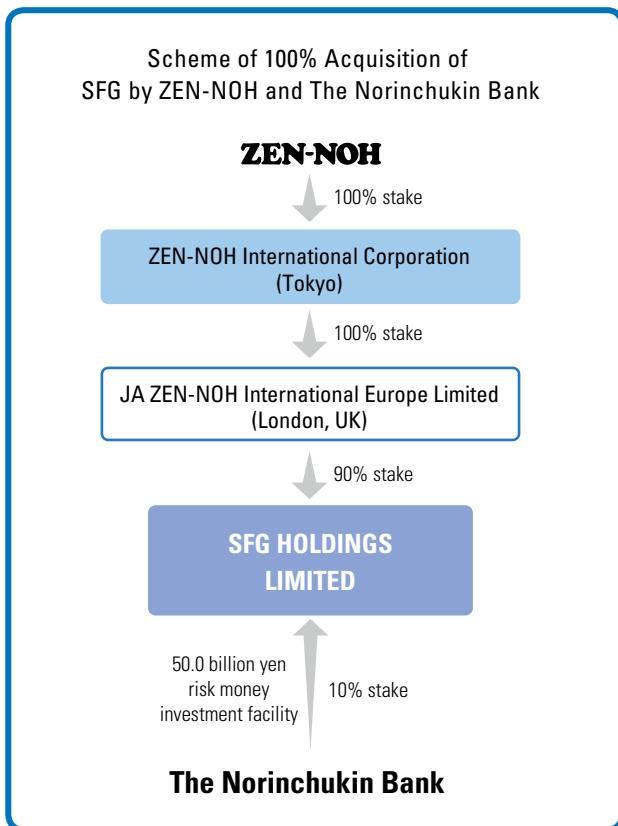
In order to be deeply familiar with the management policies of SFG, we and ZEN-NOH held interviews with the company over a long period. As a result, we found that SFG has been growing while rigorously implementing quality control and constantly developing new food ingredients. We decided on the full 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.



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

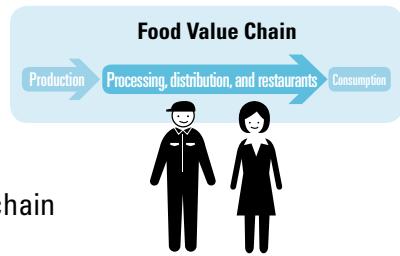
TOKIMEITĒ, a Japanese restaurant that JA ZEN-NOH International Europe Limited operates in London





## 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.

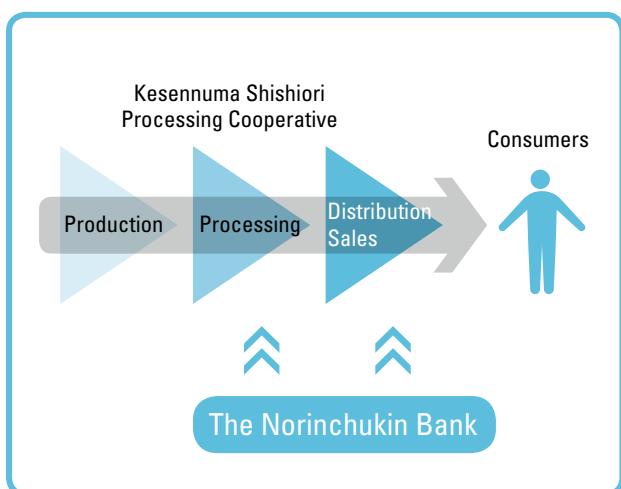
Fishery processors in Kesennuma, which boasts Japan's top catches of fresh bonito, lost their entire business base in the earthquake. Before the earthquake, each processor bought their own seafood and produced and sold their products under their own brands. However, the processors, who had lost their 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

