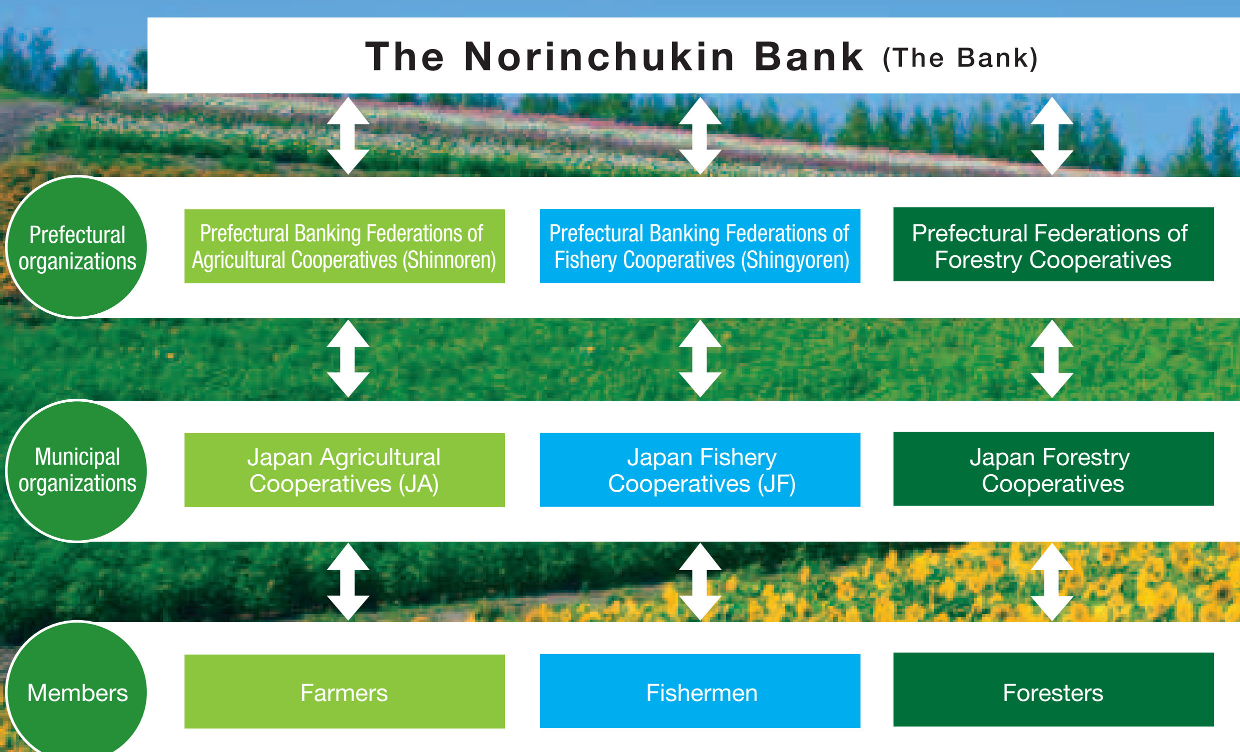
The Norinchukin Bank

ANNUAL REPORT
2008

For the Year Ended March 31,2008

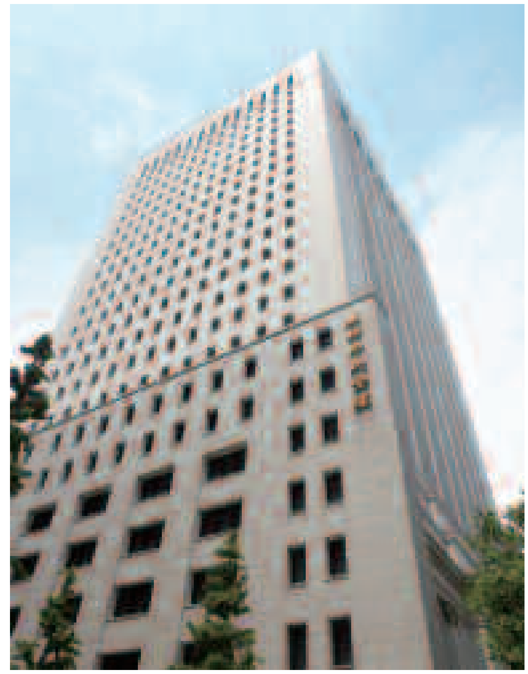
For a "rich natural environment" and "better life"

It is our hope for all people to enjoy a "rich natural environment" and "better life." The Norinchukin Bank's mission is to fully support Japan's primary industries as the central bank for Japan's agricultural, forestry, and fishery cooperative system which eventually leads to contribute toward a better life for the people.
Fostering core farmers, who will sustain the future of Japan's agriculture, through financial services, reforesting lands to protect and conserve the natural environment and resources, and in addition, securing stable profits through global investments as one of Japan's leading institutional investors are some of our major activities in fulfilling our mission.
The Norinchukin Bank will continue undertaking these activities to ensure prosperity for the next generation.



Forward-Looking Statements

This material contains forward-looking statements pertaining to the businesses and prospects of the Bank. These statements are based on our current expectations and are subject to the risks and uncertainties that may affect our businesses, which could cause actual results to differ materially from those currently anticipated.



Corporate Outline

Name ■ The Norinchukin Bank

Legal basis ■ The Norinchukin Bank Law
(Law No. 93 of 2001)

Date of establishment ■ December 20, 1923

President and Chief Executive Officer
■ Hirofumi Ueno

Paid-in capital ■ ¥2,016 billion (US$ 20.1 billion)
(As of March 31, 2008)
*All capital is from private parties (members and investors in preferred securities).The Bank receives no public funding and has never accepted the injection of public funds.

Total assets (On a consolidated basis)
■ ¥61,085.5 billion (US$ 609.6 billion)
(As of March 31, 2008)

Capital adequacy ratio (On a consolidated basis):
■ 12.47% (As of March 31, 2008)
(Basel II standard)

Members ■ Japan agricultural cooperatives (JA), Japan fishery cooperatives (JF), Japan forestry cooperatives, and related associations, as well as organizations that have invested in the Bank, including other agricultural, forestry, and fishery cooperatives
(Number of shareholders: 4,260
(As of March 31, 2008)

Number of employees ■ 2,944 (As of March 31, 2008)

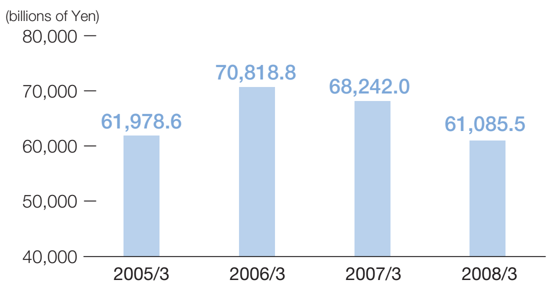
Ratings

Ratings agency	Long-term debt	Short-term debt
Standard & Poor's	A+	A-1
Moody's Investors Service	Aa2	P-1

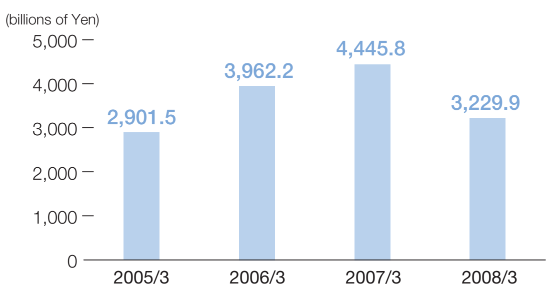
(As of March 31, 2008)

Financial Highlights (Consolidated)

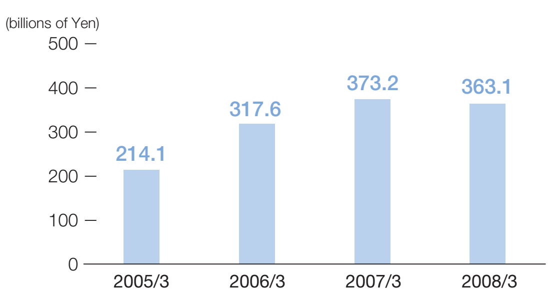
•Total Assets



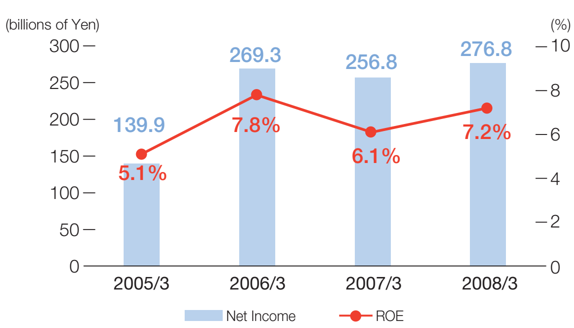
•Net Assets



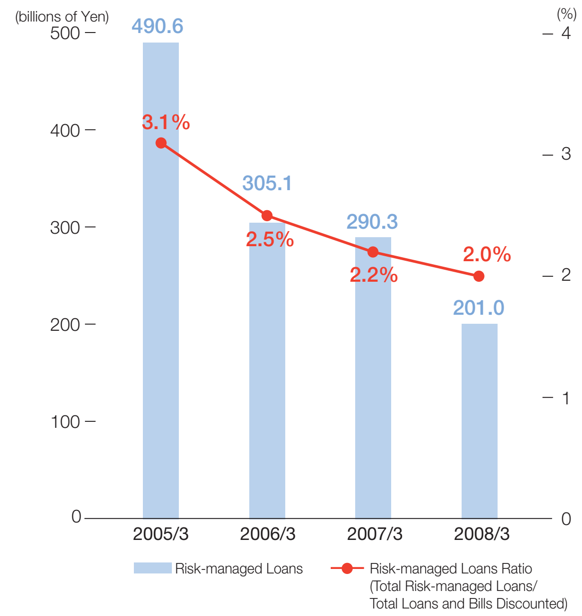
•Ordinary Profit



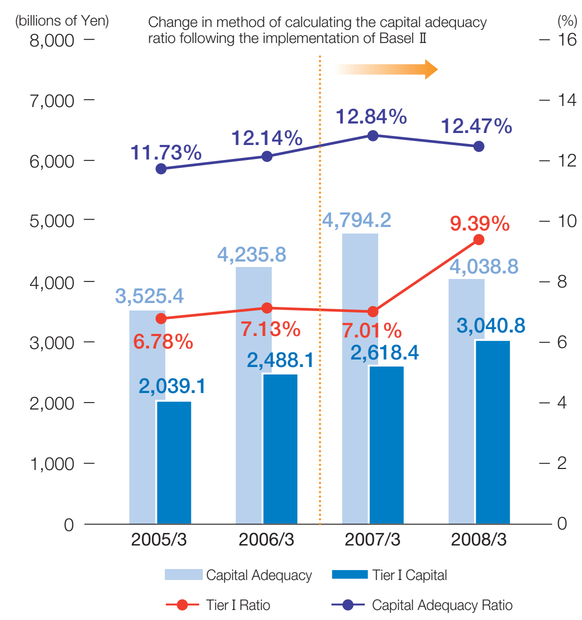
•ROE and Net Income



•Risk-managed Loans



•Capital Adequacy Ratio



Financial Highlights (Consolidated & Non-Consolidated)

■ Financial Results for the Fiscal 2007 (Consolidated)

The Norinchukin Bank's ("the Bank") financial results on a consolidated basis as of March 31, 2008 include the business results of nine consolidated subsidiaries and of five other affiliates accounted for using the equity method. There were no other changes in the scope of consolidation from the preceding fiscal year-end.

The Bank's performance in fiscal 2007 can be summarized as follows.

• Balance of Assets and Liabilities

Total assets declined by ¥7,156.5 billion from the preceding year-end to ¥61,085.5 billion.

The balance of deposits decreased by ¥2,439.1 billion to ¥38,804.3 billion. The Bank's balance of debentures increased by ¥350.8 billion to ¥4,821.9 billion from the previous fiscal year-end.

The balance of loans and bills discounted dropped by ¥3,000.7 billion to ¥9,853.9 billion, while the balance of securities declined by ¥7,488.1 billion to ¥36,242.0 billion.

• Income

Total income in the fiscal year totaled ¥2,703.8 billion, comprising mainly of interest on loans and bills discounted in the amount ¥151.1 billion and interest and dividends on securities in the amount of ¥1,720.1 billion.

Total expenses reached ¥2,278.5 billion. As a result, net income amounted to ¥276.8 billion.

• Capital Adequacy Ratio

As of March 31, 2008, the Bank's capital adequacy ratio (under the Basel II standard) stood at 12.47%.

Key Management Indicators (Consolidated) (Billions of Yen/Millions of U.S. Dollars (Note 1))

	2004/3	2005/3	2006/3	2007/3	2008/3	2008/3
Total Income	¥ 1,141.3	¥ 1,176.5	¥ 1,811.2	¥ 2,639.9	**¥ 2,703.8**	**$ 26,984**
Total Expenses	953.6	981.8	1,445.0	2,250.8	**2,278.5**	**22,740**
Net Income	144.6	139.9	269.3	256.8	**276.8**	**2,763**
Total Net Assets (Note 2)	2,523.8	2,901.5	3,962.2	4,445.8	**3,229.9**	**32,235**
Total Assets	61,833.0	61,978.6	70,818.8	68,242.0	**61,085.5**	**609,636**
Capital Adequacy Ratio (%, BIS) (Note 3)	12.94	11.73	12.14	12.84	**12.47**	

Notes: 1. U.S. dollars have been converted at the rate of ¥100.20 to U.S.$1, the effective rate of exchange at March 31, 2008.

2. Total Net Assets includes "Net Deferred Gains or Losses on Hedging Instruments, net of taxes" and "Minority Interests" in order to comply with the revision of "The Norinchukin Bank Law Enforcement Regulations" (Cabinet Office, the Ministry of Agriculture, Forestry, and Fisheries No.16, 2001) issued on April 28, 2006, which came into effect from the fiscal year ended March 31, 2007.

3. The calculation of the Capital Adequacy Ratio (Basel II) is based on the formula found in Notification No.4 of the Financial Services Agency and the Ministry of Agriculture, Forestry, and Fisheries (Standards for Judging the Soundness of Management of Norinchukin Bank) issued in 2006, which came into effect from the fiscal year ended March 31, 2007. The former standards were applied in calculating the Capital Adequacy Ratio prior to the fiscal year ended March 31, 2007.

■ Financial Results for the Fiscal 2007 (Non-Consolidated)

• Balance of Assets and Liabilities

Total assets declined by ¥7,295.5 billion from the preceding year-end to ¥61,191.7 billion.

With regard to procurement of funds, the balance of deposits stood at ¥38,813.3 billion, and the balance of debentures totaled ¥4,822.1 billion.

The balance of loans and bills discounted came to ¥9,795.6 billion, and the balance of securities stood at ¥36,262.3 billion.

• Income

Income was affected in part by the negative impact on financial markets from the subprime loan crisis in the U.S. Despite the negative affect, the Bank has been successful in its continuous efforts on globally diversified investments. As a result, net income came to ¥272.0 billion.

• Capital Adequacy Ratio

As of March 31, 2008, the Bank's capital adequacy ratio (under the Basel II standard) stood at 12.55%.

Key Management Indicators (Non-Consolidated)

(Billions of Yen/Millions of U.S. Dollars (Note 1))

	2004/3	2005/3	2006/3	2007/3	2008/3	2008/3
Total Income	¥ 1,116.8	¥ 1,163.8	¥ 1,796.1	¥ 2,624.4	**¥ 2,691.4**	**$ 26,860**
Total Expenses	934.9	971.2	1,435.2	2,241.3	**2,274.9**	**22,704**
Net Income	141.8	140.4	267.6	253.8	**272.0**	**2,715**
Paid-in Capital	1,224.9	1,224.9	1,465.0	1,484.0	**2,016.0**	**20,120**
Total Net Assets (Note 2)	2,510.2	2,889.0	3,947.7	4,423.0	**3,202.4**	**31,961**
Total Assets	61,656.1	61,947.2	70,764.1	68,487.2	**61,191.7**	**610,696**
Deposits	40,981.8	40,462.6	40,483.4	41,253.6	**38,813.3**	**387,359**
Debentures	5,216.8	4,704.4	4,787.7	4,471.3	**4,822.1**	**48,126**
Loans and Bills Discounted	17,798.2	15,700.4	11,948.7	12,804.4	**9,795.6**	**97,761**
Securities	33,553.0	37,427.2	45,607.4	43,750.5	**36,262.3**	**361,900**
Capital Adequacy Ratio (%, BIS) (Note 3)	12.87	11.68	12.10	12.84	**12.55**	

Notes: 1. U.S. dollars have been converted at the rate of ¥100.20 to U.S.$1, the effective rate of exchange at March 31, 2008.
2. Total Net Assets includes "Net Deferred Gains or Losses on Hedging Instruments, net of taxes" in order to comply with the revision of "The Norinchukin Bank Law Enforcement Regulations" (Cabinet Office, the Ministry of Agriculture, Forestry, and Fisheries No.16, 2001) issued on April 28, 2006, which came into effect from the fiscal year ended March 31, 2007.
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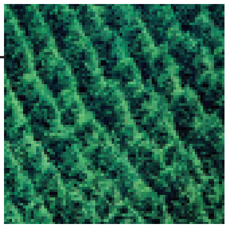
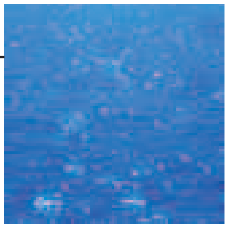
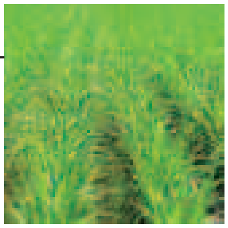
C O N T E N T S







A Message from the President

The Fundamental Role of the Norinchukin Bank in the Agricultural, Forestry, and Fishery Cooperative System

The Norinchukin Bank ("the Bank") functions as the central bank for the agricultural, forestry, and fishery cooperatives in Japan, based on a steady supply of funds and capital, principally from the Japan agricultural cooperatives (JA) and the Japan fishery cooperatives (JF). The Bank manages these financial resources stably and effectively by extending loans and investing in securities and other financial instruments. Earnings generated from these business activities are returned to the agricultural, forestry, and fishery cooperatives as well as other shareholders. Along with these activities, the Bank supports JA and JF that provide banking services for their members by providing a range of services, including the operation of a unified nationwide computer system and the development of financial products. The Bank also responds to the funding needs of our clients and cooperative members. Moreover, the Bank supervises JA and JF on matters regarding their cooperative banking business activities, based on the relevant laws, and assists in strengthening and managing the financial safety net for the JA Bank (which comprises JA, the Prefectual Banking Federations of Agricultural Cooperatives (*Shinnoren*), and the Bank) and the JF Marine Bank (which comprises JF, the Prefectual Banking Federations of Fishery Cooperatives (*Shingyoren*), and the Bank). At the Bank, we believe it is our essential role to enhance the competitiveness and profitability of the cooperative banking businesses as well as to reinforce the reliability of the business.

Policy Directions of the Bank

Today, the Bank faces increasing competition in the retail financial market and changes in the requirement of our clients and cooperative members. In the midst of such environmental changes, the Bank, as an integral institution of the JA Bank and the JF Marine Bank, contributes to achieving the group's whole objectives by fulfilling our basic mission.

Above all, the Bank, together with JA and Shinnoren, as a single financial group, actively executes the growth strategy of the JA Bank to ensure the trust of clients and cooperatives members and to secure our strong position in Japan's financial markets.

To accomplish this, the Bank takes initiatives not only in our business activities related to the agricutural, forestry, and fisheries industries, and the cooperative banking business, but also in the wider areas of total industry-, society-, and environment- conscious activities. To carry out activities for this purpose, we will take further steps to advance our business model, which has two mainstay management goals: namely, retail banking carried as the cooperatives banking business as well as investment and lending business.

In parallel with this, the Bank is endeavoring to nurture an organizational culture appropriate for a global financial institution that operates under the Financial Holding Company (FHC) status in the U.S. financial market (Referred on page 19). As a prerequisite for the Bank's business model, we rigorously adopt measures to upgrade our management and control systems which include strengthening the compliance system.

Initiatives in Fiscal 2007

Based on the JA Bank Medium-Term Management Strategy (covering fiscal 2007 through fiscal 2009), the JA Bank provided retail banking services, focusing on financial services for core farmers, loan services, credit card services, and pension management services, so as to meet the various financial needs of our clients and cooperative members. At the end of March 2008 the outstanding balance of deposits in the JA Bank amounted to ¥82.0756 trillion, for an increase of 2.4% over the previous term-end. With the aim of enjoying an even higher level of public trust, we are currently working to advance our management system, and maintain and enhance the soundness of our business.

Regarding the Bank's performance results for fiscal 2007 on a consolidated basis, in common with the rest of the financial world, the Bank was affected by the turmoil on global capital markets caused by the U.S. subprime loan crisis. However, the Bank still secured adequate earnings by accumulating high quality assets on a global scale, controlling the risk within our management resources, and conducting appropriate risk management, under our core concept of globally diversified investment. As a result of these efforts, although ordinary profit declined from the previous year to ¥363.1 billion, net income reached a record high of ¥276.8 billion.

As of March 31, 2008 the Bank's capital adequacy ratio (in line with the Basel II standard) stood at 12.47% on a consolidated basis and 12.55% on a non-consolidated basis. These figures were the result of a capital increase and a good business performance for the reporting term.

Regarding measures to redesign the organizational structure of the JA Bank, the Bank took over all the operations of Tochigi, Yamagata, and Toyama Shinnoren. As a result, the number of integrated Shinnoren has become seven.

The JA Bank is taking voluntary initiatives to fulfill our social responsibilities by providing fuller support than ever before to the nation's farming communities. As a part of that initiatives, we have set up the JA Bank Agri-Eco Support Fund. This fund provides financial support for core farmers and aims at contributing to the further development of regional communities, as a means of contributing to the revitalization of Japan's agricultural industry and the preservation of the nation's natural environment.

A Message from the President

Measures Planned for Fiscal 2008

1. Cooperative Banking Business (Retail Banking Operations under the JA Bank and the JF Marine Bank)

(1) Implementation under the JA Bank Medium-Term Management Strategy

Based on the JA Bank Medium-Term Management Strategy, the Bank will put a retail banking strategy into practice through close collaboration with JA and Shinnoren. Efforts will be made to strengthen the JA Bank's ability to provide a financial service that precisely meets the needs of core farmers, and takes the particular characteristics of each regional economy and society into careful consideration.

(2) Further collaboration within the JA Bank

The Bank, together with JA and Shinnoren, is pressing ahead with steps to strengthen the JA Bank's corporate governance, operational and administrative processing, marketing channels, human resources development, and public relations activities, both nationwide and in each prefecture.

(3) Developing optimal financial service operating systems tailored to the needs of the JA Bank of each prefectural level

To strengthen the JA Bank's competitiveness, the Bank pursues to design optimal financial service operating policies and systems for each prefectural level, taking the unique characteristics of each local economy and society into consideration and discussing with JA and Shinnoren.

(4) JF Cooperative Banking Business

We are taking steps to expand and strengthen the financial safety net for the JF Marine Bank. We intend to take stronger measures to solve the bad debt problem within a limited time frame.

2. Investment Strategy

Based on the careful examination of returns on investments and the accompanying risks, we aim to secure stable earnings by implementing appropriate and diversified asset allocation from a global perspective, ranging from investment to lending, while holding down risks to an acceptable level. We expect to maintain our medium-term numerical targets stably: ¥300 billion in ordinary profit and capital adequacy ratio of 12% (Tier I capital of 8%).

3. Management Strategy

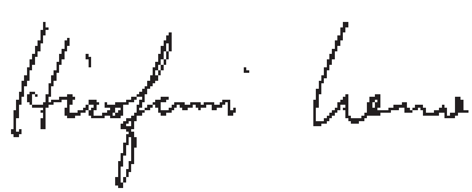
In full recognition of the Bank's basic mission and social responsibility as a major institutional investor operating on a global scale, we are working to reinforce our corporate governance and enhance our business operation systems. We will also strive for an integrated risk management which takes into account the appropriate balance among risk, return, and capital. In addition, we will develop a computer system and advance its operation, and pursue an even more secure and accurate administrative processing. We will implement hiring and training strategies aimed at securing highly qualified staff, and will strengthen our selected and concentrated strategy over the entire scope of our business.

In Closing

We are working to ensure that the JA Bank and the JF Marine Bank are trusted by the general public, that we adopt a proactive stance toward contributing to the local communities and environments, and that we maintain the support of all our stakeholders by fulfilling our responsibilities as a corporate citizen.

In conclusion, it is our hope that you will continue to favor us with your support.

August 2008



Hirofumi Ueno
President and Chief Executive Officer

Management Strategy Q&A

In this section, we, the management of the Norinchukin Bank, would like to explain the transformation that the Bank has gone through since the start of the JA Bank System in January 2002 and also about our future prospects.

Q&A

The Norinchukin Bank Business Model

Q1 In what ways has the Bank changed over the past decade? What strategies will the Bank apply to deal with future changes?

A1 Over the past ten years, the Bank has gone through some major changes such as the establishment of the JA Bank System which is one integrated system formed together by the Japan agricultural cooperatives (JA), the Prefectural Banking Federations of Agricultural Cooperatives (Shinnoren), and the Bank, and the commencement of the global diversification of investments. The Bank will continue to make changes necessary to fulfill its role.

■ The Bank's corporate mission

Since its establishment, the Bank's constant mission has been, as stated in Article 1 of the Norinchukin Bank Law, to contribute to the growth of the nation's economy by supporting the advancement of the agricultural, forestry, and fisheries industries. To fulfill our mission, we have been engaging in fund managing business for returning profits to our cooperative members. With the start of the JA Bank System in 2002, the Bank decided to take one step forward and commit itself in operating the JA Bank System in one integrated form with JA and Shinnoren, and growing the JA Bank into a financial entity capable of competing with the megabanks. This will be mentioned again in the answer to Question 2. The reasons behind making this decision were due to changes in operating environments of cooperative banking business formed by JA, Shinnoren, and the Bank and, changes related to the role of the Bank.

■ The Bank's role

The role of the Bank has transformed largely through several eras; the reconstruction period after World War II, the age of high economic growth, and the "lost decade" which was the period after the collapse of Japan's late-eighties bubble economy.

In times of scarcity of goods and capital, not many deposits were made at JA. Conversely, there were many people, including our cooperative members and clients, in need of funds. In order to meet the fund needs of JA Cooperative Banking Business on a nationwide scale, one of our important roles at that time was to utilize the money deposited with us efficiently by making loans to those JA in dire need of funds. Consequently, the Bank was left with very limited surplus funds with which to conduct investments.

Then, as a result of the decrease of funds need in JA and the increase of fund management need in JA accompanied by increasing member's income, surplus funds in JA had increased and were deposited to Shinnoren and the Bank. Under such an environment, return of profit from Shinnoren and the Bank was increasingly requested by JA which had maintained its management in the conventional deposit and loan business. Consequently, there was growing pressure on the Bank to invest those funds more efficiently.

Following the subsequent bursting of Japan's economic bubble, the financial system fell into crisis, and the tighter legislation and restrictions were imposed on financial institutions to ensure the soundness of their operations. In this new climate, some JA and even several Shinnoren found themselves in business difficulties. Since investment and lending business, which is our core business, needs to be backed by stable funds in the JA Bank System, it has been essential for us to maintain its financial soundness.

In this environment, as further elaborated in the answer to Question 2, we further strengthened our role to support and establish the JA Bank System with the enactment of the Reorganization and Strengthening Law of 2001.

■ The commencement of globally diversified investment

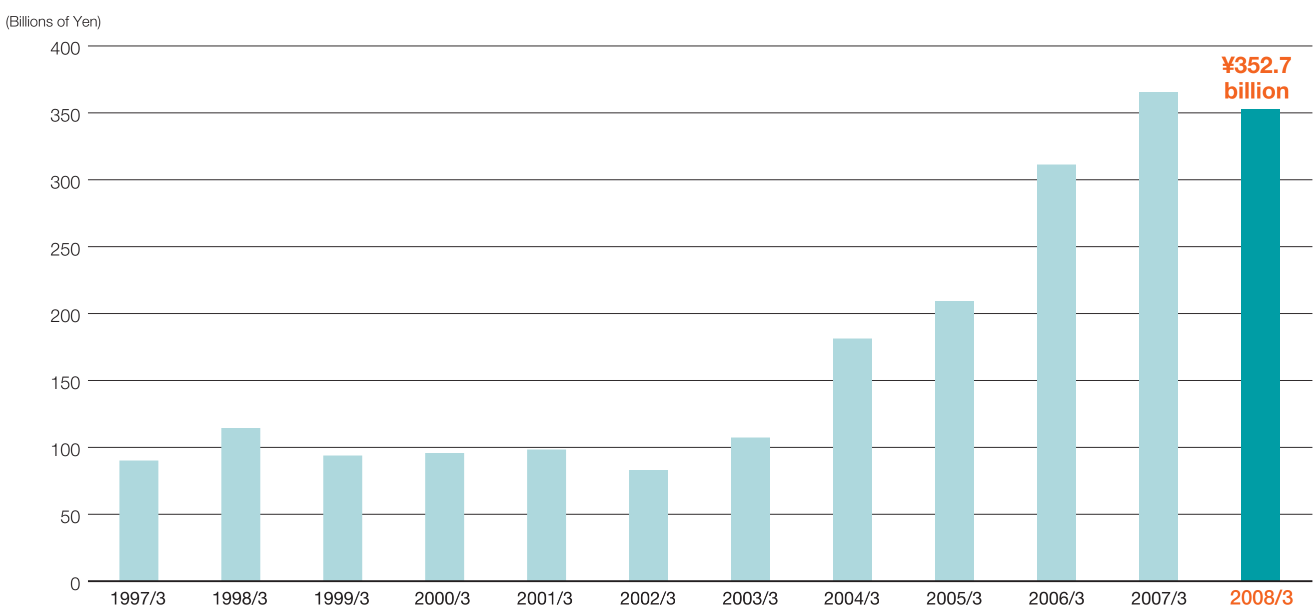
We had thought that we had to change the former deposit-loan and investment business model even before the JA Bank System started in 2002, because Japanese interest rates were stuck at low levels amid sluggish domestic economic conditions. Our business model change was accelerated accompanied by the start-up of JA Bank System and our strong will to secure the mainstay of JA Bank's total earnings. Consequently, we became one of the few Japanese financial institutions to fully engage in globally diversified investment.

With the Japan's economic stagnation in the early nineties after the collapse of the bubble economy and the consequent application of a de facto zero-interest policy by the Japan's financial authorities, the operating environment of financial institutions changed dramatically. The Norinchukin Bank was no exception: it was no longer possible to secure sufficient earnings needed by the JA Bank System through the conventional deposit-and-loan business and investing surplus funds in the domestic capital market, such as in Japanese government bonds. We, therefore, decided to invest our management resources in securities, both in Japan and overseas, under the concept of globally diversified investment.

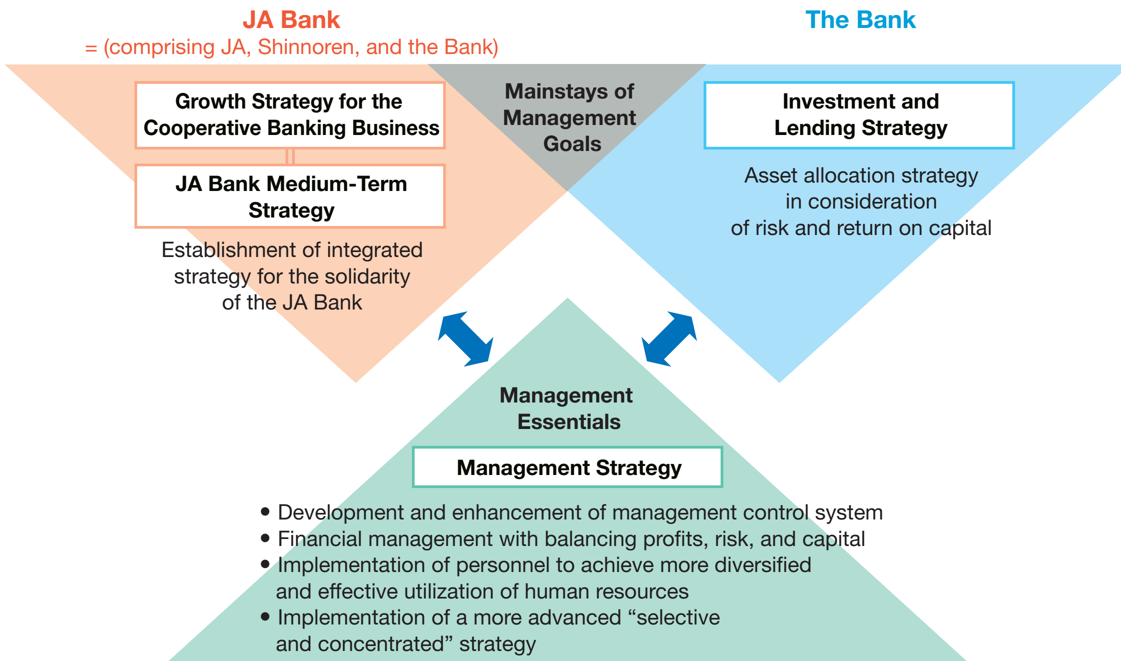
That means that we had decided to switch our business model from that of a conventional investor in the Japanese domestic market to a major investor on the international stage and raise our earning ability by carefully controlling our risk exposure.

For these reasons, in 1998 we divided up our investment operations into separate organizational units, each responsible for one type of investment vehicle (bonds, equities, credit derivatives, and alternative investments). Within each of these categories, however, the same unit handles both the Japanese and overseas markets. Making optimal use of our rapid decision-making, which has always been one of our strengths, we drew up asset allocation strategies and specific investment project decisions following the discussion in weekly meetings among all investment divisions. Through these means—in addition to far-reaching management reforms, including the introduction of cutting-edge

• Ordinary Profit since Fiscal 1996 (non-consolidated basis)



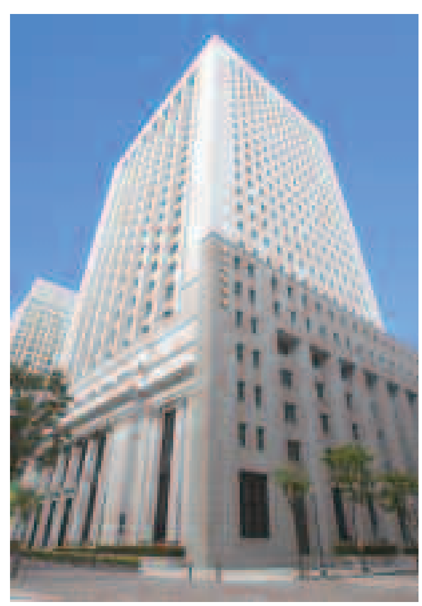
• The Bank's Strategies



integrated risk management systems—we expanded our investments in global markets in a full scale with a sharp rise in the proportion of investments in the U.S. and Europe. As a result, we succeeded in increasing profitability to several times the level of the 1990s.

We will be improving the capability in our investment and lending business. We continue to implement concrete measures to develop human resources and improve fund management skills to the level where we may act as an asset manager to operate a part of private equity, bonds, and securities whose management is being outsourced at the moment.

Against this background, the Norinchukin Bank—whose two mainstay management goals are the smooth operation of the JA Bank System and the pursuit of the investment and lending business—is currently following the Medium-Term Management Plan covering the three-year period from 2007 to 2009 that comprises three sub-strategies: the JA Bank Medium-Term Management Strategy, the Investments & Lending Strategy, and the Management Strategy.



Q2 Could you explain the reasons behind the creation of the JA Bank System?

A2 The JA Bank System, in which JA, Shinnoren, and the Bank work together as a one integrated whole, was created to achieve goals of securing public trust, ensuring financial soundness, and improving the quality of financial services.

■ Bankruptcy Prevention System, an important theme in an early stage

The JA Bank System was inaugurated in 2002, with the twin aims of realizing an effective bankruptcy prevention system and promoting unified operations among JA, Shinnoren, and the Bank. It was when Japan was expecting the end of unlimited insurance coverage on bank deposits in April 2002. To reestablish trust in JA was our urgent issue.

In January 2002, the JA Bank Basic Policy, which voluntarily set its minimum capital adequacy ratio at 8% instead of 4% (a standard required for financial institutions involved solely in Japanese financial market), became effective as sort of a constitutional law of the JA Bank. This policy was created based on the consensus of the JA Bank that public trust in the JA Bank as a whole must be protected against financial deterioration at any individual JA or Shinnoren.

What became the premise of establishing the policy was the enactment of the Reorganization and Strengthening Law of 2001. With the enforcement of the law, the Bank was assigned the additional role of supervising JA and Shinnoren. Acting as a headquarter of the JA Bank to directly monitor business conditions of all JA, the Bank has become capable of leading JA to improve their management promptly in cooperation with Shinnoren and the Prefectural Unions of Agricultural Cooperatives. This resulted in rapidly strengthening the soundness of the JA Bank.

In addition, the establishment of the JA Bank Support Fund made it possible to easily allocate funds where they were most needed, resulting in the provision of a unique bankruptcy prevention system that underpins the effectiveness of the JA Bank System.

■ Promotion of unified operations for superior competitiveness of the JA Bank in the retail banking sector

Another aim of the JA Bank is promoting unified operations, which entails close liaison and collaboration among the independently managed entities that comprise the JA Bank–JA, Shinnoren, and the Bank–. Through the implementation of these core concepts, we aim to build the JA Bank into one of the leading financial brands in the Japanese retail banking sector, utilizing its unrivalled domestic retail banking network to offer high-quality financial services.

Regarding the division of roles among JA, Shinnoren, and the Bank within the overall concept of the promotion of unified operations, the Bank is responsible for the planning and overall supervision of the system. Specifically, the Bank draws up business strategies based on an analysis of the operating environment, designs and creates attractive financial products and services, and develops the necessary financial infrastructure such as online systems.

To enable the Bank to perform this role within the JA Bank, retail banking operations are being steadily assumed by JA and Shinnoren. Meanwhile, the Bank is devoted to revise its business system such as elimination and consolidation of its offices, discontinuation of financial products for individuals, and removal of ATMs.

Shinnoren (or the Bank's branches in those prefectures where Shinnoren are merged by the Bank) function as the prefectural JA Bank Headquarter, reflecting unique characteristics of their local region in addition to taking into consideration opinions of JA. Thus, we aim to promote the unified operations to provide services that are carefully tailored to the needs of customers in each local community. The prefectural JA Bank Headquarter is also expected to concentrate the administrative procedures for efficiency and to collect and deliver significant information for raising the competitiveness of the JA Bank.

Thanks to the promotion of the unified operations in the JA Bank System, JA can utilize the information and the financial products provided by the Bank. This enables each JA to provide the financial support for core farmers and the financial services that are best suited to the particular characteristics of its local economy for the cooperative members and clients.

■ The JASTEM System—a unified infrastructure for all members of the JA Bank

The JASTEM System is a computer system that links all members of the JA Bank in Japan. JASTEM processes data of various financial products and services which are provided by JA (765 JA as of July 1, 2008) for around 47 million accounts via ATMs (about 12,000 units) throughout Japan. JASTEM is one of the leading mass-retail systems in Japan.

This system was developed to jointly manage the separate online systems which had been operated at each prefectural or regional level since October 1999. As the system which is an important infrastructural element that allows the provision of the same service throughout the country, the Bank in 2002 assumed responsibility for the system's operation and further development with the objectives of achieving greater efficiency and more effective risk management. As a result of encouraging JA in each prefecture to participate in the system, it is currently used by all JA.

The next-generation version of JASTEM is now under development, and is scheduled to replace the present system throughout Japan over a four phased program from January 2010 to May 2011.

The successful operation of a retail banking service requires that customers anywhere in Japan must be able to access the same superior level of financial products and services with the same degree of convenience and the same assurance of security. It is vital to develop a system that not only fulfills these requirements, but also helps to cut costs by performing the administrative procedures of JA more efficiently and to solve a wide range of the JA Bank's management issues.

From a strategic view, we are working to expand our lineup of financial products and to standardize our administrative procedures in the hope of encouraging new customers to make the JA Bank their main correspondent financial institution, and expanding transactions with existing customers. At the same time, we are promoting steady development and operation of the JASTEM System that is well-balanced between costs and services.

TOPICS

The JF Marine Bank activities

The JF Marine Bank comprises the Japan fishery cooperatives (JF, limited to those engaging in banking services), Shingyoren (Prefectural Banking Federations of Fishery Cooperatives), and the Bank. In order to provide financial services for people engaged in the fisheries business and ensuring the security of financial services, the JF Marine Bank is currently developing the Stable and Responsible JF Cooperative Banking Business System (JF Marine Bank Safety System), disposing bad debts, and introducing measures for strengthening risk management and low-cost management.

Against this background, the Bank has decided to provide a special financial support for the JF Marine Bank Support Association to strengthen its funding base. Specifically, it was agreed to provide special funds in the total amount of ¥15 billion, of which ¥10 billion was provided in fiscal 2007 (of this sum, ¥9.5 billion was provided in one lump sum by the Bank, and the remaining ¥0.5 billion is being provided by the other members of the JF cooperative banking business on an installment basis).

The Bank's policy is to assist the steady implementation of measures for reforming business methods, organizational structures, and management in the JF Marine Bank through the injection of funds as deemed necessary. We are making steady progress in solving the core problems afflicting the JF Marine Bank through the provision of support and guidance to JF and related organizations in each prefecture in collaboration with the government and other organizations concerned.

About the JA Bank System -2

Q3 Could you explain the JA Bank Medium-Term Management Strategy, the JA Bank "Step-Up" Plan?

A3 To fulfill the mission of the JA Bank, all JA set their fixed numerical management targets.

■ Fixing of numerical management targets

Following the inauguration of the JA Bank System in 2002, a JA Bank Medium-term Management Strategy has been formulated every three years starting from fiscal 2004. Under the previous medium-term management strategy (covering fiscal 2004 through fiscal 2006), the JA Bank implemented various initiatives based upon the selective and concentrated strategies, which included improving the earning, expanding the customer base, and improving organizational efficiency by streamlining JA branches through closures and consolidations.

