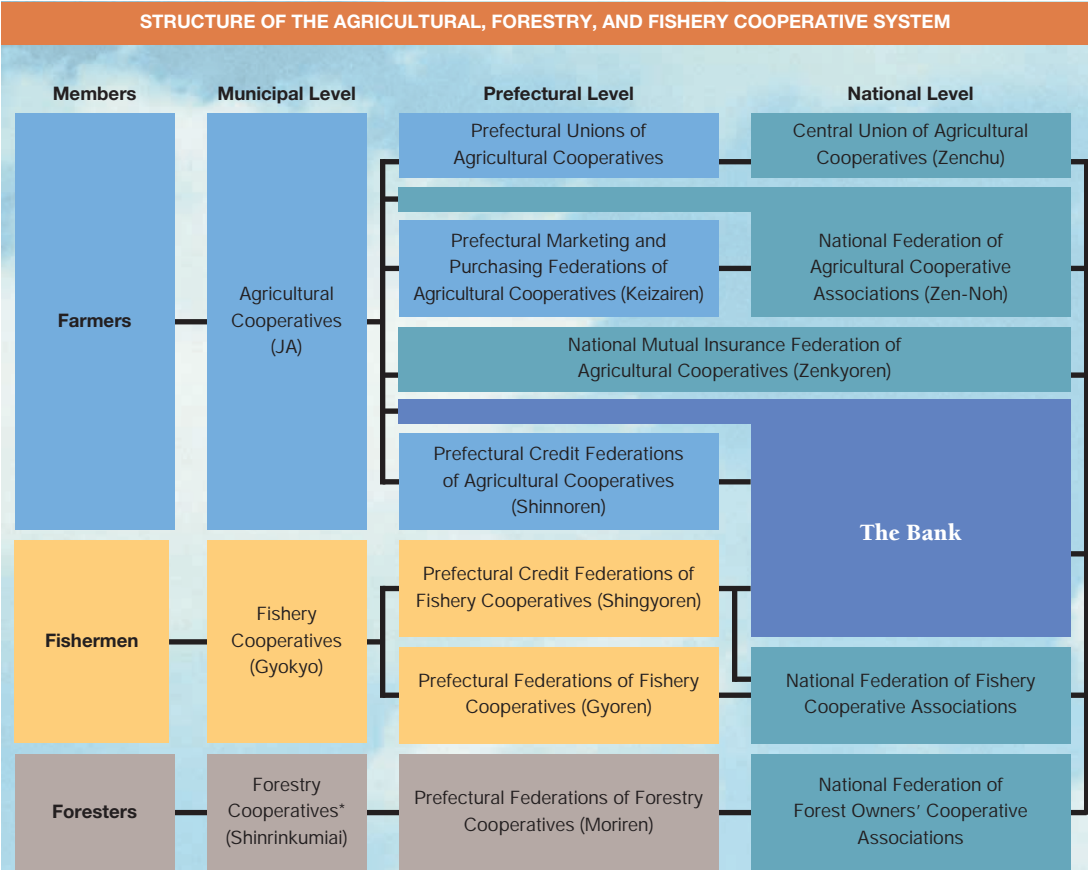


THE BANK'S ROLE IN THE COOPERATIVE SYSTEM

Outline of the Cooperative System

The cooperative system, as shown in the chart below, is a multi-tiered structure with a base comprising farmers, fishermen, and foresters organized into JA, Gyokyo, and the Forestry Cooperatives (Shinrinkumiai) at the municipal level. These cooperatives, in turn, form prefectural organizations, and the entire structure is capped by national-level organizations, including the Bank. Organizations at the prefectural and national levels perform specialized business functions, including consulting, sales and purchasing, financing, and mutual insurance services. (Shinrinkumiai and the Prefectural Federations of Forestry Cooperatives (Moriren) do not provide such financing functions.) The three levels of the cooperative system are closely linked through capital subscriptions, management, and business ties and occupy a major position within the Japanese economy.

The Bank serves as the central bank for the cooperatives, extending loans throughout the cooperative system and receiving the majority of its funding from the cooperatives as well as prefectural federations. The Bank acts as an intermediary, making adjustments in the supply and demand for funds within the cooperative system, returning profits to the system, and providing funds to other national-level federations in the system.