### Food Value Chain

Production → Processing, distribution, and restaurants → Consumption



## ► 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.

### Establishment of the Wood Solution Network (WSN)

Provision of various ideas aimed at solving issues

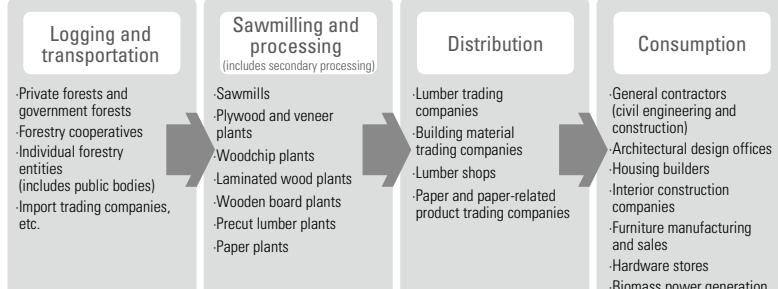


### The Norinchukin Bank

(WSN executive office)

Resolution of various issues aimed at expanding lumber use

### "Wood" value chain from logging and transportation to sawmilling, processing, distribution and consumption

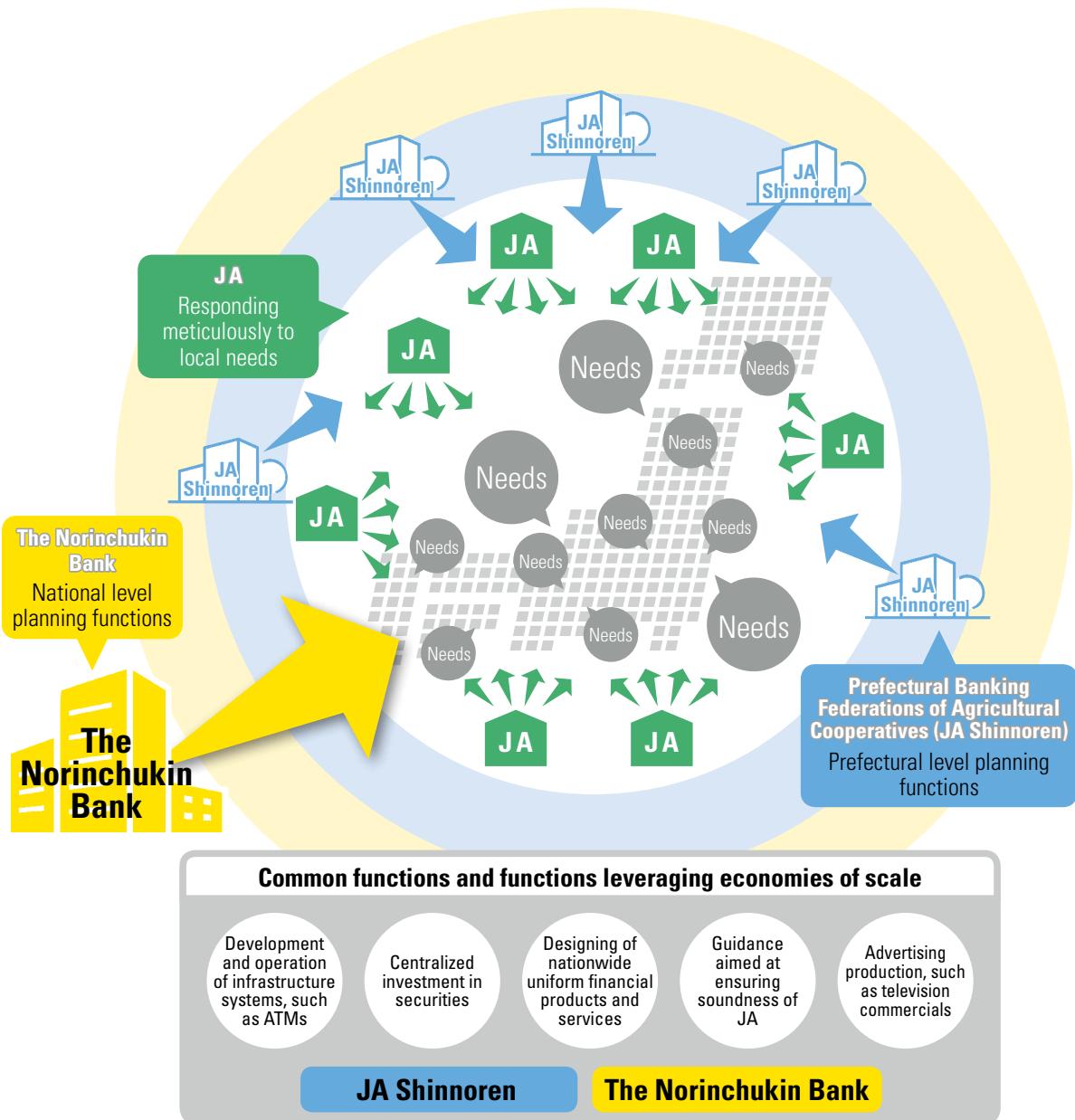


Revitalization of forestry and related industries and regional development through expansion in final demand for lumber

#2

# Retail Business

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



## Meeting needs in each region while achieving efficient management

JA and JF in regions all around the country as well as JA Shinnoren and JF Shinyoren each provide meticulous financial services meeting diverse financial needs varying in each region as independent financial institutions.

In order to provide these services more efficiently, JA Shinnoren and JF Shinyoren are responsible for common