Under the current JA Bank Medium-Term Management Strategy, the JA Bank "Step-Up" Plan, which covers fiscal 2007 through fiscal 2009, JA throughout Japan are setting their own numerical management target. Furthermore, against the backdrop of intensifying competition in the retail financial market, the JA Bank is pursuing measures to get customers and encourage them to utilize JA as their "main bank" for all their household finances.

To attain their numerical management targets, all JA are working on the following strategies: (1) increasing core customer base by enhancing financial services for core farmers, (2) developing competitive strategies for the retail financial market such as expanding JA Bank loan, JA card, and pension accounts to become the main bank for household finance, and (3) upgrading management control systems to meet the requirements of a financial institution by establishing an ALM management system to support business promotion.

■ Enhancing the responsiveness of financial services for core farmers

The primary policy objective of the JA Bank Medium-Term Management Strategy is to enhance the responsiveness of the JA Bank's financial services for the needs of core farmers. Fostering core farmers is becoming increasingly important for Japan's farming industry and agricultural administration. Even for the JA Bank, as a main bank for the core farmers, it is fulfilling the objective of the strategy through active promotion and development of agriculture in each region.

To provide core farmers with comprehensive business services that cover not only finance but also business consulting, the JA Bank has assigned just over 1,600 JA Bank Finance Leaders for Core Farmers to JA, Shinnoren, and the Bank. They will provide effective consultation services regarding financing and other matters for core farmers.

To support them, we introduced an information exchange tool that makes use of a social networking service framework, and produced the Core Farmer Finance Pocketbook, summarizing the knowledge and information necessary to support core farmers, and the relevant laws and regulations that should be observed.

The JA Bank Medium-Term Management Strategy (Fiscal 2007 through Fiscal 2009)
The JA Bank "Step-Up" Plan

1. Policies to Increase the Core Customer Base

(1) Enhancing the Responsiveness of Financial Services for Core Farmers

(2) Providing Consultations to Major Clients

2. Implementing Competitive Strategies in the Retail Financial Market

(1) Expanding JA Bank loans

(2) Implementing JA Bank card strategy

(3) Promoting individual deposits and pensions

(4) Expanding sales of Japanese government bonds and investment trusts

(5) Establishing a more efficient retail business system

3. Upgrading Management Control Systems as a Financial Institution

The JA Bank will adopt measures appropriate to a financial institution to enhance the sophistication of its management control systems, to respond properly to new regulatory requirements, including the Basel II regulations, and to conduct appropriate risk management activities.

4. Establishing a New Business Model for the JA Bank as a Whole

The JA Bank will seek out a new business model through promoting integration of "face-to-face consultation services for cooperative members and clients" provided by JA and "advantage of scale economies and backup support function" brought by Shinnoren and the Bank.

• Numerical targets of the JA Bank

	FY2007 (results*)	FY2009 (projected)
Profits ratio from the cooperative banking business (%)	0.27	0.29
Outstanding JA Bank loan amounts (¥)	7.4 trillion	8.6 trillion
Number of JA card holders	360,000	990,000
Outstanding retail deposit amounts (¥)	74.4 trillion	76.6 trillion
Numbers of newly obtained pension accounts	440,000	1,110,000 3 years accumulated total

*Actual results on a preliminary basis.

TOPICS

Initiatives to Supply Financial Services for Core Farmers

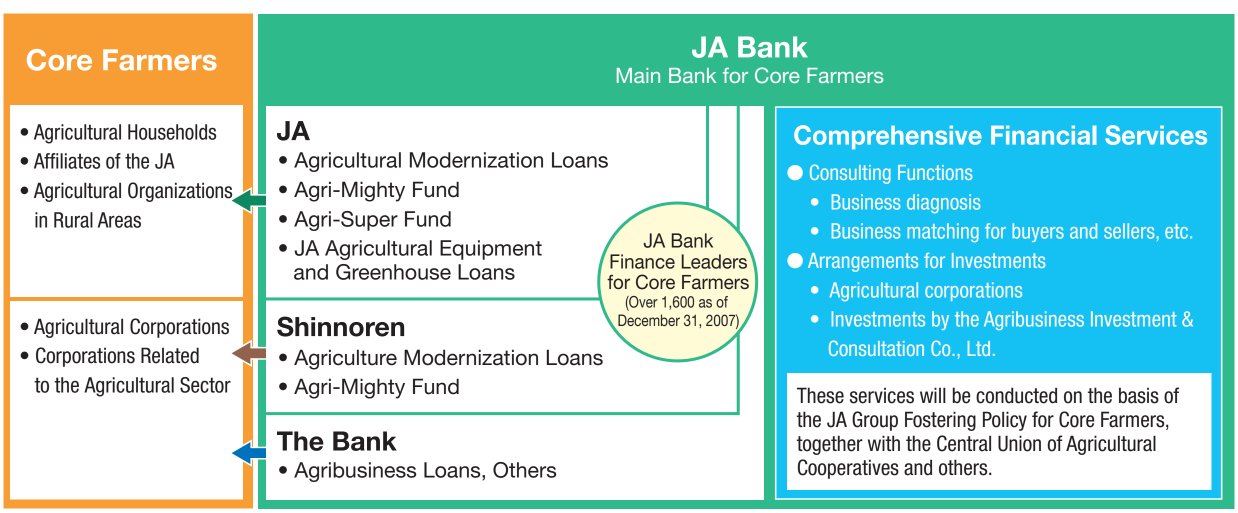
■ The JA Bank's wide range of core farmer funds

The JA Bank has established a wide range of core farmer funds with different purposes and for various customers. Examples of funds made available in recent years are the Agri-Super Fund, established in response to the Rice Farming and Upland Field Farming Income Stabilization Program (multiproduct management income stabilization program) and the JA Agricultural Equipment and Greenhouse Loan which provides quick-response financing for agricultural equipment, greenhouses and other funding needs, both of which were introduced in January 2007. In April 2008, the Bank introduced the Core Farmer Assistance Loan (products offered may differ depending on prefectures and JA).

■ Initiatives in the Bank

The Bank began offering Agribusiness Loans in April 2005. These loans are made available to agricultural corporations engaging in various activities including the production, processing and sale of rice, the production and processing of vegetables, livestock, and gardening. In addition, the Bank supports the financial stabilization of agricultural corporations through investments made by the Agribusiness Investment & Consultation Co., Ltd., an affiliate company of the Bank. In November 2006, the National Federation of Agricultural Cooperative Associations, Kyoei Mutual Fire & Marine Insurance Co., and the Bank worked together to introduce a new finance system for effectively using livestock (cattle and pigs) as collateral.

• Initiatives to Strengthen JA Bank Financial Services for Core Farmers



Investment & Lending Strategy

Q4 Could you explain the Norinchukin Bank's basic investment and lending business strategy?

A4 Our basic strategy in investment and lending business is based on global diversification investment. We are aiming to further advance our future investment and lending business.

■ A leading institutional investor in Japan

Following the Bank's reorganization in 1998 as explained in Q1, we adopted a concept of globally diversified investment as our basic policy with the aim of expanding earning opportunities not only in Japan but also overseas. Since then, the Bank has achieved high and stable growth in earnings through strategies designed to create the optimum portfolio, such as expansion of credit and alternative investment products, and utilization of asset management outsourcing.

The aims of globally diversified investment are twofold: 1) to minimize annual risk during periods of fluctuation in interest rates, share prices, and so on; 2) to ensure a high level of earnings in the medium-term by analyzing the risk and return for different regions (Japan, the United States, Europe, and the other regions) and products (forex products, bonds, shares, and credit investment) and by investing in a diversity of regions and products in consideration of their different characteristics.

Under the current medium-term management plan, our goal is to achieve an annual ordinary profit of ¥300 billion. In fiscal 2007, notwithstanding the financial market disruption triggered by the subprime loan problem, we managed to record ordinary profit of ¥363.1 billion on a consolidated basis, thanks to our basic policy of globally diversified investment.

The Bank's asset management divisions strive for the overall optimum profit by managing assets based upon the overall asset allocation. No separate division pursues its profit target in isolation.

Also, asset management and risk management divisions share expertise knowledge on each other's operations through personnel rotations in a practical effort to achieve maximum earnings while controlling risk.

Furthermore, in 2002 we began to e-mail information on investment-related matters such as the level of risk and profit or loss to all board members and key general managers on a daily basis, thereby increasing the effectiveness of bankwide supervision through the sharing and transparency of information.

■ Expansion of business opportunities through partnerships

As of the end of March 2008, the combined balance of securities and money held in trust managed by the Bank reached ¥44 trillion. Unlike other commercial banks or investment banks, the Bank is one of the very few financial institutions in the world to specialize in investment business while having an extremely stable funding base.

Given that the Bank aims for extremely stable yield in the medium-to-long term (three to five years), as opposed to aiming for short-term earnings like an investment bank or aiming for ultra-long term earnings like a pension fund or insurance company, there are few rival financial institutions with the same risk appetite, and accordingly, the Bank has successful co-owned partnerships and benefits from expanding business opportunities.

In December 2006, the Bank obtained Financial Holding Company (FHC) status under the Bank Holding Company Act of 1956 from the U.S. Federal Reserve Board, to enable the Bank to conduct investment activities in the United States more flexibly. This status is also extremely helpful when it comes to joint investment strategy.

Q&A

Risk Management

Q5 How is the Bank's risk management different from that of other commercial banks? How has the Bank met the Basel Ⅱ requirements (Pillar Ⅱ)?

A5 We implement an integrated risk management that enables us to manage not only risk on traditional lending business but also the total risk of market and credit risks of globally diversified assets. Total risk is maintained within Risk-Bearing Capacity and optimally allocated.

■ The Bank has implemented the ICAAP for evaluating its own capital adequacy in relation to its specific business model

Basel II, the new capital adequacy regulations set by the Bank for International Settlements (BIS), requires a rational explanation concerning capital adequacy. However, the Basel Capital Adequacy Ratio is designed to measure risk at a commercial bank whose business model mainly consists of the lending business. We consider that the Capital Adequacy Ratio alone may not capture the true picture of the dynamic risk management of the Bank which has a relatively large exposure in the market investments. Therefore, the Bank has implemented the ICAAP (Internal Capital Adequacy Assessment Process) to visualize its framework, organizational structure and decision-making process of integrated risk management designed for the Bank.

Under the ICAAP, the Bank has established a framework that enables it to rationally explain to various stakeholders that the profits (= return from investment and lending business) necessary to fulfill the Bank's mission that is consistent with the Bank's business model, the risk (integrated risk = market risk + credit risk + operational risk) anticipated to achieve the profits, and the capital which covers the risk, are always consistent, and that the Bank maintains sufficient capital above the risk the Bank bears as a whole.

■ Timely adjusted asset allocation

The asset allocation that forms the foundation of the Bank's investment business is designed to construct the portfolio of the Bank to generate stable profits for deposits from its members in medium to long term. The Bank intends to have the risk management structure consistent with the risk characteristics of the Bank. The Bank reviews asset allocation regularly and whenever necessary depending on market conditions, focusing on Economic Capital management (in principle, managing total risk within the Bank's Tier I Capital). Decisions on asset allocation are made by several specialized management committees always in cooperation with the Board of Directors. When market factors, such as interest rates or stock prices, are volatile, the Bank has systems to analyze the risk by conducting stress tests or monitoring the checkpoints and timely asset allocation adjustments as and when necessary.

Capital Strategy

Q6 Could you explain the Bank's basic policy on capital expansion?

A6 The Bank's basic capital raising method is investment from cooperative members but it also employs a variety of other capital raising methods.

■ Tier I capital (core capital) based on the investment from cooperative members.

The background underlying the Bank's capital expansion is the new capital adequacy regulations (Basel II) set by the BIS and the shift to an investment and lending business model. In March 1998, in response to the incorporation of the Market Risk Rule into Basel I, the Bank increased its capital through the issuance of ¥1 trillion in lower dividend rate stock to cooperative members, mainly Shinnoren.

Since then, the Bank has continued in its efforts to expand capital mainly through investment from cooperative members, and in March 2008, the Bank received a capital boost of ¥503.2 billion through the issuance of lower dividend rate stock to cooperative members and borrowed ¥383.8 billion in permanently subordinated loans. As of the end of March 2008, the Bank's paid-in capital stood at ¥2.016 trillion.

It is the Bank's mission to manage the funds from cooperative members and return profit to them. Therefore, it adopted the basic policy of covering the Bank's core Tier I capital, which forms the basis for calculation of the capital adequacy requirements, with investment from cooperative members.

The ICAAP, the Bank's original management method, shows necessary capital in relation to return and risk, and this capital, in principle, should also be covered with Tier I capital.

On the other hand, in addition to capital investment from cooperative members, the Bank receives a large amount of funds from cooperative members in the form of deposits. Our cooperative members fully understand our business model and the importance of retained earnings (the expansion of investment and lending business based on capital leads to the return of profits to cooperative members) and cooperate with capital investment.

■ Flexible capital raising from the market

In September 2006, the Bank sourced ¥342.7 billion in funds from the market through the issuance of subordinated bonds. This was aimed at elevating its presence in the market and establishing a funding structure that allows the Bank to flexibly raise capital at all times. We are constantly researching different capital raising methods and seeking to collect information on capital markets.

Q&A

Information System Strategy and Personnel Strategy

Q7 Could you describe the Norinchukin Bank's information system strategy and personnel strategy?

A7 The Bank is promoting both strategies under the catchword "Expertise."

■ Information systems section demonstrates strength in two areas of expertise

As explained previously, the JASTEM System is a mass retail system. Besides this, the Bank also has its own information system which covers the Bank's core investment and lending business and a wide range of other financial businesses. This system's important challenge is speedy "extendability" –which includes the adaptation of asset and risk management responding to market changes and the fulfillment of security requirements which grow more stringent year by year.

In April 2008, we merged JA Bank Computer System Co., Ltd., which was in charge of the JASTEM System, and Nochu Information System Co., Ltd., which was in charge of the Bank's own system, to form the new Nochu Information System Co., Ltd. This marks the start of activities by a unique information systems group that possesses expertise in system development, operation, and management across a wide range of highly specialized areas ranging from retail business to globally diversified investment business. Moving forward, we will further enhance the multiplier effect of the merger to create an even stronger operating structure of information system at the Bank, JA, and Shinnoren.

■ Training generalists with expert skills

We are putting effort into personnel recruitment, assignment, promotion, and training with the aim of developing staff who are highly skilled in all areas (the investment and lending section, the JA Bank section, and information systems and administration section).

Also, in the medium term, we hope to increase the investment expertise of the Norinchukin Group as a whole through investment activities by group companies. On the other hand, in the JA Bank section, we are stepping up personnel exchanges between the Bank and JA. Moreover, at branches in which the Bank took over the operations of Shinnoren, it is our policy to recruit and develop necessary human resources at each region, in order to continue providing services with close ties to the local community.

CSR Initiatives

Q8 Could you describe the corporate social responsibility (CSR) initiatives of the Norinchukin Bank?

A8 We believe the Bank has the duty to contribute to the agricultural, forestry, and fisheries industries through a broad range of activities.

■ Giving back to society through contributions to the agricultural, forestry, and fisheries industries

The Bank has long pursued CSR activities and set up a charitable trust called the Norinchukin 80th Anniversary Forest Rejuvenation Fund in March 2005.

Under the current medium-term management plan, we position the fulfillment of CSR as a priority theme for the Bank. With strengthening internal control systems and establishing the CSR Committee, we will keep in mind the Bank's raison d'être of contribution to the development of the agricultural, forestry, and fisheries industries, and will carry out CSR activities from a nonbusiness perspective. In fiscal 2007, we launched the JA Bank Agri-Support Business which is described the next page.

We also established the CSR Promotion Department within the General Affairs Division in July 2008.

Policy for CSR Initiatives

The Norinchukin Bank is a financial institution with its base in the agricultural, forestry, and fishery cooperatives and an active participant in the global market. To win trusts from our wide range of stakeholders and to contribute to the sustainable development of the Japanese economy and society, we have determined that public trust in the Bank depends on its strong internal management system, including thoroughgoing compliance with laws and regulations as well as human resources policies that enable a diversity of staff to play active roles. In all aspects of the Bank's activities, we continue to actively participate in:

1. Contribution to the Bank's shareholders and members
2. Contribution to the promotion of the agricultural, forestry and fisheries industries
3. Contribution to society

We proactively conduct CSR activities to contribute in these three pillars.

TOPICS

JA Bank Agri-Support Business

In line with its policy of deploying more extensive measures for Japan's agriculture and farming villages which are facing major agricultural system reform and fulfilling its duty to society, the JA Bank initiated JA Bank Agri-Support Business.

- **Summary of activities**
  - A three-pronged approach
  - Providing support for core farmers
  - Offering assistance for activities that contribute to agriculture and regional communities
  - Promoting activities that improve the understanding of and increase interest in agriculture
- **Business entity:** Limited liability intermediary corporation JA Bank Agri Eco Support Fund
- **Total project cost:** Approx. ¥10 billion over three-year period (provided by the Bank)
- **Implementation term:** Three years from fiscal 2007 to fiscal 2009

	FY2007	FY2008	FY2009	
Providing support for core farmers	**Interest Subsidy Business:** Provision of interest subsidies of up to 1% on agricultural loans provided by JA (interest subsidies provided for around 13,000 loans in fiscal 2007)			**Based on results over the three years of the activities, necessary business will be continued or added**
		Investment Business: Provision of support through investment in managerial bodies in agricultural and environmental fields		
Offering assistance for activities that contribute to agriculture and regional communities		**JA Bank Food & Farming Education Support Business:** Provision of subsidies for activities such as food and farming education provided by JA		
Promoting activities that improve the understanding of and increase interest in agriculture	**Food and Regional Culture Information Distribution Business:** Formation of Forum Committee to talk about Japanese Food and Regions with *NHK* (a Japanese TV station), and *Yomiuri Shimbun* (a Japanese newspaper), and Distribution of information on activities in producing and growing areas			

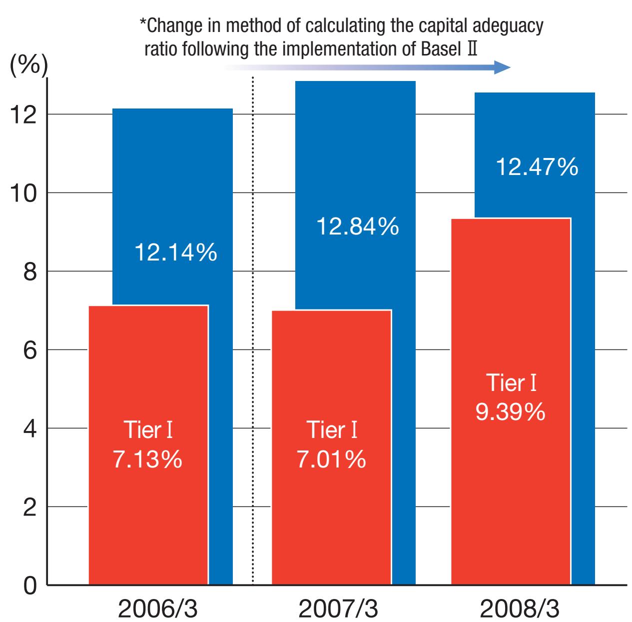
Capital Position

A Strong Capital Base Founded on the Strength of the Cooperative Membership

Capital Adequacy

The Bank deems the strengthening of its capital base to be a top management priority to meet the various needs of its cooperative organizations and other customers, as well as to increase the size and enhance stability of its profits by investing in diversified financial assets in global markets. As of March 31, 2008, the Bank's capital adequacy ratio was 12.47% on a consolidated basis (nine consolidated entities), and 12.55% on a non-consolidated basis.

• Capital Adequacy Ratio (consolidated)



Enhancing the Bank's Capital Adequacy and Financial Position

The management of the Norinchukin Bank believes that enhancing the capital adequacy of the Bank and its financial position are tasks that require unremitting efforts. Only in this way can the Bank ensure its ability to meet the needs of its members and customers, and gain the trust of financial markets globally. This is because a sufficient level of capital adequacy and strong financial position is essential to ensuring sound management and enabling the Bank to operate amid a business environment that contains certain inherent risks.

To achieve these aims, the Bank is examining various measures to strengthen its capital base, including increasing the size of its retained earnings and diversifying its funding sources for capital while gaining the understanding and support of its members. These measures will be implemented as and when deemed necessary.

In line with the aims stated above, the Bank is working to enhance the quality and quantity of its capital adequacy. In fiscal 2007, upon the Bank's merger with the Akita and Tochigi Shinnoren (Prefectural Banking Federations of Agricultural Cooperatives), the Bank raised ¥28.8 billion in lower dividend rate stocks thorough private placement. In March 2008, the Bank also enhanced its capital adequacy by raising ¥503.2 billion in lower dividend rate stocks and borrowing ¥383.8 billion worth of perpetual subordinated loans from its members, in return for prepayment of ¥521.6 billion in dated subordinated loans.

Capital Position

Strong Capital Base

The Bank is rated highly by the two leading credit rating agencies in the United States–Standard & Poor's and Moody's Investors Service–and has received top-tier ratings among Japanese financial institutions. One of the main factors behind these ratings is the strong capital base afforded by the membership of the cooperative system. While major commercial banks in Japan have received injections of public funds to turn around their financial positions and give them the capability for credit extension, the Bank has yet to apply for such injection of public funds, thanks to its healthy capital adequacy.

• Methods of Capital Raising

The Bank's paid-in capital is funded from the following sources.

<table>
<tr><th></th><th colspan="2">Common Stocks</th><th>Preferred Stocks</th></tr>
<tr><td>Investors</td><td colspan="2">Members, as stipulated by the Norinchukin Bank Law</td><td>No restrictions</td></tr>
<tr><td>Voting rights</td><td colspan="2">Yes</td><td>No</td></tr>
<tr><td>Par value / Issue price</td><td colspan="2">¥100 / Issued at par value</td><td>¥100 / Issued at market value</td></tr>
<tr><td rowspan="2">Dividends</td><td rowspan="2">Dividend rates are approved by the Council of Delegates. Dividends are paid after the payment of dividends on preferred stocks. When dividends are paid on common stocks, participatory dividends are paid to holders of preferred stocks.

FY2006: 4%
FY2007: 4%</td><td>For lower dividend rate stocks</td><td rowspan="2">Dividend rates are approved by the Council of Delegates. Dividends on preferred stocks are composed of preferred dividends and participatory dividends. The priority for participatory dividends is the same as for common stocks.

FY2006: 11%
FY2007: 11%</td></tr>
<tr><td>Dividend rates are approved by the Council of Delegates. The priority of dividends is the same as for common stocks. Under the Bank's Articles of Association, dividends on lower dividend rate stocks have a lower priority than common stocks.

FY2006: 2%
FY2007: 2%</td></tr>
</table>

Risk Management

Approach to Risk Management

An essential component of the management of financial institutions is the generation of stable profits and the construction of an optimal portfolio. Managements must also address various types of risk arising from changes in the business environment as well as volatilities in economic conditions and financial markets. Financial institutions must also maintain a high level of public confidence by providing reliable services and maintaining financial soundness.

The Bank, as the central cooperative bank of Japan for agriculture, forestry, and fishery, has the mission of returning profits and offering services for the member cooperatives while maintaining a sound financial base. The Bank deems globally diversified investment to be a core investment strategy, and executes investments in diversified financial assets. Accordingly, the enhancement of its risk management framework is a crucial issue.

Specific initiatives by the Bank are stipulated in its Risk Management Policy. The policy specifies the types of risks to be managed by assessing the materiality of each risks at the operation and a basic framework for risk management, including organizational structure and methodology. In accordance with this policy, the Bank conducts risk management activities taking account of the inherent nature of each type of risk, measures the overall magnitude of these risks, making use of quantitative methods, and conducts integrated risk management by comparing the amount of risk with the Bank's financial strengths.

To implement integrated risk management, the Bank has created the Risk Management Committee. The Committee enables the Bank's top management to discuss important issues relating to its risk management framework and capital adequacy. The Committee also ensures that the total risk amount is kept within the Bank's maximum tolerable risk. The Bank has also established a number of committees according to the types of risk, i.e. the Market Portfolio Management Committee (market risk, liquidity risk), the Credit Committee, the Credit Portfolio Management Committee, the Cooperative Finance Committee (credit risk), and the Operational Risk Management Committee (operational risk), to enable the top management to discuss risk management policies, including actively planned risk taking. Together with flexible portfolio management that responds to changes in the financial markets, economic conditions, and the business environment within the economic capital management framework (please refer to P.29) decided by the Risk Management Committee, the Bank works toward optimizing the balance among risk, return, and capital, thereby enhancing the soundness and profitability of the Bank's activities.

The Bank has set up a number of divisions to manage individual types of risks, as well as a division responsible for integrated risk management. The roles and responsibilities of those divisions are clearly defined. The Bank also ensures the maintenance of appropriate internal control among those divisions.

Complying with Basel II

Basel II (the new capital adequacy regulations), which went into effect in Japan in fiscal 2006, requires banks to comply with its three pillars. Pillar I is the introduction of a risk sensitive computational formula for capital adequacy. Pillar II is financial institution's internal capital adequacy assessment process, consistent with its risk profile, followed by supervisory review and an evaluation process. Pillar III is proactive disclosure to secure the proper evaluation of the effectiveness of Pillar I and Pillar II by the market. The Bank has taken initiatives in the past several years to resolve issues relating to these three pillars.

Especially as regards credit risk management, the Bank has worked to enhance its credit risk management infrastructure. The Bank has reinforced its existing

Risk Management

internal rating framework (system in which borrowers are rated both on the basis of a quantitative assessment of financial data making use of a statistical model, and on the basis of qualitative analysis). Other related initiatives aimed at enhancing credit risk management include the introduction of a method for computing risk based on estimates of the probability of defaults for obligors in each credit rank, based on historical data of actual defaults. For operational risk (risk arising from operating activities, such as clerical errors, system defects as well as lawsuits), the Bank has strengthened its comprehensive management systems through Risk and Control Self-Assessment (RCSA) exercises. These exercises identify risk inherent in various business processes and assess the effectiveness of internal controls. The Bank adopted the "Foundation Internal Ratings-Based Approach (F-IRB)" for credit risk and "The Standardized Approach (TSA)" for operational risk, pursuant to the Norinchukin Bank Law Notification regarding Basel II.

Internal Capital Adequacy Assessment Process (ICAAP)

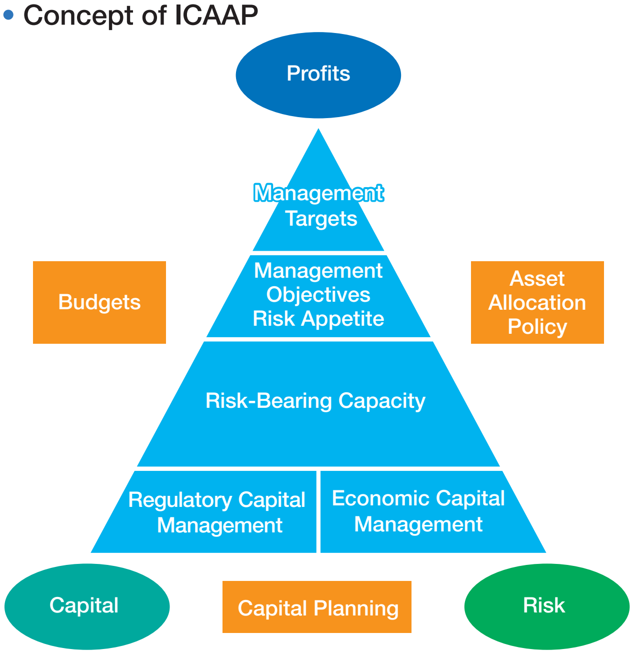
The Bank implements the Internal Capital Adequacy Assessment Process (ICAAP), an assessment process based on "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" of the Basel Committee, to manage profits, risk, and capital in a consistent and efficient manner. Under the ICCAP, the Bank comprehensively manages its capital resources, taking into consideration both capital (the numerator of the capital adequacy ratio) and risk assets (the denominator of the capital adequacy ratio).

The ICAAP is a process for assessing the appropriateness of its risk management practice. By examining the risk arising from the business objectives, the Bank verifies that there is sufficient level of economic capital to cover the risks. The purpose of ICAAP is to provide strong confidence in the Bank's sound business management by its stakeholders.

The Bank's ICAAP is beyond the framework of controlling just capital and risk. It intends to meet simultaneously two distinct management goals: capital adequacy and profitability. The ICAAP recognizes capital adequacy as a "triangular" relationship among profit, capital and risk with consistency and good balance. This framework constitutes the core concept of the Bank's ICAAP.

Specifically, the ICAAP ascertains the consistency between "Risk Appetite" and "Risk-Bearing Capacity," both presented quantitatively as the amounts of risk and capital, respectively. This process is achieved through two different types of framework to maintain capital adequacy: regulatory capital management and economic capital management (to be discussed later).

• Concept of ICAAP



• Risk Appetite

In implementing the Bank's strategies for attaining its management goals, Risk Appetite reflects specific views on risk-taking, and defines what types of risk and what magnitude of such risk the Bank is willing to take. The level of risk to be controlled is determined by various related indicators and from both a qualitative and a quantitative perspective. In other words, the setting of Risk Appetite interrelates management objectives (management strategy), risk, and capital within a single framework.

• Setting Risk-Bearing Capacity

The Bank stipulates the scope of the material risks it comprehensively manages, such as market risk, credit risk, and operational risk. For such risks, the Bank defines the methods for evaluation (quantitative measurement). The Bank then defines Risk-Bearing Capacity as "maximum tolerable risk," and manages the level of risk within Risk-Bearing Capacity. When setting Risk-Bearing Capacity, the Bank connects each component of capital with types of risk to be covered.

• Confirmation of Consistency between Risk and Risk-Bearing Capacity

This confirmation process involves verifying that the volume of risk taken, based on Risk Appetite, does not exceed the Risk-Bearing Capacity, and that there is no concern that risk may exceed the Risk-Bearing Capacity. To ascertain such conditions through day-to-day operations, the Bank has set the checkpoint within the framework of the regulatory capital management (capital adequacy ratio) as well as economic capital management. In addition, by performing a set of stress tests, and through a capital planning process, the Bank aims to secure a strong financial position.

The checkpoint provides a framework for ensuring that capital adequacy is maintained above a predetermined level, regardless of volatilities due to various factors. Through this system, the Bank monitors factors causing fluctuations and takes necessary countermeasures at an early stage. A specific checkpoint is determined according to the Bank's risk profiles, which include the inherent nature of volatilities of unrealized gains and losses on securities. The checkpoint is an integral part of maintaining the Bank's capital adequacy ratio above a certain level by monitoring the level of unrealized gains and losses on securities on a daily basis.

Integrated Risk Management

The Bank has drawn up its Risk Management Policy, and stipulates a core risk management framework that quantifies and manages risk comprehensively in comparison with capital, which represents the Bank's financial strength. The Bank has further developed this framework in the ICAAP (Internal Capital Adequacy Assessment Process), focusing on capital adequacy, as described above. The Bank conducts integrated risk management. In addition to the risk covered by regulatory capital management.

The central function within the risk management process is economic capital management, under which all the risks to be covered by capital are quantified. The aggregate of these risks is managed through comparison with the aggregate of economic capital allocated to each category of risk as the maximum tolerable limit. The Bank manages economic capital both on a consolidated and non-consolidated basis.

Under economic capital management, volatilities of the risk volume (risk capital) that occur along with market fluctuations and additional risk taking are managed within the allocated economic capital. The resource of economic capital is Tier I capital, the same basis as the regulatory capital calculation. The Bank categorizes the types of risks managed by economic capital management framework as market risk, credit risk and operational risk. The Bank designs an economic capital management methodology suitable for the Bank's business model, which is characterized as its globally diversified investment strategy. The Bank allocates and manages the risk capital on an aggregate basis instead of asset classes or divisions in charge to fully take advantage of the globally diversified investment concept. Allocation of economic capital to each risk category is determined by the Board of Directors semiannually, in consideration of the allocation policy of the market portfolio and other investment assets. Middle sections are responsible for measuring and managing the risk volume by monitoring its trends,

Risk Management

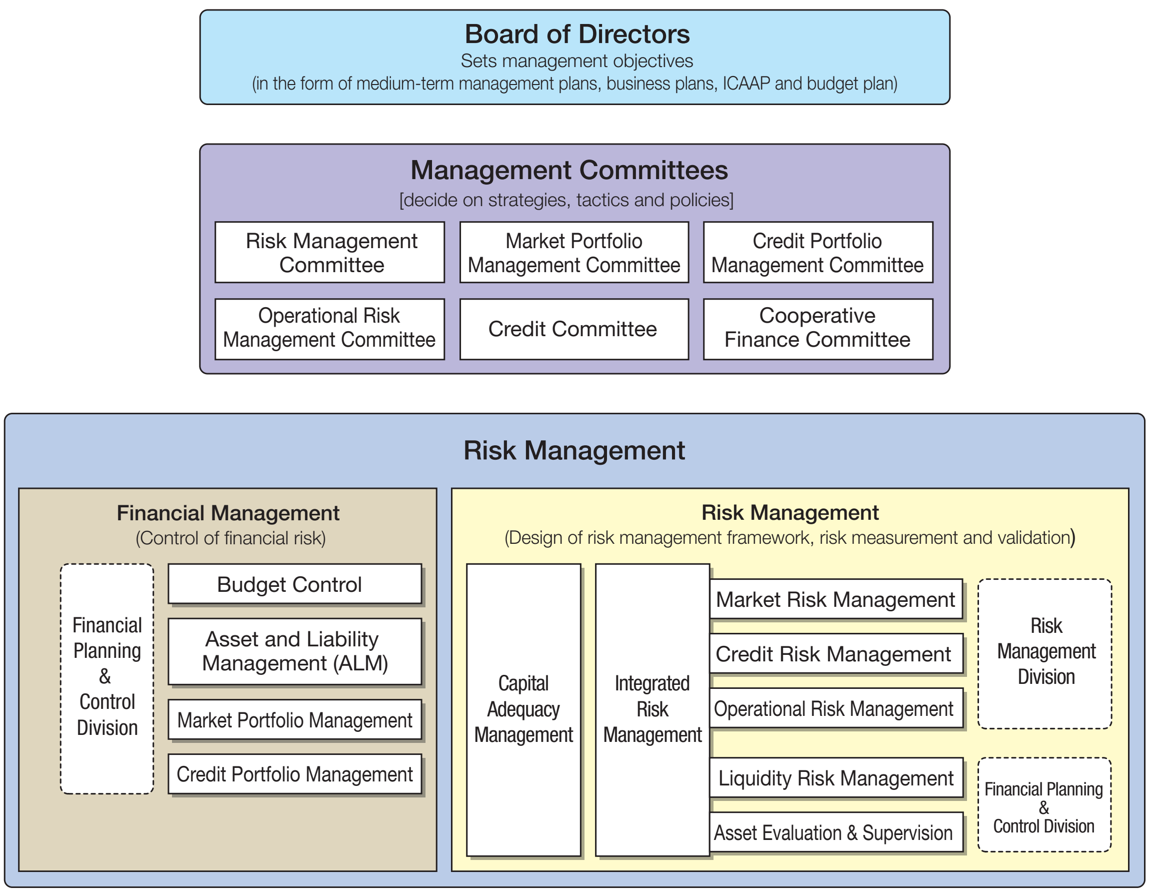
and they report to the management on a regular basis. The risk volume of the market portfolio is measured, monitored and managed on a daily basis.

Allocation of economic capital is at the sole discretion of the Board of Directors. However, technical details of relevant issues are discussed in advance by the Risk Management Committee from an integrated risk management perspective.

Market risk is measured by the Value-at-Risk (VaR) method, using a historical simulation model, with a 99.50% confidence interval and one-year holding period. Credit risk is measured through the Value-at-Risk (VaR) method, using a Monte Carlo simulation model (Mark-to-Market), with a 99.50% confidence interval and rating transition within a one-year holding period. Credit risk capital is defined as the credit risk amount measured by the method described above, deducting the expected losses. Operational risk is measured by the Standardized Approach(TSA), in line with the regulatory capital requirement. This amount is adopted as the operational risk capital.

Through these initiatives, the Bank manages risk via an integrated approach, and plans to increase the sophistication of its risk management framework going forward.

• Risk Management System



• Integrated Risk Management Consistent with Financial Management

The Bank's integrated risk management framework is conducted consistently with its financial management framework to maintain a balance between a sound financial position and adequate profitability. The Bank has specifically established the market risk management infrastructure to enable it to promptly respond to changes in the conditions of financial markets. The Bank conducts a wide range of analysis from various perspectives, including static and dynamic interest rate sensitivity analyses toward the profit/loss impact, and asset price sensitivity analysis for impact on the interest rate changes. In addition, as a part of asset and liability management (ALM), the Bank measures the risk volume, taking account of volatilities in prices of bonds and stocks as well as volatilities in foreign currency exchange rates, and conducts scenario simulations under various stress assumptions. Through the analysis described above, the Bank obtains an accurate grasp of the impact of market volatilities on the value of the assets, and endeavors to construct a resilient financial position.

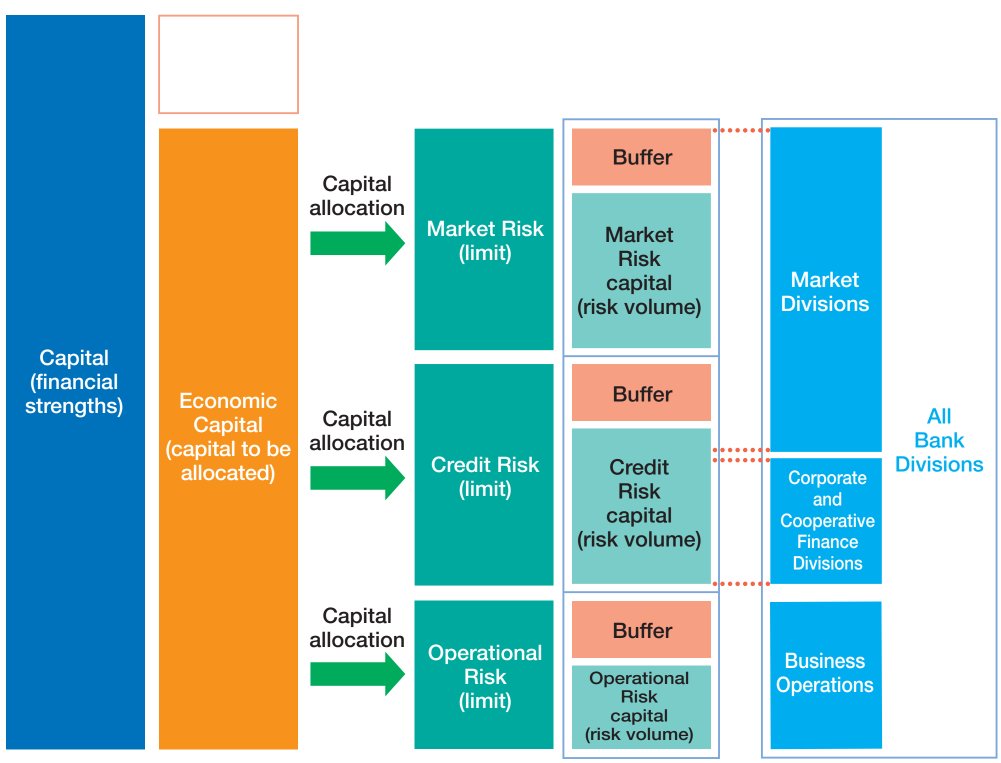
Credit Risk Management

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, that causes an asset (including off-balance sheet items) to lose value or become worthless. For the Bank, transactions involving credit risk are one of the most important sources of earnings from a strategic point of view. The Bank comprehensively manages credit risk on an entire credit portfolio basis as well as individual credit basis for whole credit risk assets. In this way, the Bank appropriately manages the amount of credit risk to secure a steady flow of earnings.

• Credit Risk Management Framework

The Bank's credit risk management framework comprises four committees that are managed by the directors and general managers involved in risk management. These committees decide the credit risk management framework as well as credit investment policy. Front sections execute loan transactions and credit investments in accordance with the credit policy and within the credit

• Illustration of Economic Capital Allocation



limits approved by the committees. Middle sections, which are segregated from the front sections, monitor changes in the credit risk portfolio and report them to the committees. Those feedbacks are used for upgrading the risk management framework and for future credit investment planning.

Each of the four committees has a specific role assigned by the management. The Risk Management Committee is responsible for the deliberation of the basic infrastructure for overall credit risk management, including the Bank's internal rating system, the self-assessment system, and the economic capital management system. The Credit Committee functions primarily to discuss a number of credit ceiling systems to manage concentration risk. The Credit Portfolio Management Committee and the Cooperative Finance Committee discuss basic strategies and policies regarding control of the credit risk infrastructure, and make decisions on business strategy for material transactions or transactions with large amounts.

The Risk Monitoring Division, a middle office division segregated from front sections, monitors the condition of the credit risk portfolio.

• Credit Risk Analysis Framework

As a result of the Bank's continuing efforts to further upgrade its credit risk analysis capabilities, the Bank performs highly specialized analysis for all outstanding credit according to borrower type, such as a cooperatives, private corporates, public entities, financial institutions, or overseas borrowers. Credit analyses on private corporates and public entities are assigned according to sectors to utilize accumulated institutional knowledge on analysis for each industry. That framework is designed to take benefit from a sector-specialized senior credit administrator system. A senior credit administrator specialized in a certain sector reviews each debtor and its business conditions individually and compares it with other companies in the same industry utilizing its credit and sector research function. In analyses of loans to overseas borrowers the Bank reviews country risk, an inherently different category of risk from domestic corporates, and effectively uses the country ceiling system. Together with the region-specialized senior credit administrator system for evaluation of credit applications, the Bank considers credit risk on overseas loans are appropriately managed. In addition, securitized products, such as asset-backed securities having accounts receivable from corporate or real estate as underlying assets are analyzed by a senior credit administrator specialized in structured products to properly assess the risk inherent in such investments. Credit monitoring reviews are also performed regularly for structured products.