* Forestry Cooperatives do not take deposits.

Funding through the Cooperative System

The Bank's primary sources of funds are deposits, the majority of which are obtained from the cooperative system and the issuance of Norinchukin Bank debentures. Deposits of JA and Gyokyo are obtained from members of these cooperatives in primary-sector industries and from other residents of local communities. These deposits are entrusted to the Bank via Shinnoren and Shingyoren.

Deposits placed with JA and Gyokyo are lent to members for financing their business operations or as general-purpose loans. Of the remainder, in principle, two-thirds or more are entrusted to Shinnoren and Shingyoren at the prefectural level. These organizations extend loans to agricultural and fishery cooperative organizations, corporations related to the primary sector, and local governments within their own prefectures. One-half or more of the remaining funds are deposited with the Bank. This structure is supported by strong ties with the members of Shinnoren, JA, and other related partners.

The Bank is also one of the few financial institutions in Japan that can float bank debentures and raise funds from individual and institutional investors.

Use of Funds

The Bank's abundant funds, procured from the above-mentioned sources, are used intensively for loans and investment in securities. A portion of earnings is also distributed to the members of the cooperative credit system.

The Bank's clients for loans are classified mainly into three categories:

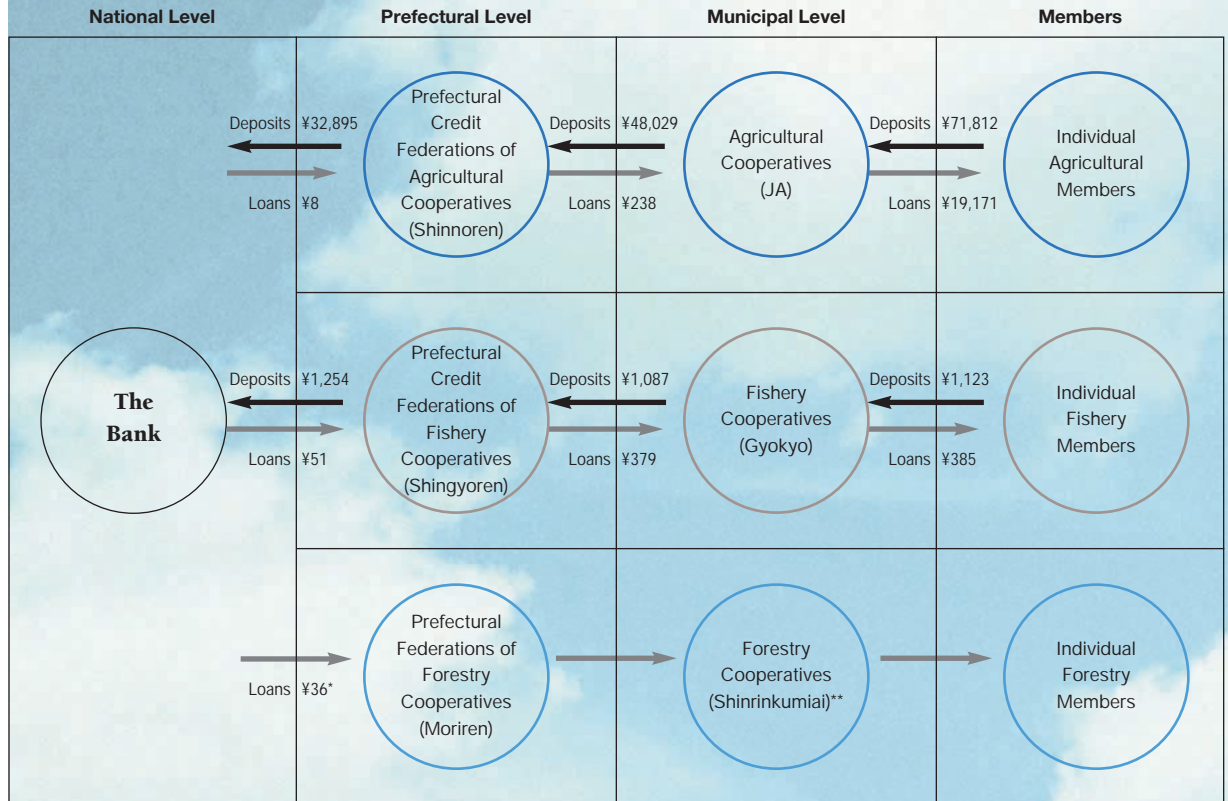
- *Cooperative organizations of the agricultural, forestry, and fishery cooperative system and entities engaged in agriculture, forestry, and fishing,*
- *Companies and organizations contributing to the development of the primary sector, and*
- *Government, local government, and other public institutions*

