

THE CHARACTERISTICS OF THE BANK

Capital

The Bank's capital is composed of common stocks, including lower dividend rate stocks, and preferred stocks. Common stocks, amounting to ¥200 billion, are the most basic means of fund-raising for the Bank, and these are purchased by all of the shareholding member cooperatives. Lower dividend rate stocks are one type of common stock that are underwritten by certain members for specific purposes and are subject to special conditions whereby the equity dividend rate is lower than that of common stocks. As of the end of fiscal 2002, the balance of lower dividend stocks purchased by Shinnoren and Shingyoren stood at ¥1 trillion. Preferred stocks are equity funds purchased by non-members with no voting rights. In the past, the Bank issued a total of ¥50 billion in such stocks through a private offering.

Perpetual subordinated loans and subordinated loans with maturity in Tier II classification under BIS requirements and borrowed from cooperative members amounting to ¥705 billion serve to enhance the Bank's overall capital position.

In fiscal 2002, the Bank enhanced its equity capital as follows:

1. *A capital increase to double the amount of common stock outstanding to ¥200 billion, from ¥100 billion, was carried out.*
2. *¥183 billion in new capital was procured through perpetual subordinated loans, which are categorized as Upper Tier II, denoting a higher quality of capital within Tier II.*
3. *¥490 billion in subordinated loans with maturity from cooperative members, undertaken in fiscal 1997, was refinanced, adding ¥31 billion to the loan amount, bringing the total to ¥521 billion.*

Funding

Funding for the Bank consists mainly of deposits and Norinchukin Bank debentures. Deposits differ from those of other banks in that they are primarily made up of funds from cooperative members. Specifically, deposits made by JA and Gyokyo members, who are directly involved in the primary industries, as well as local residents are entrusted to the Bank via Shinnoren and Shingyoren. Another characteristic is a high proportion of time deposits. These two qualities contribute to the long-term stability of the Bank's funding system.

Corporate Governance

Under the Norinchukin Bank Law and the law related to the cooperatives, the Bank is able to provide the necessary guidance to JA Bank members to reorganize and strengthen the JA credit business as well as carry out its original duties as a financial institution. To fulfill this role, the Supervisory Committee is empowered to make decisions regarding the basic policies of the Bank, the reorganization and enhancement of the cooperative credit business, and important matters related to the agricultural, forestry, and fishery cooperatives, including specific action plans. Meanwhile, the Board of Directors is entrusted with the approval authority, and individual directors execute matters related to the financial duties conducted by the Bank. The Board of Directors supervises the business execution of the directors, with the objective of using mutual supervision to ensure appropriateness of the system. In addition to this mutual supervision, auditors also audit the execution of the Bank's business.

MANAGEMENT SYSTEM OF THE BANK (CORPORATE GOVERNANCE)