Through this credit analysis system, the Bank maintains high-level credit risk management based on stringent analytical standards, proprietary financial and cash-flow analysis methods, and monitoring reviews after deals.

The Bank also takes initiatives to optimize credit risk portfolio by setting credit limits according to the internal rating and monitoring exposure of each corporate. The Bank also applies a minimum interest rate for a borrower according to its internal rating, and maintains appropriate return for credit risk of the borrower.

• The Bank's Internal Rating Framework

Outline of the Internal Rating Framework and Special Features

In addition to the Bank's traditional lending activities as a financial institution specialized in the agricultural, forestry, and fisheries industries, the Bank adopts a management strategy of globally diversified investment and pursuit of an optimized investment portfolio by diversifying investment assets according to regions or industries. Accordingly, the Bank considers that it is crucial to manage credit risk exposure from an integrated perspective, to maintain capital to cover the amount of credit risk, ensure management soundness, and strengthen profitability.

The Bank's internal rating framework is designed to evaluate and measure the Bank's credit risk portfolio consistently, and is considered to be a crucial tool for the integrated management of credit risk. It plays an important role in daily credit risk management and portfolio management, such as economic capital management.

Structure and Application of the Internal Rating Framework

The Bank's internal rating framework comprises three components: the Borrower Rating System, the Loan Recovery Rating System, and the Retail Exposure Internal Rating System.

The Borrower Rating System is designed to evaluate the exposure grades of corporate borrowers. The Bank has 15 borrower grades: 10 borrower grades for non-defaulted borrowers and 5 for defaulted borrowers. Each borrower grade defines the level of credit risk for a borrower.

In principle, ratings are evaluated and assigned using a combination of quantitative and qualitative factors. For certain assets subject to risk-weighted asset calculation for the investment fund, the Bank assigns its internal ratings by using external ratings as the primary factor, those of Standard & Poor's (S&P) and Moody's Investors Service (Moody's). The Bank maps clearly its internal grades to the scale used by credit rating agencies (e.g., internal grade "1-1" corresponds to the external grade "AAA" and "Aaa"). This mapping is based on comparisons of grades and default probabilities on the same borrowers between internal ratings and credit rating agencies' ratings.

In the measurement of credit risk for economic capital management, the Bank uses the identical probability of default (PD) used in the regulatory capital calculation, and applies a method consistent with the IRB Approach.

The Loan Recovery Rating System is used to rate the recovery of collateral for corporate exposure. Ratings are assigned according to the expected recovery ratios, and are determined from the assessment of factors that may have an impact on the recoverability, such as loan security (collateral or guarantees), seniority (senior or subordinate), and other factors affecting recovery for defaulted exposures.

The Retail Exposure Internal Rating System estimates Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) on an exposure pool basis, and allocates exposure according to type of pool.

Management of the Internal Rating Framework and Validation Procedures

The internal rating system is managed in accordance with the objectives of the internal rating, criteria of grades, allotments of evaluation methods, approval authority, rating review, and rating validation stipulated in relevant policies and procedures.

Moreover, the Risk Management Division is established as an independent credit risk control unit responsible for management of the internal rating framework, and conducts validation and monitoring of the internal rating framework.

In addition, the Internal Audit Division periodically performs audits on credit risk management, the appropriateness of estimated parameters such as Probability of Default (PD), compliance with the minimum requirements for the IRB Approach and other matters, and reports to the Board of Directors.

• Self-Assessments, Write-Offs, and Provisions to Reserves Based on Internal Ratings Framework ——
The Bank conducts self-assessments exercises on a quarterly basis as of the end of March, June, September, and December.

The self-assessment process initially classifies debtors according to the Bank's internal ratings. There are five such categories: standard, substandard, doubtful, debtors in default, and debtors in bankruptcy.

Subsequently, within each of these categories, individual credit customer obligations are classified into four categories (I, II, III, and IV) according to recoverability.

Risk Management

• Relationship among Internal Rating, Self-Assessment, and Exposure Requiring Mandatory Disclosure under the Financial Revitalization Law

Internal rating	Self-Assessments: Debtor classification	Self-Assessments: Asset category	Self-Assessments: Definition of asset category	Exposure requiring mandatory disclosure under the Financial Revitalization Law
1-1, 1-2, 2, 3, 4, 5, 6, 7	Standard	Category I	Debtors who are experiencing favorable operating conditions and having no particular financial difficulties. Internal ratings 1-1 to 4 are equivalent to investment grade of credit rating agencies.	Standard Loans
8-1, 8-2, 8-3	Substandard: Other substandard debtors	II	Debtors requiring close monitoring going forward	Standard Loans
8-4	Substandard: Debtors under requirement of control	II	Debtors requiring close monitoring going forward	Special attention
9	Doubtful	III	Debtors who are highly likely to fall into bankruptcy	Doubtful
10-1	Debtors in default	IV	Debtor who have effectively fallen into bankruptcy, although no facts have emerged to indicate legal or formal bankruptcy	Bankrupt or de facto bankrupt
10-2	Debtors in bankruptcy	IV	Debtors who are legally and formally bankrupt	Bankrupt or de facto bankrupt

• The Norinchukin Bank's Debtor Classification and Reserves for Possible Loan Losses (As of March 31, 2008) (On a Non-Consolidated Basis)

(Billions of Yen)

Self-Assessments: Debtor classification	Category I	Category II	Category III	Category IV	Reserves for possible loan losses	Claims disclosed under the Financial Revitalization Law	Risk-managed loans (Note 2)
Debtors in bankruptcy Debtors in default	Portion deemed to be recoverable through collateral or guarantees		Provisions are made to cover the entire amount	Full amount written off or provisions made	Specific reserve for possible loan losses 86	Bankrupt or De facto bankrupt 4	Loans to borrowers under bankruptcy proceedings 1 Delinquent loans 135
Doubtful debtors	Portion deemed to be recoverable through collateral or guarantees		Provision ratio: 94.6%			Doubtful 134	
Substandard debtors: Special attention	Provision ratio of the uncovered portion: 34.6%				General reserve for possible loan losses 50 (Note 1)	Special attention 49	Loans with principal or interest payments three months or more in arrears — Restructured loans 49
Substandard debtors: (Claims on debtors under requirement of control)	Claims on substandard debtors other than "Special Attention"					Standard loans 10,118	
Substandard debtors: Other substandard debtors							
Standard debtors							

Notes: 1. The expected default ratios for computing the provisions to the general reserve for possible loan losses are 0.24% for standard debtors, 4.14% for substandard debtors (excluding claims under requirement of control), and 11.63% for claims under requirement of control.
2. The difference between the total of claims disclosed under the Financial Revitalization Law and the total of risk-managed loans is the inclusion of claims other than loans.

• Criteria for Write-Offs and Provisions to Reserves

Write-offs and provisions to reserves for possible loan losses are made in accordance with the criteria set by the Bank for each category of obligors determined by self-assessment exercises. For exposure to standard debtors and substandard debtors, the Bank makes provisions to the general reserve for possible loan losses for each category of borrowers based on the expected loss ratio, which is calculated from historical loss data, including losses from defaults. For debtors under requirement of control with substantial exposure, provisions to specific loan loss reserves for possible loan losses are made on the basis of calculation by the discounted cash flow (DCF) method. For exposure to doubtful debtors or lower, provisions to specific reserves for possible loan loss are made, or write-offs are performed, for the amount not covered by collateral or guarantee to the exposure classified as Category III, and the amount deemed necessary to the exposure classified as Category IV.

• Criteria for Write-Offs and Reserves for Possible Loan Losses

<table>
<tr><th colspan="2">Debtor classification</th><th>Criteria for write-offs and reserves for possible loan losses</th><th>Provision ratio as of March 31, 2008</th></tr>
<tr><td colspan="2">Standard debtors</td><td>Provisions are made as the general reserve for possible loan losses multiplying the total credit exposure by the expected loss ratio based on the historical default ratio.</td><td>0.24%</td></tr>
<tr><td rowspan="2">Substandard debtors</td><td>Other substandard debtors</td><td rowspan="2">Initially, categorize debtors into two groups: “Debtors under requirement of control” or “Other substandard debtors,” in accordance with credit quality of debtors. Debtors in the latter group are further classified into sub-categories.
Applies Discount Cash Flow (DCF) method for a debtors with large exposure if classified as “Debtors under requirement of control.”
Provisions are made as general loan-loss provisions, multiplying the total credit exposure by the expected loss ratio based on the historical loss ratio for each category of borrowers.</td><td>4.14%</td></tr>
<tr><td>Debtors under requirement of control</td><td>11.63% (Excluding borrowers the DCF method is applied)</td></tr>
<tr><td colspan="2">Doubtful debtors</td><td>Provisions are made as specific reserve for possible loan losses the necessary amount estimated against the amount classified as Category Ⅲ (amount not likely to be recovered from collateral or guarantee) on an individual borrower basis.</td><td>94.60% of the unrecoverable portion</td></tr>
<tr><td colspan="2">Debtors in default</td><td rowspan="2">Provisions are made as specific reserve for possible loan losses on an individual borrower basis for the entire amount classified as Category Ⅲ. Write-offs are performed on an individual borrower basis for the amount classified as Category Ⅳ (the amount estimated as uncollectible or unrecoverable), regardless of treatment under criteria in tax law.</td><td rowspan="2">The full amount of the unrecoverable portion is written off or provisioned</td></tr>
<tr><td colspan="2">Debtors in bankruptcy</td></tr>
</table>

• Credit Costs in Fiscal 2007 (On a Non-Consolidated Basis)

	Billions of Yen
Loan write-offs	¥ 3
Provision to general reserve for possible loan losses	(45)
Provisions to specific reserve for possible loan losses	(14)
Provision to reserve for specified overseas debts	(0)
Other	0
Total credit costs	¥ (56)

• Quantifying Credit Risk

By applying various credit ceiling systems and performing credit analysis for each transaction, credit risk portfolio is sufficiently diversified and managed to prevent concentration in a specific industry, company, or product. The Bank also measures the amount of credit risk using statistical methods, and applies it to economic capital management.

Methods for Estimating Credit Risk

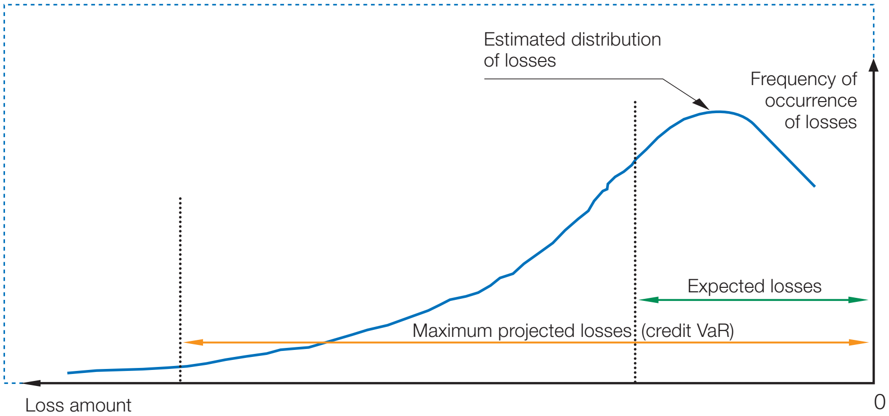
The Bank uses the internal model for credit risk (the Monte Carlo Method) in estimating credit risk, and conducts estimates of credit risk on a monthly basis. The scope of estimation includes loans, guarantees, foreign exchange, and securities, such as corporate bonds, as well as off-balance-sheet transactions, such as swaps.

The Bank conducts simulations on tens of thousands of scenarios for the credit portfolio, under various parameters, including probability of defaults (PD) for each rating category, rating transition probability, the loss given default (LGD) based on historical default data, and correlation of default and rating transition among credit exposures based on internal historical data or historical data released by credit rating agencies. Using the simulation results, the Bank estimates the distribution of potential losses on the Bank’s credit portfolio over the next year.

The economic capital of the Bank is managed by calculating two figures for credit risk amount, namely the “Expected Loss (EL),” the average figure of estimated losses on simulated scenarios, and the “Maximum Projected Loss,” defined as the potential losses in the worst case. Utilizing EL and UL, the Bank monitors the utilization of allocated risk capital. EL and UL are also used to monitor the risk-return balance of each asset class.

Risk Management

• Illustration of Credit Risk Quantification Model



The loss distribution of the Bank's credit portfolio is estimated based on the Bank's credit risk quantification model. Credit risk parameters, including expected loss and Credit Value-at-Risk (VaR) are calculated using this model.

Market Risk Management

The Bank deems market risk, such as interest risk and equity risk, to be one of the most significant risk factors affecting the Bank's earnings base, along with credit risk. Through active and appropriate risk-taking supported by a robust risk management framework, the Bank aims to retain a stable level of profit by constructing a sound and profitable market portfolio that balances profit, capital, and risk. The Bank's investment principle is to maintain a good balance of risk in its globally diversified investment portfolio in viewing the amount of aggregated market risk, the risk-return profile of each asset class, and the correlation among asset classes. Asset allocation is decided after considering the risk balance described above and other crucial factors, such as the financial position of the Bank and the market environment. To ensure the effectiveness of market risk management through the execution process of investments, the Bank ensures the segregation of duties among divisions in charge for decisions (planning) on allocation policy, execution of individual transactions, and monitoring of risk positions. Specifically, the Risk Management Committee is responsible for and discusses overall risk management, the Market Portfolio Management Committee sets market portfolio allocation policy, the front sections execute the transactions in accordance with allocation policy, and the middle section conducts monitoring. Matters relevant to the market risk portfolio management activity (such as market conditions, major investment decisions made by the Market Portfolio Management Committee, condition of the market portfolio, and views on near-term market portfolio management) are reported to the Board of Directors on a monthly basis.

Going forward, the Bank will continue to upgrade its market risk management infrastructure by implementing various measures, such as increasing the number of staff in charge, enhancing technical elements, such as the information technology infrastructure, and developing risk measurement techniques.

• Market Portfolio Management

The fundamental element of the Bank's market risk management is economic capital management. The key objectives of risk management of the market portfolio are to construct an optimal market portfolio through active adjustment of the risk balance among asset classes according to the economic and financial conditions, in pursuit of efficient use of the allocated economic capital, and to manage the risk balance and the level of earnings of the market portfolio in line with the financial position of the Bank. Specifically, the risk balance of the market portfolio is managed by analyzing and understanding the situation of the market portfolio based on market risk measured by the middle sections, including the amount of aggregate risk, risk indicators, such as Value at Risk (VaR) and Basis Point Value, and correlation among asset classes. The Bank also analyzes and takes into account its financial position, based on the outlook for economic and financial conditions supported by research into macro-economic factors and the financial markets, and simulations of earnings, unrealized gains and losses of the portfolio, and the capital adequacy ratio.

In principle, market risk measurement covers all financial assets and liabilities in the Bank's portfolio, and applies the Internal Model (historical simulation method) for VaR calculation.

The basic framework of market risk management is described in the following section.

Decision Making

Material decisions on market investments are made at the Board level. The Market Portfolio Management Committee–composed of relevant board members as well as the general managers in charge of market portfolio management–examines, discusses, and makes decisions concerning specific policies related to market investments.

Decision making for market investment is carried out after examining the investment environment, including the financial markets and the economic outlook, the current position of the securities portfolio, and the asset and liability management (ALM) situation of the Bank. In principle, the Market Portfolio Management Committee holds meetings on a monthly basis (actually on a weekly basis), as well as flexibly when needed, to enable prompt response to changes in market conditions. In addition, to facilitate close communication regarding the market environment on a regular basis, relevant board members and the general managers in charge of the market portfolio hold meetings to share information and awareness on a weekly basis to facilitate timely decision-making.

Execution

Based on the investment decisions made by the Market Portfolio Management Committee, front sections execute securities transactions and risk hedging. Front sections are not only responsible for execution but also monitor markets conditions closely and propose new investment strategies, as well as make other suggestions to the Market Portfolio Management Committee.

Monitoring

The term "monitoring functions" refers to checking whether the execution of transactions made by front sections is compliant with the investment decision approved by the Market Portfolio Management Committee, and measuring the amount of risk in the Bank's investment portfolio. Risk measurements include risk calculation for economic capital management and measurements using various risk indicators to maintain a good risk balance among asset classes. The Risk Monitoring Division is responsible for those risk measurements and regularly reports to the Board of Directors about the results of monitoring, mainly conducted on a daily basis. Monitoring results reported to the Board are used to analyze the current situation of the market portfolio and as a data source for discussing the investment strategies of the Bank in the near future by the Market Portfolio Management Committee.

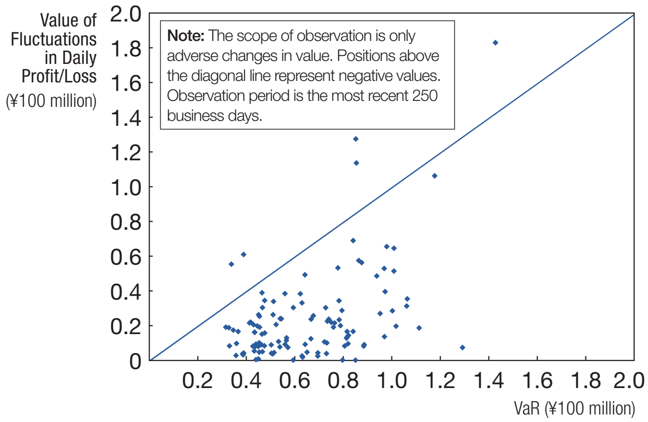
• Trading Operations

The Bank's trading operations are conducted to generate profits from short-term market fluctuations. The Bank maintains an organizational separation between front sections, in charge of executing trading activities, and units undertaking other types of transactions. The front sections in charge of trading activities aim to achieve profit targets within the approved position and loss limits determined from risk-return perspective.

The risk of trading operations is managed under an integrated risk management framework and within the market risk management framework with economic capital management as a key element. From a risk management perspective, the front sections executing trades for the Trading accounts are explicitly separated from the front sections executing trades for the Banking accounts. Targets for profits, and position and loss limits are revised semi-annually. Progress in achieving profit targets within approved limits is monitored on a daily basis.

Risk Management

- **Results of Back Testing Performed (Trading Divisions, Interest Rate VaR (1day))**



During the last 250 business days, including and ended on March 31, 2008, the adverse changes in value in daily profit and loss exceeded VaR (for a one-day holding period) five times. The Bank utilizes an internal model to calculate VaR, validated internally or by outside experts on a regular basis, and is working to incorporate cutting-edge financial and information technology into the model. Depending on results, the Bank also revises the internal model if discrepancies beyond certain level occur due to the designs of the model, based on back-testing and an analysis of the relevant factors if necessary.

Changes in Interest Rate Risk (with a one-day holding period) in the Trading Divisions

	VaR (¥100 million)
June 29, 2007	0.9
September 28, 2007	0.3
December 28, 2007	0.4
March 31, 2008	0.5

When positions or losses exceed the approved limits, the middle sections raise the alarm and require the front sections to take appropriate actions, including preparing corrective measures, reducing trading volume, or suspending trading.

Risk Measurement Methods

The Bank measures the risk in its trading operations by adopting risk measurement techniques such as basis point value (BPV), slope point value (SPV), optional risk parameters, and value at risk (VaR) to monitor compliance with risk limits.

The Bank uses an internally developed model for risk measurements. The model employs a variance-covariance method with a one-tailed 99% confidence interval and a 10 business day holding period and measures VaR on a daily basis. The Bank's internal model is developed by the Bank and periodically validated internally by middle sections and the Internal Audit Division, as well as by outside experts, from quantitative and qualitative perspectives. The Bank continues to apply cutting-edge financial and information technologies to upgrade its risk measurement methods.

In addition to validate the Bank's internal model, the amount of risk calculated by the model is compared with the volatilities in actual profit and loss on a daily basis (known as back testing). When discrepancies between the model's estimates and actual results due to the designs of the model go beyond a certain level, the Bank scrutinizes the relevant model factors and revises the model if necessary. The Bank also performs a series of stress tests assuming extremely volatile market situations, such as the largest interest rate changes in the last

Glossary of Terms

- **BPV (basis point value)**

BPV refers to the changes in the value with respect to a 0.01% change in interest rates given the current position. The Bank uses total delta as the indicator of the impact of the change assuming a parallel shift in the yield curve.

- **SPV (slope point value)**

SPV is an indicator of the impact assuming a non-parallel shift in the yield curve. It is the aggregate of the absolute value for BPV for each yield curve grid. SPV indicates the changes in value of the Bank's positions when the interest rate moves against the Bank's positions by 0.01% in each grid.

- **Optional Risk Parameters**

Financial products such as bond options have specific risk characteristics such that the position or value of the products might change according to the changes in the base indicator level, such as interest rates and volatilities. The Bank uses delta (changes in the value of options according to the change in the level of an indicator), gamma (changes in the the positions of options according to the change in the level of an indicator) and vega (changes in the value of options according to the changes in the volatility) to evaluate the degree of correlation and sensitivity between the value of options and market indicators.

- **VaR (value at risk)**

VaR is the maximum possible loss over a specified holding period and within a certain confidence interval. The Bank calculates VaR by setting specific holding periods and confidence intervals, and applying the appropriate measurement method to measure the risk.

five years, on a monthly basis. The Bank also monitors whether the amount of risk in the stress tests is within the maximum tolerable loss limit and within the capital allocated to the trading activities on a monthly basis.

Liquidity Risk Management

The Bank defines liquidity risk as the following: "The risk of suffering financial losses as a result of difficulty in securing funds required for activities of the Bank, or of being forced to procure funds with significantly higher funding costs than normal as a result of a maturity mismatch between investment and funding procurement, or as a result of an unforeseen fund outflow from the Bank (cash flow risk)." It is also defined as: "The risk of suffering financial losses as a result of being unable to execute transactions at the market due to significant market turmoil, or of being forced to execute transactions under conditions much less favorable than normal (market liquidity risk)." The Bank manages liquidity risk in accordance with its Policy and Procedures for Liquidity Risk Management.

As the appropriate management of cash flow risk is a prerequisite for business continuity and reliable portfolio management, in examining the inherent nature of the asset and liability structure of the Bank, the Bank manages this risk by controlling from the two sides of investment and funding procurement operations, by each currency, by each funding procurement method, and by each funding center. The cash flow management plan is reviewed on a quarterly basis and approved by the Market Portfolio Management Committee. The progress of the cash flow management plan is reviewed on a monthly basis and its execution strategies are discussed on a weekly basis. Cash flow is managed by constantly monitoring market conditions.

Market liquidity risk is considered as a crucial factor for investment decisions to maintain a flexible investment allocation framework that enables prompt response to changes in market conditions. Investment strategies are also prepared that take into account the market liquidity of each product, after assessing market liquidity (cash-convertibility) of each type of financial product. In addition, middle sections regularly review and analyze the market liquidity of all financial products handled by the Bank.

Operational Risk Management

The Bank defines operational risk as including all types of risk that arise in the course of business activities, after the exclusion of risk incurred when the Bank actively seeks to generate profits, such as market risk, credit risk, and liquidity risk. The Bank manages operational risk according to its Operational Risk Management Policy.

In managing operational risk, the Bank prioritizes processing risk, systems risk, legal risk, and other forms of operational risk that occur passively in the course of business operations to make it possible to allocate limited management resources rationally. The basic objective of operational risk management is to minimize the risks and expected losses potentially arising from those risks incurred from activities which do not generate profit due to their nature.

Operational risk management is divided into two areas: (1) management of risks where the occurrence of the risk itself can be controlled and (2) management of risks that must be controlled and contained once it occurs. Each of these types of risk is managed separately, depending on their specific characteristics and the effectiveness of control measures, and in accordance with policy and procedure stipulated for each type of risk.

In addition, taking into account the definition of operational risk in Basel II, the Bank not only manages five types of operational risk (namely, processing risk, legal risk, systems risk, personnel risk, and physical assets risk) individually, but also applies comprehensive risk management methods, as descried below. Those measures include the gathering and analysis of data on losses arising from these risks, and the application of the Risk and Control Self-Assessment (RCSA) process.

Risk Management

(1) Gathering and analyzing data on losses to identify operational risks and develop countermeasures
The Bank gathers and analyzes data on actual loss events such as accidents, errors, and system failures that are considered to be the realization of operational risk, identifies operational risks that are inherent in each business process and develops countermeasures.
(2) Implementation of RCSA to assess inherent risks, control measures, and residual risks
RCSA is a series of procedures conducted by each business unit itself to identify operational risks inherent in their business processes, identify control measures for the risks, evaluate effectiveness of the control measures and residual risks, and clarify problems to be resolved.

Loss data identified and analyzed by the above method, including results of RCSA, such as problems to be resolved, are reported to board members. These reports are then reflected in the preparation of the Comprehensive Risk Management Plan, the Systems Risk Management Plan and the Processing Risk Management Plan, and used to manage and mitigate the risk.

The Comprehensive Risk Management Plan and other plans are discussed by the Risk Management Committee and the Operational Risk Management Committee, which are composed of relevant board members and general managers in charge of operational risk management, and approved by the Board of Directors.

There are several initiatives aimed at improving the effectiveness of operational risk management. The Risk Management Division monitors the progress and appropriateness of implementation of the plans as the organizational unit responsible for operational risk management. In addition, the Internal Audit Division, as the unit responsible for internal auditing, assesses the framework and effectiveness of the operational risk management.

The Bank adopts the Standardized Approach (TSA) for calculating operational risk capital charges, as required in Basel II.

• Processing Risk Management

The Bank defines processing risk as the risk of losses arising when the activities of management and staff or the processes employed in business operations are inappropriate. Specifically, processing risk may occur when staff fail to follow the established procedures for processing business operations, when losses are incurred due to accidents or unethical behavior, and when proper processing of operational matters cannot be carried out because procedural regulations are insufficient or there are faults in the prescribed operating processes themselves. The Bank manages processing risk in accordance with its Policy for Processing Operations Risk Management.

Specifically, according to results of processing risk RCSA and analysis of collected loss data resulting from accidents and errors, the Bank prepares a Processing Risk Management Plan covering risk mitigation measures and measures for upgrading processing risk management. Progress in the implementation of the plans is reported to the board members. Along with this, the Bank also implements continuing initiatives to minimize occurrences of accidents and errors. Such initiatives include preparing action plans to prevent recurrence of the same type of accidents and errors on a individual case basis, making improvements in procedures, conducting self-inspection and self-reviews, and conducting staff training programs. Through these activities, as well as by proactively and appropriately responding when there are changes in the operating environment that may impact the processing of operations, such as mergers with Shinnoren, the Bank ensures that operational risk is managed.

• Legal Risk Management

The Bank defines legal risk as the risks of losses or problems arising from the conduct of transactions in violation of the law, or entering into inappropriate agreements in the course of management decision or execution of individual business operations. The Bank manages legal risk in accordance with its Policy for Legal Risk Management.

As the Bank strives toward the realignment of the cooperative credit system, offers new financial services and engages actively in investment activities in addition to providing conventional financial services, it considers legal risk management to be a key management issue for all of its offices, and works continuously to upgrade legal risk management.

Specifically, the Bank has developed a database that enables staff to search laws and regulations relevant to business activities according to sections or type of businesses. By using the database, the Bank's staff can easily recognize the enactment, revision and repeal of relevant laws and regulations, and appropriately and promptly make the corresponding changes in their procedures. The Bank's legal divisions work to minimize legal risk by offering their full support to departments and offices of the Bank, performing legal checks of individual transactions as well as assisting in the preparation and reviewing of contractual documents, and by liaising closely with units in charge of compliance.

• Systems Risk Management

There are growing requirements for more sophisticated systems risk management. In addition to the traditional mission of providing stable and reliable financial services as an integral part of the social infrastructure, these days, the Bank is expected to ensure information security, including personal information protection and countermeasures against fake or stolen cash cards. The Basel II operational risk management framework, as well as the Financial Instruments and Exchange Law (the Japanese version of the Sarbanes-Oxley corporate reform law), require enhanced internal control related to management information systems.

In view of this situation, the Bank regularly reviews its systems risk management framework, and revises its relevant policy and procedures, most notably its Policy for Systems Risk Management, to further strengthen its internal controls. The Bank regularly conducts risk control self-assessments (RCSA) for critical information systems based on the safety criteria established by the Center for Financial Industry Information Systems (FISC). On the basis of these assessments, the Bank draws up and implements Systems Risk Management Plans to mitigate system risk.

Risk Management in the Bank's Consolidated Subsidiaries

The Bank's consolidated subsidiaries are managed in accordance with the Bank's Group Company Operating and Administrative Regulations. The Bank's Risk Management Policy provides that each of these subsidiaries should prepare a workable and effective basic risk management policy and framework, taking account of the Bank's Risk Management Policy as well as the nature of its own business activities and the risk profile. The Bank and each of its consolidated subsidiaries then confer and determine the basic policy that identify the risks the subsidiary should manage and describe the risk management framework, taking into consideration the characteristics of the risks the subsidiary bear. More specifically, Norinchukin Trust & Banking Co., Ltd., Kyodo Housing Loan Co., Ltd., and certain other consolidated subsidiaries manage market risk, credit risk, liquidity risk, and operational risk. The remaining consolidated subsidiaries manage various forms of risks categorized into operational risk. In addition, the Bank extends the economic capital management framework to the consolidated subsidiaries. Through this framework, the Bank comprehensively assesses and measures the risks faced by the Bank itself and its consolidated subsidiaries, and ensure that the total risk volume is managed within the capital. Furthermore, the Group Strategy Office of the Corporate Planning Division, which is responsible for managing the Bank's subsidiaries, is cooperating with the Risk Management Division and other related units to work toward uniform risk management and compliance throughout the Group and is implementing day-to-day management. When necessary, meetings are held with the top management of Group companies and with working-level personnel. Moreover, the Internal Audit Division of the Bank conducts audits of the risk management framework and business operations of consolidated subsidiaries, based on the Group's Operating and Audit Regulations, as well as periodic external audits.

Through the various activities described above, the Bank aims to increase the sophistication of the risk management of the Group as a whole.

Corporate Governance

Norinchukin Management Systems

The Bank is both the central bank for Japan's agricultural, forestry, and fishery cooperatives as well as an institutional investor that plays a major role in the financial and capital markets through the investment of large amounts of funds in Japan and overseas. Naturally, the Bank adheres to decisions made at the Council of Delegates comprising of representative members for all shareholders. At the same time, the Supervisory Committee and the Board of Directors, as stipulated by the Norinchukin Bank Law, are organized to share the duties and the Bank's decision making while taking into consideration the internal and external situation of the organization.

Supervisory Committee

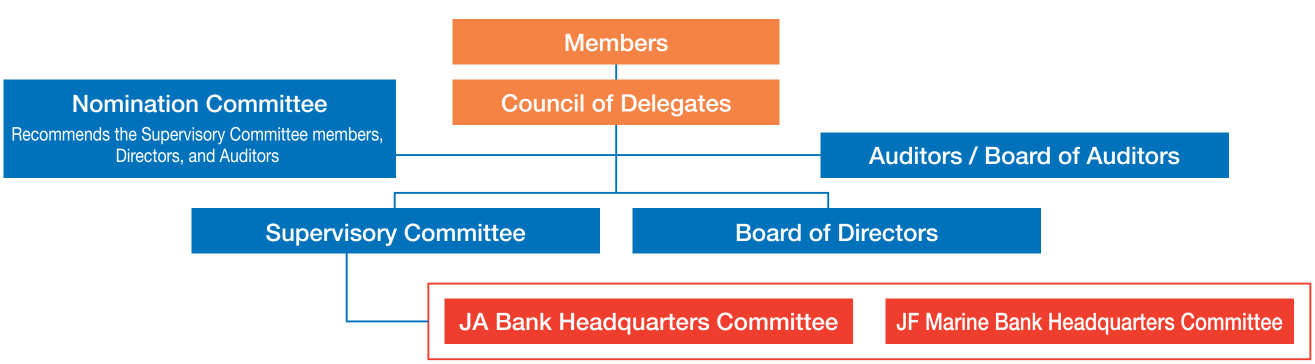
The Supervisory Committee is responsible for submitting agendas and reporting to the Council of Delegates as well as for making decisions on important issues related to the cooperative organization. The Supervisory Committee also has the authority to oversee the exercise of business policies by the directors.

This includes (1) the authority to request the board members to attend meetings to explain their business activities and (2) the authority to request the Council of Delegates to seek the dismissal of board members.

At present, the Supervisory Committee has 13 members, selected from among the board members of cooperative organizations, persons engaged in the agricultural, forestry, and fisheries industries as well as individuals with an in-depth knowledge of finance. Supervisory Committee members are recommended by the Nomination Committee, which mainly consists of representatives of cooperative members, and then are appointed by the Council of Delegates.

Under the jurisdiction of the Supervisory Committee are the JA Bank Headquarters Committee and the JF Marine Bank Headquarters Committee, which are composed of representative committee members of cooperative organizations and the Bank's directors. These committees deliberate on the basic policies of the banking business conducted by the agricultural and fishery cooperatives as well as on operational guidance to be provided to cooperative members acting under the name of the headquarters.

• Management System of the Bank



Board of Directors

The Board of Directors makes decisions regarding the exercise of business activities, excluding those matters under the jurisdiction of the Supervisory Committee, and performs a mutual cross-checking function on the exercise of business affairs by the directors. The members on the Board of Directors are elected by the Supervisory Committee and assume their position upon approval by the Council of Delegates. There are currently 13 full-time board members, 2 of whom are selected as the representative directors, and, at the same time, as members of the Supervisory Committee. Therefore, decisions made by both the Supervisory Committee and the Board of Directors are coordinated closely.

Auditors/Board of Auditors

Auditors are elected directly by the Council of Delegates and are responsible for auditing decisions made by the Supervisory Committee and the Board of Directors as well as for general oversight of the board members' business activities. The Board of Auditors currently comprises 5 members (3 full-time auditors and 2 part-time auditors) of which 4 must satisfy the conditions stated in Article 24-2 of the Norinchukin Bank Law*, and they are equivalent to external auditors in companies listing their shares.

** According to Article 24-2 of the Norinchukin Bank Law, at least one of the auditors must satisfy the following conditions: Must not be a director or employee of a corporation that is a member of the Norinchukin Bank and must not have held any of the following positions in the five years before being appointed auditor: (1) a director, a member of the Supervisory Committee, or an employee of the Norinchukin Bank or (2) a director, an accounting councilor (if the councilor is a corporation, then an employee who performs such duties), or an executive officer or employee of one of the Bank's subsidiaries.*

The number of directors and other members of management mentioned in this section is accurate as of July 1, 2008.

Initiatives for Strengthening Internal Control

Basic Approach

For the Bank to fulfill its fundamental mission as the central bank for Japan's agricultural, forestry, and fishery cooperatives and its social responsibilities, the Bank has positioned the structuring of management control systems as its first priority. It has established basic policies for internal control to secure compliance with corporate ethics and relevant laws and regulations, proper management of risk, as well as effective and efficient business activities in general.

Content of Basic Internal Control Policy

1. Systems for Ensuring the Duties Exercised by the Directors and Employees are in Accordance with Relevant Laws and the Articles of Association

(i) To ensure the soundness of management, the Bank has established its Corporate Ethics Charter, Compliance Manual, etc. through compliance with laws and regulations. It has taken steps to make all management and staff fully aware of the importance to strictly observe laws and regulations, and perform duties with integrity and fairness.

(ii) To ensure that the directors act in compliance with laws and regulations, their activities are monitored and audited by other directors and auditors. In addition, the Compliance Division, which supervises the Bank's overall compliance matters, checks important decision making in advance.

(iii) In terms of compliance matters, the Bank has set up a Compliance Hotline System which allows employees to turn to the Compliance Division or outside legal counsel for advice or filing a report.

(iv) The Bank prepares a "Compliance Program" on an annual basis and implements a program that would include such activities as compliance promotion and employee training.

(v) The Bank adopts a strong and resolute stance in regards to anti-social elements that pose a threat to social order and security, and maintains a policy to exclude such elements.

2. Systems for Retaining and Maintaining Information Related to the Duties Performed by the Directors

(i) Important documents related to carrying out the Bank's business, such as the minutes of the directors' meetings and other important meetings as well as approval documents, are appropriately maintained as specified in our document retention standards and other control standards.

(ii) The Bank's business units are obliged, upon the directors' and auditors' request, to present information related to business activities for inspection.

3. Systems Related to the Policies & Procedures of the Risk Management

(i) The Bank views the proper implementation of risk management as a major business challenge to maintain a business that is safe and sound while simultaneously establishing a stable earnings base. Accordingly, the Bank has identified and defined the risks that the management must be aware of, and has established basic policies for risk management that define risk management organizations and frameworks.

(ii) Risks to be managed are divided into two types. The first type consists of risks that the Bank takes on proactively and deliberately with the goal of earning income. These risks include credit risk, market risk, and liquidity risk. The second type of risk is operational risk. Based on the nature of these various kinds of risks, the Bank has established risk management policies and processes for managing these risks, and undertakes to conduct risk management for the Bank and its other group companies from a comprehensive and unified perspective. To carry out such risk management activities properly, the Bank has established decision-making organizations and operating units to be in charge, has clearly defined each of their roles and responsibilities, and taken steps to implement an appropriate risk management system.

(iii) To ensure that the total volume of various kinds of risk is within the amount of the Bank's capital, the Bank measures risk volumes and allocates risk capital to individual organizational units in advance. These risk capital allocations are risk ceilings for the respective units, and individual units conduct economic capital management keeping their risk volumes within the limit of the assigned allocation of risk capital. The Bank is engaged in initiatives to substantially increase the sophistication of this risk management system and aims to conduct comprehensive risk management from an overall perspective.

(iv) To comply with requirements for ensuring the soundness of operations set forth in the Norinchukin Bank Law, the Bank conducts regulatory capital management, based on the conditions stipulated in the legal provisions.

(v) In the case of major natural disasters, the Bank works to put into place the business continuity plan, which needs to be refined continuously.

4. Systems for Ensuring that the Directors Execute their Duties Efficiently

(i) The Bank establishes its Medium-Term Management Plan, annual business plans, and other plans related to the conduct of operations and makes periodic assessments of the progress toward the goals of these plans.

(ii) In order to carry out the decisions made by the Board of Directors efficiently, the Bank has formed committees composed of directors, to which the board delegates specific matters and tasks for implementation. The Bank has also formed councils to confer regarding management issues on a regular or as-needed basis, and its duties include the discussion of proposals regarding matters to be decided by the Board of Directors.

(iii) With the objective of having the directors and employees perform their duties efficiently, the Bank works to make improvements in its organizational systems, including clarifying the organizational structure, authorities, and responsibilities.

5. Systems for Ensuring that Operations are Conducted Properly at the Bank, its Subsidiaries, and other Group Companies

(i) To ensure the proper operation of the Norinchukin Bank Group, the Bank has established basic policies for the operation and management of its group companies.

(ii) The Bank and each of its other group companies have agreed on various matters to be discussed and reported to ensure smooth operation within its group. In addition, the Bank monitors the management, conduct of operations, and related issues in its group companies and gives appropriate guidance, advice, and supervision as needed.

Initiatives for Strengthening Internal Control

6. Systems for Internal Auditing

(i) To contribute to the proper operations, the Bank has created the Internal Audit Division that is independent of the units conducting business operations. The Bank also maintains proper systems and frameworks where an internal audit is effectively carried out in the overall Bank operations.

(ii) The scope of internal audits includes all aspects of the Bank's operations and group companies, and the internal audits are implemented based on an auditing plan approved by the Board of Directors.

(iii) The Internal Audit Division makes periodic reports on the results of its auditing activities to be submitted to the Board of Directors and related internal divisions.

(iv) Members of the Internal Audit Division meet periodically and on an as-needed basis with the auditors and the accounting auditors to exchange opinions and information as well as to better coordinate their auditing activities.

7. Particulars Regarding the Personnel who Support the Auditors and their Independence from the Directors

(i) The Office of the Corporate Auditors, an independent unit, was formed by the Bank to assist the auditors in fulfilling their duties.

(ii) In principle, three or more full-time employees need to be assigned to the Office of the Corporate Auditors to conduct activities related to the operation of the Board of Auditors as well as other activities as directed by the auditors.

(iii) Employees assigned to the Office of the Corporate Auditors act in accordance with the auditor's instructions.

(iv) The full-time auditor's opinions regarding evaluations of the performance of employees assigned to the Office of the Corporate Auditors, and their personnel transfers shall be observed and respected in advance.

8. Systems for Directors and Employees to Report to the Auditors and other Systems for Reporting to the Auditors

(i) When a director discovers something that may result in serious damage to the Bank, such information and circumstances must be reported immediately to the Board of Auditors.

(ii) When the Compliance Division obtains important information regarding the facts that are material from a compliance perspective or that may affect the compliance system as a whole, the division reports these matters to the Board of Auditors.

(iii) The Internal Audit Division reports its findings regarding internal audits of operations to the Board of Auditors, and the two exchange information on a periodic basis.

(iv) Documents related to major decisions and other important documents related to business operations are provided to the auditors for review.

9. Other Systems for Ensuring that the Auditing Activities of the Auditors are Conducted Effectively

The following system has been created to ensure that the auditors and their auditing activities are conducted effectively, as the Bank is fully aware of their importance and value.