In particular, the Bank, since its establishment, has positioned loans to member organizations of the cooperative system, related corporations of those members, and entities in the primary sector as the basis of its activities. The Bank has provided a unique cooperative low-interest rate fund, called the Agriculture, Forestry, and Fishery Promotion Fund. The Bank has financially supported the development of primary-sector industries and cooperative organizations, with the aim of training the next generation who will participate in the agriculture, forestry, and fishery industries, and promoted the development of ecological agriculture. The Bank also provides financial resources to regional public-sector organizations and public corporations in order to build a stronger industrial base in local communities and raise the standard of living and well-being of local residents.

In addition, drawing on its ample financial resources and accumulated know-how, the Bank, as Japan's largest institutional investor, is an active participant in the securities and money markets, and particularly plays a leading role in short-term money markets. Besides these activities, the Bank has been expanding its overseas investments as well as supporting the development of the overseas operations of member organizations and primary-sector-related industries.

LOANS AND DEPOSITS WITH COOPERATIVE MEMBERS IN THE COOPERATIVE CREDIT SYSTEM (Billions of Yen)

(As of March 31, 2003)



* Loans to the national federation and to municipal-level cooperatives are included.

** Forestry Cooperatives do not take deposits.

OVERALL FINANCIAL POSITION OF THE COOPERATIVE CREDIT SYSTEM (Billions of Yen)

(As of March 31, 2003)

	Deposits	Debentures	Borrowings	Cash and Due from Banks	Securities	Loans	Total Assets
JA	¥74,420	¥ —	¥534	¥51,129	¥ 3,586*	¥21,015	¥76,009
Gyokyo	1,178	—	246	1,066	14	406	1,476
Shinnoren	50,327	—	41	32,786	13,757*	5,415	54,319
Shingyoren	2,312	—	53	1,426	174*	785	2,538
The Bank	40,488	5,807	705	4,226	28,672	19,187	60,188

* Money held in trust is included.

Flow of Funds through JA Cooperative System in Fiscal 2002

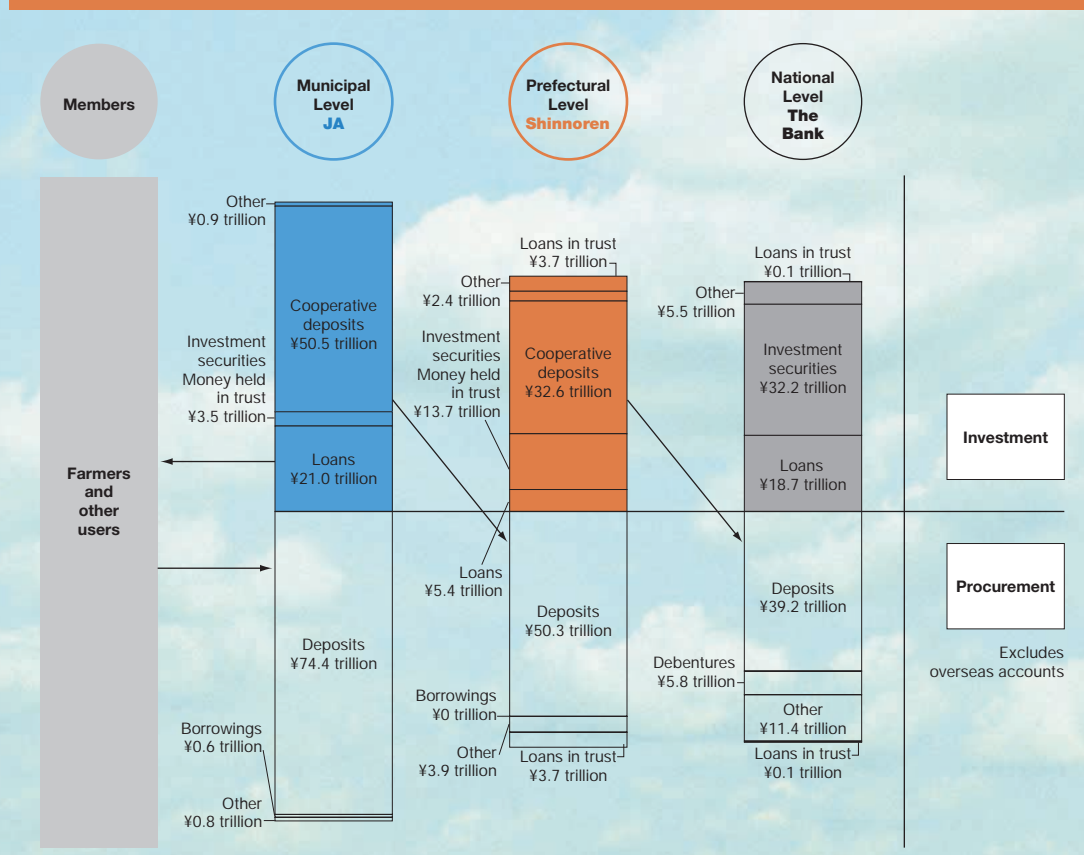
JA deposits, centered on deposits by individuals, rose 1.2% over the previous year to stand at ¥74,420 billion (US\$619 billion) at the fiscal year-end. This increase was attributable to efforts to secure trust in the JA Banking System.