functions and functions leveraging economies of scale such as design of financial products, system development, centralized investment in securities, and advertising production such as television commercials, on the prefectural level, while we are responsible for these functions on the national level.

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

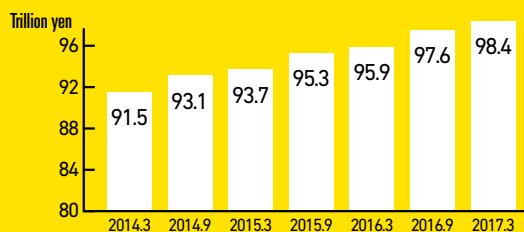
### JA Bank savings balance



**98.4** trillion yen

(March 31, 2017)

(Source) The Norinchukin Bank research



### Total number of branches nationwide\*

No. **2** in Japan

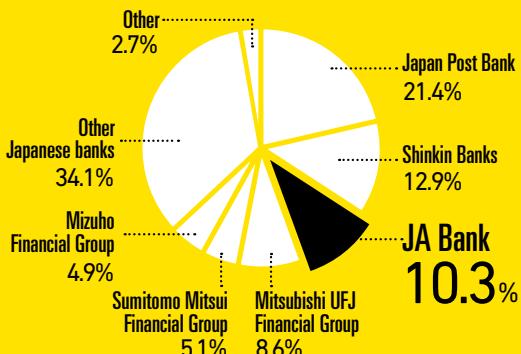


(8,147 branches nationwide, 15% domestic share)

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

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

No. **3** in Japan



(September 30, 2016) (Source) Prepared by The Norinchukin Bank based on Bank of Japan materials and results briefing materials of each financial institution

New Challenges  
for JA Bank

C  
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### Introducing mobile branches nationwide