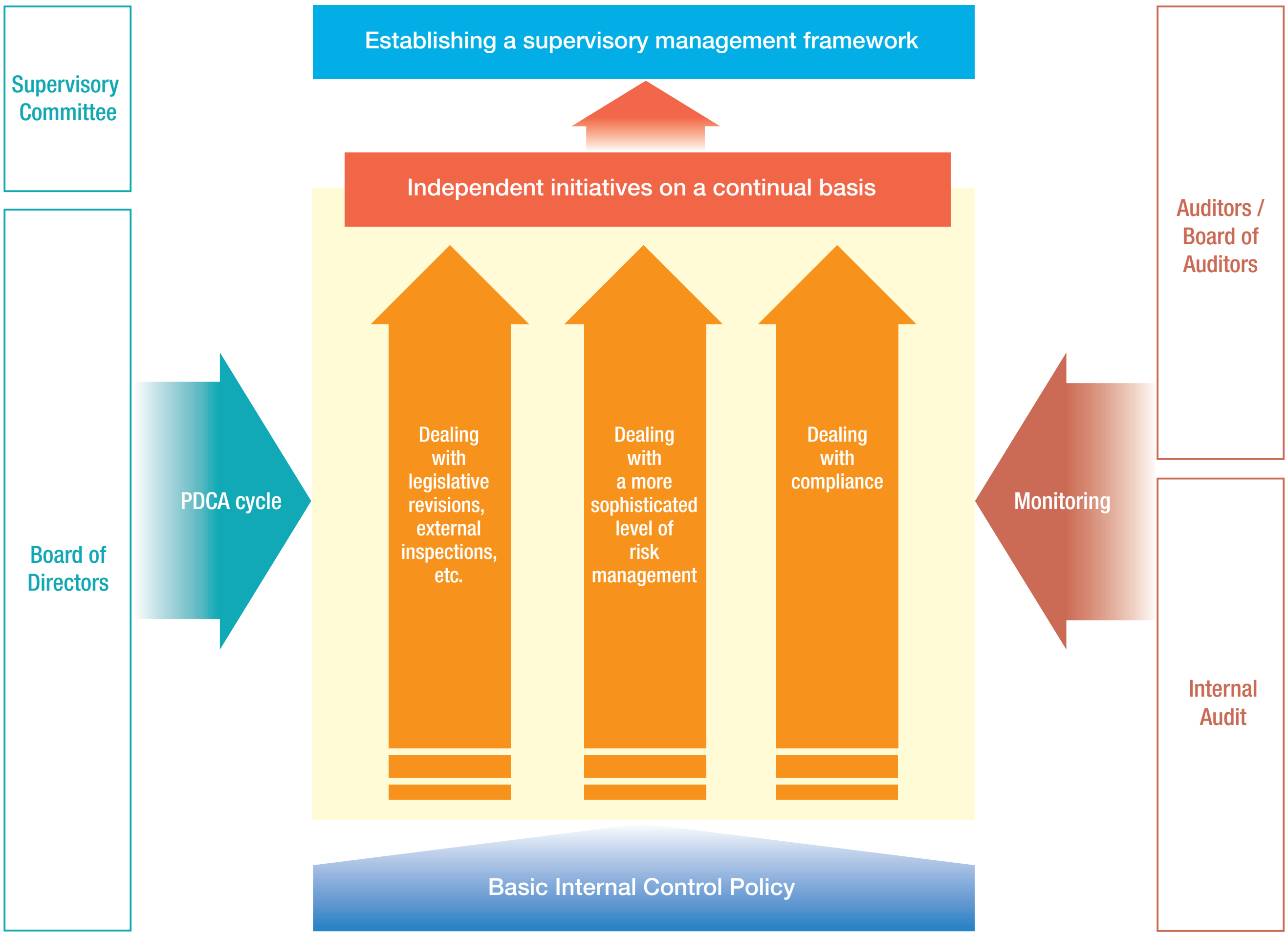
(i) The auditors are allowed to attend the Board of Directors meetings, the Supervisory Committee meetings, and other important meetings, and are free to express their opinions.

(ii) The representative directors and the auditors have periodic meetings to exchange opinions.

(iii) The directors and employees are to cooperate with the auditors' investigations and interviews.

(iv) In general, the directors and employees are to comply with matters stipulated in the Rules of the Board of Auditors and Standards for Audits.

- Initiatives for Strengthening Internal Control



Internal Auditing System

Positioning of the Internal Auditing Function

The Bank has established an internal auditing function, the Internal Audit Division, which operates independently from other operations and business affairs of the Bank. The mission of this internal auditing function is to review and assess the appropriateness and effectiveness of internal controls from an objective and rational perspective, taking account of the special features of specific business processes and risk conditions.

The objective of this internal auditing function is to contribute to the proper conduct of operations by monitoring corrective action plans made by the audited division to resolve issues that have been identified as a result of its verification and assessment activities, and then to follow up to confirm that these corrective action plans have been effective.

The scope of activities of the Internal Audit Division includes all departments and branches of the Bank, its consolidated subsidiaries, and those operations that have been subcontracted to other companies to the extent that such auditing activities are not in violation of legal regulations.

Outline of the Internal Auditing System

The Bank's Board of Directors has prepared its "Internal Audit Policies," which sets out the basic elements of the internal auditing functions, including definitions, objectives, scope of auditing, and positioning within the organization.

Based on these policies, the Bank has established the Internal Audit Division as an internal auditing unit that is independent from other operations and business affairs of the Bank.

In addition, the Bank has formed the Internal Audit Committee, which includes the representative directors and senior managing directors, to consider and discuss matters related to internal audits in general—including supervision of planning, implementation, and improvements—and to improve and facilitate reporting of internal audit matters to management.

Moreover, the Internal Audit Division, the auditors, and the accounting auditors meet to exchange opinions and information on a periodic as well as on an as-needed basis in order to strengthen their cooperative efforts.

Preparation of Internal Audit Plans

Internal audits are implemented based on annual internal audit schedules made based on a three-year, medium-term internal audit plan approved by the Board of Directors.

In preparing internal audit plans, and in order to conduct its auditing activities effectively and efficiently, the Internal Audit Division completes risk assessments of all operations, and determines the significant issues to be audited and the frequency and the depth of audits based on the types and volumes of risks identified by the risk-based approach.

Implementation of Effective Audits

To ensure the effectiveness and ongoing improvement of internal audits, auditors with a high level of specialized knowledge and practical experience from the Market, International, and Systems divisions are assigned to the Internal Audit Division to be in charge of auditing activities. Following their assignment, they will continue to upgrade their knowledge and skills through training and other activities, and they are encouraged to attain qualifications from outside organizations.

In addition, the Internal Audit Division makes use of a diversity of auditing methods in order to conduct internal audits effectively and efficiently. These include conducting surprise audits, the implementation of off-site audits that do not require fieldwork, and off-site monitoring to gather audit-related and other information on a daily basis.

Reporting Method and Enhancing the Follow-Ups in the Audit Results

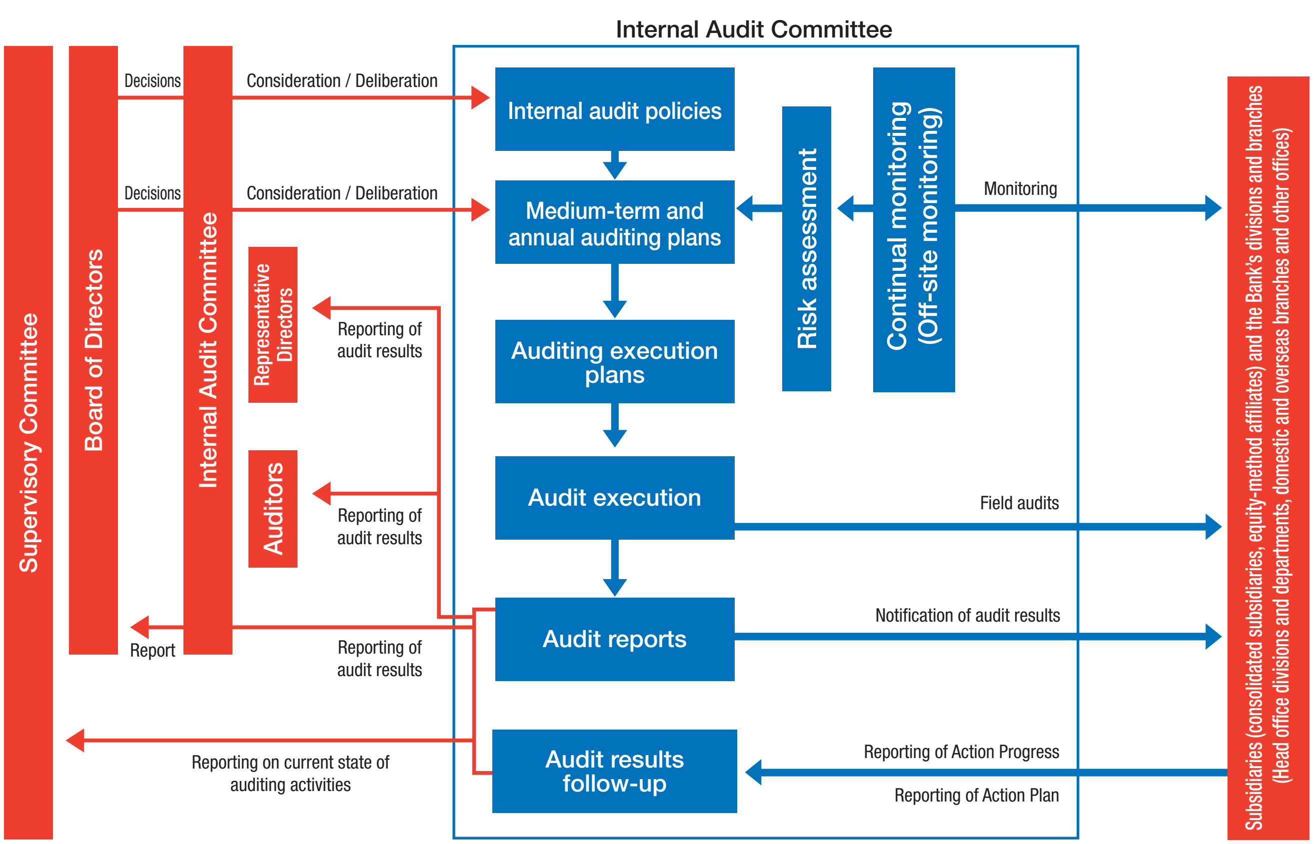
After audits are completed by the Internal Audit Division, the audited divisions or branches are then notified of the results by the Internal Audit Division. The audited divisions or branches are to take corrective actions toward recommendations made by the Internal Audit Division within a specified deadline. When necessary, they must prepare corrective action plans and report them to the Internal Audit Division.

The Internal Audit Division reports the results of its audits, and the audited divisions' management responses to the representative directors and the auditors. In addition, a summary of the audit results is reported to the Board of Directors on a quarterly basis, and reports on the conduct of internal audits are presented to the Supervisory Committee periodically. For issues which are considered to be significantly important, the division is to immediately report them to the representative directors, auditors, and the Board of Directors, and, when deemed necessary, to the Supervisory Committee.

Auditing of Assets

The Internal Audit Division conducts audits of the Bank's assets and strives to ensure the soundness of the Bank's asset portfolio through the verification of the accuracy and appropriateness of its internal ratings, self-assessments, and loan write-offs, as well as provisions to reserves.

• Overview of Internal Audit System



Continuing to Be a Financial Institution Trusted by Society

COMPLIANCE FRAMEWORKS

Basic Compliance Policies

As a financial institution whose business is based first and foremost on trust and confidence, the creation of a better and more effective compliance framework is becoming an increasingly important management issue, especially in light of strong public criticism of corporate and other organizational improprieties.

As a core member of Japan's financial system, a global financial institution, and a nationwide financial institution of the cooperative banking business, the Bank is committed to fulfilling its fundamental mission and social responsibilities as well as to taking full account of changes in the social and management environments to respond to the trust of its customers and members. Accordingly, the Bank is continuing to make proactive initiatives in the compliance area, by managing in conformity with social norms, including complying fully with rules and regulations, based on the principle of self-responsibility, and is constantly striving to achieve a high degree of transparency by placing emphasis on proper disclosure and accountability.

In response to a recent surge in demand for customer protection measures, the Bank operates a Customer Protection Management Policy and is working to reinforce subcontractor management in cases whereby customer-related operations, such as providing explanations, handling customer complaints or inquiries, and managing customer information as well as subcontractor management, are conducted. Combined with compliance initiatives, these measures are designed to give customers total confidence.

Corporate Ethics

The Bank's Fundamental Mission and Social Responsibility

1. Always cognizant of the importance of its fundamental mission and social responsibilities as a financial institution, the Bank is committed to forging even stronger bonds of trust with society by fulfilling its mission and responsibilities through sound management policies.

Provision of High-Quality Financial Services

2. By providing high-quality financial services that draw fully on the Bank's creativity and ingenuity, the Bank fulfills its role as a national-level financial institution based on the cooperative banking business, and contributes to the development of Japan's economy and society as a member of the financial system.

Strict Compliance with Laws and Regulations

3. The Bank complies with all relevant laws and regulations, and conducts its operations in a fair and impartial manner in accord with social norms.

Disavowal of Anti-social Elements

4. The Bank takes a resolute stance against anti-social elements.

Creating an Organizational Culture Committed to Highly Transparent Disclosure

5. The Bank continually strives to improve communication with parties inside and outside the cooperative system, beginning with proactive and fair disclosure of business information. The Bank also works to maintain effective relationships with these parties while maintaining an organizational culture that is amenable to a high degree of transparency based on respect for human rights.

Compliance Activities that are Directly Linked to Management

The Bank's compliance framework comprises the Compliance Committee (chaired by the Deputy President) and the Compliance Division (which is in charge of overall compliance activities), as well as a person responsible for compliance and a person in charge of compliance in its divisions and branches. The Compliance Committee, which is responsible for considering basic issues and policies related to compliance, was established as a unit reporting directly to the Board of Directors. Topics of high-level importance discussed in the Compliance Committee are subsequently decided by or reported to the Board of Directors.

In addition, we have set up the Customer Protection Committee under the direct control of the Board of Directors and chaired by the director in charge of the Compliance Division. Basic matters relating to the protection of the Bank's customers are discussed by this committee.

Compliance Arrangements within the Bank

The compliance framework at individual branches and divisions is based on the combined efforts of each and every member of staff, revolving primarily around the head of the relevant branch or division, in the role of a person responsible for compliance, and a person in charge of compliance. Appointed directly by the head of the Compliance Division, compliance supervisors in particular oversee all compliance-related matters at their branch or division. It is their job to keep track of day-to-day compliance activities using checklists, to handle requests for advice or questions from other members of staff, to organize branch or divisional training and educational programs, and to liaise with, report to and handle requests from the Compliance Division.

The Compliance Division acts as the secretariat for the Compliance Committee, which is in charge of overall compliance activities. It also works to strengthen the Bank's compliance framework though activities such as conducting compliance reviews, responding to requests for advice from branches and divisions, and monitoring compliance, which includes visiting branches and divisions to check their compliance situation directly and providing direct guidance.

The Compliance Division has also put in place a Compliance Hotline to enable employees to provide information on compliance issues to the Compliance Division or outside legal counsel by telephone or email.

The Compliance Division is in charge of overall compliance activities with regard to customer protection as well, and works to ensure that branches and divisions are effectively implementing compliance whilst also supervising and advising other related divisions.

Continuing to Be a Financial Institution Trusted by Society

Compliance Program

Each fiscal year, the Bank formulates a Compliance Program outlining an agenda of measures designed to enhance and promote its compliance and management (customer protection, etc.) frameworks and a series of related awareness and training activities. The Compliance Division implements the Compliance Program and monitors progress in an effort to further reinforce the Bank's overall compliance framework.

Cooperation with Subsidiaries and Affiliates

The Bank holds periodic meetings for the personnel in charge of compliance at its group companies to promote a common awareness of compliance initiatives, and is implementing initiatives to strengthen compliance systems throughout its group.

Enhancing Disclosure

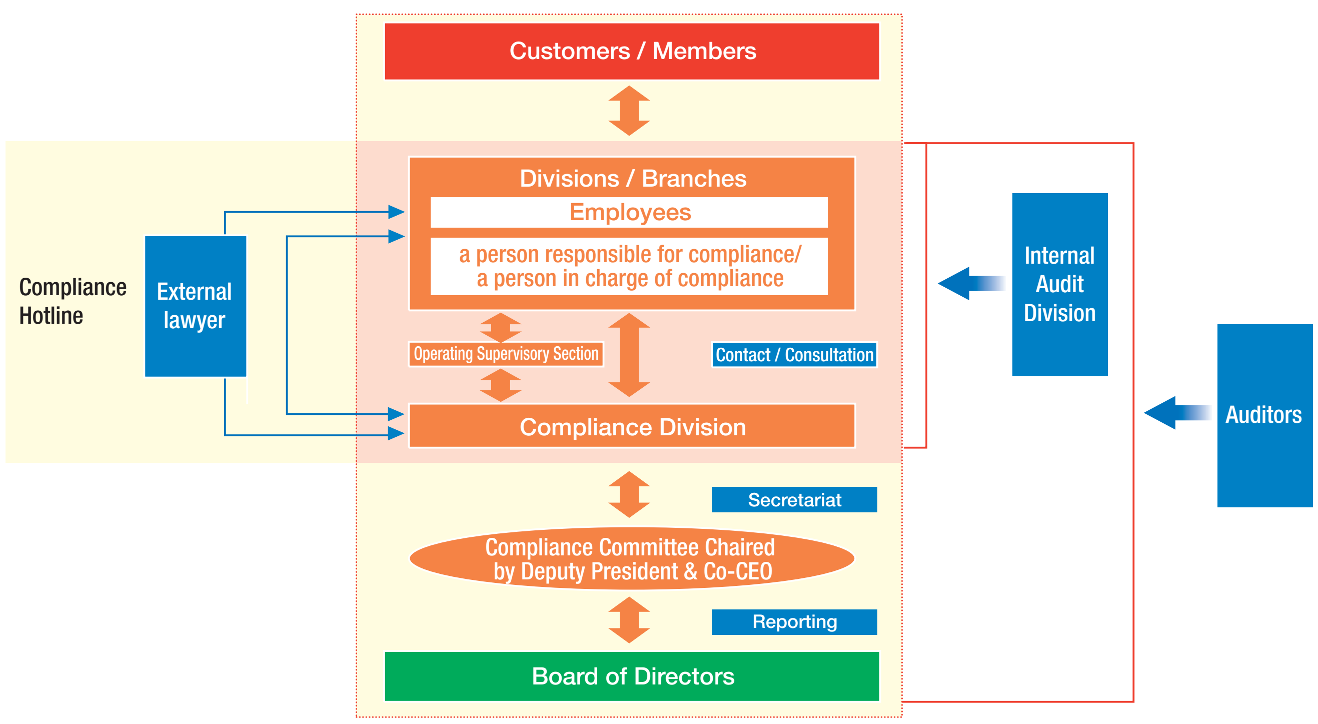
To improve and strengthen its disclosure initiatives, the Bank has formed the Information Disclosure Committee (chaired by the director in charge of the Corporate Planning Division) to review and discuss the appropriateness of the Bank's information disclosure.

NORINCHUKIN CUSTOMER SERVICE

Enhancing the Bank's Ability in Handling Customer Complaints

The Bank will strive to enhance its ability in handling customer complaints by taking them seriously, responding to them quickly and systematically, and actively taking proper measures in its operations.

• Compliance Framework



Disclosure Policy

The Bank, as the national-level financial institution for Japan's agricultural, forestry, and fishery cooperative organization, positions as key management priorities the fulfillment of its fundamental mission and its social responsibilities, as well as the management of its business activities according to high standards of transparency through emphasis on information disclosure and accountability. Accordingly, the Bank complies with disclosure requirements, striving to disclose information appropriately, under applicable laws and regulations, including securities and exchange laws, in Japan and overseas.

Disclosure and Handling of Material Information

1. The Bank positions the following information as material:
   (i) Information that must be disclosed under applicable laws and regulations, including securities and exchange regulations, in Japan and overseas.
   (ii) Information, other than mandatory disclosure in (i), that may have a significant influence on the decisions of investors.

Methods of Disclosure

2. For information that must be disclosed under applicable laws and regulations, including securities and exchange regulations in Japan and overseas, the Bank transmits the information through the stock exchanges in Japan and overseas according to their disclosure procedures. In addition, the Bank is working to enhance disclosure through its website.

Fairness of Disclosure

3. When the above information is disclosed, the Bank strives to observe the principles of fair disclosure so that this information would be available in a timely and appropriate manner.

Disclosure of Forward-Looking Information

4. The Bank discloses information containing forecasts of future developments in order to enable capital market participants to make accurate assessments regarding its current status, future outlook, capabilities for debt repayment, and other matters. This forward-looking information is based on judgments regarding information that was obtainable at the time the forecasts were prepared, and may contain elements of risk and uncertainty. For this reason, actual results may differ substantially from the forecast because of changes in economic conditions and the operating environment influencing the Bank's operations.

Enhancement of Internal Systems

5. To disclose information according to this Disclosure Policy, the Bank is striving to improve and expand the necessary internal systems.

Policy Regarding Market Rumors

6. When it is clear that the source of the rumors does not come from within the Bank, the Bank's basic policy is not to comment on the said rumors. However, when the Bank deems that the rumors will have or may have a major impact on capital markets, when there are requests from the stock exchanges and other parties for an explanation, and when certain other circumstances are present, the Bank may comment on such rumors at its own discretion.

Information Security Initiatives

Importance of Information Security

Along with the growing diversity of the activities of financial institutions, deregulation, and the rapid development of information technology, the appropriate protection, management, and use of information assets (including both information and information systems) have become extremely important management issues.

In processing transactions for its customers, the Bank is in the position of being the recipient of information. It also possesses many kinds of its own information, including confidential data that is strategic from a management perspective, and uses this data in conducting its operations. On the other hand, the trend toward standardization and common systems has proceeded, and exchanging data with individuals has become common. As a result of these and other developments, the environment for information handling and its objectives has become quite diverse. Accordingly, organized and systematic information security initiatives, especially in handling customers' data appropriately, have become more important than in the past.

Control Structure

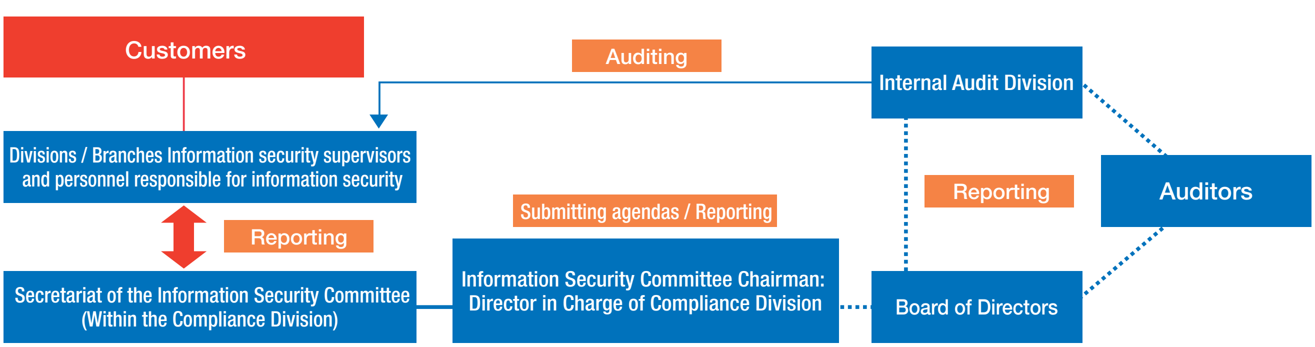
The Bank's Information Security Committee (chaired by the director in charge of the Compliance Division) was formed for the purpose of considering and deliberating matters related to the planning, implementation, and supervision of progress in the Bank's information security systems. This committee acts as the central organization for strengthening information security, and the committee appoints information security supervisors (division/branch managers serving concurrently as data managers), and staff in charge of information security in its divisions and branches.

Personal Information Protection

The Personal Information Protection Law came into full effect in April 2005 in Japan, and the Bank, as an institution responsible for processing personal information, created the required framework to facilitate the proper handling of personal information. As part of these activities, the Bank conducts educational and training programs for employees, to ensure that such information is properly handled and managed in an efficient manner.

In addition, the Bank has enhanced its abilities in responding to complaints and inquiries related to the handling of personal information. It has conducted appropriate reviews, and made improvements in its measures to ensure the proper handling and secure management of personal information.

• Information Security Framework



Creating Pleasant Working Environments

Offering Employees Job Opportunities

As a nationwide cooperative financial institution for the agricultural, forestry, and fisheries cooperatives, the Bank handles a wide range of operations with a minimal workforce. For the Bank to fulfill its basic mission in every field, it is absolutely vital to create pleasant working environments in which all employees can put the full range of their abilities to good use and feel motivated and fulfilled as they go about their work.

Creating Working Environments where Human Rights Are Respected

The Bank strives to maintain a highly transparent organizational culture underpinned by an ethical charter and respect for human rights, and organizes an ongoing program of educational and awareness activities dealing with human rights issues for directors and employees.

Measures designed to ensure respect for human rights are discussed by the Human Rights Education Promotion Committee and policies are finalized by the Board of Directors. Measures are implemented primarily by the Personnel Division's Human Rights Team and the personnel responsible for human rights assigned to each branch and division.

Training sessions featuring guest lecturers specializing in human rights-related fields are organized at the Bank's head office, branches, offices, and overseas bases in an effort to ensure that directors and employees have an accurate understanding of human rights issues, and to raise awareness.

Contributing to the Natural Environment and Communities

The Bank makes contributions through its various initiatives to protect the natural environment, and create vibrant communities and more contented lives for all members of society.

Overseas Activities

• Establishment of the Norinchukin Fund

The "Norinchukin Fund" was established by the Bank in 1994 to commemorate the 10th anniversary of the establishment of its New York Branch. Since then, the proceeds from the fund's investments have been contributed to organizations that promote the preservation of the natural environment as well as educational and cultural programs.

In fiscal 2007, the fund made contributions to cultural facilities including the Metropolitan Museum, Carnegie Hall, Lincoln Center, and the Museum of Modern Art. Other contributions made by the fund include donations to environmental and educational programs conducted by the New York Botanical Garden and the Japan Society.

Photo by Talisman Brolin

• Sponsored Lecture Course at Beijing University

Since fiscal 2007, the Bank has been sponsoring a lecture course at Beijing University. The course, "A Comparative Study of the Chinese and Japanese Agricultural Sectors," is a joint project between Beijing University and Japan's Waseda University, and its opening ceremony and first lecture were held on March 8, 2008. A part of the Bank's CSR activity was accomplished by establishing lecture course in the two universities to provide educational support that contributes to the agricultural, forestry, and fisheries industries as well as financial development for which the Bank's businesses are heavily involved.

By systematically comparing the state of the farming industries in China and Japan, the Bank believes that this course will make a significant contribution to advancing understanding of this sector. The Norinchukin Research Institute is also planning to dispatch lecturers to the course.

The Cooperative System and the Cooperative Banking Business

The cooperative banking business, through its network covering all of Japan, contributes to the development of the agricultural, forestry, and fisheries industries in Japan, and provides financial support to the livelihood of the local citizens.

Cooperative System and the Cooperative Banking Business

In addition to the cooperative banking business, which includes taking deposits and making loans, our cooperative organizations engage in a number of other activities. These include providing "guidance and supervision" on business and daily matters to farmers, fishermen, and foresters; performing a "marketing and supplying" function through the sale of agricultural, forestry, and fisheries products and the procuring of production materials; and engaging in "mutual insurance" business to provide insurance coverage for various unforeseen events.

The cooperative organization that performs this wide range of activities comprises the Japan agricultural cooperatives (JA), the Japan fishery cooperatives (JF), and the Japan forestry cooperatives (Shinrinkumiai) at the municipal level, and the respective prefectural unions and federations as well as the national union and federations of the agricultural, forestry, and fishery cooperatives (as shown in the accompanying chart). As a whole, this nationwide structure from the municipal level to the national level is known as the "cooperative system."

The framework and functions of (1) the banking businesses of JA and JF at the municipal level, (2) the Prefectural Banking Federations of Agricultural Cooperatives (Shinnoren) and the Prefectural Banking Federations of Fishery Cooperatives (Shingyoren) at the prefectural level, and (3) the Bank at the national level are referred to collectively as the "cooperative banking business."

Activities of the Cooperatives

• JA (The Japan Agricultural Cooperatives)

The Japan agricultural cooperatives (JA) are organizations, established under the Agricultural Cooperative Law, that conduct a comprehensive range of businesses and activities in the spirit of mutual assistance. The principal businesses of the JA include offering guidance for improving the farm management of cooperative members and their standards of living; marketing and supplying activities related to farming, including the gathering and selling of crops, and supplying materials needed for production and daily living; provision of insurance, such as life insurance, automobile insurance, and other kinds of insurance; and provision of banking-related business activities, such as accepting deposits, making loans, remitting funds, and offering other financial services.

As of April 1, 2008, 750 JA throughout Japan have been making contributions to the agricultural industry and the development of local communities through their various business and other activities.

• JF (The Japan Fishery Cooperatives)

The Japan fishery cooperatives are organizations, established under the Fishery Cooperative Law, that have the objectives of protecting the operations of fisheries and the livelihood of fishermen, and contributing to members and local communities. The principal businesses of JF include offering guidance for the management of marine resources, such as improving the operational businesses of cooperative members and the standards of living of members; marketing and supplying activities, such as the storage, processing, and sale of fish catches and other marine products of cooperative members, and supply of materials necessary for the business activities and daily lives of members; banking business services,

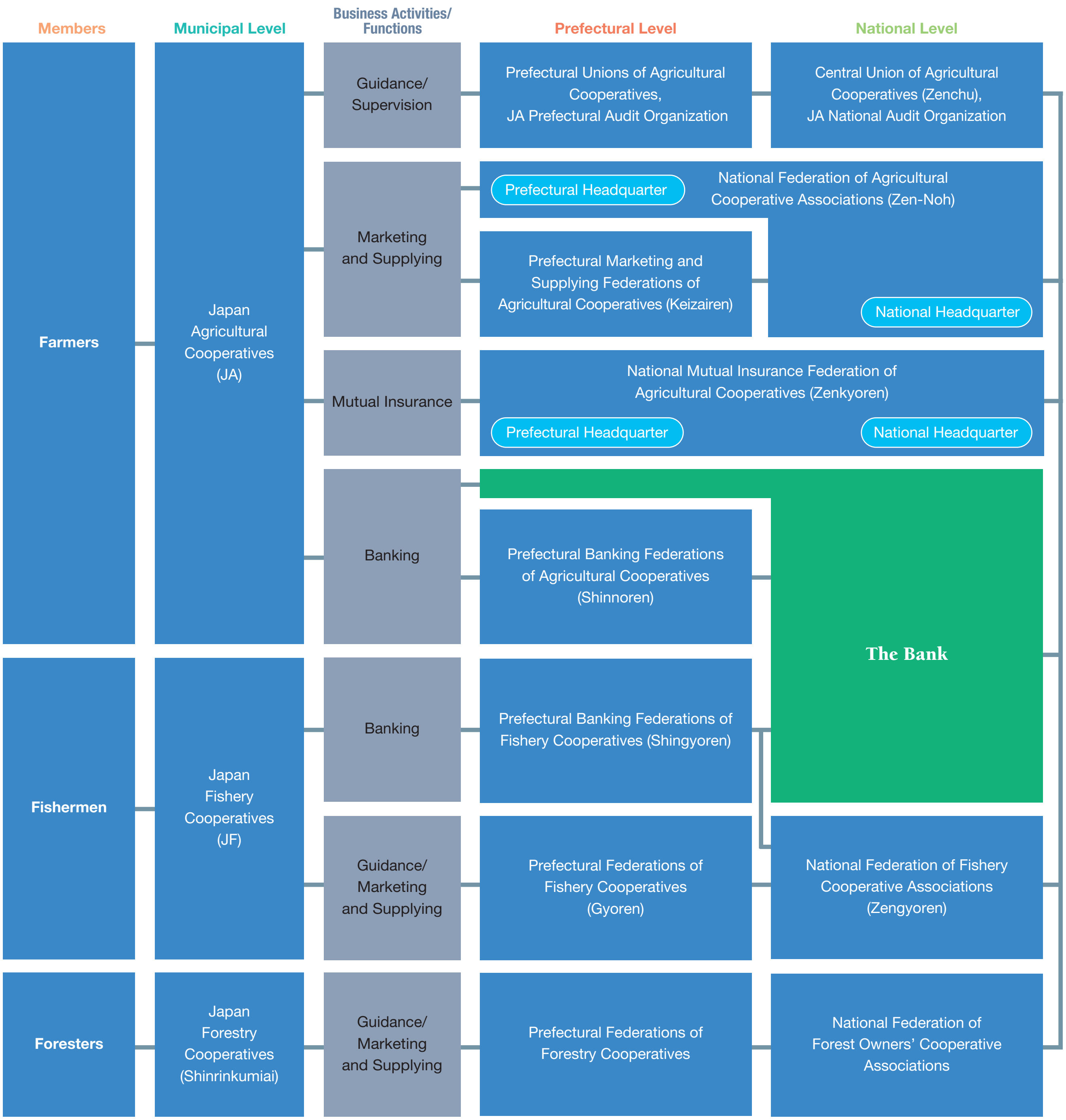
The Cooperative System and the Cooperative Banking Business

such as acceptance of deposits and lending of necessary funds; and provision of life insurance and property insurance.

As of April 1, 2008, there were 1,121 JF throughout Japan that contribute to the fisheries industry and to the development of fisheries communities through a wide range of activities.

As of July 1, 2008, there are 172 JF nationwide in Japan that conduct banking business services on their own initiative. In addition to these JF, there are JF which act as agents of Shingyoren providing banking business services for coastal communities throughout their respective prefectures.

• Structure of the Agricultural, Forestry, and Fishery Cooperative System



• Shinrinkumiai (The Japan Forestry Cooperatives)

The Japan forestry cooperatives are cooperative organizations for the owners of forestland, which was established under the Forestry Cooperative Law. A high percentage of forestland owners in Japan possess small land parcels, and forestry cooperatives play an important role in organizing and representing the interests of these small forestland owners.

The principal businesses of forestry cooperatives are carrying out operations including planting, removal of undergrowth, and thinning of forests owned by cooperative members as well as the sale of forest products, such as logs and timber.

As of April 1, 2008, there were 726 forestry cooperatives nationwide in Japan. As core participants in cultivating and improving forestlands, the forestry cooperatives make a major contribution in enabling forests to perform their wide range of natural functions, including the preservation of national land, the formation of watersheds, the maintenance of the living environment, the provision of places for health and leisure as well as the supply of timber, and other forest resources.

Positioning of the Norinchukin Bank within the Cooperative Banking Business

The Bank was established in 1923 as the central bank for Japan's industrial cooperatives. It was renamed the Norinchukin Bank in 1943 and is now a private financial institution based on the Norinchukin Bank Law.

JA, JF, and Shinrinkumiai were created with the aim of improving the economic and social positions of the agricultural, forestry, and fisheries industries through the cooperative efforts of the respective members under the slogan "one for all and all for one."

The Bank is a national level cooperative financial institution whose membership (shareholders) are composed of the previously mentioned municipal cooperatives, prefectural and national federations, and other organizations. Moreover, the Bank is playing a major role in society to contribute to the development of the nation's economy and support in the advancement of the agricultural, forestry, and fisheries industries for its members in accordance to the provision of Article 1 of the Norinchukin Bank Law.

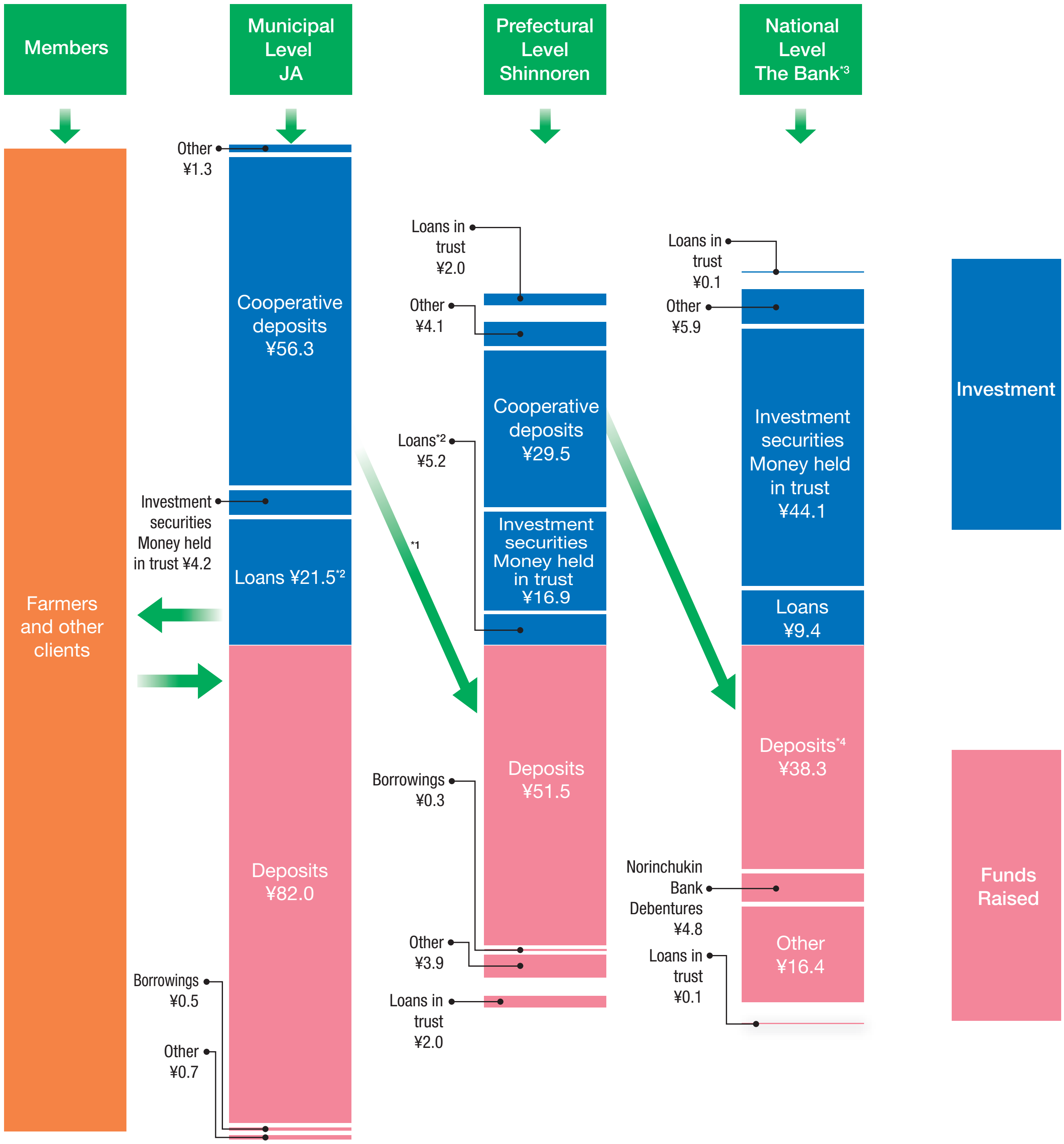
The Bank's funds come from deposits placed by members (the majority of the funds held at the Bank are deposits placed originally by members of JA and JF), and the issuance of Norinchukin Bank debentures. In addition, the Bank raises funds from financial markets. These financial resources are then lent to the agricultural, forestry, and fisheries industries; corporations connected to the agricultural, forestry, and fisheries industries; regional governments; and public entities. Other than the aforementioned activities, the Bank manages its funds efficiently through investments in securities and other financial instruments. The Bank then provides stable returns to members a part of earnings received from lending and investment activities, and other various financial services. Through these various services and activities, the Bank plays a major role as the national level financial institution for the cooperative organizations.

Article 1 of the Norinchukin Bank Law

As a financial institution with its base in the agricultural, forestry, and fishery cooperatives as well as other members of the agriculture, forestry, and fishery cooperative system, the Bank strives to contribute to the development of the nation's economy by supporting the advancement of the agricultural, forestry, and fisheries industries through the provision of financial services for the member organizations of the cooperative system.

The Cooperative System and the Cooperative Banking Business

• Flow of Funds within JA Cooperative Banking System (As of March 31, 2008) (Trillions of Yen)



The calculated total investment and funds raised may disagree due to rounding errors.

Notes: *1. In some prefectures, JA may make direct deposits to the Bank.
*2. The loan balances of the JA and Shinnoren do not include lending to financial institutions.
*3. Overseas accounts have been excluded from the Bank's balances.
*4. The Bank's deposits include not only deposits from the JA Banking Cooperative System but also those from the JF Banking Cooperative System and Forestry Cooperative System as well as other sources.

Safety Net for Cooperative Banking System

The JA Bank System and the JF Marine Bank System have created a safety net consisting of the Bankruptcy Prevention System and the Savings Insurance System to provide an increased sense of security for their cooperative members and customers.

Bankruptcy Prevention Systems

The JA Bank System and JF Marine Bank System have developed their own respective bankruptcy prevention systems.

Specific functions of these systems include (1) the monitoring of the management condition of individual JA and JF to identify any problems at an early stage, (2) implementing measures at the earliest possible time to prevent bankruptcy, and (3) infusing necessary funds drawn from the JA Bank Support Fund or the JF Marine Bank Support Fund* (which have been collected from all members of the JA Bank and the JF Marine Bank) to restore the management soundness of JA and JF.

* As of March 31, 2008, the balance of the JA Bank Support Fund was ¥159.8 billion and that of the JF Marine Bank Support Fund was ¥23.4 billion.

The Savings Insurance System (Savings Insurance System for Agricultural and Fishery Cooperatives)

When a member organization of the cooperative banking system, such as JA or JF, is unable to reimburse deposited funds to its members and other users, this system provides policy coverage for depositors and ensures the fulfillment of funds settlements, thereby contributing to the stability of the cooperative banking system.