Total JA loans decreased 1.1% from a year earlier, to ¥21,015 billion (US\$174 billion). However, recently, there has been a recovery in housing loans. Outstanding securities at the fiscal year-end held at the JA level declined 11.8% on a year-on-year basis, to ¥3,586 billion (US\$29 billion).

In response to these trends at the JA level, deposits with Shinnoren rose. However, the overall balance of deposits with Shinnoren at the end of the fiscal year declined 0.3% from the previous year, to ¥50,327 billion (US\$418 billion). This decline reflected the consolidation of two Shinnoren with the Bank and the resulting acceptance of JA deposits directly by the Bank. Loans from Shinnoren rose 1.1% from a year earlier, to ¥5,415 billion (US\$45 billion), owing to an increase in loans to local government organizations. Securities held at the Shinnoren level at fiscal year-end were ¥13,757 billion (US\$114 billion), representing an increase of 2.1% over the previous year-end.

As a result, the remaining funds ultimately deposited with the Bank through the JA cooperative credit system amounted to substantially more than ¥32 trillion.

FLOW OF FUNDS WITHIN JA CREDIT BUSINESS (AS OF MARCH 31, 2003)



Enhancement of the JA Organization

To deal with changes in the environment for agriculture, members, and JA, the JA Group (JA, Shinnoren, the Bank, and other related cooperatives) are progressing with the consolidation of individual JA organizations while also taking proactive steps to realign organizational structures and streamline business management at every level of operation and throughout every system and function within the JA structure. As a result, the number of JAs, which exceeded 3,000 as of March 31, 1991, declined to 944 as of April 1, 2003.

In June 1998, a policy entitled Basic Approach to the Reorganization of the Cooperative Credit Business Organization was established. In this report, the following four schemes were assumed as directions for the reorganization of the cooperative credit business:

- (1) To realize two levels of organization through the integration of the Bank and Shinnoren,
- (2) To realize one JA per prefecture by combining Shinnoren and JA in the same prefecture,
- (3) To realize a more efficient and focused Shinnoren, and
- (4) To realize interregional Shinnoren where Shinnoren of several different prefectures are integrated.

In response to the report, the specific implementations of this reorganization have been debated in each prefecture.

As a result of the discussions held to date, the consolidation with the Bank of seven of the 46 Shinnoren has been decided upon. Consolidation of two Shinnoren with the Bank was achieved through the acquisition of a part of the credit business in fiscal 2002, and, in fiscal 2003, further progress was made through the acquisition of a part of the credit business of another Shinnoren. In addition, specific deliberations are currently progressing with four Shinnoren, including the acquisition of related assets, liabilities, and business operations. Of these, contracts for consolidation during fiscal 2003 have been concluded with three.

