

FRAMEWORK OF THE JA BANKING SYSTEM AND THE UNIQUE SAFETY NET FOR THE COOPERATIVE CREDIT BUSINESSES

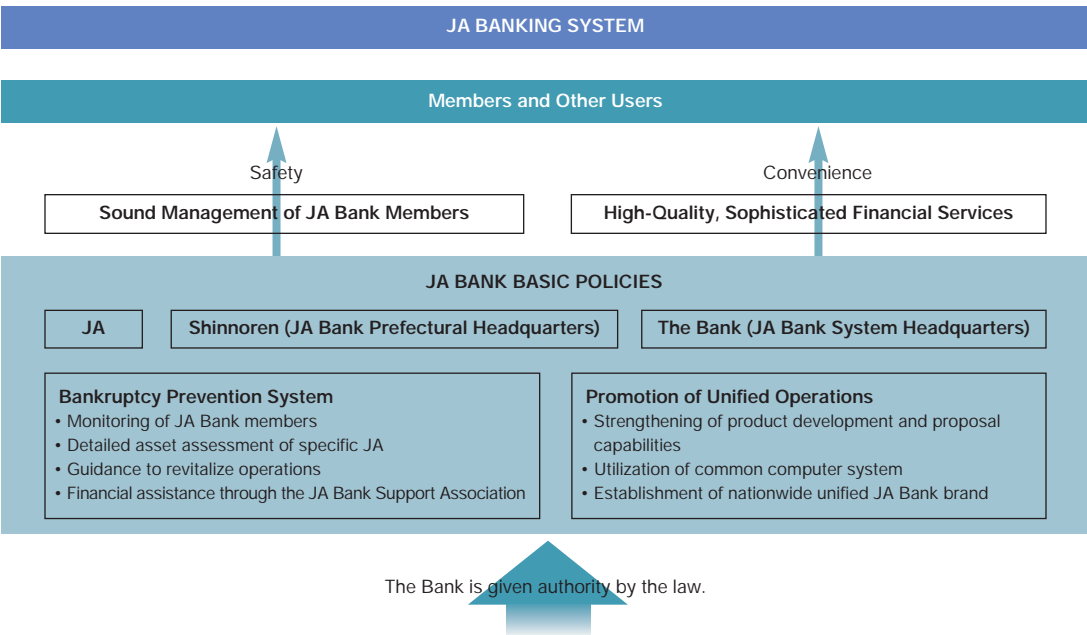
Function of the JA Banking System

The JA Bank is the generic name for the group comprising JA, Shinnoren, and the Bank (all of which are JA Bank members), formed to pursue efficient, integrated business operations.

The JA Group formulated a set of “JA Bank Basic Policies” based on the applicable laws. The purpose of these policies is to create a sound cooperative credit business that is more trusted and utilized as a financial institution by its members and other users. These policies act as a code of conduct and were established on a consensus by JA Bank members. Based on these policies, JA Bank members pursue more integrated business operations by acting in concert as the JA Banking System. In order to carry out the operations of the JA Banking System, a JA Bank System Headquarters has been established within the Bank, and JA Bank Prefectural Headquarters have been set up within each Shinnoren.

The cornerstones of the JA Banking System are: (1) the Promotion of Unified Operations aimed at enhancing and expanding both the financial services that leverage the Bank’s economies of scale and the Bank’s close contacts with its customers and (2) an effective Bankruptcy Prevention System aimed at ensuring the trustworthiness of JA Bank members.

JA Bank is implementing these unified operations in accordance with the JA Bank Medium-Term Strategy (fiscal 2004 through fiscal 2006), which outlines the Bank’s comprehensive business strategy. The ultimate aim is the establishment of an efficient financial services group with even closer customer contacts and a unique and robust customer base centered on individual membership. Through these efforts, and through the creation of a more selective and focused



business portfolio, the JA Bank aims to improve its business operations—such as by extending more loans—and remain the institution of choice among cooperative members and users.

The Bankruptcy Prevention System serves as a mechanism for detecting financial problems at an earlier stage than that stipulated by law. As part of this, the JA Bank System Headquarters requires all members to submit documentation pertaining to business management. It also calls for a detailed assessment of JA’s assets based on a fixed set of pertinent criteria. By doing so, JA Bank members are able to take the necessary steps to rectify problems at an early stage and introduce measures aimed at revitalization.

Overview of the Unique Safety Net for the Cooperative Credit Businesses

The safety net for JA Bank members is underpinned by two mechanisms. The first is an independent safety net established by the cooperatives themselves, a feature not found in other banks. The second is the Savings Insurance System, a public system mandated by law. This independent safety net, operated by JA Bank members, comprises the aforementioned Bankruptcy Prevention System which is unique to JA Bank members. Under this system, the JA Bank Support Association implements support measures, such as the injection of private capital when necessary.

The Savings Insurance System draws its funding from insurance premiums paid yearly by JA, Gyokyo, Shinnoren, Shingyoren, and the Bank. This system protects depositors if a member of the system, such as a JA cooperative, fails and is unable to return deposited funds to members and users. The provisions of this system are commensurate with those that cover other banks under the Deposit Insurance System.

In addition, Gyokyo are covered by a Bankruptcy Prevention System analogous to that of the JA Banking System established for, and in accordance with, the basic policies applicable to the JF Marine Bank.