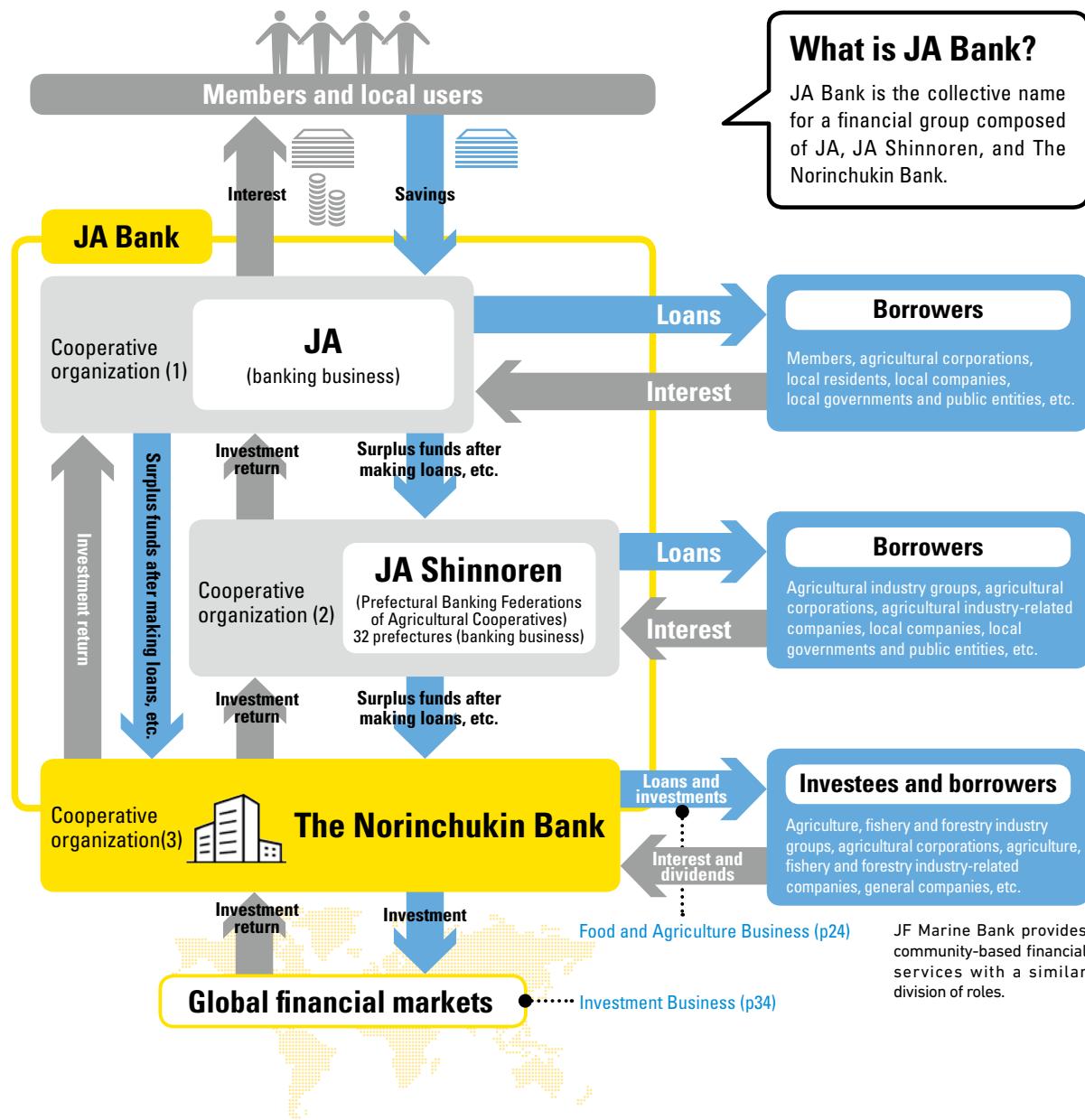
JA Bank is working on "provision of financial services connecting agriculture and local communities/users and contribution to local communities" as one of the pillars of the "Self-Reform of JA Bank". Putting this into practice, we have launched the full-scale utilization of mobile branches nationwide 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 Shinyoren, 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