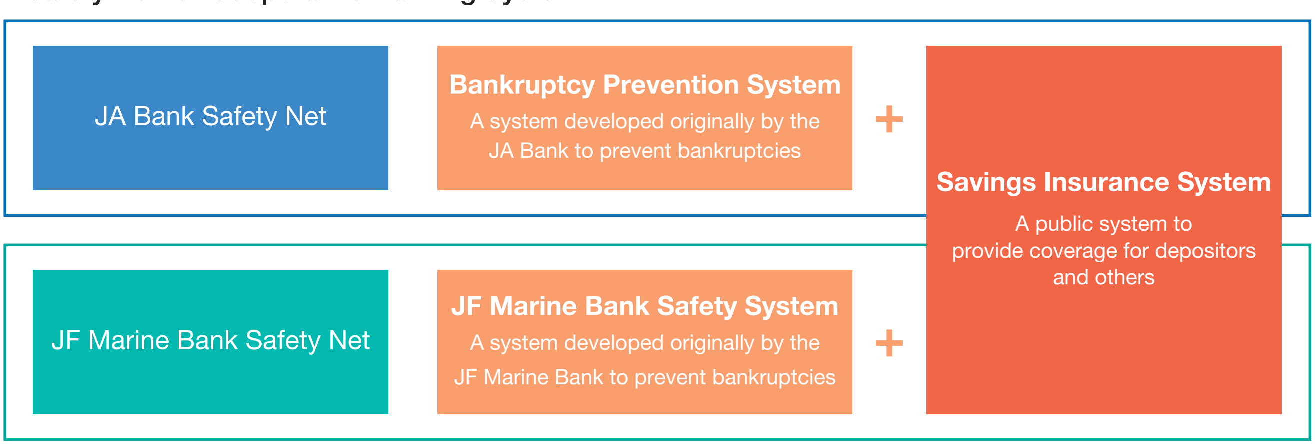
The Savings Insurance System is provided for under the Agricultural and Fishery Cooperative Savings Insurance Law. Its functions are carried out by the Agricultural and Fishery Cooperative Savings Insurance Corporation, which was established through joint investments by the Japanese government, the Bank of Japan, the Bank, Shinnoren, Shingyoren, and other entities.

When depositors place funds in agricultural or fishery cooperatives that are covered by the Savings Insurance System, their savings are automatically guaranteed by this insurance system.

Even though the blanket deposit insurance was fully removed on April 1, 2005, checkable, payment, and settlement deposits are still fully protected by the system. However, all other types of deposits are only covered up to ¥10 million in principal (per depositor of each cooperative organization) plus interest accrued.

As of March 31, 2008, the balance of the reserve fund of the Savings Insurance System was ¥256.2 billion.

• Safety Net for Cooperative Banking System



Operations of the JA Bank System

The members of the JA Bank: namely, JA, Shinnoren, and the Bank are working under the framework for integrated and systematic cooperation in each business activity. We call this the "JA Bank System," and our aim is to be a financial institution that is trusted and chosen even more by its members and customers.

What is the "JA Bank?"

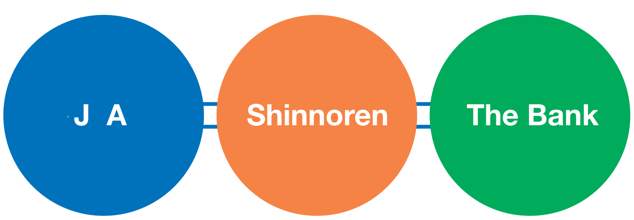
• The JA Bank System Comprises a Group of Financial Institutions

The JA Bank System consists of JA, Shinnoren, and the Bank, known as the "JA Bank members." It functions as one institution, having one of the largest networks of private financial groups in Japan.

As of July 1, 2008, the JA Bank is comprised of 765 JA, 38 Shinnoren, and the Bank, for a total of 804 entities.

• JA Bank

JA Bank consists of JA, Shinnoren, and the Bank, known as the "JA Bank members"



*Number of JA Bank members: 804 (as of July 1, 2008)

The JA Bank System

• Framework for Integrated and Systematic Cooperation among JA Bank Members

To ensure that cooperative members and other customers place even stronger confidence in the cooperative banking system, and make increased use of its services, we have established the JA Bank Basic Policy. This is based on the Reorganization and Strengthening Law (the law related to the reorganization and strengthening of the cooperative banking business by the Bank and specified agricultural and fishery cooperative organizations) and in consent with JA Bank members. The framework for integrated and systematic cooperation among JA, Shinnoren, and the Bank is based on the JA Bank Basic Policy and is known as the JA Bank System.

The JA Bank System is founded on two basic pillars. The first is "the bankruptcy prevention system," which ensures the reliability of the JA Bank. The second is the "promotion of unified operations," which aims to improve and strengthen the financial services by taking advantage of economical scale and finely tuned interfaces with our customers.

• Initiatives Aimed at Enhancing the Reliability of the JA Bank

Under the "bankruptcy prevention system," the JA Bank Headquarters receives management-related information from all JA Bank members and reviews them to confirm that they meet certain standards. This system makes it possible to foresee potential issues well in advance and provide early guidance prior to the prompt corrective action by the government.

In addition, the JA Bank Support Association has established the JA Bank Support Fund with financial resources contributed by the JA Bank members. This fund can provide capital injections and other support to the JA Bank members in case of necessity.

Through these initiatives, we are working to ensure that the JA Bank enjoys even greater credibility and confidence among cooperative members and other customers. Please also note that JA, Shinnoren, and the Bank participate in the Savings Insurance System, which is a public system mandated by law.

• Activities for Enhancing and Strengthening Financial Services

In accordance with the "JA Bank Medium-Term Management Strategy (fiscal 2007 through fiscal 2009)," the JA Bank is working to promote stronger unified operations among JA, Shinnoren, and the Bank, with the aims of further expanding its customer base, which is already one of the largest in Japan, and offering financial services that are carefully tailored to customer needs.

Specific measures aimed at enabling the Bank to adequately meet the needs of cooperative members and customers contain providing financial support for core farmers, expanding pension accounts, and offering inheritance-related services primarily for the succession of assets, including farmland to future generations. The Bank has also entered the credit card business primarily through new JA Card, which has been issued since October 2006 as part of a strategic retail sector alliance with the Mitsubishi UFJ Financial Group. On other fronts, the Bank has entered into an ATM deposit partnership with Seven Bank.

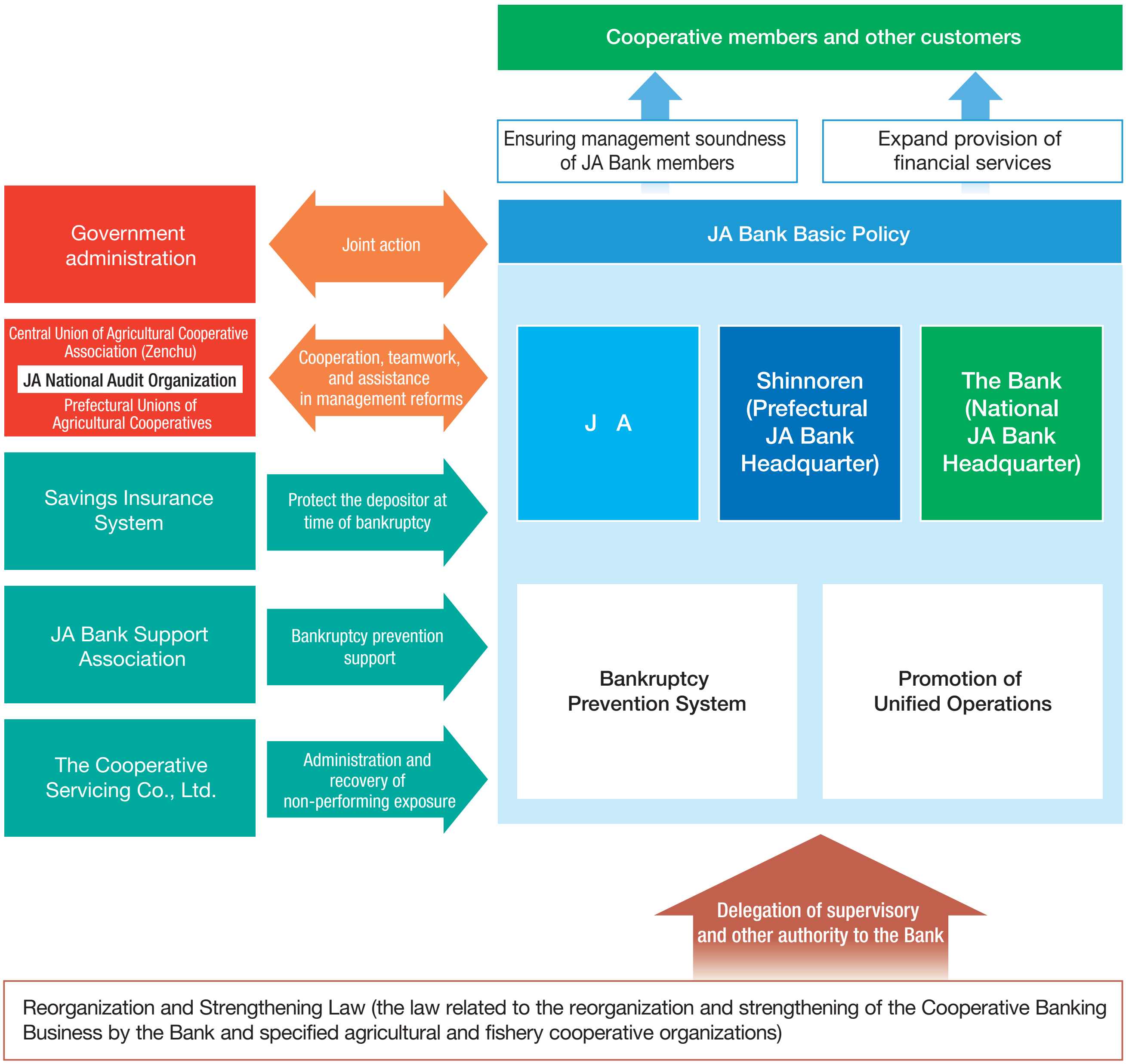
The Bank continues to make every effort to offer greater convenience to cooperative members and customers through ongoing initiatives aimed at equipping the nationwide JASTEM System, the JA Bank's uniform IT infrastructure platform, with the necessary capabilities to operate JA Cooperative Banking Business.

Preparations for the transfer to the next-generation JASTEM System, which is scheduled to take place in January 2010, are also proceeding according to schedule based on adequate risk management.

In addition to these activities, the JA Bank is working diligently to prevent criminal activities, such as theft and forgery of cash cards, as well as expand its disclosure of information. Through these initiatives, the JA Bank will continue to strive to ensure that it is a financial institution offering more convenient and reliable products and services, and is chosen proactively by cooperative members and customers.

Operations of the JA Bank System

• Framework of the JA Bank System



Trends in the Agricultural Industry and the JA Cooperative Banking Business

Growing worldwide pressure on the supply of grain is causing a shift in the balance of supply and demand for food, from surplus to shortage. As part of discussions held by the WTO with the aim of establishing new rules for trade liberalization in the agricultural industry, a revised WTO text was published in February 2008. Discussions are continuing in an effort to reach an agreement on the subject of modality (i.e. criteria for reducing protective standards applicable to all nations), including figures for tariff reduction ratio. As for Economic Partnership Agreement (EPA) and Free Trade Agreement (FTA) discussions on the elimination of tariffs and other bilateral and regional measures, EPAs have so far been concluded with five countries of which are mainly Southeast Asian countries, and agreements have been reached with three countries and the ASEAN region.

In Japan, a new rice supply and demand adjustment system, under which agricultural organizations play a key role, was implemented as part of the Rice Policy Reform Plan. However, over-planting resulted in a drop in prices for the 2007 rice crop, prompting the government to set out emergency measures. Budgetary measures have been taken in the livestock and dairy sectors too, including emergency measures in response to soaring feed prices. The government has indicated that it intends to look into further additional measures in the future.

In addition to proceeding with a one-off campaign to ensure that production adjustments for the 2008 rice crop are effective, the JA Group is responding to calls for livestock and dairy measures designed to ensure stable management and secure earnings for producers. The JA Group is also making every effort to nurture and support core farmers as part of comprehensive measures targeting core farmers, including improving the qualifications of dedicated core farmer advisors and stepping up business support.

• Flow of Funds in the JA Cooperative Banking Business

Thanks to a continued steady increase in deposits from individuals as a result of the provision of financial services in line with customer needs during fiscal 2007, JA deposits rose by 2.4% on the previous year to an end of year balance of ¥82,075.6 billion.

Total JA loans rose by 1.8% year on year to an end of year balance of ¥21,598.3 billion due to an increase in individual loans, especially mortgage loans thanks to home loan advisory events and other campaigns. JA securities meanwhile saw a year on year decline of 5.6% to an end of year balance of ¥4,297.3 billion.

Deposits with Shinnoren rose as a result of steady trends in JA deposits, recording a year on year increase of 3.0% to an end of year balance ¥51,534.7 billion.

The balance of loans issued by Shinnoren increased by 1.8% on the previous year to an end of year balance of ¥5,246.6 billion as a result of factors such as increased lending to companies. Securities (including money trusts) held by Shinnoren saw an annual decline of 0.9% to an end of year balance of ¥16,911.0 billion.

Operations of the JA Bank System

Reorganization of the JA Cooperative Banking Business

To deal effectively with change in the environments for the agricultural industry, cooperative members, and JA, the JA Group has made progress in streamlining management and improving efficiency.

Likewise at Shinnoren and the Bank, since the establishment of a basic policy for reorganizing the cooperative banking business in June 1998, a part of the operations at nine Shinnoren (Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, Nagasaki, and Kumamoto) was transferred to the Bank.

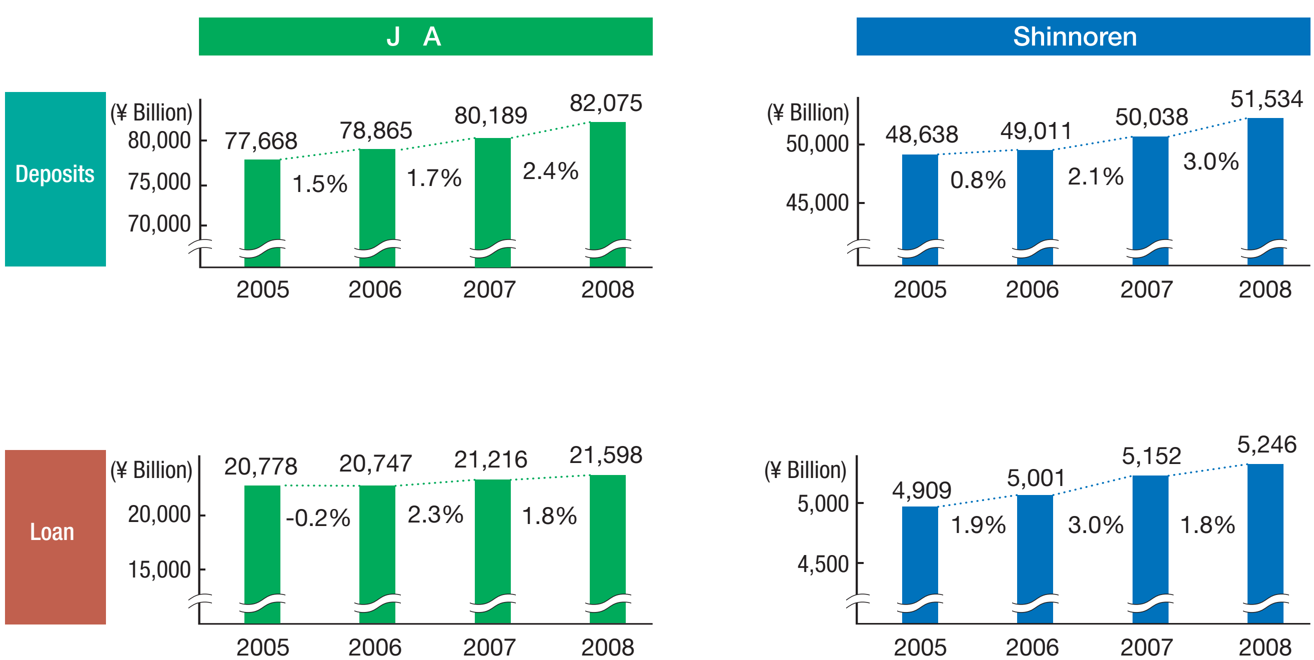
In fiscal 2005, three Shinnoren (Miyagi, Okayama, and Nagasaki) were fully integrated into the Bank, followed by one more in fiscal 2006 (Akita) and a further three in fiscal 2007 (Tochigi, Yamagata, and Toyama). The transition from the previous three-tiered structure, consisting of JA, Shinnoren, and the Bank, to a two-tiered structure, consisting of JA and the Bank, has therefore been completed in a total of seven prefectures to date.

Elsewhere, the goal of "one JA in each prefecture," whereby rights and duties at Shinnoren and Keizairen (Prefectural Marketing and Supplying Federations of Agricultural Cooperatives) are integrated and taken over by a single JA, has been achieved in Okinawa and Nara prefectures to date.

As part of the ongoing reorganization of the JA Group, plans are carried out based on the conditions in each prefecture with the intention of working towards increased efficiency in the cooperative banking business.

The Bank continues to steadily support for the efforts to enhance JA's organization and implement the Bank's rationalization as well as efficiency with the aim of creating a cooperative banking structure capable of meeting the expectations and securing the trust of cooperative members and customers.

• Deposits and Loans (As of March 31)



Operations of the JF Marine Bank

Financial Support for Coastal Communities and Providing Financial Functions for Fisheries

What is the "JF Marine Bank"?

• The JF Marine Bank Comprises a Group of Financial Institutions

The JF Marine Bank consists of the Japan fishery cooperatives (JF, limited to those engaging in banking services), Shingyoren (Prefectural Banking Federations of Fishery Cooperatives), and the Bank as well as the computer system company operated by Zengyoren.

As of July 1, 2008, there were 172 JF offering financial services, 30 Shingyoren, for a total of 203 members, including the Bank.

• JF Marine Bank

The members of the JF Marine Bank	Zengyoren
• JF offering financial services • Shingyoren • The Bank	

*Number of JF Marine Bank members: 203 (as of July 1, 2008)

Basic Policy Direction for the JF Marine Bank

• JF Marine Bank Basic Policy

The JF Marine Bank formulated its Basic Policy in January 2003, based on the provisions of the Reorganization and Strengthening Law. The objectives of this basic policy are, first, to protect depositors by ensuring the soundness of the activities of the JF Marine Bank and conducting its business operations properly. The second objective is to appropriately respond to the financial needs of the cooperative members and other customers by reforming the business activities, organization, and management of the JF Marine Bank.

• Framework for Preventing Bankruptcy

In consideration of various changes in the financial environment, such as the full removal of the blanket deposit insurance, from the view of ensuring proper and sound operations, all members of the JF Marine Bank are required to provide management information to the JF Marine Bank Headquarter. Based on their examination of this information, the JF Marine Bank Headquarter can prevent organizations, such as JF that has problems in its operations, from bankruptcy by quickly identifying them and taking anticipatory actions, thus creating a system that is reassuring to the customers. These activities are undertaken with the guidance of the Bank and Shingyoren.

• Stable and Responsible JF Cooperative Banking Business System (the JF Marine Bank Safety System)

The JF Marine Bank provides financial services for participants in the fisheries industry in their local communities and assumes an essential role in coastal communities. To make improvements that will ensure the JF Marine Bank has management systems appropriate for a member of Japan's financial system, measures have been implemented to establish a "one fishery cooperative banking business at each prefecture." As a result, this objective has been achieved in 35 of 37 prefectures.

The "New Policy for the JF Group Business, Organizational and Managerial Reform for 2006-2008," a three-year policy beginning in Fiscal 2006 was agreed on at the JF National Meeting of Representatives of Fishermen which was held in November 2005. Under this policy, a new method, "Creating a Wide Area Shingyoren beyond prefectural boundaries," was added for the future of the JF Cooperative Banking Business Management System to the existing three conventional methods of establishing "one JF in each prefecture," "integrating the prefectual JF cooperative banking businesses into Shingyoren," and "lending surplus funds between JF and Shingyoren" to establish "The Stable and Responsible JF Cooperative Banking Business System (The JF Marine Bank Safety System)." In the

Operations of the JF Marine Bank

future, we will implement one of these four methods to reorganize the JF cooperative banking business.

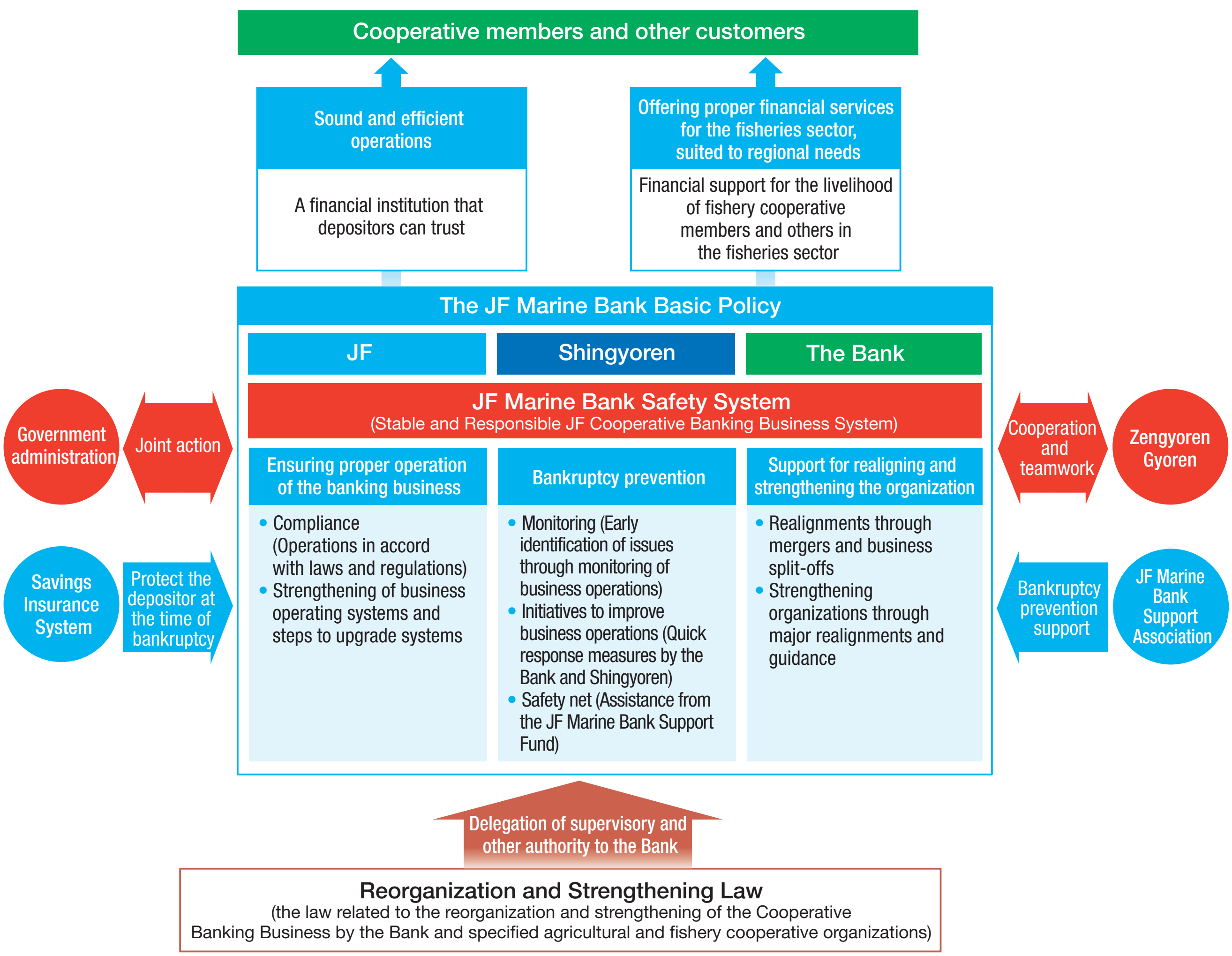
A new "JF Marine Bank Medium-Term Business Promotion Policy" covering the current three-year period has also been prepared as part of initiatives related to the cooperative banking business under the JF Marine Bank. Based on this policy, the JF Marine Bank promotes stable operation of the cooperative banking business as the financial providers for coastal communities. Other activities include the strengthening of risk tolerance and review of cost structures based on the preparation of medium-term management and action plans.

These initiatives are expected to address issues arising from small-scale businesses in the fishery industry, and respond to their needs by offering financial services that take into consideration of the characteristics of each region.

In addition to the activities mentioned thus far, JF, Shingyoren, and the Bank have contributed jointly to create the "JF Marine Bank Support Fund," that also provides a framework to encourage autonomous activity by cooperative members aimed at organizational and business reforms.

Please also note that JF, Shingyoren, and the Bank participate in the Savings Insurance System, which is a public system mandated by law.

• Framework of the JF Marine Bank



Trends in the Fisheries Industry and the JF Cooperative Banking Business

• Finance Fisheries Industry

The management in the fisheries industry continues to be challenging, owing to falling catch volumes, declining prices of marine products, and diminishing workforce figures as well as rising fuel prices due to crude oil price surges. Other issues, including the burden created by capital investments in previous years, are making it difficult to reinvest in alternative fishing vessels.

In an effort to resolve this situation, the government set out a Fuel Price Appreciation Fund (¥10.2 billion) in a supplementary budget in fiscal 2007. This was followed by a program of Fishery Management Stabilization Measures (¥5.2 billion) aimed at enabling efficient, stable fishery management as part of the fiscal 2008 budget.

The use of some of these funds in the downstream marine product sector is expected to contribute to the development of industry participants and to the stability of the marine product sector in the years ahead.

• Flow of Funds in JF Cooperative Banking Business

Deposits held with JF decreased 2.1% from the previous fiscal year-end, to ¥2,241.3 billion, at the end of fiscal 2007, reflecting a decline in catch volumes, weakness in prices of marine products, and other factors.

The balance of loans at JF fell 8.9% year on year, to ¥710.5 billion, due to such factors as the slackening of demand for new financing.

Reorganization of the JF Cooperative Banking Business

The JF cooperative banking business is being reorganized to create a more sound and efficient management system through two methods: one of these is through mergers among JF and the other is through the transfer of banking business from JF to Shingyoren. These efforts have reduced the number of JF engaged in the banking business from 875 as of March 31, 2000, to 174 as of April 1, 2008.

The total number of JF, including those that are not engaged in banking business, was reduced by 71 in fiscal 2007, and, as of April 1, 2008, the number stood at 1,121, reflecting the progress toward merger and consolidation.

In the future, greater focus will be placed on policies to strengthen and reorganize the JF cooperative banking business under the JF Marine Bank Safety System.

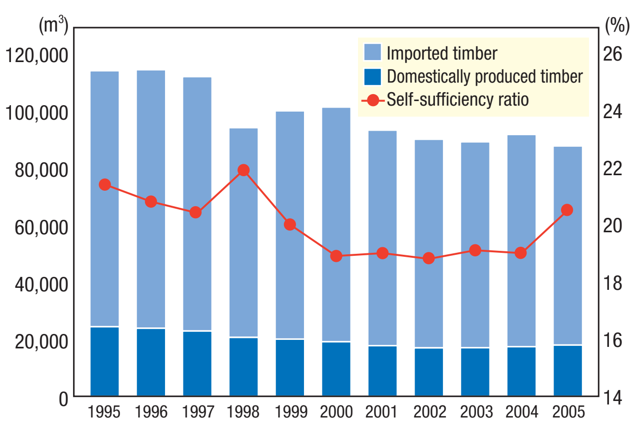
The Bank supports these initiatives of the JF cooperative banking business.

Initiatives of the Japan Forestry Cooperative

Current State of Forests in Japan and Cooperative Activities

Forests cover about two-thirds of Japan's land mass, which cover 25 million hectares of the country. About 70% of forestland in Japan is owned by the private forest owners. Along with the aging of population and the depopulation in rural mountain villages, which have caused a decline in forestry development, Japanese forestland is not properly sustained and has become unproductive wilderness. This explains why the cedar and cypress trees that were planted after World War II are unable to properly perform their functions despite reaching maturity.

• Japanese domestic timber demand (volume terms)



Source: Forestry Agency *"Timber Supply & Demand"*

Untended forestland becomes backwoods

A forest that has been maintained by tree trimming

Operating conditions for participants in the Japanese forestry industry continue to be severe as a result of prolonged softness in prices of timber. However, a trend has emerged toward the return to the use of domestic timber accompanying the accumulation of forest resources in Japan and the growing shortage of supply in international markets. In addition, in the area of the government administration of forest resources, policies are being implemented not only with the aim of expanding the capabilities of forests to absorb carbon dioxide but also with the goal of developing the Japanese forestry industry through projects aimed at concentrating on forest management and establishing systems to provide a stable supply of domestic timber.

Under these circumstances, the Japan forestry cooperatives have been promoting a cooperative campaign which constitutes three pillars of concepts based on a "Movement to Revitalize Forestlands, the Forestry Industry, and Rural Mountain Villages that support the Environment and our Livelihood." The three parts of this approach are: (1) the "Project for Joint Administration" of forestlands through the grouping of forest areas with the goal of lowering operating costs, (2) the "Project for Stable Supply of Domestic Lumber," which aims to provide a stable supply of high-quality lumber, and (3) the "Project for Management Reform," which has the objective of nurturing forestry cooperative organizations that can be relied on by its cooperative members and customers.

Also, since fiscal 2007, the Forestry Agency has adopted, along with the forestry cooperatives, to implement measures in promoting the stable supply of domestic lumber. The Bank's policies include helping to strengthen the autonomous management foundation of the forestry cooperatives and to substantially increase its support for their initiatives.

Business Outline

SECURITIES INVESTMENT

• The Bank's Basic Asset Management Stance

The Bank is one of the largest financial institutions in Japan and, at the same time, is one of Japan's leading institutional investors. The Bank's total balance of securities and money held in trust is approximately ¥44 trillion and accounts for a major portion of the Bank's total assets under management.

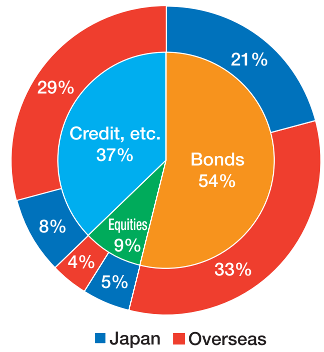
The most basic concept in the Bank's management of its securities is "globally diversified investment." The objective of this approach is to realize a high return in the medium-to-long term through investing in a diversified risk type asset while minimizing the risks in cases such as rising interest rates and declining stock prices. In terms of geographical area, the Bank invests in Japan, the United States, Europe, and other regions. The Bank classifies its assets into the categories of bonds, equities, credit assets, and alternative investments in accordance with the type of investment asset. The Bank conducts research related to these asset categories from a broad range of perspectives and adjusts its asset allocation flexibly in response to changes in market conditions.

In pursuing returns on investments, the Bank does not rely exclusively on its internal investment ability but also takes advantage of external investment companies. The Bank then carefully reviews their investment processes, compliance systems, management philosophy and strategies, asset management record, and other matters. After selection, the Bank closely monitors their performance from quantitative and qualitative perspectives and systematically examines their performance on a continuing basis to make decisions on whether or not to renew their mandates.

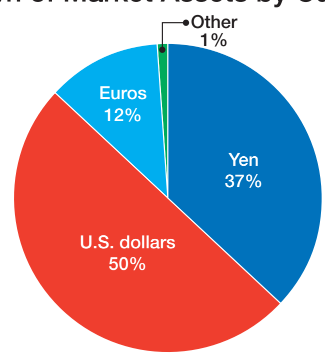
• Investment Stance by Type of Asset

Investment in bonds, a core invested asset, accounts for a major portion of the Bank's assets due to their risk-return characteristics and other attributes. When making investment decisions, the Bank gives full attention

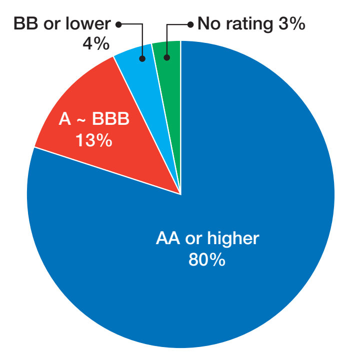
• Breakdown of Market Assets by Risk



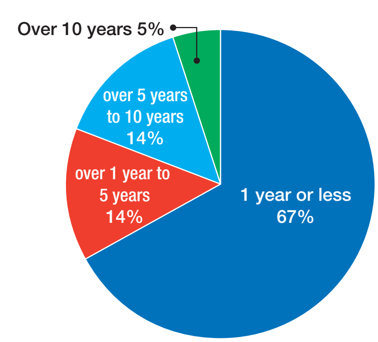
• Breakdown of Market Assets by Currency



• Breakdown of Bonds and Credit Assets by Rating



• Breakdown of Bonds and Credit Assets by Maturity



* All data are as of March 31, 2008, on a non-consolidated basis.

Business Outline

not only to interest rate risk but also to credit and liquidity risks. The Bank has built up an efficient bond portfolio through investments in a variety of types of bonds, including Japanese government bonds, bonds issued by other government agencies, mortgage-backed bonds, and foreign corporate bonds.

In selecting equity investments, the Bank considers risk-return characteristics as well as correlations with other asset classes and manages its portfolio with a long-term perspective. While the Bank's strategy for equity investments focuses on passive investing linked to various stock indices, the Bank complements this strategy with active investing aimed at generating returns above those obtained from the index-linked passive approach through diversified investment in domestic and foreign stocks.

The markets for credit and alternative investments have expanded globally, and new products are appearing one after another. The Bank adopts a proactive stance toward these investments and bases its investment decisions on the analysis of the global credit cycle, risk versus return in various investment asset classes, and the analysis of correlations with conventional assets (stocks and bonds).

Please note that in the management of foreign currency assets, the Bank takes measures to limit foreign exchange risk of most of these investments by various tools, such as raising funds in foreign currencies.

System for Market Asset Management

Major decisions relating to the Bank's portfolios of market investments are reached systematically by the Market Portfolio Management Committee and the Credit Portfolio Management Committee, which are composed of board members and the heads of related departments. Moreover, in the departments engaged in market transactions, the Bank has created a mutual checking system with separate front sections (responsible for the execution of transactions), middle sections (responsible for monitoring), and back sections (responsible for processing and settlements).

The front sections execute transactions based on the plans drawn up by each Portfolio Management Committee. Their functions also include focusing on optimizing the efficiency of transactions, close and constant monitoring of market trends, developing proposals for new transaction plans, and other activities. To put the Bank's concept of globally diversified investment into practice, the front sections work to create a more efficient and effective management system where domestic and international investments are integrated within the categories of bonds, equities, and other investment instruments.

The middle sections are responsible for checking the appropriateness of the activities of the front sections, as well as the measurement of risk volumes, such as stress testing.

Short-Term Money Market Transactions

In its role as the national level financial institution for Japan's agricultural, forestry, and fishery cooperatives, the Bank exercises efficient control over available cash, principally surplus funds of the cooperative system, and manages these funds in domestic money markets. The Bank is a leading and active participant in short-term money markets in Japan.

In addition, as a leading institutional investor, the Bank makes diversified investments in international capital markets and makes active use of foreign currency markets to fund these investments.

The proper management of liquidity risk is a prerequisite for the continuity of the Bank's operations and for the stable management of its portfolio. Accordingly, the Bank pays close attention to the cash flow of the cooperative banking system as a whole and trends in domestic and international markets.

In Japan's domestic market, the Bank is an active participant not only in the interbank market but also in the repo and other money markets. The Bank also assumes a leadership position in these markets and plays a major role in working to expand market functions. Through its participation in the Research Committee for Revitalization of Short-Term Financial Markets and other organizations, the Bank also contributes to improvements in market practices.

In foreign currency markets, backed by its well-founded credit standing, the Bank conducts stable and efficient transactions, which are necessary for globally diversified investments. The management of foreign currency funds is conducted through teamwork among the Bank's head office and its three overseas branches in New York, London, and Singapore, using various funding tools.

Additionally, the Bank accurately controls liquidity risk and settlement risk while simultaneously providing settlement functions at the Bank of Japan on behalf of cooperative organizations. The Bank also takes part in the Continuous-Linked Settlement (CLS) System, a framework for foreign currency settlement, and thus participates in and contributes to the creation of a network needed for managing settlements in U.S. dollars, euros, and other major currencies.

Foreign Exchange Transactions

The Bank, as the market participant representing the cooperative banking system, has formed an efficient and highly skilled dealing team with the primary aim of responding to the needs of its customers, including cooperative organizations and companies related to the agricultural, forestry, and fisheries industries.

Trading Operations

The Bank trades in financial derivatives and various other financial products in order to meet the needs of its customers, whilst at the same time improving its dealing profitability from trading operations through arbitrage transactions, options, and a range of other techniques.

CORPORATE FINANCE

As a financial institution based on the agricultural, forestry, and fisheries industries, the Bank provides a wide selection of financial services to private enterprises that are connected to these sectors and to public enterprises.

In addition to companies in the food product and pulp and paper industries that process agricultural, forestry, and fisheries products, the chemical and machinery industries that supply production materials for the agricultural, forestry, and fisheries industries, trading, supermarket and restaurant industries that supply products to end consumers, and other industries directly involved in the agricultural, forestry, and fisheries industries, the Bank also deals with customers in a wide range of other fields such as leasing, credit, IT and telecommunications, real estate, and the service industry.

The Bank provides its customers with a diverse range of financial services drawing on its strong base, backed by the JA Bank System and the JF Marine Bank System, and its cultivated expertise as one of Japan's leading institutional investors. The Bank's basic investment policy is to contribute to the socioeconomic development of Japan as well as to the development of Japan's agricultural, forestry, and fisheries industries. Through these contributions, the Bank hopes to grow and develop together with its customers.

FINANCE FOR COOPERATIVE ORGANIZATIONS

As the main bank for the agricultural, forestry, and fisheries industries, the Bank has created a unique cooperative financing system called Agricultural, Forestry, and Fishery Support Funding. The aim of this system is to provide financial support for the development of Japan's agricultural, forestry, and fisheries industries and related cooperative organizations through initiatives such as nurturing core workers in the agricultural, forestry, and fishery sectors and promoting environmentally friendly agriculture.

This financial support, which is directly linked to the development of agricultural, forestry, and fisheries sector, is provided mainly to JA, JF, the Japan forestry cooperatives, and other cooperative organizations, and has been positioned as the core lending business of the Bank since its establishment.

Loans to the Agricultural Sector

Japan's agricultural sector is confronted with a challenging operating environment because of such trends as rising imports of agricultural products and weakness in prices for its crops. To deal with these developments, the Japanese government enacted the "Basic Plan for Food, Agriculture, and Rural Areas" in March 2005. This plan focuses especially on providing developmental support for core farmers and promoting structural reforms in agriculture. Providing financing to core farmers has become one important means to realize the above.

The JA Bank, a single unit combining JA, Shinnoren, and the Bank, is moving forward with its ongoing initiatives and working proactively to strengthen its efforts to meet the financial needs of its core farmers.

The Bank has established the Core Farmers Finance & Planning Department to offer active support in developmental initiatives for core farmers. Also, by participating in the planning and promotion of the overall financing activities of the JA Bank, the Bank will help support the development of regional agriculture. In these activities, the Bank will make use of finance under institutional finance schemes, including the Agriculture Modernization Loans and the New Agriculture Promotion Fund (also known as the Agri-Mighty Fund).

• Outline of Types of Loans (As of March 31, 2008)

	General Loan Funding	Funding under Institutional Arrangements
Agriculture	New Agriculture Promotion Fund (Agri-Mighty Fund) Agribusiness Loans Livestock, Fruit, Gardening, and Related Agriculture Fund Agriculture and Livestock Processing Funds, Others	Agriculture Modernization Loans Agricultural Management Assistance Support Fund Agricultural Management Improvement Promotion Fund (Super-S Fund) Intermediate and Mountainous Region Revitalization Fund, Others
Fisheries	Fisheries Development Fund Fisheries Management Fund for Fishing Vessels, Nets, Tools, and Landing Facilities Fisheries Processing and Distribution Fund for Processing, Refrigeration and Cold Storage, Others	Fisheries Modernization Fund Fisheries Management Improvement Promotion Fund Intermediate and Mountainous Region Revitalization Fund, Others
Forestry	Forestry Development Fund Forestry Management Fund for Afforestation, Tree Cultivation, and Forest Product Cultivation Processing and Distribution Fund for Raw Materials, Lumber, Chips, and Other Forest Products Mountain Village Environment Improvement Fund, Forestry Industry Participants Fund, Others	Forestry Development Promotion Fund Intermediate and Mountainous Region Revitalization Fund, Others

Loans to the Fisheries Sector

The fisheries industry is faced with a challenging operating environment, owing to a range of issues, including the tightening of international standards aimed at preserving natural resources and the environment, a decline in fisheries resources in the territorial waters surrounding Japan, low prices of marine products, and rising fuel costs. In response to these circumstances, the fishery cooperative organizations are expected, under Japan's Basic Fisheries Law, to implement initiatives for conducting proper resource management in fisheries operations and work toward the revitalization of fisheries operations.

The Bank offers financial support for the development of the fisheries industry. This includes providing financing for the production of marine products, including catching, aquatic farming, and other activities for the processing and distribution of these products, as well as providing access to financing schemes, such as those for the modernization of the fisheries industry.

Loans to the Forestry Sector

Issues confronting the forestry sector include the rising percentage of aging planted forestlands and the increasing need for thinning and other operations to take proper care of forested areas. In particular, interest among Japanese citizens in preserving the nation's forests is increasing because of the many roles forests play in providing sources of water and preserving the natural environment. Moreover, forests are expected to play an environmentally significant role in absorbing greenhouse gases and thus forestalling global warming. For these reasons, proper management of forestlands has become an important issue. A further consideration is the growing international demand for forest resources compared to the supply of these resources; this is drawing increasing attention from domestic sources.

The Bank provides support for the development of Japan's forestry and lumber industries. This includes supplying funds to the forestry cooperative organization and forest owners, who are the key agents in improving the condition of forests in Japan, to finance the cultivation of forestland and offering financing for the producers, processors, and distributors of lumber.

DEPOSIT OPERATIONS

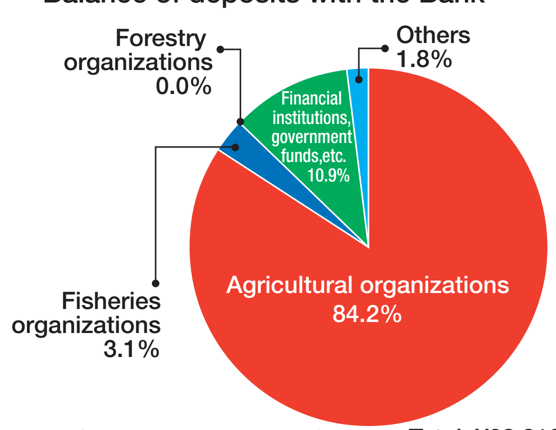
Features of the Bank's Deposits

Deposits from cooperative members account for the majority of the Bank's deposits. Other deposits consist primarily of those from companies involved in the agricultural, forestry, and fisheries industries and non-profit organizations such as local public bodies. This is due to the nature of the Bank as a nationwide cooperative financial institution for the agricultural, forestry, and fisheries industries.

