

COMPANY PROFILE

The Norinchukin Bank of Japan



Since its establishment in 1923, The Norinchukin Bank (Nochu) has been managed under special legislation - initially as the central bank for Japan's industrial cooperatives, "Sangyo Kumiai" - and subsequently under The Norinchukin Bank Act, in order to serve the Japanese primary sector (agriculture, fishery, and forestry). Nochu is primarily owned by Japanese farmers, fishermen, and foresters, and is acting as the national-level organization of Japan Agricultural Cooperatives (JA), Japan Fishery Cooperatives (JF), and Japan Forestry Cooperatives (JForest). JA Bank, the banking business of JA, has an extensive network throughout Japan, and its deposit base as of July 2017 was over 100 trillion yen (US\$90 trillion), which is almost on par with Japanese mega banks - MUFG, Mizuho, and SMBC.

Nochu has been actively engaged in globally-diversified investments and has secured stable financial return for its members (ultimately farmers, fishermen, and foresters). It also has been the largest and the most experienced investor in the primary sector with various investment approaches, including not only providing conventional lending, but also conducting leading equity fund management business in the primary sector as a general partner.

For a closer look at The Norinchukin Bank, *GAI Gazette* recently posed the following questions to the bank's management:

Q. Nochu plays a major role in Japanese society as a contributor to the development of the nation's economy and as a supporter of the advancement of the agriculture, fisheries, and forestry industries. Please explain the role of overseas investments as part of this mission.

A. Our primary objective is to support Japanese farmers, fishermen, and foresters, and our globally-diversified investment business mentioned above is just one aspect of our role.

We invest in the platforms that provide strong ties with overseas food and agri players and help our domestic Food & Agri (F&A) clients expand their exporting opportunities. This mission drives our Food & Agri Banking Division.

With more than 20 years of globally-diversified investment experience, we have built multilayer networks, not only with financial institutions such as investment banks, pension funds, and PE firms, but also with think-tanks and public sector organizations.

The Food & Agri Banking Division collaborates with our investment team and shares a global network, as well as knowledge that brings accurate market intelligence and effective deal sourcing to the F&A business.

Q. Which overseas agriculture and food segments are of primary interest to Nochu?

A. Even though Japanese agriculture is moving toward consolidation, the industry is still very fragmented compared to their counterparts overseas. For this reason, direct application of global agricultural practices on Japanese farms is usually not a wise approach. However, we are seeing that agtech solutions may provide promising options, even for Japanese farming.

We also closely monitor commodity market development for corn, wheat, soybeans and more, as the price fluctuation and availability of these products are critical for the animal feed and food processing industries in Japan.

Additionally, we are actively collecting information on overseas agriculture developments, food consumption trends, and global F&A merger and acquisition transactions in an effort to fulfill our mission of providing strategic support for the global expansion of Japanese food companies such as Zen-Noh, the marketing and supply business arm of JA.

Q. How much of Nochu's overseas investment activities are focused on generating stable financial returns versus using them as strategic support for Japanese food and agricultural companies?

A. We believe there are long-term rewards for focusing on both: generating stable investment return in the global financial market; and investing overseas to contribute to the Japanese F&A industry.

Currently, we are enjoying an advantageous position within the Japanese F&A space, with financing relationships along the entire F&A value chain from upstream (agro machinery, fertilizer, crop protection, animal feed), to growers, to midstream (food processing and logistics), and downstream (retail and food service, etc.). We anticipate that our overseas F&A investments will facilitate the export of Japanese fresh produce, or the global expansion of Japanese food companies.

Q. We understand that Nochu has already made agriculture/food investments outside of Japan, would you please let us know about these completed transactions and how you see them helping Nochu's stakeholders in Japan?

A. Last November, we co-invested with Zen-Noh in SFG Holdings, a UK food wholesaler. In its efforts to strengthen its presence overseas, Zen-Noh found the UK to be one of the most promising markets. This investment has brought Zen-Noh direct access to UK end users through SFG's strong, established supply chain connections, which they can utilize to expand exports. In addition to our stake in SFG, we invested in a rice importer in Hong Kong to market Japanese high-quality rice, and to showcase it as an ideal example in the rice export business.

We are seeking further investment opportunities and strategic alliances with wholesalers/retailers that reside in attractive exporting destinations, through which we would support various stakeholders in the F&A sector.

Q. Since Nochu representatives attend Global AgInvesting and GAI AgTech Week conferences, what message would you like to convey to GAI stakeholders about ways you could see working with them in the future?

A. Japanese food is gaining popularity in the global marketplace as part of a healthy diet, especially among affluent consumers. The United Nations Educational, Scientific and Cultural Organization (UNESCO) added "Washoku" (Japanese traditional food culture) to the Intangible Cultural Heritage List in December 2013.

On the other hand, Japanese fresh produce exports are far from enough, partly due to high production costs, and partly due to high logistic costs to non-contiguous big consumption markets. We would like to solve some of these issues through investing in agtech - which may help reduce costs and enhance the quality of outputs - and in overseas companies that will facilitate Japanese produce export.

We look forward to building good relationships with GAI stakeholders through sharing investment ideas or exchanging thoughts on the future of the marketplace and its players, which could ultimately support Japan's primary and related sectors. 