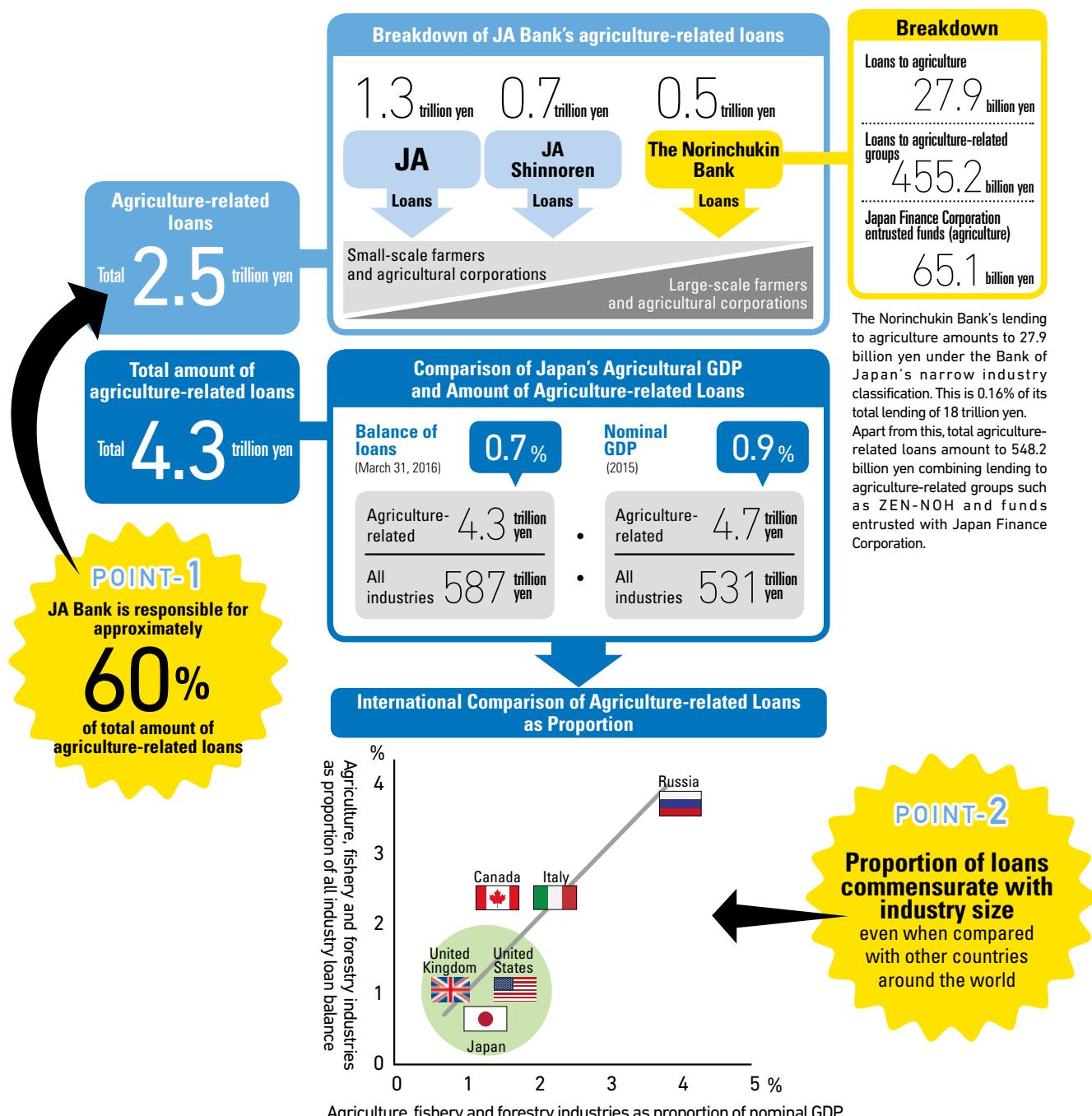
JA, JA Shinnoren, and The Norinchukin Bank are also responsible for different responsibilities at JA Bank with regards to agricultural loans. JA meets the funding needs of small-scale family farmers and agricultural corporations in each region while JA Shinnoren and The Norinchukin Bank play a central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