• Deposits from the JA Bank and the JF Marine Bank members

Savings deposited with JA and JF by their members and other local people are used to finance members and local people, companies, local public bodies, and other such organizations. Surplus funds are then deposited with Shinnoren or Shingyoren. These funds in turn are

• Balance of deposits with the Bank



(As of March 31, 2008) Total: ¥38.8133 trillion

* Excludes negotiable certificates of deposit

used by Shinnoren or Shingyoren to finance agricultural and fisheries organizations, companies involved in the agricultural and fisheries industries, local public bodies, and other such organizations. Surplus funds are then deposited with the Bank.

In its capacity as a nationwide cooperative banking institution, the Bank is responsible for the central management of stable funds deposited in this manner.

To enable members and local people to deposit their precious savings with sense of security, JA, JF, Shinnoren, Shingyoren, and the Bank are protected under the Agricultural and Fishery Cooperative Saving Insurance System, a public system to provide coverage for depositors.

NORINCHUKIN BANK DEBENTURES

In accordance with the Norinchukin Bank Law, the Bank is authorized to issue Norinchukin Bank Debentures as a source of funding. The Bank issues two types of debentures; the Ritsuki Norinsai, which is primarily issued to institutional investors as a five-year investment product, and the Zaikeisai, which is issued as a savings product.

The balance of issued and outstanding debentures as of March 31, 2008 was ¥4,822.1 billion, with funds raised used for purposes such as financing the agricultural, forestry, and fisheries industries and related companies.

SETTLEMENTS

The Cooperative Financial Institutions, comprising JA, Shinnoren, JF, Shingyoren, and the Bank, have one of the largest networks among all the private financial institutions in Japan, with approximately 10,000 branches (as of March 31, 2008). At the core of this network is the Cooperative Settlement Data Transmission System, which is operated by the Bank, Shinnoren, and Shingyoren.

• Cash dispenser and ATM network

Through the JA savings net services and JF savings net services, the integral financial institutions under the JA Bank and the JF Marine Bank are building up a nationwide network of cash dispenser and ATM machines. In addition, by joining the Multi-Integrated Cash Service (MICS), cross-sector online alliance service of cash dispenser and ATM operators, the institutions are involved in the alliance of seven private sectors (major, regional and trust banks, second-tier regional banks, shinkin banks, credit associations and labour banks). This enables withdrawals of savings and balance inquiries at cash dispensers and ATMs all over Japan not only of the institutions, but also of almost all other financial institutions. Cash dispenser and ATM online alliances are also in place with Japan Post Bank and Seven Bank.

• Networks with business partners in Japan and overseas

In addition to Cooperative Settlement Data Transmission System, the Bank is mainly operating a Total Online System for its customers. It also offers a diversified range of sophisticated services such as provision of remittance services through the “farm banking” system for cooperative banking customers, and carries out Society for Worldwide Interbank Financial Telecommunications (SWIFT) settlements between the Bank’s Head Office/overseas branches and overseas financial institutions.

[Number of cash dispensers and ATMs]

	No. of organizations*	No. of stores*	No. of cash dispensers and ATMs installed
Norinchukin (the Bank)	1	34	0
Shinnoren	38	66	185
JA	809	9,260	12,161
Shingyoren	30	161	277
JF	172	326	115
Total	1,050	9,847	12,738

* Number of organizations and branches that handle domestic exchange operations, as of March 31, 2008

HEAD OFFICE AND BRANCH OPERATIONS (DOMESTIC AND OVERSEAS)

The Bank's Domestic Offices

The domestic offices of the Bank comprise the head office, the Otemachi Office, 24 branches located throughout Japan, and four other offices (as of July 22, 2008).

• Roles of Domestic Branches

The principal business of the domestic branches and offices is to act as fund-receiving centers for deposits made by the members; to make loans to agricultural, forestry, and fisheries industry participants, corporations with relationships to the agricultural, forestry, and fisheries industries as well as local governments and their entities; and to conduct business related to the JA Bank System and the JF Marine Bank System.

• Branch Network Operation Policy

To manage the Bank's domestic branches and offices more effectively and more efficiently, we are following a policy of dividing up the country into regional blocs and concentrating lending activities for each bloc in a small number of loan centers. The policy also involves a reorganization of branches and offices.

In July 2008 our Mito Branch was closed (its operations was transferred to Otemachi Office in Tokyo); our Wakayama Office was closed (its operations to be taken over by our Osaka Branch), while our Okayama Branch took over the operations of Hiroshima Branch and Yamaguchi Branch which were closed.

The Bank's Overseas Branches and Representative Offices

To respond accurately to the changes in the globalization of domestic and overseas financial and capital markets, the Bank maintains branches in the world's key international financial centers, and works to expand and enhance its international finance business.

In addition to branches in New York, London, and Singapore, the Bank has representative offices in Beijing and Hong Kong.

Companies of the Norinchukin Group

The Bank, in line with the overall strategy for the cooperative banking business, forms strategic operating and capital alliances with companies in other industries and works together with the companies of the Norinchukin Group that are engaged in a wide range of business activities.

Trust and Banking Company

The Norinchukin Trust & Banking Co., Ltd., provides trust products and services for cooperative organizations, corporations, and other customers. Assets under management and administration by this company exceed ¥14 trillion. Norinchukin Trust & Banking also focuses on asset management for JA cooperative members, including inheritance trust services.

Companies that Support the Organizational Base of the Cooperative Banking Business

- Norinchukin Research Institute Co., Ltd., is the think tank of the agricultural, forestry, and fishery cooperatives and supports the cooperative banking business through its survey and research activities.

- Kyodo Seminar Co., Ltd., is responsible for training the employees of the agricultural and fishery cooperative financial institutions, conducting training courses and correspondence courses, and publishing training materials for the management and staff of the cooperative financial institutions.

Companies that Complement the Business Base of the Cooperative Banking Business

- Kyodo Housing Loan Co., Ltd., is a mortgage loan company that has established alliances with more than 200 companies in the fields of housing and real estate sales, housing manufacturers, and other related areas.

- In April 2008, Kyodo Leasing Co., Ltd., a full-service leasing company offering a wide range of services, including leasing and rental arrangements, established a joint holding company with Mitsui Leasing & Development, Ltd. under the name of JA MITSUI LEASING, LTD. with the aim of management integration to enhance customer convenience. Automobile leasing and lease-back services are offered by Kyodo Auto Leasing Co., Ltd., a company that specializes in these areas.

- The Cooperative Servicing Co., Ltd., is responsible for the management and recovery of nonperforming loans and is part of the Cooperative Safety Net.

- Norinchukin-Zenkyoren Asset Management Co., Ltd., responds to the asset management needs of a range of financial institutions and institutional investors, including the agricultural cooperative organizations, through the development and offering of investment funds. This company is also responsible for offering the principal investment trust products sold in the branches and offices of the agricultural cooperative financial institutions.

- The Agribusiness Investment & Consultation Co., Ltd., makes investments and provides other financial support for agricultural corporations, with the objective of helping them to secure financial stability and support their development.

Companies that Work to Modernize and Improve the Efficiency of the Cooperative Banking Business Operations

- Norinchukin Information System Co., Ltd., is trusted with the tasks of developing and operating the Bank's various computer systems, including the backbone of the Bank's operating system. This company also plays a major role in the Bank's systems strategy.

- The JA Bank Computer System Co., Ltd. is responsible for all developmental and operational aspects of the nationwide JASTEM System (the JA Bank's uniform IT infrastructure platform, one of the largest financial institution systems in Japan, linked to approximately 47 million accounts and 12,000 ATMs). The two companies merged in April 2008 in an effort to further reinforce the system's operational structure at the JA Bank. The surviving entity is Nochu Information System Co., Ltd.

Other

- Private Equity Funds Research and Investment Co., Ltd. (started business in February 2008) is a private equity fund rating and management company that was jointly established with Nomura Holdings Inc., amongst others, with the aim of creating a diverse range of profit opportunities.

- Norinchukin Finance (Cayman) Limited is a special-purpose company located overseas, established with the objective of raising capital for the Bank.

Consolidated Balance Sheets

The Norinchukin Bank and Subsidiaries
As of March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
• Assets			
Cash and Due from Banks (Notes 29 and 31)	**¥ 1,096,901**	¥ 866,303	**$ 10,947**
Call Loans and Bills Bought	**1,851,020**	835,715	**18,473**
Receivables under Resale Agreements	**258,135**	—	**2,576**
Receivables under Securities Borrowing Transactions	**1,108,779**	563,282	**11,066**
Monetary Claims Bought	**770,387**	828,790	**7,689**
Trading Assets (Notes 3 and 31)	**48,033**	52,550	**479**
Money Held in Trust (Note 32)	**7,964,516**	7,797,745	**79,486**
Securities (Notes 4, 9, 21 and 31)	**36,242,079**	43,730,249	**361,697**
Loans and Bills Discounted (Notes 5, 9 and 20)	**9,853,902**	12,854,680	**98,342**
Foreign Exchange Assets (Note 6)	**7,119**	3,176	**71**
Other Assets (Notes 7 and 9)	**1,452,979**	543,988	**14,501**
Tangible Fixed Assets (Note 8)	**136,254**	155,601	**1,360**
Intangible Fixed Assets	**18,417**	7,953	**184**
Deferred Tax Assets (Note 18)	**153,135**	2,626	**1,528**
Customers' Liabilities for Acceptances and Guarantees (Note 19)	**317,809**	242,446	**3,172**
Reserve for Possible Loan Losses	**(140,511)**	(204,380)	**(1,402)**
Reserve for Possible Investment Losses	**(53,455)**	(38,628)	**(533)**
Total Assets	**¥61,085,505**	¥68,242,099	**$609,636**
• Liabilities and Net Assets			
Liabilities			
Deposits (Note 10)	**¥38,804,362**	¥41,243,492	**$387,269**
Negotiable Certificates of Deposit	**538,019**	2,375,026	**5,369**
Debentures (Note 11)	**4,821,975**	4,471,156	**48,124**
Bonds (Note 12)	**337,695**	357,097	**3,370**
Call Money and Bills Sold (Note 9)	**758,000**	1,068,632	**7,565**
Payables under Repurchase Agreements (Note 9)	**4,461,811**	7,438,847	**44,529**
Payables under Securities Lending Transactions (Note 9)	**496,637**	1,345,025	**4,957**
Trading Liabilities (Note 13)	**15,248**	19,662	**152**
Borrowed Money (Note 14)	**998,700**	1,131,532	**9,967**
Foreign Exchange Liabilities (Note 15)	**2**	0	**0**
Short-term Entrusted Funds	**4,401,193**	2,868,967	**43,924**
Other Liabilities (Note 16)	**1,876,213**	489,920	**18,725**
Reserve for Bonus Payments	**5,826**	5,031	**58**
Reserve for Employees' Retirement Benefits (Note 17)	**832**	1,849	**8**
Reserve for Directors' Retirement Benefits	**791**	—	**8**
Deferred Tax Liabilities (Note 18)	**1,031**	712,110	**10**
Deferred Tax Liabilities for Land Revaluation	**19,452**	25,411	**194**
Acceptances and Guarantees (Note 19)	**317,809**	242,446	**3,172**
Total Liabilities	**57,855,604**	63,796,211	**577,401**
Net Assets			
Paid-in Capital (Note 22)	**2,016,033**	1,484,017	**20,120**
Capital Surplus	**25,020**	25,020	**250**
Retained Earnings	**1,457,413**	1,249,484	**14,545**
Total Owner's Equity	**3,498,467**	2,758,523	**34,915**
Net Unrealized Gains (Losses) on Other Securities, net of taxes	**(296,711)**	1,658,980	**(2,961)**
Net Deferred Losses on Hedging Instruments, net of taxes	**(12,003)**	(24,762)	**(120)**
Revaluation Reserve for Land, net of taxes	**34,208**	47,451	**341**
Foreign Currency Transaction Adjustments	**(16)**	0	**(0)**
Total Valuation and Translation Adjustments	**(274,523)**	1,681,669	**(2,740)**
Minority Interests	**5,956**	5,696	**60**
Total Net Assets	**3,229,901**	4,445,888	**32,235**
Total Liabilities and Net Assets	**¥61,085,505**	¥68,242,099	**$609,636**

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Operations

The Norinchukin Bank and Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
• Income			
Interest Income:	**¥1,941,088**	¥2,053,869	**$19,372**
Interest on Loans and Bills Discounted	**151,179**	128,914	**1,509**
Interest and Dividends on Securities	**1,720,157**	1,863,028	**17,167**
Interest on Call Loans and Bills Bought	**12,545**	5,300	**125**
Interest on Receivables under Resale Agreements	**4,350**	3,993	**43**
Interest on Receivables under Securities Borrowing Transactions	**3,462**	755	**35**
Interest on Due from Banks	**38,006**	34,034	**379**
Other Interest Income	**11,386**	17,841	**114**
Fees and Commissions	**19,251**	24,928	**192**
Trading Income (Note 23)	**1,044**	223	**10**
Other Operating Income (Note 24)	**313,617**	95,098	**3,130**
Other Income (Note 25)	**428,822**	465,843	**4,280**
Total Income	**2,703,825**	2,639,963	**26,984**
• Expenses			
Interest Expenses:	**1,732,433**	1,791,742	**17,290**
Interest on Deposits	**369,999**	326,342	**3,693**
Interest on Negotiable Certificates of Deposit	**58,634**	95,262	**585**
Interest on Debentures	**44,084**	32,108	**440**
Interest on Borrowings	**20,096**	14,362	**201**
Interest on Call Money and Bills Sold	**6,045**	3,293	**60**
Interest on Payables under Repurchase Agreements	**241,053**	401,178	**2,406**
Interest on Payables under Securities Lending Transactions	**4,548**	4,209	**45**
Interest on Bonds	**15,188**	8,293	**152**
Other Interest Expenses	**972,781**	906,691	**9,708**
Fees and Commissions	**10,616**	12,083	**106**
Trading Expenses (Note 26)	**201**	313	**2**
Other Operating Expenses (Note 27)	**304,967**	273,630	**3,044**
General and Administrative Expenses	**113,144**	111,015	**1,129**
Other Expenses (Note 28)	**117,177**	62,038	**1,169**
Total Expenses	**2,278,540**	2,250,823	**22,740**
Income before Income Taxes and Minority Interests	**425,284**	389,140	**4,244**
Income Taxes			
Current	**137,263**	75,361	**1,370**
Deferred	**10,675**	56,349	**106**
Minority Interests in Net Income	**464**	591	**5**
Net Income	**¥ 276,880**	¥ 256,837	**$ 2,763**

	Yen		U.S. Dollars (Note 1)
	2008	2007	**2008**
Net Income per Share	**¥49.49**	¥55.37	**$0.49**

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Capital Surplus and Retained Earnings

The Norinchukin Bank and Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
• Capital Surplus			
Balance at the Beginning of the Fiscal Year	**¥ 25,020**	¥ 25,020	**$ 250**
Balance at the End of the Fiscal Year	**25,020**	25,020	**250**
• Retained Earnings			
Balance at the Beginning of the Fiscal Year	**1,249,484**	1,057,616	**12,470**
Additions:			
Net Income for the Fiscal Year	**276,880**	256,837	**2,763**
Transfer from Revaluation Reserve for Land, net of taxes	**13,220**	522	**132**
Deductions:			
Dividends	**82,171**	65,492	**820**
Balance at the End of the Fiscal Year	**¥1,457,413**	¥1,249,484	**$14,545**

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

The Norinchukin Bank and Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Cash Flows from Operating Activities:			
Income before Income Taxes and Minority Interests	**¥ 425,284**	¥ 389,140	**$ 4,244**
Depreciation	**8,109**	18,961	**81**
Losses on Impairment of Fixed Assets	**1,103**	172	**11**
Amortization of Goodwill	**(55)**	(14)	**(1)**
Equity in Earnings of Affiliates	**(519)**	(819)	**(5)**
Net Decrease in Reserve for Possible Loan Losses	**(63,868)**	(24,925)	**(637)**
Net Increase in Reserve for Possible Investment Losses	**14,827**	38,628	**148**
Net Increase in Reserve for Bonus Payments	**794**	68	**8**
Net Decrease in Reserve for Employees' Retirement Benefits	**(1,017)**	(5,928)	**(10)**
Net Increase in Reserve for Directors' Retirement Benefits	**600**	—	**6**
Interest Income	**(1,941,088)**	(2,053,869)	**(19,372)**
Interest Expenses	**1,732,433**	1,791,782	**17,290**
Losses (Gains) on Securities	**(20,791)**	130,445	**(208)**
Gains on Money Held in Trust	**(11,575)**	(83,598)	**(116)**
Foreign Exchange Losses (Gains)	**3,388,081**	(738,457)	**33,813**
Losses on Disposals of Fixed Assets	**32**	1,188	**0**
Losses on Stocks of Subsidiaries through a Merger (Impact on the Scope of Consolidation)	**—**	878	**—**
Net Decrease in Trading Assets	**4,516**	16,759	**45**
Net Decrease in Trading Liabilities	**(4,414)**	(13,225)	**(44)**
Net Decrease (Increase) in Loans and Bills Discounted	**3,000,777**	(886,842)	**29,948**
Net Increase (Decrease) in Deposits	**(2,439,130)**	768,101	**(24,343)**
Net Increase (Decrease) in Negotiable Certificates of Deposit	**(1,837,007)**	1,362,805	**(18,333)**
Net Increase (Decrease) in Debentures	**350,819**	(316,357)	**3,501**
Net Increase in Borrowed Money (Excluding Subordinated Borrowed Money)	**5,000**	32,774	**50**
Net Decrease (Increase) in Interest-bearing Due from Banks	**(383,784)**	117,683	**(3,830)**
Net Decrease (Increase) in Call Loans and Bills Bought and Other	**(1,215,036)**	743,540	**(12,126)**
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	**(545,497)**	312,050	**(5,444)**
Net Decrease in Call Money and Bills Sold and Other	**(3,287,667)**	(4,135,239)	**(32,811)**
Net Increase in Short-term Entrusted Funds	**1,532,226**	1,286,039	**15,292**
Net Decrease in Payables under Securities Lending Transactions	**(848,387)**	(2,214,972)	**(8,467)**
Net Decrease (Increase) in Foreign Exchanges Assets	**(3,943)**	16,953	**(39)**
Net Increase in Foreign Exchanges Liabilities	**1**	0	**0**
Interest Received	**1,957,856**	1,992,445	**19,539**
Interest Paid	**(1,712,230)**	(1,740,349)	**(17,088)**
Other, Net	**(187,385)**	(125,542)	**(1,870)**
Subtotal	**(2,080,936)**	(3,319,725)	**(20,768)**
Income Taxes Paid	**(76,447)**	(82,058)	**(763)**
Net Cash Used in Operating Activities	**(2,157,384)**	(3,401,783)	**(21,531)**

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Cash Flows from Investing Activities:			
Purchases of Securities	**(8,847,073)**	(12,010,610)	**(88,294)**
Proceeds from Sales of Securities	**7,240,315**	8,963,869	**72,259**
Proceeds from Redemption of Securities	**3,714,911**	5,836,332	**37,075**
Increase in Money Held in Trust	**(3,019,593)**	(3,397,816)	**(30,136)**
Decrease in Money Held in Trust	**2,615,657**	3,366,793	**26,104**
Purchases of Tangible Fixed Assets	**(4,771)**	(4,746)	**(48)**
Purchases of Intangible Fixed Assets	**(9,638)**	(4,583)	**(96)**
Proceeds from Sales of Tangible Fixed Assets	**2,177**	719	**22**
Proceeds from Sales of Intangible Fixed Assets	**—**	0	**—**
Purchases of Stocks of Subsidiaries (No Impact on the Scope of Consolidation)	**(86)**	(24)	**(1)**
Decrease in Stocks of Subsidiaries through a Merger (Impact on the Scope of Consolidation)	**—**	(1,943)	**—**
Net Cash Provided by Investing Activities	**1,691,897**	2,747,991	**16,885**
Cash Flows from Financing Activities:			
Proceeds from Issuance of Subordinated Borrowed Money	**383,800**	—	**3,830**
Repayment of Subordinated Borrowings	**(521,632)**	—	**(5,206)**
Proceeds from Issuance of Subordinated Bonds	**—**	357,097	**—**
Proceeds from Issuance of Stock	**532,016**	19,000	**5,310**
Dividends Paid	**(82,171)**	(65,492)	**(820)**
Dividends Paid to Minority Interests	**(47)**	(28)	**(0)**
Net Cash Provided by Financing Activities	**311,964**	310,577	**3,114**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**—**	0	**—**
Net Decrease in Cash and Cash Equivalents	**(153,521)**	(343,215)	**(1,532)**
Cash and Cash Equivalents at the Beginning of the Fiscal Year	**334,260**	677,476	**3,336**
Cash and Cash Equivalents at the End of the Fiscal Year (Note 29)	**¥ 180,738**	¥ 334,260	**$ 1,804**

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

The Norinchukin Bank and Subsidiaries

1. Basis of Presentation

The consolidated financial statements have been prepared based on the accounting records maintained by The Norinchukin Bank ("the Bank") and its consolidated subsidiaries in accordance with the provisions set forth in The Norinchukin Bank Law and in conformity with accounting principles and practices generally accepted in Japan, that are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Agriculture, Forestry and Fisheries of Japan have been reclassified for the convenience of readers.

The consolidated financial statements are intended only to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in Japan.

Amounts in U.S. dollars are included solely for the convenience of readers. The exchange rate of ¥100.20=U.S.$1, the approximate rate of exchange prevailing on March 31, 2008, has been used for translation purposes. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been, or could be, readily converted, realized or settled in U.S. dollars at the aforementioned rate or at any other rate.

The yen figures disclosed in the consolidated financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of rounded figures and the totals listed in the annual report.

2. Summary of Significant Accounting Policies

Accounting Changes

The definitions of securities in "Accounting Standards for Financial Instruments" (ASBJ statement No. 10) and in "Practical Guidance on Accounting Standards for Financial Instruments" (JICPA Laws and Regulations Committee Report No. 14) were partially revised on June 15, 2007 and on July 4, 2007 respectively, which is applicable from the fiscal year ending on or after the effective date of Financial Instruments and Exchange Law. The Bank has adopted the revised standards and guidance from the fiscal year ended March 31, 2008.

Prior to March 31, 2007, taking into consideration mutually complemental relationship of the cash flows as well as functional characteristic, the operating assets were grouped into the head office, domestic branches and overseas branches, for which the operating results were separately measured on a periodical basis, while idle assets (including assets held for sale) were grouped by asset. Effective April 1, 2007, the Bank changed the grouping of the operating assets to aggregate the head office, domestic branches and overseas branches as one unit, while the grouping of the idle assets remains unchanged. This change was in line with revisions of the branch policies reflecting the newly established JA Bank Medium-Term Management Strategy (1. successive abolition of retail businesses related to funding and investing at domestic branches and integration of those businesses to the head office or "block offices," 2. the revisions in the functions of each branch offices and the commencement of the above mentioned integration and abolition, and 3. integrated operation of investments and loans with overseas office). There has been no impact on the net income from this change.

Inflation-indexed bonds whose principal is guaranteed were previously measured at fair value, and not at amortized cost. The Unrealized Gains or Losses (after deducting tax effects) were recorded directly in Stockholders' Equity. However due to the announcement of "Accounting for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital)" (The Accounting Standards Board of Japan Guidance No. 12 issued on March 30, 2006), the Bank applied this standard effective the fiscal year 2006 and valued the bond at fair value, with the Unrealized Gains or Losses (after deducting tax effects) credited directly in Net Assets. The cost is calculated at amortized cost assuming the book value at the beginning of the fiscal year as the new acquisition cost. Due to this change in accounting standards, Net Unrealized Gains on Other Securities, net of taxes, has decreased by ¥27,323 million, Deferred Tax Liabilities has decreased by ¥12,362 million, and Income before Income Taxes and Minority Interests has increased by ¥39,685 million compared to those using the previous standard.

According to the revision to the appendix form of the "The Norinchukin Bank Law Enforcement Regulations" (Cabinet Office, the Ministry of Agriculture, Forestry and Fisheries No. 16, 2001) by the "Ordinance to Amend Part of The Norinchukin Bank Law Enforcement Regulations" (Cabinet Office, the Ministry of Agriculture, Forestry and Fisheries Ordinance No. 7, April 28, 2006) effective from the fiscal year which ended on and after March 31, 2007, presentation of some financial statements line items has been changed. “Net Assets,” which used to be “Shareholders’ Equity,” now includes Owner’s Equity, Valuation and Translation Adjustments, and Minority Interests as sub-classifications. Deferred gains and losses of hedging instruments, which used to be recorded as “Other Assets” (or “Other Liabilities”), is recorded as Net Deferred Losses on Hedging Instruments (the differences arising from offsetting Gains/Losses), net of taxes, directly in Net Assets. Minority Interests, which used to be presented between “Liabilities” and “Shareholders’ Equity,” is included in “Net Assets.”

The amount corresponding to “Shareholders’ Equity” under the previous presentation is ¥4,464,954 million as of March 31, 2007.

The amount of Guaranteed Obligations for Corporate Bonds acquired through private offering (as in Article 2-3 Securities and Exchange Law) among those classified as Corporate Bonds in the “Securities” was ¥26,530 million.

“Acceptance and Guarantee” and “Customer’s Liabilities for Acceptance and Guarantee” relating to corresponding Guaranteed Obligations are netted in order to comply with the revision of the appendix form of the “The Norinchukin Bank Law Enforcement Regulations” (Cabinet Office, the Ministry of Agriculture, Forestry and Fisheries No. 16, 2001) by the “Ordinance to Amend Part of The Norinchukin Bank Law Enforcement Regulations” (Cabinet Office, the Ministry of Agriculture, Forestry and Fisheries Ordinance No. 3, May 22, 2007) effective from the fiscal year which began on or after April 1, 2006.

(1) Principles of Consolidation

Scope of Consolidation

Subsidiaries

Subsidiaries are, in general, the companies in which the Bank 1) holds, directly and/or indirectly, more than 50% of the voting shares; 2) holds, directly and/or indirectly, 40% or more of the voting shares and, at the same time, exercises effective control over the decision-making body by directing business policy and deciding on financial and operating policies; or 3) holds more than 50% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, has effective control over the decision-making body, unless evidence exists which shows that the Bank does not have such control.

The number of subsidiaries as of March 31, 2008 and 2007 was 9 and 9, all of which were consolidated.

The major consolidated subsidiaries are as follows:

The Norinchukin Trust & Banking Co., Ltd.

Kyodo Housing Loan Co., Ltd.

The date of the fiscal year-end of all Consolidated Subsidiaries is March 31.

Affiliates

Affiliates are, in general, the companies, other than subsidiaries, in which the Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares; 2) holds, directly and/or indirectly, 15% or more of the voting shares and also is able to influence the decision-making body through sharing of personnel, provision of finance and technology, and other relationships; or 3) holds more than 20% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, is able to influence the decision-making body in a material degree, unless evidence exists which shows that the Bank does not have such influence.

The number of affiliates as of March 31, 2008 and 2007 was 6 and 5, 5 and 4 of which were accounted for under the equity method, while the remaining immaterial affiliate is carried at cost. The major affiliate accounted for under the equity method is as follows:

Kyodo Leasing Co., Ltd.

Due to establishment, Private Equity Funds Research and Investments Co., Ltd. was newly accounted for under the equity method in the fiscal year.

Due to establishment of joint holding company and share exchange transaction with Mitsui Leasing and Development, Ltd., Kyodo Leasing Co., Ltd. and Kyodo Auto Leasing Co., Ltd. will be excluded from the affiliates in fiscal 2008.

Any difference between the fair value of net assets acquired and acquisition cost is charged or credited to income in the year of acquisition.

(2) Transactions for Trading Purposes

Transactions for trading purposes are those seeking gains arising from short-term market movements or from the differences between markets, interest rates or foreign exchange rates. Such transactions are reported as Trading Assets or Trading Liabilities in the consolidated balance sheets on a trade date basis.

Gains and losses arising from transactions for trading purposes are recorded on a trade date basis.

Securities, monetary claims and certain other instruments held for trading purposes are valued at the market price prevailing at the end of the fiscal year. Derivatives held for trading purposes, such as swaps, futures and options, are valued on the assumption that they were settled at the end of the fiscal year.

Trading Income and Trading Expenses include interest received and paid during the fiscal year, gains or losses resulting from any change in the fair value of securities and monetary claims from the end of the previous fiscal year and gains or losses resulting from any change in the fair value which is determined assuming they were settled at the end of the fiscal year, of derivatives between the end of the previous fiscal year.

(3) Financial Instruments

(a) Securities

Held-to-maturity debt securities are valued at amortized cost, as determined by the moving average method. Other securities that have market prices are valued at the market prices prevailing at the end of the fiscal year (the cost of securities sold is determined by the moving average method). Other securities without a market price are valued at cost as determined by the moving average method or are valued at amortized cost. Investments in affiliates that are not accounted for under the equity method are valued at cost, as determined by the moving average method. Securities included in Money Held in Trust are valued using the same methods described above.

The net unrealized gains or losses on other securities and other money held in trust are reported separately in Net Assets, on a net-of-tax basis.

(b) Derivatives

Derivative transactions (other than transactions for trading purposes) are recorded at fair value.

(c) Hedge Accounting

① Hedge of Interest Rate Risk

The Bank applies the deferred method of hedge accounting to the hedge transactions to manage interest rate risk associated with various financial assets and liabilities, which is described in “Accounting and Auditing Treatment relating to the Adoption of ‘Accounting for Financial Instruments’ for Banks,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”), (JICPA Industry Audit Committee Report No. 24). Hedge effectiveness of a fair value hedge is assessed by identified groups of hedged items, such as loans and deposits, and the corresponding groups of hedging instruments, such as interest rate swaps within the same maturity buckets. Hedge effectiveness of a cash flow hedge is assessed based on the correlation of the interest rate risk indicators of the hedged items and that of the hedging instruments.

Deferred Hedge Gains or Losses were recorded in the consolidated balance sheets as a result of applying the hedge accounting methodology described in “Tentative Accounting and Auditing Treatment relating to the Adoption of ‘Accounting for Financial Instruments’ for Banks” (JICPA Industry Audit Committee Report No. 15), to the macro hedges under which the Bank used derivatives to manage the overall interest rate risk arising on various financial assets and liabilities, such as loans and deposits. Such Deferred Hedge Gains or Losses are amortized into Interest Income or Interest Expense over 7 years, the average remaining maturity, as calculated, based on the maturity and notional amount of the hedging instruments, beginning in the fiscal year ended March 31, 2004.

The unamortized balance of Deferred Hedge Losses and Deferred Hedge Gains under a macro hedging methodology, before deducting the tax effect, as of March 31, 2008 were ¥15,715 million ($157 million) and ¥209 million ($2 million), respectively.

② Hedge of Foreign Exchange Rate Risk

The Bank applies the deferred method of hedge accounting to the hedges to manage foreign exchange rate risk arising on various financial assets and liabilities denominated in foreign currencies, which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25). Hedge effectiveness is assessed by reviewing whether the amount of the hedged items, such as financial monetary assets and liabilities denominated in foreign currencies, exceeds that of the hedging instruments, such as currency swap or foreign exchange swap transactions, entered into to mitigate the foreign exchange rate risk arising on the hedged items.

The deferred method or the fair value method of hedge accounting is applied to the portfolio hedges of foreign exchange risks associated with securities denominated in foreign currencies (other than debt securities), provided that (1) the securities denominated in foreign currencies are identified as hedged items in advance, and (2) foreign currency amounts of spot and forward liabilities do not exceed those of the acquisition costs of the foreign currency securities designated as hedged items exist.

③ Internal Derivative Transactions

Internal derivative transactions between trading accounts and banking accounts (or inter-division transactions), which are designated as hedges, are not eliminated. The related gains and losses are recognized in the consolidated statements of operations or are deferred in the consolidated balance sheets in accordance with the hedge accounting rules, because the internal interest rate swap and currency swap transactions, that are designated as hedging instruments, are traded in a non discretionary manner and are appropriately and ultimately covered by third party transactions, which are conducted in accordance with the standards stipulated in the JICPA Industry Audit Committee Report No. 24 and No. 25.

For certain other assets or liabilities, the Bank applies the deferred method or the accrual method of hedge accounting, as specifically permitted for certain interest rate swaps. Under the deferred method, the recognition of income or expenses associated with a hedging instrument is deferred to the period when the income or expense arising on the hedged item is recognized. A certain Bank's consolidated subsidiaries apply the accrual method of hedge acounting, as specifically permitted for certain interest rate swaps.

(4) Tangible Fixed Assets

① Depreciation

Depreciation of Tangible fixed assets of the Bank is calculated using the declining-balance method. However, depreciation on buildings acquired on and after April 1, 1998 (excluding annex facilities of buildings) is calculated using the straight-line method.

The useful lives of Tangible fixed assets are as follows:

Buildings: 15 years to 50 years
Equipment: 5 years to 15 years

Depreciation of Tangible fixed assets of the consolidated subsidiaries is primarily calculated using the declining-balance method over their estimated economic useful lives.

In accordance with the revision of the Corporate Tax Law of 2007, depreciation of the tangible fixed assets acquired on or after April 1, 2007 is calculated by the procedure stipulated in the revised law. The effect of this adoption on the Consolidated Statement of Operations is immaterial.

The salvage values of the tangible fixed assets acquired before April 1, 2007 that have been depreciated to their final depreciable limit are depreciated using the straight-line method over five fiscal years. The effect of this adoption on the Consolidated Balance Sheets is immaterial.

② Land Revaluation

In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for business purposes was revalued on March 31, 1998. Unrealized gains arising on revaluation, net of deferred tax, are disclosed as Revaluation Reserve for Land, net of taxes and included in Net Assets on the consolidated balance sheets. The related deferred tax liability is recorded as Deferred Tax Liabilities for Land Revaluation.

The land prices used for the revaluation were reasonably calculated based on third-party appraisals in accordance with Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land.

(5) Software

The costs of computer software developed or obtained for internal use are capitalized and amortized using the straight-line method over an estimated useful life of five years.

(6) Debentures

All the debenture issuance costs are charged to income when incurred.

(7) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies, and accounts of overseas branches are translated into Japanese yen primarily using the exchange rates in effect at the consolidated balance sheets date.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen using the respective exchange rates in effect at the balance sheets date.

(8) Reserve for Possible Loan Losses

Reserve for Possible Loan Losses of the Bank is computed as follows:

a. Reserve for loans to debtors who are legally or substantially in bankrupt under the Bankruptcy Law, Special Liquidation under the Company Law or other similar laws is provided based on the remaining book value of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposal of collateral or the execution of guarantees. With respect to loans to borrowers who are legally or substantially in bankruptcy and that are secured by collateral or guarantees, the remaining book value of the loan, after the deduction of the amount of collateral or the execution of guarantees, is directly written off. Direct write-offs were ¥61,106 million ($610 million) and ¥67,123 million for the fiscal years ended March 31, 2008 and 2007, respectively.

b. Reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt, is determined after taking into account a comprehensively evaluated repayment ability of debtors after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.

c. Reserve for loans to debtors with “Restructured Loans” (see Note 5) is provided based on the Discounted Cash Flow Method if the loan balance exceeds a specific amount and the future cash flows of the principal and interest of the loan can be reasonably estimated. Under the Discounted Cash Flow Method, the reserve is measured as the difference between the book value of the loan and its present value of expected future cash flows, discounted by the contractual interest rate before the terms of the loan were restructured.

d. Reserve for loans other than those indicated above, is provided primarily at the amount calculated using the default rates which the Bank has calculated based on actual defaults experienced in the past.

e. Specific reserve for loans to countries with financial problems is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

All claims are assessed by the Business Units based on the Bank’s internal rules for the self-assessment of asset quality. The Asset Audit Department, which is independent from the Business Units, audits these self-assessments. Reserves described above are determined based on the results of these self-assessments.

Reserve for possible loan losses for receivables of the Bank’s consolidated subsidiaries is provided at the amount determined as necessary using the past default ratio. Reserve for possible loan losses for problem receivables of the Bank's consolidated subsidiaries is provided by taking into account their recoverability and an estimate of uncollectible amount.

(9) Reserve for Possible Investment Losses

Reserve for Possible Investment Losses represents an amount determined to be necessary to cover the estimated loss from the investments, taking into account financial conditions and other factors of the issuer of the securities.

(10) Reserve for Bonus Payments

Reserve for Bonus Payments represents estimated payment of employees' bonuses attributable each fiscal year.

(11) Reserve for Employees' Retirement Benefits

Reserve for Employees' Retirement Benefits, which is provided for the payment of employees' retirement benefits, is recorded as the required amount accrued at the end of the fiscal year, based on the estimated present value of projected benefit obligations ("PBO") and the estimated plan assets at the end of the fiscal year. In the case that plan assets exceed the amounts of the PBO adjusted by unrecognized actuarial differences, the excess portion is recorded as prepaid pension costs in "Other Assets."

Unrecognized actuarial differences are amortized over a certain period of time (10 years) using the declining-balance method from the fiscal year after the fiscal year the difference had incurred.

(12) Reserve for Directors' Retirement Benefits

With regard to directors' retirement benefits which were previously expensed as incurred, in accordance with "Auditing Treatment relating to Reserve defined under the Special Tax measurement Law, Reserves defined under the Special Law and Reserve for Directors and Corporate Auditor Retirement Benefits" (JICPA Auditing and Assurance Practice Committee Report No. 42, April 13, 2007) effective from the fiscal year 2007, the Bank and certain subsidiaries have adopted the report from the period to recognize reserve for directors' retirement benefits for the payments of retirement benefits for directors and corporate auditors, as the required amount accrued at the end of the fiscal year.

As a result, general and administrative expenses and other ordinary expenses increased by ¥222 million ($2 million) and ¥347 million ($3 million) respectively, and ordinary profit and income before income taxes and minority interests both decreased by ¥570 million ($6 million) compared with the corresponding amounts under the previously applied method.

(13) Accounting for Finance Leases

Finance leases where the ownership of assets is not transferred to the lessee are accounted for by the same accounting method as for operating leases. Rental expenses and leases expenses under operating leases are charged to income when incurred.

(14) Consumption Taxes

Consumption tax and local consumption tax incurred on taxable transactions are excluded from transaction amounts.

(15) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

"Cash and Cash Equivalents" in consolidated statements of cash flows represent cash and non-interest bearing due from bank in "Cash and Due from Banks" of consolidated balance sheets.

(16) Net Income per Share

Net Income per Share is computed based upon the weighted average number of shares outstanding during the fiscal year.

The total dividends for Lower Dividend Rate Stocks and Preferred Stocks and total Special Dividends are deducted from the numerator, and the aggregate number of Lower Dividend Rate Stocks and Preferred Stocks are deducted from the denominator in the calculation of net income per share.

3. Trading Assets

As of March 31	Millions of Yen 2008	2007	Millions of U.S. Dollars 2008
Trading Securities	**¥32,239**	¥31,084	**$322**
Derivatives of Trading Securities	**48**	—	**0**
Derivatives of Securities Related to Trading Transactions	**—**	66	**—**
Trading-related Financial Derivatives	**15,745**	20,398	**157**
Other Trading Account Assets	**—**	999	**—**
Total	**¥48,033**	¥52,550	**$479**

4. Securities

As of March 31	Millions of Yen 2008	2007	Millions of U.S. Dollars 2008
Japanese Government Bonds	**¥ 8,816,383**	¥11,870,135	**$ 87,988**
Municipal Government Bonds	**13,439**	64,454	**134**
Corporate Bonds	**455,332**	486,773	**4,544**
Stocks	**783,477**	1,038,442	**7,819**
Other	**26,173,446**	30,270,443	**261,212**
Foreign Bonds	**14,385,372**	14,995,316	**143,567**
Foreign Stocks	**66,947**	21,439	**668**
Other	**11,721,126**	15,253,687	**116,977**
Total	**¥36,242,079**	¥43,730,249	**$361,697**

The maturity profile of securities is as follows:

As of March 31, 2008	Millions of Yen: 1 Year or Less	Over 1 Year to 5 Years	Over 5 Years to 10 Years	Over 10 Years	With no maturity date
Bonds	**¥235,583**	**¥1,174,849**	**¥1,486,916**	**¥ 6,387,806**	**¥ —**
Japanese Government Bonds	**205,283**	**838,758**	**1,400,682**	**6,371,659**	**—**
Municipal Government Bonds	**6,159**	**4,417**	**2,227**	**634**	**—**
Corporate Bonds	**24,140**	**331,673**	**84,006**	**15,512**	**—**
Stocks	**—**	**—**	**—**	**—**	**783,477**
Other	**165,918**	**5,041,271**	**4,865,537**	**4,314,729**	**11,785,988**
Foreign Bonds	**165,918**	**5,039,230**	**4,865,508**	**4,314,714**	**—**
Foreign Stocks	**—**	**—**	**—**	**—**	**66,947**
Other	**—**	**2,040**	**29**	**15**	**11,719,041**
Total	**¥401,502**	**¥6,216,121**	**¥6,352,453**	**¥10,702,536**	**¥12,569,466**

As of March 31, 2007	Millions of Yen: 1 Year or Less	Over 1 Year to 5 Years	Over 5 Years to 10 Years	Over 10 Years	With no maturity date
Bonds	¥320,783	¥2,261,747	¥2,659,112	¥ 7,179,719	¥ —
Japanese Government Bonds	230,722	1,991,134	2,487,363	7,160,914	—
Municipal Government Bonds	51,345	10,271	2,153	683	—
Corporate Bonds	38,715	260,341	169,594	18,121	—
Stocks	—	—	—	—	1,038,442
Other	115,867	3,556,261	6,570,125	4,753,096	15,275,092
Foreign Bonds	115,867	3,556,226	6,570,125	4,753,096	—
Foreign Stocks	—	—	—	—	21,439
Other	—	34	—	—	15,253,653
Total	¥436,651	¥5,818,009	¥9,229,237	¥11,932,815	¥16,313,535

As of March 31, 2008	Millions of U.S. Dollars 1 Year or Less	Over 1 Year to 5 Years	Over 5 Years to 10 Years	Over 10 Years	With no maturity date
Bonds	**$2,351**	**$11,725**	**$14,839**	**$ 63,751**	**$ —**
Japanese Government Bonds	**2,049**	**8,371**	**13,979**	**63,589**	**—**
Municipal Government Bonds	**61**	**44**	**22**	**7**	**—**
Corporate Bonds	**241**	**3,310**	**838**	**155**	**—**
Stocks	**—**	**—**	**—**	**—**	**7,819**
Other	**1,656**	**50,312**	**48,558**	**43,061**	**117,625**
Foreign Bonds	**1,656**	**50,292**	**48,558**	**43,061**	**—**
Foreign Stocks	**—**	**—**	**—**	**—**	**668**
Other	**—**	**20**	**0**	**0**	**116,957**
Total	**$4,007**	**$62,037**	**$63,397**	**$106,812**	**$125,444**

5. Loans and Bills Discounted

As of March 31	Millions of Yen 2008	2007	Millions of U.S. Dollars 2008
Loans on Deeds	**¥7,941,634**	¥10,727,937	**$79,258**
Loans on Bills	**199,749**	203,150	**1,993**
Overdrafts	**1,696,757**	1,902,939	**16,934**
Bills Discounted	**15,761**	20,652	**157**
Total	**¥9,853,902**	¥12,854,680	**$98,342**

As of March 31	Millions of Yen 2008	2007	Millions of U.S. Dollars 2008
Loans to Borrowers under Bankruptcy Proceedings	**¥ 1,234**	¥ 7,375	**$ 12**
Delinquent Loans	**144,763**	165,464	**1,445**
Loans Past Due for Three Months or More	**706**	904	**7**
Restructured Loans	**54,332**	116,594	**542**
Total	**¥201,036**	¥290,338	**$2,006**

(1) "Loans to Borrowers under Bankruptcy Proceedings" are loans whose interests accruals are suspended (excluding the parts written-off for possible loan losses, hereinafter referred to as "Non-accrual Loans") since the loans are determined to be uncollectible considering they have been past due for a certain period of time and other reasons, and meet the definition stipulated in Article 96-1-3, 4 of Corporate Tax Law (Law No. 97, 1965).

