

Initiatives to Turn Solutions for Environmental and Social Issues Into Business Opportunities

ESG-Oriented Investment and Finance

We have set a new investment and loan target of ¥250 billion for fiscal 2020.

Of our roughly ¥64 trillion in market assets, we have allocated ¥1.8 trillion to ESG-oriented investment and financing. (as of March 2020)

FY2020

New ESG-Oriented Investment and Finance Target

¥250 billion

ESG Integration

We incorporate ESG integration into our investment and loan projects as a measure toward environmental and social risk management (P.21). Our investment decisions are based on a comprehensive evaluation integrating financial analysis and ESG assessment related to the customer. By engaging in dialogue with our customer throughout this process, we learn of their concerns and issues. In so doing, we support our customer's sustainability initiatives and create new business opportunities.

Topics

Investing in Sustainable Development Bonds

A total of US\$1.4 billion has been invested in sustainable development bonds issued by the World Bank (more precisely the International Bank for Reconstruction and Development).

These bonds have been issued through a partnership between the Norinchukin Bank and the World Bank, and investment in these bonds represents an important part of how we support the achievement of four of the 17 SDGs that we pursue in particular. As the first initiative of its type for Japan, these bonds represent our efforts with the World Bank to show the world the importance of initiatives related to the SDGs that are highly regarded by investors.

Investments in these bonds financially support World Bank initiatives in cooperation with the SDGs, including improved grain storage technology and projects for sustainable fisheries and the protection of marine resources. We follow up consistently on the progress of these projects, contributing to agriculture, fishery and forestry industry sustainability.

Further, these investments contribute to measures against climate change by reducing greenhouse gas emissions. In addition, these investments contribute to stable profits through internationally diversified investments, while also aligning with the Norinchukin Bank philosophy of sustainability-oriented management.



From the Front Lines

Fixed Income Investment Division Manager

Junichi Fujimori



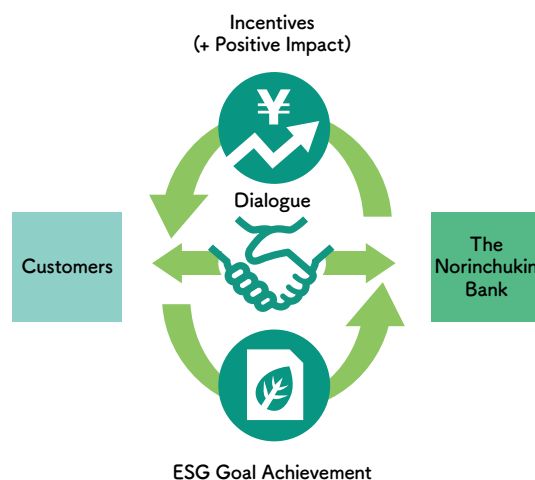
Experts say that public funds will not be sufficient to achieve the SDGs and that considerable private funds will be needed. We believe investing in the World Bank Sustainable Development Bonds is a unique contribution that the Norinchukin Bank can make as one of the world's leading institutional investors. This investment features a balance between solving social issues and securing investment returns. To solve issues sustainably, rather than treating sustainability as a temporary fad, we must avoid a stoppage in the flow of funds along the way. At the same time, we cannot give short shrift to profits if we are to engage seriously with sustainability.

One of the major topics addressed by the Sustainable Development Bonds is food loss. The issue of food loss is related closely to the issue of greenhouse gas emissions. Climate change caused by greenhouse gases ripples outward, manifesting in impact across national borders. We believe that solving the global food loss problem will mitigate climate change and contribute significantly to Japan's agriculture, fishery and forestry industries, which are sensitive to changes in the environment. We will continue striving for sustainability through the work of the Norinchukin Bank and the organizations in our cooperative system.

Sustainability Linked Loans

We began handling sustainability linked loans in May 2020. Here, our objective is to advance initiatives for solving the environmental and social issues faced by customers from a strategic approach. At the same time, we support the improvement of our own medium- and long-term corporate value.

This product involves Sustainability Performance Targets (SPTs) reflecting sustainability goals based on customer business strategy. Linking loan conditions with progress toward achieving SPTs motivates customers to achieve their goals. Here, our aim is to support the sustainable business activities and growth of our customers in terms of the environment and society.