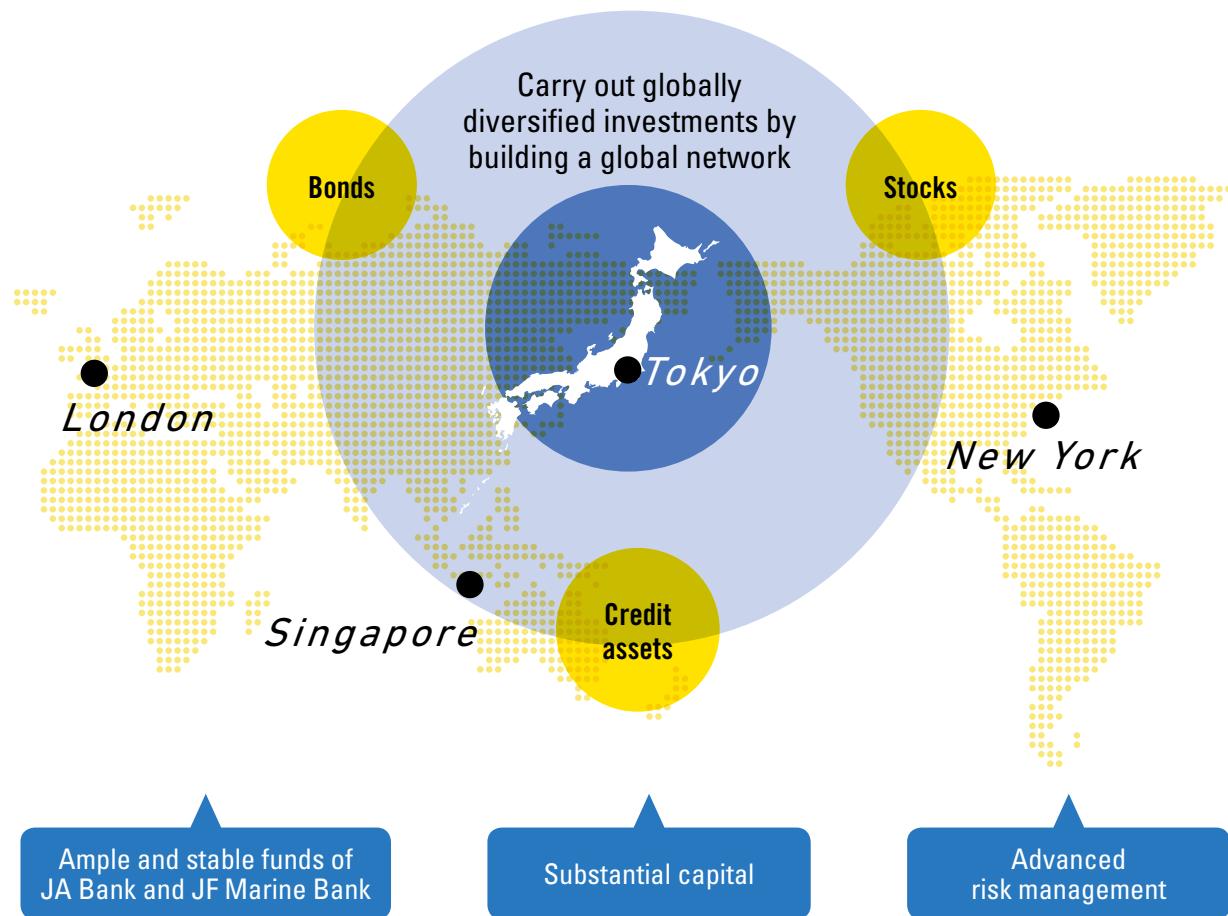
Japan now has a national commitment to turn agriculture into a growth industry. JA Bank, the main bank for agriculture, will continue to steadfastly meet the funding needs associated with an expansion in the size of the agricultural industry.



#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