The Bank continuously aims to create a cooperative credit business that lives up to the expectations of and proves worthy of the trust it receives from its members and other users. The Bank is committed to continuing to support the development of the functions and systems of JA and steadily working to streamline and increase the efficiency of its own operations.

Social Contributions

The Bank dedicates itself to preserve the natural environment in harmony with people and industry as well as to make towns more attractive for residents and visitors. For more than 30 years, the Bank has been hosting a nationwide flower campaign with the catchphrase “Green towns and flowers in windows.”

Each year, the Bank makes contributions of flower seeds, bulbs, flowerbeds, and other gardening items to public facilities, including local public bodies, parks, and schools.

Moving forward, the Bank plans to contribute even further to the protection and preservation of nature and the environment as well as improve people’s quality of life through events not merely limited to themes based on “flowers.”

Ocean-Related Educational Activities

The oceans, often called the cradle of life, are not just home to various organisms and a supplier of precious foodstuffs in the form of marine products; they also play a vital role in the maintenance and safety of the global environment.

To sustain the wide-ranging functions of the oceans, it is essential to educate citizens on maintaining and nurturing marine resources and preserving marine environments. To this end, the Bank sponsors and collaborates with various public and non-profit organizations whose aim is to educate people about the oceans.

The Norinchukin Foundation, Inc.

The Bank created the Norinchukin Foundation, Inc., in 1994 to commemorate the 10th anniversary of the establishment of its New York Branch. The objectives of the Foundation are to preserve nature, educate children, and promote cultural activities to improve the quality of life in the states of New York, Connecticut, and New Jersey. Each year, the Foundation donates proceeds exclusively to non-profit organizations that are involved in charities and environmental, educational, or cultural activities.

Milestones in the Bank's 80-Year History

- 1923** • The Bank established with government funds under special legislation as the central bank for Industrial Cooperatives
- 1938** • Gyokyo joins the Bank
- 1943** • Forestry Cooperatives (Shinrinkumiai) join the Bank
- The Bank's name officially changed to the Norinchukin Bank
- 1950** • The first Norinchukin Bank debentures issued
- 1959** • Redemption of the government's equity stake completed, thereby becoming a private bank
- 1974** • Foreign exchange operations begin
- 1977** • Investment and trading in foreign currency denominated bonds begin
- 1982** • A representative office opens in New York (the Bank's first overseas foothold)
- 1984** • The New York Representative Office upgraded to branch status
- 1985** • A representative office opens in London
- 1986** • Fiduciary services for corporate bonds begin
- Norinchukin International plc opens in London
- 1989** • The Bank's U.S. dollar denominated notes issued in the Euromarket
- 1990** • A representative office opens in Singapore
- 1991** • The London Representative Office upgraded to branch status
- 1993** • The Singapore Representative Office upgraded to branch status
- Norinchukin Securities Co., Ltd., established
- Norinchukin Investment Trust Management Co., Ltd., established
- 1995** • Preferred stocks issued, opening the way for capital increases through the participation of ordinary investors
- The Norinchukin Trust & Banking Co., Ltd., established
- 1996** • Operations of Norinchukin Asset Management Co., Ltd., begin
- Laws concerning the integration of the Bank and Shinnoren enacted
- 1998** • Issuance of ¥1 trillion in lower dividend rate stock to Shinnoren and Shingyoren and ¥0.5 trillion in subordinated loan transaction completed
- Substantial reorganization of the market risk investment sections, updating these to match global asset management styles
- Representative offices open in Hong Kong and Beijing
- 2000** • Norinchukin-Zenkyoren Asset Management Co., Ltd., formed through the reorganization of the former Norinchukin Asset Management Co., Ltd.
- 2001** • The Norinchukin Bank Law is revised
- The Law concerning the reorganization and strengthening of credit business by the Bank and specified cooperatives is revised.
- 2002** • The JA Banking System begins
- A capital increase of ¥100 billion in common stock is conducted, and ¥183 billion in funds is procured through the issuance of perpetual subordinated loans
- The consolidation of Shinnoren with the Bank begins