(2) "Delinquent Loans" are also Non-accrual Loans other than loans to borrowers under bankruptcy proceedings or loans whereby interest payments are deferred in order to support the borrowers' rehabilitation.

(3) "Loans Past Due for Three Months or More" are loans whose principal or interest is past-due for three months or more, other than "Loans to Borrowers under Bankruptcy Proceedings" and "Delinquent Loans."

(4) "Restructured Loans" are loans whereby its terms are modified in favor of the borrowers by reducing the interest rate, deferral of payments of interest or principal, waiving principal repayments, etc., in order to support the borrowers' rehabilitation and facilitate the collection of the loan.

6. Foreign Exchange Assets

As of March 31	Millions of Yen 2008	2007	Millions of U.S. Dollars 2008
Foreign Bills Bought	**¥ —**	¥ —	**$—**
Due from Foreign Banks	**7,119**	3,176	**71**
Total	**¥7,119**	¥3,176	**$71**

7. Other Assets

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Prepaid Expenses	**¥ 715**	¥ 3,360	**$ 7**
Accrued Income	**200,119**	244,852	**1,997**
Financial Derivatives	**1,000,420**	107,284	**9,985**
Other	**251,723**	188,491	**2,512**
Total	**¥1,452,979**	¥543,988	**$14,501**

8. Tangible Fixed Assets

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Land	**¥ 75,489**	¥ 97,009	**$ 753**
Buildings	**47,284**	50,691	**472**
Equipment	**7,254**	7,156	**73**
Other	**6,225**	743	**62**
Total Net Book Value	**136,254**	155,601	**1,360**
Accumulated Depreciation Deducted	**¥ 91,757**	¥ 96,404	**$ 916**

9. Assets Pledged

Assets pledged as collateral comprise the following:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Securities	**¥4,988,116**	¥8,843,827	**$49,782**

Liabilities related to the above pledged assets are as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Call Money and Bills Sold	**¥ 525,000**	¥ 470,000	**$ 5,240**
Payables under Repurchase Agreements	**4,203,675**	7,438,847	**41,953**
Payables under Securities Lending Transactions	**276,693**	1,000,840	**2,761**

In addition, as of March 31, 2008 and 2007, Securities of ¥4,316,722 million ($43,081 million) and ¥4,056,291 million, respectively, and Loans and Bills Discounted of ¥3,999,307 million ($39,913 million) and ¥5,945,709 million, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as margins of futures markets.

As of March 31, 2008 and 2007, guarantee deposits of ¥5,531 million ($55 million) and ¥5,568 million, and margins of futures transactions of ¥2,050 million ($20 million) and ¥1,885 million were included in Other Assets, respectively.

10. Deposits

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Time Deposits	**¥33,606,664**	¥33,744,510	**$335,396**
Deposits at Notice	**30,373**	27,702	**303**
Ordinary Deposits	**1,007,262**	1,366,694	**10,052**
Current Deposits	**118,597**	105,800	**1,184**
Other Deposits	**4,041,464**	5,998,784	**40,334**
Total	**¥38,804,362**	¥41,243,492	**$387,269**

11. Debentures

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
One-year Discount Debentures	**¥ —**	¥ —	**$ —**
Long-term Coupon Debentures	**4,821,975**	4,471,156	**48,124**
Total	**¥4,821,975**	¥4,471,156	**$48,124**

12. Bonds

Bonds include subordinated bonds of ¥337,695 million ($3,370million) and ¥357,097 million as of March 31, 2008 and 2007, respectively.

13. Trading Liabilities

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Derivatives of Trading Securities	**¥ 96**	¥ —	**$ 1**
Derivatives of Securities Related to Trading Transactions	**3**	94	**0**
Trading-related Financial Derivatives	**15,147**	19,568	**151**
Total	**¥15,248**	¥19,662	**$152**

14. Borrowed Money

Borrowed Money include subordinated loans of ¥963,700 million ($9,618 million) and ¥1,101,532 million as of March 31, 2008 and 2007, respectively.

15. Foreign Exchange Liabilities

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Foreign Bills Sold	**¥—**	¥—	**$—**
Foreign Bills Payable	**2**	0	**0**
Due to Foreign Banks	**—**	—	**—**
Total	**¥ 2**	¥ 0	**$ 0**

16. Other Liabilities

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Accrued Expenses	**¥ 162,917**	¥145,422	**$ 1,626**
Income Taxes Payable	**118,924**	58,091	**1,187**
Unearned Income	**2,582**	2,860	**26**
Derivatives Other Than for Trading	**142,255**	139,920	**1,420**
Other	**1,449,532**	143,625	**14,466**
Total	**¥1,876,213**	¥489,920	**$18,725**

17. Retirement Benefit Plans

The Bank funds a defined benefit pension plan and, in addition, has a lump-sum payment pension plan. Additional retirement benefits are paid to employees in certain cases. To fund the lump-sum payment pension plan, the Bank has established a retirement benefit trust.

The reserve for retirement benefits as of March 31, 2008 and 2007, are as follows:

As of March 31	Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars 2008
Projected Benefit Obligations	**¥(82,464)**	¥ (80,270)	**$(823)**
Plan Assets	**83,624**	102,437	**835**
Unfunded Retirement Benefit Obligations	**1,159**	22,166	**12**
Unrecognized Actuarial Differences	**4,360**	(21,427)	**43**
Net Amonts Reported in the Balance Sheets	**5,519**	739	**55**
Prepaid Pension Cost	**6,352**	2,588	**63**
Reserve for Employees' Retirement Benefits	**¥ (832)**	¥ (1,849)	**$ (8)**

Note: Certain consolidated subsidiaries adopt the simplified method to calculate projected benefit obligations.

Assumptions used in the above calculation are as follows:

	2008	2007
Discount Rate	**2.0%**	2.0%
Expected Rate of Return on Plan Assets	**3.0%**	3.0%
Method of Attributing the Projected Benefits to Periods of Service	**Straight-line Basis**	Straight-line Basis
Amortization of Unrecognized Actuarial Differences	**10 years**	10 years

18. Accounting for Income Taxes

As of March 31	Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars 2008
Deferred Tax Assets:			
Reserve for Possible Loan Losses	**¥ 28,341**	¥ 49,201	**$ 283**
Write-off of Loans	**8,533**	9,068	**85**
Losses on Revaluation of Securities	**48,448**	19,914	**484**
Reserve for Employees' Retirement Benefits	**5,396**	6,816	**54**
Depreciation Expense	**1,122**	1,213	**11**
Unrealized Losses on Other Securities	**134,699**	—	**1,344**
Deferred Losses on Hedging Instruments	**31,818**	25,957	**318**
Other	**67,552**	33,159	**674**
Subtotal	**325,912**	145,330	**3,253**
Valuation Allowance	**(78,806)**	(44,827)	**(787)**
Total Deferred Tax Assets	**247,105**	100,503	**2,466**
Deferred Tax Liabilities:			
Gain from Contribution of Securities to Employee Retirement Benefit Trust	**(5,577)**	(5,577)	**(56)**
Unrealized Gains on Other Securities	**—**	(749,392)	**—**
Deferred Gains on Hedging Instruments	**(26,452)**	(14,786)	**(264)**
Other	**(62,972)**	(40,230)	**(628)**
Total Deferred Tax Liabilities	**(95,001)**	(809,987)	**(948)**
Net Deferred Tax Assets (Liabilities)	**¥152,104**	¥(709,483)	**$1,518**

19. Acceptances and Guarantees

As of March 31	Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars 2008
Acceptance of Bills of Exchange	**¥ —**	¥ —	**$ —**
Letters of Credit	**12,541**	27,048	**125**
Guarantees	**305,267**	215,397	**3,047**
Total	**¥317,809**	¥242,446	**$3,172**

All contingent liabilities arising in connection with customers' foreign trade and other transactions are classified under Acceptances and Guarantees. As a contra account, Customers' Liabilities for Acceptances and Guarantees, is classified as an asset representing the Bank's right of indemnity from customers.

20. Commitments to Overdrafts and Loans

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the commitment agreement exists. The amount of undrawn commitments in relation to such agreements is ¥3,041,062 million ($30,350 million) and ¥3,057,746 million as of March 31, 2008 and 2007, respectively. The amount, which the Bank and its consolidated subsidiaries could cancel at any time without penalty, is ¥2,005,832 million ($20,018 million) and ¥1,949,931 million as of March 31, 2008 and 2007, respectively.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank and its consolidated subsidiaries because the majority of such agreements are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries may not extend the loan or may decrease the commitment when there are certain changes in the financial condition of the borrower, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank and its consolidated subsidiaries are able to request collateral in the form of premises or securities as necessary. After extending loans, the Bank periodically checks the financial condition of its customers based on predefined policies and procedures and acts to secure loans as necessary.

21. Securities Loaned

The Bank held no securities loaned under unsecured lending agreements (Saiken Taishaku Torihiki) as of March 31, 2008 and 2007.

Securities Borrowed under unsecured borrowing agreements (Saiken Taishaku Torihiki) and Securities Purchased under resale agreements and cash-collateralized borrowing agreements, which can be sold or re-pledged by the Bank, include securities re-pledged out of ¥473,687 million ($4,727 million) and ¥343,336 million as of March 31, 2008 and 2007, respectively, and securities held without repledge of ¥1,663,517 million ($16,602 million) and ¥1,104,163 million as of March 31, 2008 and 2007, respectively. No securities were re-loaned as of March 31, 2008 and 2007.

22. Paid-in Capital

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Common Stock	**¥1,991,033**	¥1,459,017	**$19,871**
Preferred Stock	**24,999**	24,999	**249**
Total	**¥2,016,033**	¥1,484,017	**$20,120**

The Common Stock account includes Lower Dividend Rate Stock with a total par value of ¥1,565,316 million ($15,622 million).

Lower Dividend Rate Stock is similar to regular common stock but has been issued on the condition that the dividend yield will be set below that relating to common stock.

23. Trading Income

	Millions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	**2008**	2007	**2008**
Income from Trading Securities and Derivatives	**¥ 804**	¥194	**$ 8**
Income from Securities and Derivatives Related to Trading Transactions	**225**	—	**2**
Income from Trading-related Financial Derivatives	**—**	—	**—**
Other	**14**	28	**0**
Total	**¥1,044**	¥223	**$10**

24. Other Operating Income

	Millions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	**2008**	2007	**2008**
Gains on Sales of Bonds	**¥263,578**	¥21,207	**$2,631**
Gains on Redemption of Bonds	**—**	415	**—**
Gains on Financial Derivatives	**—**	21,255	**—**
Other	**50,038**	52,219	**499**
Total	**¥313,617**	¥95,098	**$3,130**

25. Other Income

	Millions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	**2008**	2007	**2008**
Gains on Sales of Stocks and Other Securities	**¥ 53,325**	¥ 32,490	**$ 532**
Gains on Money Held in Trust	**309,150**	411,616	**3,085**
Equity in Earnings of Affiliates	**519**	819	**5**
Gains on Disposals of Fixed Assets	**835**	76	**9**
Recoveries of Written-off Claims	**4,719**	5,661	**47**
Transfer from Reserve for Possible Loan Losses	**58,482**	12,764	**584**
Other	**1,788**	2,413	**18**
Total	**¥428,822**	¥465,843	**$4,280**

26. Trading Expenses

	Millions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	**2008**	2007	**2008**
Expenses on Trading Securities and Derivatives	**¥ —**	¥ —	**$—**
Expenses on Securities and Derivatives Related to Trading Transactions	**—**	3	**—**
Expenses on Trading-related Financial Derivatives	**201**	309	**2**
Total	**¥201**	¥313	**$ 2**

27. Other Operating Expenses

	Millions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	**2008**	2007	**2008**
Amortization of Debenture Issuance Costs	**¥ 691**	¥ 553	**$ 7**
Losses on Foreign Exchange Transactions	**1,162**	—	**12**
Losses on Sales of Bonds	**86,652**	225,407	**865**
Losses on Revaluation of Bonds	**168,763**	—	**1,684**
Other	**47,697**	47,669	**476**
Total	**¥304,967**	¥273,630	**$3,044**

28. Other Expenses

	Millions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	**2008**	2007	**2008**
Write-off of Loans	**¥ 3,389**	¥ 2,203	**$ 34**
Losses on Sales of Stocks and Other Securities	**31**	8,866	**0**
Losses on Revaluation of Stocks and Other Securities	**72,686**	523	**725**
Losses on Money Held in Trust	**8,060**	4,947	**80**
Losses on Disposals of Fixed Assets	**868**	1,261	**9**
Transfer to Reserve for Possible Investment Losses	**14,827**	38,628	**148**
Losses on Stock of Subsidiaries Through a Merger	**—**	878	**—**
Other	**17,313**	4,729	**173**
Total	**¥117,177**	¥62,038	**$1,169**

29. Cash Flows

The reconciliation of Cash and Due from Banks in the consolidated balance sheets to Cash and Cash Equivalents at the end of year is as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2008**	2007	**2008**
Cash and Due from Banks	**¥1,096,901**	¥866,303	**$10,947**
Less: Interest-bearing Due from Banks	**(916,162)**	(532,042)	**(9,143)**
Cash and Cash Equivalents at the End of the Fiscal Year	**¥ 180,738**	¥334,260	**$ 1,804**

30. Segment Information

(a) Segment Information by Type of Businesses

Segment Information by Type of Businesses is not shown in this statement, since the business segments, other than the banking businesses, are immaterial.

(b) Segment Information by Geographic Areas

	Millions of Yen						
Fiscal year ended March 31, 2008	Japan	Americas	Europe	Asia	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income							
(1) Ordinary Income from Third-parties	**¥ 2,534,168**	**¥ 23,138**	**¥ 46,506**	**¥ 35,950**	**¥ 2,639,764**	**¥ —**	**¥ 2,639,764**
(2) Inter-segment Ordinary Income	**63,771**	**239,000**	**221,763**	**157,503**	**682,038**	**(682,038)**	**—**
Total	**2,597,939**	**262,138**	**268,269**	**193,454**	**3,321,802**	**(682,038)**	**2,639,764**
Ordinary Expenses	**2,256,583**	**245,589**	**263,517**	**192,916**	**2,958,607**	**(682,038)**	**2,276,568**
Ordinary Profits	**¥ 341,355**	**¥ 16,549**	**¥ 4,751**	**¥ 538**	**¥ 363,195**	**¥ —**	**¥ 363,195**
II. Total Assets	**¥66,410,771**	**¥3,858,345**	**¥5,156,588**	**¥3,788,118**	**¥79,213,823**	**¥(18,128,317)**	**¥61,085,505**

	Millions of Yen						
Fiscal year ended March 31, 2007	Japan	Americas	Europe	Asia	Total	Elimination and Corporate Assets	Consolidated
I. Ordinary Income							
(1) Ordinary Income from Third-parties	¥ 2,543,252	¥ 32,620	¥ 25,158	¥ 20,418	¥ 2,621,450	¥ —	¥ 2,621,450
(2) Inter-segment Ordinary Income	27,781	418,613	214,266	173,318	833,980	(833,980)	—
Total	2,571,033	451,234	239,425	193,737	3,455,430	(833,980)	2,621,450
Ordinary Expenses	2,210,645	440,603	237,098	193,839	3,082,188	(833,980)	2,248,207
Ordinary Profits (Losses)	¥ 360,388	¥ 10,630	¥ 2,326	¥ (102)	¥ 373,242	¥ —	¥ 373,242
II. Total Assets	¥73,240,523	¥8,245,865	¥5,059,130	¥3,820,960	¥90,366,480	¥(22,124,380)	¥68,242,099

Fiscal year ended March 31, 2008	Japan	Americas	Europe	Asia	Total	Elimination and Corporate Assets	Consolidated
	Millions of U.S. Dollars						
I. Ordinary Income							
(1) Ordinary Income from Third-parties	**$ 25,291**	**$ 231**	**$ 464**	**$ 359**	**$ 26,345**	**$ —**	**$ 26,345**
(2) Inter-segment Ordinary Income	**637**	**2,385**	**2,213**	**1,572**	**6,807**	**(6,807)**	**—**
Total	**25,928**	**2,616**	**2,677**	**1,931**	**33,152**	**(6,807)**	**26,345**
Ordinary Expenses	**22,521**	**2,451**	**2,630**	**1,925**	**29,527**	**(6,807)**	**22,720**
Ordinary Profits	**$ 3,407**	**$ 165**	**$ 47**	**$ 6**	**$ 3,625**	**$ —**	**$ 3,625**
II. Total Assets	**$662,782**	**$38,506**	**$51,463**	**$37,806**	**$790,557**	**$(180,921)**	**$609,636**

Notes: 1. The Bank reports "Ordinary Income" and "Ordinary Profits" that corresponds to Sales and Operating Profit for non-financial companies, for the Bank's head office, branches and the consolidated subsidiaries according to the classification of geographic areas. The geographic classification is effected by geographical proximity, similarities in economic activities and inter-relationships among these activities.

2. "Americas" includes the United States of America and Cayman Islands. "Europe" includes the United Kingdom and "Asia" includes the Republic of Singapore.

3. With regard to directors' retirements benefits which were previously expensed as incurred, in accordance with "Auditing Treatment relating to Reserve defined under the Special Tax measurement Law, Reserves defined under the Special Law and Reserve for Directors and Corporate Auditor Retirement Benefits" (JICPA Auditing and Assurance Practice Committee Report No. 42, April 13, 2007) effective from the fiscal year 2007, the Bank and certain subsidiaries have adopted the report from the fiscal year ended March 31, 2008 to recognize reserve for directors' retirement benefits for the payments of retirements benefits for directors and corporate auditors, as the required amount accrued at the end of the fiscal year.

As a result, ordinary expenses in Japan increased by ¥570 million ($6 million), and ordinary profit in Japan decreased by ¥570 million ($6 million) compared with the corresponding amounts under the previously applied method.

4. According to the change in accounting standards for inflation-indexed bonds whose principal is guaranteed, Ordinary Income and Ordinary Profits both has increased ¥39,685 million for Japan for the fiscal year ended March 31, 2007.

(c) Ordinary Income from International Operations

Fiscal years ended March 31	Ordinary Income from International Operations	Consolidated Ordinary Income	Ratio of Ordinary Income from International Operations over Consolidated Ordinary Income
	Millions of Yen		Percentage
2008	**¥1,971,619**	**¥2,639,764**	**74.6%**
2007	¥1,971,761	¥2,621,450	75.2%

	Millions of U.S. Dollars		Percentage
2008	**$19,677**	**$26,345**	**74.6%**

Notes: 1. "Ordinary Income from International Operations" is shown in place of Overseas Sales for non-financial companies.

2. "Ordinary Income from International Operations" comprises foreign currency transactions, yen-denominated trade bills, yen-denominated transactions with non-Japanese residents, transactions in the offshore market in Japan, transactions by overseas branches of the parent and transactions by overseas consolidated subsidiaries (excluding Inter-segment Ordinary Income between consolidated entities). The composition of this substantial volume of transactions is not broken down by counter-party. Therefore, segment information by Geographic areas has not been presented.

31. Fair Value of Securities
For the Fiscal Year Ended March 31, 2008

Trading Securities

As of March 31, 2008	Millions of Yen: Consolidated Balance Sheets Amount	Millions of Yen: Unrealized Gain Recognized as Income	Millions of U.S. Dollars: Consolidated Balance Sheets Amount	Millions of U.S. Dollars: Unrealized Gain Recognized as Income
Trading Securities	**¥32,239**	**¥470**	**$322**	**$5**

Note: The above analysis of Trading Securities includes "Trading Securities" disclosed as "Trading Assets" in the consolidated balance sheets.

Held-to-maturity Debt Securities that have a Fair Value

	Millions of Yen				
As of March 31, 2008	Consolidated Balance Sheets Amount	Fair Value	Net Unrealized Gain: Net	Gain	Loss
Japanese Government Bonds	**¥14,142**	**¥14,217**	**¥74**	**¥74**	**¥0**
Total	**¥14,142**	**¥14,217**	**¥74**	**¥74**	**¥0**

As of March 31, 2008	Millions of U.S. Dollars: Consolidated Balance Sheets Amount	Fair Value	Net Unrealized Gain: Net	Gain	Loss
Japanese Government Bonds	**$141**	**$142**	**$1**	**$1**	**$0**
Total	**$141**	**$142**	**$1**	**$1**	**$0**

Note: Fair value is based on the closing market prices at the consolidated balance sheets date.

Other Securities held at Fair Value

As of March 31, 2008	Millions of Yen: Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain/Loss: Net	Gain	Loss
Stocks	**¥ 389,043**	**¥ 539,397**	**¥ 150,353**	**¥189,863**	**¥ 39,509**
Bonds	**9,223,420**	**9,125,061**	**(98,359)**	**66,803**	**165,162**
Japanese Government Bonds	**8,903,343**	**8,802,241**	**(101,102)**	**63,200**	**164,302**
Municipal Government Bonds	**12,629**	**12,803**	**173**	**173**	**—**
Corporate Bonds	**307,447**	**310,016**	**2,569**	**3,429**	**860**
Other	**25,805,910**	**25,210,091**	**(595,818)**	**651,469**	**1,247,288**
Foreign Bonds	**14,213,421**	**13,923,453**	**(289,968)**	**335,071**	**625,040**
Foreign Stocks	**26,740**	**23,379**	**(3,360)**	**562**	**3,923**
Other	**11,565,747**	**11,263,258**	**(302,489)**	**315,835**	**618,324**
Total	**¥35,418,374**	**¥34,874,550**	**¥(543,823)**	**¥908,136**	**¥1,451,960**

As of March 31, 2008	Millions of U.S. Dollars: Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain/Loss: Net	Gain	Loss
Stocks	**$ 3,883**	**$ 5,383**	**$ 1,500**	**$1,895**	**$ 395**
Bonds	**92,050**	**91,068**	**(982)**	**666**	**1,648**
Japanese Government Bonds	**88,856**	**87,847**	**(1,009)**	**631**	**1,640**
Municipal Government Bonds	**126**	**128**	**2**	**2**	**—**
Corporate Bonds	**3,068**	**3,093**	**25**	**33**	**8**
Other	**257,544**	**251,598**	**(5,946)**	**6,502**	**12,448**
Foreign Bonds	**141,851**	**138,957**	**(2,894)**	**3,344**	**6,238**
Foreign Stocks	**266**	**233**	**(33)**	**6**	**39**
Other	**115,427**	**112,408**	**(3,019)**	**3,152**	**6,171**
Total	**$353,477**	**$348,049**	**$(5,428)**	**$9,063**	**$14,491**

Notes: 1. The above analysis of Other Securities held at Fair Value includes "Securities" and Negotiable Certificates of Deposit disclosed as "Cash and Due from Banks" in the consolidated balance sheets.
2. Consolidated balance sheets amount is stated based on the closing market prices at the consolidated balance sheets date.
3. Certain other securities which have readily determinable fair values are revalued to their fair value, and the difference between the acquisition cost and the fair value is treated as a realized loss for the period ("revaluation loss"), if the fair value (primarily the closing market prices at the consolidated balance sheets date) has significantly deteriorated compared with the acquisition cost (including amortized cost), and unless a recovery in the fair value is deemed probable.
The amount of revaluation loss for the fiscal year was ¥194,249 million ($1,939 million).
The criteria for determining whether a security's fair value has "significantly deteriorated" are outlined as follows.
Securities whose fair values are 50% or less of their acquisition costs.
Securities whose fair values are more than 50% and 70% or less of their acquisition costs for a certain period.

Other Securities Sold during the Fiscal Year

Fiscal year ended March 31, 2008	Millions of Yen: Sales Proceeds	Gains on Sales	Losses on Sales	Millions of U.S. Dollars: Sales Proceeds	Gains on Sales	Losses on Sales
Other Securities	**¥7,310,329**	**¥314,453**	**¥60,674**	**$72,957**	**$3,138**	**$606**

Carrying Value of Securities without a Fair Value

As of March 31, 2008	Millions of Yen	Millions of U.S. Dollars
Other Securities		
Unlisted Stocks	**¥244,080**	**$2,436**
Foreign Bonds	**459,935**	**4,590**
Other	**668,269**	**6,669**

For the Fiscal Year Ended March 31, 2007

Trading Securities

As of March 31, 2007	Millions of Yen: Consolidated Balance Sheets Amount	Millions of Yen: Unrealized Gain Recognized as Income	Millions of U.S. Dollars: Consolidated Balance Sheets Amount	Millions of U.S. Dollars: Unrealized Gain Recognized as Income
Trading Securities	¥32,084	¥86	$272	$1

Note: The above analysis of Trading Securities includes Trading Securities, Negotiable Certificates of Deposit and Commercial Paper disclosed as "Trading Assets" in the consolidated balance sheet.

Held-to-maturity Debt Securities that have a Fair Value

	Millions of Yen				
	Consolidated Balance Sheets Amount	Fair Value	Net Unrealized Loss		
As of March 31, 2007			Net	Gain	Loss
Japanese Government Bonds	¥18,211	¥18,182	¥(28)	¥12	¥41
Total	¥18,211	¥18,182	¥(28)	¥12	¥41

	Millions of U.S. Dollars				
	Consolidated Balance Sheets Amount	Fair Value	Net Unrealized Loss		
As of March 31, 2007			Net	Gain	Loss
Japanese Government Bonds	$154	$154	$(0)	$0	$0
Total	$154	$154	$(0)	$0	$0

Note: Fair value is based on the closing market prices at the consolidated balance sheets date.

Other Securities held at Fair Value

	Millions of Yen				
	Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain/Loss		
As of March 31, 2007			Net	Gain	Loss
Stocks	¥ 420,867	¥ 775,406	¥ 354,539	¥ 381,784	¥ 27,244
Bonds	12,266,644	12,266,733	88	71,889	71,801
Japanese Government Bonds	11,854,155	11,851,923	(2,231)	68,376	70,608
Municipal Government Bonds	63,504	63,766	261	298	36
Corporate Bonds	348,984	351,043	2,058	3,215	1,156
Other	28,434,525	30,172,092	1,737,567	1,822,385	84,818
Foreign Bonds	14,480,551	14,988,028	507,476	567,589	60,113
Foreign Stocks	—	—	—	—	—
Other	13,953,973	15,184,064	1,230,091	1,254,795	24,704
Total	¥41,122,036	¥43,214,232	¥2,092,195	¥2,276,059	¥183,863

	Millions of U.S. Dollars				
	Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain/Loss		
As of March 31, 2007			Net	Gain	Loss
Stocks	$ 3,566	$ 6,571	$ 3,005	$ 3,236	$ 231
Bonds	103,955	103,955	(0)	608	608
Japanese Government Bonds	100,459	100,440	(19)	579	598
Municipal Government Bonds	538	540	2	2	0
Corporate Bonds	2,958	2,975	17	27	10
Other	240,971	255,696	14,725	15,444	719
Foreign Bonds	122,717	127,017	4,300	4,810	510
Foreign Stocks	—	—	—	—	—
Other	118,254	128,679	10,425	10,634	209
Total	$348,492	$366,222	$17,730	$19,288	$1,558

Notes: 1. The above analysis of Other Securities held at Fair Value includes "Securities," Negotiable Certificates of Deposit disclosed as "Cash and Due from Banks," and Commercial Paper disclosed as "Monetary Claims Bought" in the consolidated balance sheet.
2. Consolidated balance sheets amount is stated based on the closing market prices at the consolidated balance sheets date.

Other Securities Sold during the Fiscal Year

Fiscal year ended March 31, 2007	Millions of Yen			Millions of U.S. Dollars		
	Sales Proceeds	Gains on Sales	Losses on Sales	Sales Proceeds	Gains on Sales	Losses on Sales
Other Securities	¥8,963,828	¥48,950	¥234,273	$75,965	$415	$1,985

Carrying Value of Securities without a Fair Value

As of March 31, 2007	Millions of Yen	Millions of U.S. Dollars
Other Securities		
Unlisted Stocks	¥263,036	$2,229
Foreign Bonds	7,288	62
Other	261,912	2,220

32. Fair Value of Money Held in Trust

For the Fiscal Year Ended March 31, 2008

Money Held in Trust for Trading Purpose

As of March 31, 2008	Millions of Yen		Millions of U.S. Dollars	
	Consolidated Balance Sheets Amount	Unrealized Gain Recognized as Income	Consolidated Balance Sheets Amount	Unrealized Gain Recognized as Income
Money Held in Trust for Trading Purpose	**¥114,601**	**¥797**	**$1,144**	**$8**

Other Money Held in Trust (Money Held in Trust other than that for trading purpose or held to maturity)

As of March 31, 2008	Millions of Yen				
	Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain		
			Net	Gain	Loss
Other Money Held in Trust	**¥7,736,770**	**¥7,849,914**	**¥113,144**	**¥185,229**	**¥72,084**

As of March 31, 2008	Millions of U.S. Dollars				
	Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain		
			Net	Gain	Loss
Other Money Held in Trust	**$77,213**	**$78,342**	**$1,129**	**$1,849**	**$720**

Note: Consolidated balance sheets amount is stated based on the closing market prices at the consolidated balance sheets date.

For the Fiscal Year Ended March 31, 2007

Money Held in Trust for Trading Purpose

As of March 31, 2007	Millions of Yen		Millions of U.S. Dollars	
	Consolidated Balance Sheets Amount	Unrealized Gain Recognized as Income	Consolidated Balance Sheets Amount	Unrealized Gain Recognized as Income
Money Held in Trust for Trading Purpose	¥101,137	¥1,117	$857	$9

Other Money Held in Trust (Money Held in Trust other than that for trading purpose or held to maturity)

As of March 31, 2007	Millions of Yen				
	Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain		
			Net	Gain	Loss
Other Money Held in Trust	¥7,380,708	¥7,696,608	¥315,899	¥330,115	¥14,216

As of March 31, 2007	Millions of U.S. Dollars				
	Acquisition Cost	Consolidated Balance Sheets Amount	Net Unrealized Gain		
			Net	Gain	Loss
Other Money Held in Trust	$62,548	$65,225	$2,677	$2,798	$121

Note: Consolidated balance sheets amount is stated based on the closing market prices at the consolidated balance sheets date.

33. Fair Value of Derivative Instruments
For the Fiscal Year Ended March 31, 2008

Interest Rate-Related Derivative Instruments

	Millions of Yen				Millions of U.S. Dollars			
As of March 31, 2008	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
Exchange-traded Transactions								
Interest Rate Futures:								
Sold	**¥ 171,680**	**¥ 50,114**	**¥ (981)**	**¥ (981)**	**$ 1,713**	**$ 500**	**$ (10)**	**$ (10)**
Purchased	**184,256**	**—**	**759**	**759**	**1,839**	**—**	**8**	**8**
Interest Rate Options:								
Sold	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchased	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Over-the-counter Transactions								
Forward Rate Agreements:								
Sold	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchased	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest Rate Swaps:								
Rec.: Fix.-Pay.: Flt.	**1,173,732**	**766,104**	**11,693**	**11,693**	**11,714**	**7,646**	**117**	**117**
Rec.: Flt.-Pay.: Fix.	**1,169,641**	**770,073**	**(10,988)**	**(10,988)**	**11,673**	**7,685**	**(110)**	**(110)**
Rec.: Flt.-Pay.: Flt.	**55,800**	**55,800**	**(21)**	**(21)**	**557**	**557**	**(0)**	**(0)**
Interest Rate Options:								
Sold	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchased	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other:								
Sold	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchased	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**/**	**/**	**¥ 460**	**¥ 460**	**/**	**/**	**$ 5**	**$ 5**

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24).

2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, an option pricing model or other models as appropriate.

Currency-Related Derivative Instruments

	Millions of Yen				Millions of U.S. Dollars			
As of March 31, 2008	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
Over-the-counter Transactions								
Currency Swaps:	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**$ —**	**$—**	**$ —**	**$ —**
Forwards:								
Sold	**417,486**	**6,009**	**13,153**	**13,153**	**4,167**	**60**	**131**	**131**
Purchased	**998,594**	**6,009**	**(16,124)**	**(16,124)**	**9,966**	**60**	**(161)**	**(161)**
Total	**/**	**/**	**¥ (2,970)**	**¥ (2,970)**	**/**	**/**	**$ (30)**	**$ (30)**

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments 1) accounted for as hedges in accordance with "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25), or 2) designated to certain monetary receivables or payables denominated in foreign currencies and recorded on the consolidated balance sheets.

2. Determination of fair value:
Fair value is determined based on the discounted net present value model.

Stock-Related Derivative Instruments

As of March 31, 2008	Millions of Yen: Contract Amount or Notional Amount	Millions of Yen: Over 1 Year	Millions of Yen: Fair Value	Millions of Yen: Unrealized Gain/Loss	Millions of U.S. Dollars: Contract Amount or Notional Amount	Millions of U.S. Dollars: Over 1 Year	Millions of U.S. Dollars: Fair Value	Millions of U.S. Dollars: Unrealized Gain/Loss
Exchange-traded Transactions								
Equity Price Index Futures:								
Sold	¥ —	¥ —	¥—	¥—	$—	$—	$—	$—
Purchased	—	—	—	—	—	—	—	—
Equity Price Index Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-counter Transactions								
Equity Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Equity Price Index Swaps:								
Rec.: Stock Index	—	—	—	—	—	—	—	—
Pay.: Flt. Rate								
Rec.: Flt. Rate	—	—	—	—	—	—	—	—
Pay.: Stock Index								
Other:								
Sold	—	—	—	—	—	—	—	—
Purchased	**1,000**	**1,000**	—	—	**10**	**10**	—	—
Total	/	/	¥—	¥—	/	/	$—	$—

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges.
2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, an option pricing model or other models as appropriate.
3. Derivative instruments without a fair value included in "Over-the-counter Transactions, Other" are valued at cost.

Bond-Related Derivative Instruments

As of March 31, 2008	Millions of Yen: Contract Amount or Notional Amount	Millions of Yen: Over 1 Year	Millions of Yen: Fair Value	Millions of Yen: Unrealized Gain/Loss	Millions of U.S. Dollars: Contract Amount or Notional Amount	Millions of U.S. Dollars: Over 1 Year	Millions of U.S. Dollars: Fair Value	Millions of U.S. Dollars: Unrealized Gain/Loss
Exchange-traded Transactions								
Bond Futures:								
Sold	**¥26,192**	¥—	**¥(216)**	**¥(216)**	**$261**	$—	**$ (2)**	**$ (2)**
Purchased	**33,761**	—	**353**	**353**	**337**	—	**3**	**3**
Bond Futures Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-counter Transactions								
Bond Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total	/	/	**¥ 136**	**¥ 136**	/	/	**$ 1**	**$ 1**

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges.
2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on an option pricing model or other models as appropriate.

Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2008.

Credit Derivative Instruments

As of March 31, 2008	Millions of Yen				Millions of U.S. Dollars			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
Over-the-counter Transactions								
Credit Default Swaps:								
Sold	**¥79,339**	**¥79,339**	**¥(2,214)**	**¥(2,214)**	**$792**	**$792**	**$(22)**	**$(22)**
Purchased	—	—	—	—	—	—	—	—
Other:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total	/	/	**¥(2,214)**	**¥(2,214)**	/	/	**$(22)**	**$(22)**

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges.
2. Determination of fair value:
Fair value is determined based on the discounted net present value model.
3. Derivative instruments without a fair value included in "Over-the-counter Transactions, Other" are valued at cost.

For the Fiscal Year Ended March 31, 2007

Interest Rate-Related Derivative Instruments

As of March 31, 2007	Millions of Yen				Millions of U.S. Dollars			
	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
Exchange-traded Transactions								
Interest Rate Futures:								
Sold	¥ 29,271	¥ —	¥ (14)	¥ (14)	$ 248	$ —	$ (0)	$ (0)
Purchased	8,418	—	(9)	(9)	71	—	(0)	(0)
Interest Rate Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-counter Transactions								
Forward Rate Agreements:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Interest Rate Swaps:								
Rec.: Fix.-Pay.: Flt.	1,367,158	1,067,074	4,418	4,418	11,586	9,043	37	37
Rec.: Flt.-Pay.: Fix.	1,484,396	1,123,896	(4,021)	(4,021)	12,580	9,525	(34)	(34)
Rec.: Flt.-Pay.: Flt.	—	—	—	—	—	—	—	—
Interest Rate Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	15,000	—	70	69	127	—	1	1
Other:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total	/	/	¥ 444	¥ 443	/	/	$ 4	$ 4

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24).
2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo International Financial Futures Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, an option pricing model or other models as appropriate.

Currency-Related Derivative Instruments

As of March 31, 2007	Millions of Yen: Contract Amount or Notional Amount	Millions of Yen: Over 1 Year	Millions of Yen: Fair Value	Millions of Yen: Unrealized Gain/Loss	Millions of U.S. Dollars: Contract Amount or Notional Amount	Millions of U.S. Dollars: Over 1 Year	Millions of U.S. Dollars: Fair Value	Millions of U.S. Dollars: Unrealized Gain/Loss
Over-the-counter Transactions								
Currency Swaps	¥ 42,032	¥ —	¥ 485	¥ 485	$ 356	$—	$ 4	$ 4
Forwards:								
Sold	989,124	6,294	(5,365)	(5,365)	8,382	53	(45)	(45)
Purchased	1,068,618	6,294	7,204	7,204	9,056	53	61	61
Total	/	/	¥2,324	¥2,324	/	/	$20	$20

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments 1) accounted for as hedges in accordance with "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25), or 2) designated to certain monetary receivables or payables denominated in foreign currencies and recorded on the consolidated balance sheets.
2. Determination of fair value:
Fair value is determined based on the discounted net present value of currency-related derivative instruments.

Stock-Related Derivative Instruments

As of March 31, 2007	Millions of Yen: Contract Amount or Notional Amount	Millions of Yen: Over 1 Year	Millions of Yen: Fair Value	Millions of Yen: Unrealized Gain/Loss	Millions of U.S. Dollars: Contract Amount or Notional Amount	Millions of U.S. Dollars: Over 1 Year	Millions of U.S. Dollars: Fair Value	Millions of U.S. Dollars: Unrealized Gain/Loss
Exchange-traded Transactions								
Equity Price Index Futures:								
Sold	¥ —	¥ —	¥—	¥—	$—	$—	$—	$—
Purchased	—	—	—	—	—	—	—	—
Equity Price Index Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-counter Transactions								
Equity Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Equity Price Index Swaps:								
Rec.: Stock Index	—	—	—	—	—	—	—	—
Pay.: Flt. Rate								
Rec.: Flt. Rate	—	—	—	—	—	—	—	—
Pay.: Stock Index								
Other:								
Sold	—	—	—	—	—	—	—	—
Purchased	1,000	1,000	—	—	8	8	—	—
Total	/	/	¥—	¥—	/	/	$—	$—

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges.
2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, an option pricing model or other models as appropriate.
3. Derivative instruments without a fair value included in "Over-the-counter Transactions, Other" are valued at cost.

Bond-Related Derivative Instruments

	Millions of Yen				Millions of U.S. Dollars			
As of March 31, 2007	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss	Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
Exchange-traded Transactions								
Bond Futures:								
Sold	¥56,024	¥—	¥(46)	¥(46)	$475	$—	$(0)	$(0)
Purchased	—	—	—	—	—	—	—	—
Bond Futures Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-counter Transactions								
Bond Options:								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total	/	/	¥(46)	¥(46)	/	/	$(0)	$(0)

Notes: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statements of operations. The above analysis excludes derivative instruments accounted for as hedges.
2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on an option pricing model or other models as appropriate.

Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2007.

Credit Derivative Instruments

The Bank and its consolidated subsidiaries held no credit derivative instruments during the fiscal year ended March 31, 2007.