Topics

Sustainability Linked Loan No.1

In May 2020, the Norinchukin Bank executed a sustainability linked loan with Mitsubishi Estate Co., Ltd. This was the first sustainability linked loan funding a project in Japan’s real estate industry, as well as the first sustainability linked loan by the Norinchukin Bank.

The loan was executed under SPTs to reduce CO₂ emissions (35% reduction by 2030 compared to 2017) and increase the ratio of renewable electricity (25% by 2030), based on the goals identified in the *Mitsubishi Estate Group SDGs 2030*. The Mitsubishi Estate Group plans to use a portion of the funds to increase the use of renewable electricity and reduce CO₂, which we expect will contribute to solving climate change issues.

In concluding the loan agreement, we sought a third-party opinion from Japan Credit Rating Agency, Ltd. regarding compliance with the principles of sustainability linked loans and the rationale behind the SPTs involved.

Through this loan, we will support the Mitsubishi Estate Group’s efforts toward creating a sustainable society.



From the Front Lines

Sales Section No.2 Assistant Senior Manger

Ryosuke Ito



We collaborated with Dai Maru Yu SDGs ACT5, an organization promoting activities that cross corporate borders in the Otemachi, Marunouchi, and Yurakucho districts of Tokyo. Our efforts here provided an opportunity to understand the Mitsubishi Estate’s sustainability initiatives. The Norinchukin Bank began our own sustainability-oriented management in 2019, and our affinity with the long-term view of Mitsubishi Estate’s philosophies and goals led to the execution of the sustainability-linked loan. The long-term loan period of 11 years and 3 months was a product of our mutual understanding. I also think this project raised awareness of new work and corporate sales styles, as we conducted communications mainly online in this time of the COVID-19 pandemic. Sustainability linked loans are very interesting in that they allow both business profits and social sustainability, while creating the potential for open innovation in partnership with other companies. I hope to continue gathering like-minded people both within and outside the bank, finding rewarding projects and creating new outcomes.

JA Bank Efforts Toward Renewable Energy Demand

The ratio of renewable energy in Japan's power supply compositions is roughly 16% currently, lower than other developed economies.

At the same time, Japan's Fifth Basic Energy Plan calls for a renewable energy mix of between 22% and 24% by 2030. Therefore, we can expect future government policies and public-private initiatives to support the spread of renewable energy.

JA Bank handles products compatible with solar power generation facilities to encourage members of JA and JF to adopt renewable energy.

Further, we launched a partnership with four renewable energy power construction and sales companies in May 2019. Our goal here is to adopt agricultural solar sharing and encourage the effective use of idle land, contributing to higher incomes among members of JA and JF and greater regional revitalization.



Topics

Partnering With Four Renewable Energy Construction and Sales Companies

The Norinchukin Bank has set our sights on strengthening financial support for renewable energy generation, particularly in the field of solar power generation. Here, we launched a partnership with four companies having a national track record in low-voltage solar power generation: West Energy Solution Inc., Eco Style Co., Ltd., Kyocera Corporation, and Sanix Incorporated. Under this partnership, we aim to improve the incomes of the members of JA and JF in every prefecture.



From the Front Lines

JA Bank
System Retail
Innovation
Consulting &
Practive Div.

Yudai
Yamaguchi



Our department is responsible for credit business planning and practice, leveraging the nationwide economic foundation and resources of the JA Group. The JA Group members of JA and JF have an important role to play in local economies. At the same time, agriculture, which is the foundation of our business, is affected significantly by climate change. For this reason, we believe that encouraging the spread of renewable energy is one of our responsibilities.

Here, one of our major characteristics is how we promote solar sharing. For example, if an installed panel is expected to generate sellable electricity for 20 years, careful research must be conducted as to whether farming activities can be performed under these panels throughout that same time period. I believe the JA Group has particular strengths in this aspect of the business. One major feature of the solar sharing that we encourage at Norinchukin Bank is that we provide construction companies access to untapped areas of farmland, which improves the income of members of JA and JF and allows JA the potential to grow its loan base. For us, this is a *sanpo yoshi* (three-way good) for all involved.

Solar sharing is a new initiative, which makes it a bit difficult to popularize across Japan. Our first order of business is to help others learn about the benefits of this system.