34. The Norinchukin Bank (Parent Company)

(a) Non-consolidated Balance Sheets

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
• Assets			
Cash and Due from Banks	**¥ 1,095,094**	¥ 864,474	**$ 10,929**
Call Loans	**1,833,020**	823,715	**18,294**
Receivables under Resale Agreements	**258,135**	—	**2,576**
Receivables under Securities Borrowing Transactions	**1,108,779**	563,282	**11,066**
Monetary Claims Bought	**770,387**	828,790	**7,689**
Trading Assets	**48,033**	52,550	**479**
Money Held in Trust	**7,963,664**	7,797,702	**79,478**
Securities	**36,262,384**	43,750,573	**361,900**
Loans and Bills Discounted	**9,795,662**	12,804,474	**97,761**
Foreign Exchange Assets	**7,119**	3,176	**71**
Other Assets	**1,445,050**	535,923	**14,422**
Tangible Fixed Assets	**134,502**	154,024	**1,342**
Intangible Fixed Assets	**17,164**	6,641	**171**
Deferred Tax Assets	**150,750**	—	**1,504**
Customers' Liabilities for Acceptances and Guarantees	**492,389**	542,436	**4,914**
Reserve for Possible Loan Losses	**(136,922)**	(201,908)	**(1,366)**
Reserve for Possible Investment Losses	**(53,494)**	(38,628)	**(534)**
Total Assets	**¥61,191,721**	¥68,487,228	**$610,696**
• Liabilities and Net Assets			
Liabilities			
Deposits	**¥38,813,327**	¥41,253,617	**$387,359**
Negotiable Certificates of Deposit	**538,019**	2,375,026	**5,369**
Debentures	**4,822,176**	4,471,357	**48,126**
Call Money	**758,000**	1,068,632	**7,565**
Payables under Repurchase Agreements	**4,461,811**	7,438,847	**44,529**
Payables under Securities Lending Transactions	**496,637**	1,345,025	**4,957**
Trading Liabilities	**15,248**	19,662	**152**
Borrowed Money	**1,301,922**	1,459,295	**12,993**
Foreign Exchange Liabilities	**2**	0	**0**
Short-term Entrusted Funds	**4,401,193**	2,868,967	**43,924**
Other Liabilities	**1,863,773**	478,953	**18,601**
Reserve for Bonus Payments	**4,746**	4,193	**47**
Reserve for Employees' Retirement Benefits	**—**	1,080	**—**
Reserve for Directors' Retirement Benefits	**539**	—	**5**
Deferred Tax Liabilities	**—**	711,696	**—**
Deferred Tax Liabilities for Land Revaluation	**19,452**	25,411	**194**
Acceptances and Guarantees	**492,389**	542,436	**4,914**
Total Liabilities	**57,989,241**	64,064,204	**578,735**
Net Assets			
Paid-in Capital	**2,016,033**	1,484,017	**20,120**
Capital Surplus	**25,020**	25,020	**250**
Retained Earnings	**1,435,601**	1,232,478	**14,327**
Total Owners' Equity	**3,476,655**	2,741,516	**34,697**
Net Unrealized Gains (Losses) on Other Securities, net of taxes	**(296,521)**	1,658,745	**(2,959)**
Net Deferred Losses on Hedging Instruments, net of taxes	**(11,861)**	(24,689)	**(118)**
Revaluation Reserve for Land, net of taxes	**34,208**	47,451	**341**
Total Valuation and Translation Adjustments	**(274,175)**	1,681,507	**(2,736)**
Total Net Assets	**3,202,479**	4,423,024	**31,961**
Total Liabilities and Net Assets	**¥61,191,721**	¥68,487,228	**$610,696**

(b) Non-consolidated Statements of Operations

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
• Income			
Interest Income:	**¥1,936,357**	¥2,049,045	**$19,325**
Interest on Loans and Bills Discounted	**146,507**	124,033	**1,462**
Interest and Dividends on Securities	**1,720,183**	1,863,103	**17,168**
Interest on Call Loans and Bills Bought	**12,462**	5,286	**124**
Interest on Receivables under Resale Agreements	**4,350**	3,993	**43**
Interest on Receivables under Securities Borrowing Transactions	**3,462**	755	**35**
Interest on Due from Banks	**38,005**	34,032	**379**
Other Interest Income	**11,386**	17,841	**114**
Fees and Commissions	**12,936**	16,931	**129**
Trading Income	**1,044**	223	**10**
Other Operating Income	**311,388**	93,138	**3,108**
Other Income	**429,673**	465,129	**4,288**
Total Income	**2,691,401**	2,624,468	**26,860**
• Expenses			
Interest Expenses:	**1,732,370**	1,791,695	**17,289**
Interest on Deposits	**370,030**	326,357	**3,693**
Interest on Negotiable Certificates of Deposit	**58,634**	95,262	**585**
Interest on Debentures	**44,086**	32,110	**440**
Interest on Borrowings	**35,203**	22,599	**351**
Interest on Call Money and Bills Sold	**6,044**	3,292	**60**
Interest on Payables under Repurchase Agreements	**241,053**	401,178	**2,406**
Interest on Payables under Securities Lending Transactions	**4,548**	4,209	**46**
Other Interest Expenses	**972,768**	906,683	**9,708**
Fees and Commissions	**15,052**	14,205	**150**
Trading Expenses	**201**	313	**2**
Other Operating Expenses	**305,010**	272,038	**3,044**
General and Administrative Expenses	**105,244**	102,663	**1,050**
Other Expenses	**117,117**	60,460	**1,169**
Total Expenses	**2,274,997**	2,241,376	**22,704**
Income before Income Taxes	**416,403**	383,092	**4,156**
Income Taxes			
Current	**134,522**	73,090	**1,343**
Deferred	**9,807**	56,114	**98**
Net Income	**¥ 272,073**	¥ 253,886	**$ 2,715**

	Yen		U.S. Dollars
	2008	2007	**2008**
Net Income per Share	**¥48.36**	¥54.68	**$0.48**

35. Appropriation of Retaind Earnings

The following dividends were approved at the shareholders' meeting held on June 25, 2008.

	Millions of Yen	Millions of U.S. Dollars
Cash Dividends		
Special Dividends	**¥44,553**	**$445**
Dividends on Common Stock (at the rate of 4% of the ¥100 face value, or ¥4.00 per share)	**17,028**	**170**
Dividends on Lower Dividends Rate Stock (at the rate of 2% of the ¥100 face value, or ¥1.00 per share)	**20,992**	**210**
Dividends on Preferred Stock (at the rate of 11% of the ¥100 face value, or ¥11.00 per share)	**613**	**6**

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
The Norinchukin Bank

We have audited the accompanying consolidated balance sheets of The Norinchukin Bank (the "Bank") and consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of operations, capital surplus, retained earnings and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and consolidated subsidiaries at March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

June 25, 2008

Capital Adequacy (Consolidated) [Disclosure under Basel II Pillar III]

Disclosure Regarding Capital Adequacy (Basel II Pillar III)

Basel II, applied from fiscal 2006 (ended March 31, 2007), comprises three pillars. Pillar I is a new method for computing bank capital adequacy ratios. Pillar II is composed of an internal capital adequacy assessment process by industry and a supervisory review and evaluation process. Pillar III is appropriate disclosure regarding capital adequacy to be evaluated fairly by the market. The requirements for the Bank relating to disclosure are contained in Article 112 of the Implementation Ordinances of the Norinchukin Bank Law (Specific Content to Be Covered in the Bank's Disclosure Document) and in Item 5-2 of that Article, "Items to Be Specified Separately by the Minister of Agriculture, Forestry and Fisheries and the head of Japan's Financial Services Agency: Disclosure Regarding Capital Adequacy," the Notification Regarding Basel II Pillar III Disclosure. The Bank makes qualitative disclosures (the original Japanese version of this document) once a year (for the fiscal year ended March 31, which is released by July 31) and quantitative disclosure twice a year, once for the interim period ended September 30 (released by the end of January of the immediate following year) and once for the end of the fiscal year on March 31, which is released by July 31 (the original Japanese version of this document). In addition, the Bank issues quantitative disclosure on a quarterly basis (which includes information on the capital adequacy ratio and other principal indicators), once for the quarterly period ending June 30, which is released by October 31, and once for the quarterly period ending December 31, which is released by April 30.

Under Basel II Pillar III, the principal content disclosed is as follows: (1) information related to Pillar I (namely, the balances of the asset item used as the basis for computation of the capital adequacy ratio) and (2) information related to Pillar II (namely, information on interest rate risk and an explanation of risk management policy). The information related to assets to be disclosed in compliance with Basel II Pillar III includes credit risk exposure, including assets that are subject to Internal Ratings-Based Approach (IRB), securitization exposures, exposure in the form of assets considered to be properly included in the capital adequacy calculation (money in trust other than money trusts under the reporting bank's management, investments in funds and other assets held in some form, but not directly) and assets subject to market risk, operational risk or some other risk. The Bank discloses exposure, exposure at default (EAD) and the definition of regulatory required capital. (For details, please refer to the Glossary of Terms below and on the following page.) Please note that qualitative disclosure requirements under the Notification Regarding Basel II Pillar III disclosure, on a consolidated and non-consolidated basis, have been specified, such as explanations of the risk management policy, etc. However, since the Bank conducts its principal businesses on a non-consolidated basis, the Bank has disclosed related information by focusing explanations primarily on non-consolidated information. (For consolidated subsidiaries, information is given in the section "Risk Management of Consolidated Subsidiaries.") In addition, for the convenience of readers of this document, we have included the relevant information in the sections Capital Position and Risk Management as well as Capital Adequacy (Consolidated).

The objective of this detailed disclosure under Basel II Pillar III is to inform readers how the principal asset items, the main part of the denominator of capital adequacy ratio, are managed and calculated to provide them with a better understanding of the Bank's risk management activities. Going forward, in addition to the information disclosure provided thus far, which focused on accounting information, the Bank continues to enhance its disclosure under Basel II Pillar III of risk-related information and, throughout the Disclosure Document, has taken initiatives to enhance convenience for readers of this document.

■ Glossary of Terms

Exposure

Exposure is defined as those amounts (before credit risk mitigation) shown as the on-balance sheet assets, subject to the credit risk, plus amounts (before credit risk mitigation) shown as the off-balance items, subject to credit risk.

Risk-Weighted Assets for Credit Risk (RA)

RA is the amount of credit risk computed from exposure, in accordance with the credit risk volume and used in the computation of the capital adequacy ratio. Since the Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB), certain parameters—namely, probability of default (PD), loss-given default (LGD) and exposure at default (EAD)—are used in calculating the amount of risk-weighted assets for credit risk.

Probability of Default (PD)

The probability of default is the possibility that the obligor will be in default in a one-year period.

Loss Given Default (LGD)

Loss given default is the percentage of losses that will arise from the exposure in default. The loss referred here is the economic loss, and the cost of recovering the exposure should be included. In addition, the discount effect over the period required for recovery is also taken into account.

Exposure at Default (EAD)

EAD is the amount of the exposure at the time of default. It is necessary for banks that adopted the Advanced Internal Ratings-Based Approach (A-IRB) to estimate EAD by considering the possibility that the obligor may draw down facilities. However, since the Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB), the Bank does not estimate EAD for corporate, sovereign, and bank exposure, but uses the computational method shown in the Notification Regarding Capital Adequacy to compute EAD. For retail exposure, the Bank uses the estimated EAD, the same as estimated PD, in its computations of capital adequacy. In computing EAD, the Bank takes the asset amounts shown on its balance sheet as a basis, but to cover credit risk volumes exhaustively, the Bank makes certain adjustments, including the addition of the credit risk amounts corresponding to commitment lines, as off-balance items on the financial statements.

Risk Weights (RW)

RW indicates the ratio of the credit risk-weighted asset within EAD. The following formula applies:

EAD x RW (%) = Risk-weighted assets

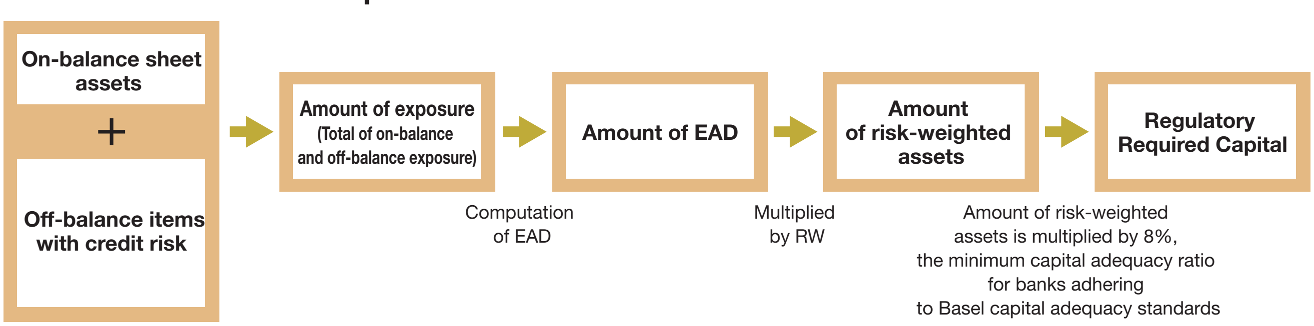
The Bank adopts the Foundation Internal Ratings-Based Approach (F-IRB). RW may differ as the PD varies according to the grade of the internal credit rating.

Regulatory Required Capital

Regulatory required capital is the amount at risk, calculated by the denominator of the capital adequacy ratio, times 8%. The 8% figure is the minimum capital adequacy ratio that banks adhering to Basel capital adequacy standards must maintain. Required regulatory capital is computed according to the following formula with the amounts of risk-weighted assets:

Amount of risk-weighted assets x 8% = Regulatory required capital

■ Outline of the Computation Process



■ Exposure Classification under Basel II

The Bank's exposure classification used under Basel II is as follows:

<table>
<tr><td rowspan="12">Assets subject to computation as risk-weighted assets for credit risk</td><td rowspan="12">Assets for which Internal Ratings-Based Approach (IRB) can be applied</td><td rowspan="10">Assets to which Internal Ratings-Based Approach (IRB) are applied</td><td rowspan="5">Corporate, sovereign and bank exposure</td><td rowspan="2"></td><td colspan="2">Sovereign exposure</td></tr>
<tr><td colspan="2">Bank exposure</td></tr>
<tr><td rowspan="3">Corporate exposure</td><td rowspan="2">Corporate exposure</td><td>Resident corporate</td></tr>
<tr><td>Non-resident corporate</td></tr>
<tr><td colspan="2">Specialized Lending (SL)</td></tr>
<tr><td colspan="4">Retail exposure</td></tr>
<tr><td colspan="4">Equity exposure</td></tr>
<tr><td colspan="4">Securitization exposure</td></tr>
<tr><td colspan="4">Risk-weighted assets for investment fund (look-through approach, etc.)</td></tr>
<tr><td colspan="4">Other assets (cash, fixed assets, etc.)</td></tr>
<tr><td colspan="5">Roll-out assets from Standardized Approach to F-IRB Approach</td></tr>
<tr><td colspan="5">Non-IRB applicable assets (assets for Standardized Approach)</td></tr>
<tr><td colspan="7">Assets subject to evaluation at market risk (Trading account)</td></tr>
<tr><td colspan="7">Amounts deducted from capital (goodwill, etc.)</td></tr>
<tr><td colspan="7">Assets not subject to risk computations</td></tr>
</table>

■ Items for Quantitative Disclosure Related to Capital Adequacy Condition (Basel II Pillar III)

Capital adequacy conditions of the Bank in line with Basel II are described on the following pages.

Capital Adequacy

Contents of principal capital items are described as follows.

<table>
<tr><th colspan="2">Items</th><th>Content of principal quantitative disclosure</th><th>Consolidated disclosure (Page)</th><th>Non-consolidated disclosure (Page)</th></tr>
<tr><td rowspan="2">Items related to composition of capital</td><td>Capital adequacy ratio</td><td>Detailed components of Tier I capital and Tier II capital</td><td>115</td><td>145</td></tr>
<tr><td>Explanation of computation of capital adequacy ratio</td><td>Scope of consolidation.</td><td>117</td><td>—</td></tr>
<tr><td colspan="2">Items relating to capital adequacy</td><td>For the purpose of capital adequacy assessment, the contents of the capital adequacy ratio (being above the regulatory minimum of 8%), total amounts of regulatory required capital and details of principal exposure (credit risk exposure, market risk, operational risk, etc.) are disclosed by item.</td><td>118</td><td>147</td></tr>
</table>

Risk Exposures

This section describes detailed amounts of the Bank's various risks and exposures (including credit risk exposure, securitization exposure, market risk, equity exposure, Risk-weighted asset calculation for investment fund and interest rate risk), which form the basis for the computation of the capital adequacy ratio. This section also describes factors that affect the risk profiles, such as credit risk mitigation.

<table>
<tr><th colspan="3">Items</th><th>Content of principal quantitative disclosure</th><th>Consolidated disclosure (Page)</th><th>Non-consolidated disclosure (Page)</th></tr>
<tr><td rowspan="7">Items related to credit risk</td><td colspan="2">Credit risk exposure</td><td>Credit risk exposure (excluding securitization exposure and funds), details on the reserve for possible loan losses by region and industry</td><td>119</td><td>148</td></tr>
<tr><td rowspan="5">Exposure subject to Internal Ratings-Based Approach (IRB)</td><td>Corporate, sovereign, and bank exposure</td><td>Details on PD, LGD, RW and EAD for corporate, sovereign, bank, and equity subject to the PD/LGD approach</td><td>124</td><td>152</td></tr>
<tr><td>Retail exposure</td><td>Details on PD, LGD, RW and EAD</td><td>127</td><td>154</td></tr>
<tr><td>Actual losses, etc., on exposure to corporate, sovereign, bank and retail</td><td>Actual losses, long-term comparison between estimated losses and actual losses</td><td>129</td><td>156</td></tr>
<tr><td>Exposure to Specialized Lending subject to supervisory slotting criteria</td><td>Amount of exposure by RW</td><td>130</td><td>157</td></tr>
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<tr><td colspan="3">Items related to equity exposure</td><td>Details of equity exposure those directly held</td><td>141</td><td>164</td></tr>
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</table>

1. Capital Structure (Consolidated)

(1) CAPITAL ADEQUACY RATIO (CONSOLIDATED)

Consolidated Capital Adequacy Ratio (Basel capital adequacy standards) (Basel II)

Note: The Bank's capital adequacy ratio for the fiscal year ended March 31, 2008 and 2007, was computed according to Basel II.

As of March 31

Items			Millions of yen		Millions of U.S. dollars
			2008	2007	**2008**
Tier I capital	Capital stock		**2,016,033**	1,484,017	**20,120**
	Included as non-cumulative, perpetual preferred stock		**24,999**	24,999	**249**
	Deposit for subscription to preferred stock		**—**	—	**—**
	Capital surplus		**25,020**	25,020	**249**
	Earned surplus		**1,372,019**	1,167,265	**13,692**
	Amount correspanding to the decrease in capital due to merger of subsidiaries		**—**	—	**—**
	Treasury stock		**—**	—	**—**
	Deposit for subscription to treasury stock		**—**	—	**—**
	Unrealized loss on other securities		**(296,724)**	—	**(2,961)**
	Foreign currency transaction adjustment		**(16)**	0	**(0)**
	Stock aquisition rights		**—**	—	**—**
	Minority interest of consolidated subsidiaries		**5,970**	5,692	**59**
	Including preferred securities issued by overseas special-purpose corporations		**—**	—	**—**
	Amount corresponding to operating rights		**—**	0	**—**
	Amount corresponding to consolidated adjustments		**—**	124	**—**
	Intangible assets aquired via business combination		**—**	—	**—**
	Goodwill and others		**—**	—	**—**
	Amount corresponding to the increase in capital due to securitization transactions		**—**	—	**—**
	Amount equivalent to 50% expected losses in excess of qualifying allowance		**81,416**	63,428	**812**
	Subtotal	(A)	**3,040,886**	2,618,442	**30,348**
	Including preferred securities with interest rate step-up clause		**—**	—	**—**
	(Ratio of the value of such preferred securities to Tier I capital)		**—**	—	**—**
Tier II capital	45% of unrealized gains on other securities		**—**	1,094,711	**—**
	45% of unrealized gains on land		**24,147**	32,788	**240**
	General reserve for possible loan losses		**34**	1,974	**0**
	Qualifying subordinated debt		**1,301,395**	1,458,629	**12,987**
	Included as perpetual subordinated bonds and loans		**963,700**	579,900	**9,617**
	Included as dated subordinated bonds, loans, and preferred stock		**337,695**	878,729	**3,370**
	Subtotal		**1,325,577**	2,588,103	**13,229**
	Tier II capital included as qualifying capital	(B)	**1,325,577**	2,588,103	**13,229**
Tier III capital	Short-term subordinated debt		**—**	—	**—**
	Including amount added to capital	(C)	**—**	—	**—**
Deductions	Deductions	(D)	**327,619**	412,290	**3,269**
Total Capital	(A)+(B)+(C)-(D)	(E)	**4,038,844**	4,794,256	**40,307**
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	**29,254,774**	33,170,062	**291,963**
	Including on-balance sheet		**27,235,216**	31,008,984	**271,808**
	Including off-balance sheet		**2,019,557**	2,161,078	**20,155**
	Assets equivalent to market risk	(G)	**2,076,684**	3,195,818	**20,725**
	(For reference: actual market risk volume)	(H)	**166,134**	255,665	**1,658**
	Amount corresponding to operational risk (J)/8%	(I)	**1,051,386**	954,137	**10,492**
	(For reference: amount corresponding to operational risk)	(J)	**84,110**	76,330	**839**
	Total risk-weighted assets (F)+(G)+(I)	(K)	**32,382,844**	37,320,017	**323,182**
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) x 100%			**12.47%**	12.84%	**12.47%**
Tier I ratio = (A)/(K) x 100%			**9.39%**	7.01%	**9.39%**
Consolidated required capital			**2,590,627**	2,985,601	**25,854**

Notes: 1. The Bank's capital adequacy ratio was computed according to the stipulations outlined in Notification No. 4 of the 2006 Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries of Japan (Standard for Judging the Management Soundness of the Norinchukin Bank) (hereinafter, Notification Regarding Capital Adequacy). Note that the Bank adopts Foundation Internal Ratings-Based Approach (F-IRB) in computing risk-weighted assets for credit risk and the Standardized Approach (TSA) in computing the amount corresponding to operational risk.

2. Regarding the calculation of capital adequacy ratio, certain procedures were performed by Ernst & Yang ShinNihon pursuant to "Treatment of Inspection of Capital Ratio Calculation Framework Based on Agree-upon Procedures" (JICPA Industry Committee Report No. 30). It does not constitute a part of the audit on financial statements by law, but agree-upon procedures on internal control of capital adequacy calculation. Accordingly, Ernst & Young ShinNihon is not required to express its opinion on the Bank's capital adequacy.

3. The Tier II capital item "general reserve for possible loan losses" is limited to the amount corresponding to assets which is calculated according to a Standardized Approach in terms of risk-weighted assets for credit risk.

4. Deductions are the total of the following: (1) the total amount of the value corresponding to deliberate holdings of instruments for raising capital issued by other financial institutions, (2) holdings of instruments issued for raising capital, issued by affiliated corporations conducting financial service businesses, (3) 50% of the expected value of losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves, (4) expected losses on equity exposure, and (5) securitization exposure subject to deduction from capital. (Notification Regarding Capital Adequacy, Article 8)

5. In computing risk-weighted assets for credit risk, the Bank has applied a scaling factor of 1.06 to the value of risk-weighted assets for credit risk computed based on its Foundation Internal Ratings-Based Approach (F-IRB), as provided for in the Notification Regarding Capital Adequacy, Article 129.

(2) EXPLANATION OF COMPUTATION OF THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Names of Companies with Less than the Regulatory Required Capital and the Amounts

Among those companies that are subject to capital deduction as provided for in the Notification Regarding Capital Adequacy, Article 8-1-2 a and b, the name of those companies whose capital is below the regulatory required capital and the amounts of overall shortfall in capital.

None of the Bank's Group companies fall under this category.

Scope of Consolidation

There are no discrepancies between the companies belonging to the Bank's Group that are required to compute a consolidated capital adequacy ratio, as specified in the Notification Regarding Capital Adequacy, Article 3, (hereinafter, the Consolidated Group) and the companies to be included in the scope of consolidation, based on regulations relating to terminology, format, methods of preparation of the consolidated financial statements (under Ministerial Ordinance No. 28, issued by the Ministry of Finance in 1976).

As of March 31, 2008, the Bank had nine consolidated subsidiaries. The names and principal lines of business of the important subsidiaries are as follows:

1. Norinchukin Trust & Banking Co., Ltd.: Trust and banking business
2. Kyodo Housing Loan Co., Ltd.: Loans for housing and related purposes

The Bank has no companies that are subject to capital deduction under the Notification Regarding Capital Adequacy, Article 8-1-2 a and b.

There were no associated companies that conducted financial service business that were subject to the provisions of the Notification Regarding Capital Adequacy, Article 9.

As of March 31, 2008, there was one company that conducted closely related business activities, as specified in Article 72-1-8 and 9 of the Norinchukin Bank Law (Law No. 93, 2001), but was not included in the scope of consolidation.

The company was Daiichi Life Norinchukin Building Management Co., Ltd. There are no restrictions on the movement of funds and capital among the members of the Consolidated Group.

2. Items for Capital Adequacy (Consolidated)

(Minimum amount of regulatory required capital and breakdown for each risk category as required under Basel II)

Regulatory Required Capital

(Billions of yen)

Items	As of March 31, 2008		As of March 31, 2007	
	EAD	Regulatory Required Capital	EAD	Regulatory Required EAD
Amount of regulatory required capital for credit risk	**73,707**	**2,728**	82,592	3,091
Exposure subject to Internal Ratings-Based Approach	**73,653**	**2,726**	82,269	3,077
Corporate exposure (excluding Specialized Lending)	**7,047**	**419**	7,637	411
Corporate exposure (Specialized Lending)	**742**	**71**	656	72
Sovereign exposure	**19,226**	**0**	26,972	0
Bank exposure	**14,291**	**111**	13,017	101
Retail exposure	**344**	**23**	5	0
Retail exposure secured by residential properties	**306**	**18**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**37**	**4**	5	0
Securitization exposure	**6,039**	**112**	4,318	115
Equity portfolios	**807**	**121**	1,202	185
Equity portfolios subject to PD/LGD approaches	**73**	**9**	82	24
Equity portfolios subject to simple risk-weighted method	**90**	**30**	78	26
Equities under the internal models approach	**162**	**40**	355	76
Grandfathered equity exposure	**480**	**40**	687	58
Exposure subject to risk-weighted asset calculation for investment fund	**24,621**	**1,840**	28,040	2,172
Other debt purchased	**83**	**2**	132	3
Other exposures	**451**	**24**	286	13
Exposure subject to Standardized Approach	**53**	**1**	323	14
Assets subject to Standardized Approach on a non-consolidated basis	**10**	**0**	6	0
Assets subject to Standardized Approach in consolidated companies (excluding securitization exposure)	**41**	**0**	317	13
Assets subject to Standardized Approach in consolidated companies (securitization exposure)	**2**	**0**	—	—
Amount of regulatory required capital for market risk	**/**	**166**	/	255
Standardized Approach	**/**	**165**	/	254
Interest rate risk category	**/**	**—**	/	0
Equity risk category	**/**	**—**	/	—
Foreign exchange risk category	**/**	**165**	/	254
Commodity risk categor	**/**	**—**	/	—
Option transactions	**/**	**—**	/	—
Internal models Approach	**/**	**0**	/	0
Amount of regulatory required capital for operational risk	**/**	**84**	/	76
Offsets on consolidation	**/**	**2,978**	/	3,423

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital

2. "Risk-weighted asset calculation for investment fund" is risk-weighted assets as calculated according to the method specified in Notification Regarding Capital Adequacy, Article 144.

3. Article 13 of the Notification Regarding Capital Adequacy contains a grand fathering provision for computing the amount of risk assets related to equity exposures that meet specified criteria.

4. Under "The Standardized Approach (TSA)," which is a method for computing the amount corresponding to operational risk, the gross profit for one year is allocated among the business activities as specified in Appendix Table 1 of the Notification Regarding Capital Adequacy. The multiplier specified for each business activity classification is multiplied by the gross profit, and the average of the annual totals for the past three years is taken to be the amount corresponding to operational risk. (Notification Regarding Capital Adequacy, Article 282)

3. Items for Credit Risk (Consolidated)

(Funds and securitization exposures are excluded.)

(1) CREDIT RISK EXPOSURE

For Fiscal 2007, ended March 31, 2008

Geographic Distribution of Exposure, Details in Significant Areas by Major Types of Credit Exposure

(Billions of yen)

Region	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure
Japan	12,472	9,404	88	4,906	26,872	214
Asia except Japan	70	27	9	1,528	1,635	—
Europe	113	3,224	485	3,148	6,972	1
The Americas	289	5,827	273	2,165	8,556	—
Other areas	30	19	3	0	54	—
Amounts held by consolidated subsidiaries	365	20	—	51	437	14
Total	13,342	18,525	860	11,800	44,528	231

Industry Distribution of Exposure, Details by Major Types of Credit Exposure

(Billions of yen)

Industry	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure	Write-off of loans (amounts of partial direct write-off)
Food products	592	132	0	0	725	14	—
Pulp and paper	210	34	0	0	245	4	—
Chemicals	527	118	0	0	646	12	—
Other manufacturing	912	145	0	0	1,059	13	3
Total for manufacturing	2,243	431	1	0	2,676	45	3
Agriculture, forestry and fishing	128	0	—	0	128	38	0
Construction	161	12	—	0	173	1	—
Utility	146	56	0	0	202	—	—
Information/telecommunications, transportation	771	132	2	0	906	13	—
Wholesaling, retailing	1,668	78	1	0	1,747	26	0
Services	1,300	57	0	1	1,359	48	2
Finance and insurance	1,552	5,416	854	10,682	18,452	4	—
Other non-manufacturing	5,003	12,320	0	1,119	18,442	39	—
Total for non-manufacturing	10,733	18,072	858	11,749	41,414	171	3
Amounts held by consolidated subsidiaries	365	20	—	51	437	14	2
Total	13,342	18,525	860	11,800	44,528	231	9

Notes: 1. "Other non-manufacturing" includes the central government, local governments and related entities

2. "Others" within "Finance and insurance" includes repo-type transactions, call loans, and certain other items

Residual Contractual Maturity Breakdown of Credit Risk Exposure

(Billions of yen)

Term to maturity	Loans, commit-ments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	**9,448**	**452**	**146**	**9,688**	**19,735**
Over 1 year to 3 years	**1,659**	**2,468**	**708**	**—**	**4,837**
Over 3 years to 5 years	**1,155**	**2,991**	**0**	**57**	**4,205**
Over 5 years to 7 years	**337**	**1,218**	**0**	**3**	**1,560**
Over 7 years	**358**	**10,604**	**3**	**661**	**11,627**
No term to maturity	**17**	**769**	**—**	**1,337**	**2,124**
Amounts held by consolidated subsidiaries	**365**	**20**	**—**	**51**	**437**
Total	**13,342**	**18,525**	**860**	**11,800**	**44,528**

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 2007.
2. The amounts of credit-risk exposure held by consolidated subsidiaries are less than 1% of consolidated risk exposure, so only the total amounts held by these subsidiaries are shown.
3. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥53.7 billion.
4. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

For Fiscal 2006, ended March 31, 2007

Geographic Distribution of Exposure, Details in Significant Areas by Major Types of Credit Exposure

(Billions of yen)

Region	Loans, commit-ments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure
Japan	15,704	12,816	27	5,144	33,692	306
Asia except Japan	72	23	11	912	1,020	—
Europe	604	3,379	117	2,627	6,728	—
The Americas	531	8,017	34	2,095	10,678	8
Other areas	43	13	0	0	57	—
Amounts held by consolidated subsidiaries	274	20	0	41	336	12
Total	17,231	24,271	190	10,821	52,514	326

Industry Distribution of Exposure, Details by Major Types of Credit Exposure

(Billions of yen)

Industry	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure	Write-off of loans (amounts of partial direct write-off)
Food products	709	161	0	0	871	49	0
Pulp and paper	190	49	0	0	239	1	—
Chemicals	547	170	0	0	718	12	—
Other manufacturing	1,056	187	1	0	1,245	24	0
Total for manufacturing	2,503	568	1	0	3,074	88	0
Agriculture, forestry and fishing	126	0	—	0	126	36	3
Construction	170	16	0	0	187	1	—
Utility	170	67	0	0	238	—	—
Information/telecommunications, transportation	838	157	1	0	998	13	—
Wholesaling, retailing	1,848	122	0	0	1,971	69	2
Services	1,428	119	0	0	1,549	60	2
Finance and insurance	2,494	5,569	186	10,038	18,288	43	—
Other non-manufacturing	7,377	17,628	0	739	25,745	0	—
Total for non-manufacturing	14,453	23,682	188	10,779	49,103	226	7
Amounts held by consolidated subsidiaries	274	20	0	41	336	12	3
Total	17,231	24,271	190	10,821	52,514	326	11

Notes: 1. "Other non-manufacturing" includes the central government, local governments and related entities
2. "Others" within "Finance and insurance" includes repo-type transactions, call loans, and certain other items

Residual Contractual Maturity Breakdown of Credit Risk Exposure

(Billions of yen)

Term to maturity	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	12,186	439	80	9,244	21,951
Over 1 year to 3 years	2,304	2,246	104	—	4,655
Over 3 years to 5 years	1,555	2,722	1	80	4,360
Over 5 years to 7 years	460	3,222	0	6	3,690
Over 7 years	436	14,447	3	743	15,630
No term to maturity	13	1,171	—	704	1,889
Amounts held by consolidated subsidiaries	274	20	0	41	336
Total	17,231	24,271	190	10,821	52,514

Notes: 1. In consideration of accuracy of disclosure, the Bank will begin to disclose the average-risk position for the period when it differs substantially from the amount at the end of the period, beginning for the interim period ending September 30, 2007.
2. The amounts of credit-risk exposure held by consolidated subsidiaries are less than 1% of consolidated risk exposure, so only the total amounts held by these subsidiaries are shown.
3. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥335.1 billion.
4. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

(2) RESERVES FOR POSSIBLE LOAN LOSSES

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specific Reserve for Loans to Countries with Financial Problems by Region

(Billions of yen)

Region	As of March 31, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Japan	**84**	101	(16)
Asia except Japan	**—**	—	—
Europe	**1**	—	1
The Americas	**—**	4	(4)
Other areas	**—**	—	—
Amounts held by consolidated subsidiaries	**7**	6	0
Offsets on consolidation	**(4)**	(4)	0
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**129**	173	(43)

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specified Reserve for Loans to Countries with Financial Problems by Industry

(Billions of yen)

Industry	As of March 31, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Manufacturing:	**9**	11	(1)
Food products	**6**	6	(0)
Pulp and paper	**1**	1	0
Chemicals	**—**	—	—
Other manufacturing	**2**	2	(0)
Non-manufacturing	**76**	94	(17)
Agriculture, forestry and fishing	**19**	14	4
Construction	**0**	0	0
Utility	**—**	—	—
Information/telecommunications, transportation	**9**	10	(0)
Wholesaling, retailing	**17**	27	(10)
Services	**14**	21	(6)
Finance and insurance	**0**	20	(19)
Other non-manufacturing	**15**	0	15
Others	**—**	—	—
Amount held by consolidated subsidiaries	**7**	6	0
Offsets on consolidation	**(4)**	(4)	0
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**129**	173	(43)

(3) EXPOSURE SUBJECT TO THE INTERNAL RATINGS-BASED APPROACH

Types of Exposure by Portfolio and Outline of the Internal Rating Procedure

■ Corporate, Sovereign and Bank Exposure

Types of Exposure

Corporate, sovereign and bank exposure include exposure to corporate, sovereign, bank and Specialized Lending.

Within these categories, corporate is subdivided into resident and non-resident corporate.

Specialized Lending is subdivided into Income-Producing Real Estate (IPRE), High-Volatility Commercial Real Estate (HVCRE), Object Finance (OF) and Project Finance (PF).

Outline of Internal Rating Procedure

Assigning internal ratings to the obligor of corporate exposure follows the procedure as follows. The front sections prepare a draft proposal for the internal ratings. The draft proposal is then reviewed and decided by a credit risk management division. Specifically, this process is in accordance with manuals prepared for various types of exposure by corporate, sovereign, bank and Specialized Lending.

Work Flow for Assigning Internal Ratings

All the latest, relevant and important information that can be obtained is taken into consideration when internal ratings are assigned. In addition, internal ratings are subject to more than annual "regular reviews," when the latest financial results of the borrower are reflected in the revised ratings. When there are events that may affect internal ratings, the Bank conducts an "ad-hoc review."

	Items for Review	Content of Review
1	Financial rating	The Bank employs a model to prepare a risk profile based on the quantitative information in the borrower's financial statement to assign a rating.
2	Adjustments in financial rating	To evaluate the actual state of the financial rating of the borrower more thoroughly, supplementary assessments are made.
3	Qualitative assessments	When there are important matters related to the assessment of creditworthiness, that may not be captured quantitatively qualitative evaluations are conducted.
4	Country adjustments	Adjustments are conducted to make the credit rating of the country where the borrower's initial risks are located as the ceiling on the rating the Bank will assign.
5	Taking account of external information	Adjustments are conducted in ratings to take account of circumstances, which may be evident from the rating from credit rating agencies and trends in stock prices and other indicators that have not been factored into quantitative and qualitative assessments.
6	Judgments regarding the debtor classification	When self-assessments are conducted according to procedures, judgments are conducted regarding the debtor classification.
7	Overall judgments on ratings	In addition to the assessment processes mentioned previously, when there are matters that have an effect on ratings, such matters are included in this item, and then a final decision is made on the internal rating.

Note that the internal auditing units of the Bank, which are independent of the front sections and the credit risk management sections, also audit the ratings to ensure the appropriateness of the internal ratings and the accuracy of internal rating results.

■ Equity Exposure

Internal ratings are assigned to equity exposure, according to the same process as in assigning ratings to corporate exposure.

■ Retail Exposure

For retail exposure, the procedures for assigning retail internal ratings involve setting criteria for exposure eligible for management in retail pools that have similar risk characteristics, such as retail exposure secured by residential properties, qualifying revolving retail exposure and other retail exposure, and ratings are assigned to these pools (corresponding to the rating of exposure to corporate, sovereign and bank). Ratings for individual retail exposure are assigned, according to the pool rating based on the manual for internal credit ratings of retail exposure.

a. Corporate, Sovereign and Bank Exposure

Internal Ratings and Estimation of Parameters

The table of probability of default for various internal ratings is divided into four classifications: resident corporate, non-resident corporate, sovereign and bank. The methods for estimating these probabilities of default are (a) the internal default experience method: the Bank estimates probability of default based on the long-term averaged default rate for each rating grade and (b) mapping technique: the Bank maps internal grades to the scale used by a credit rating agency and then attributes the default rate of that agency to the Bank's grades.

Note that the Bank's definition of default used in estimating the probability of default and in validation meets the conditions of minimum requirements for the IRB approach.

Note that for Specialized Lending, the Bank uses slotting criteria to compute risk-weighted assets.

Fiscal 2007 (Ended March 31, 2008)

(Billions of yen)

Ratings		Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
						EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure		4.05%	38.93%	74%	7,047	5,099	1,947
	1-1 to 4	0.16%	37.14%	28%	5,337	3,542	1,794
	5 to 7	1.69%	44.49%	110%	1,101	994	107
	8-1 to 8-2	19.21%	44.63%	353%	432	391	41
	Subtotal	1.60%	38.79%	62%	6,871	4,928	1,943
	8-3 to 10-2	100.00%	44.72%	560%	175	171	3
Sovereign Exposure		0.00%	46.15%	0%	19,226	18,131	1,094
	1-1 to 4	0.00%	46.15%	0%	19,225	18,131	1,094
	5 to 7	7.78%	45.00%	218%	0	0	—
	8-1 to 8-2	—	—	—	—	—	—
	Subtotal	0.00%	46.15%	0%	19,226	18,131	1,094
	8-3 to 10-2	—	—	—	—	—	—
Bank Exposure		0.05%	25.74%	10%	14,291	6,737	7,554
	1-1 to 4	0.04%	25.71%	9%	14,263	6,716	7,546
	5 to 7	2.50%	45.00%	157%	16	10	6
	8-1 to 8-2	7.07%	27.86%	142%	10	10	0
	Subtotal	0.04%	25.74%	10%	14,290	6,736	7,554
	8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach		0.34%	90.00%	165%	73	73	—
	1-1 to 4	0.18%	90.00%	156%	69	69	—
	5 to 7	2.06%	90.00%	304%	3	3	—
	8-1 to 8-2	19.91%	90.00%	783%	0	0	—
	Subtotal	0.34%	90.00%	165%	73	73	—
	8-3 to 10-2	—	—	—	—	—	—

Notes: 1. Weighted averages of PD, LGD and risk weights are computed based on EAD (including on-balance and off-balance items).
2. Risk weights are equivalent to 8% of the total of the amount of risk-weighted assets and expected loss, divided by EAD.
3. "Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach" does not take account of Rider No. 13 to the Notification Regarding Capital Adequacy (regarding provisional measures for equity exposure).

Fiscal 2006 (Ended March 31, 2007)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
					EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	4.17%	40.07%	67%	7,637	5,780	1,856
1-1 to 4	0.14%	38.85%	28%	5,999	4,302	1,697
5 to 7	1.80%	44.64%	115%	1,168	1,032	136
8-1 to 8-2	16.88%	43.96%	329%	215	202	13
Subtotal	0.89%	39.92%	51%	7,384	5,537	1,847
8-3 to 10-2	100.00%	44.39%	558%	252	243	9
Sovereign Exposure	0.00%	45.82%	0%	26,972	26,229	742
1-1 to 4	0.00%	45.82%	0%	26,971	26,229	742
5 to 7	7.78%	45.00%	226%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	45.82%	0%	26,972	26,229	742
8-3 to 10-2	100.00%	45.00%	562%	0	0	—
Bank Exposure	0.05%	20.16%	10%	13,017	5,372	7,644
1-1 to 4	0.04%	20.11%	9%	12,980	5,342	7,638
5 to 7	2.07%	45.00%	138%	27	21	5
8-1 to 8-2	7.07%	16.61%	87%	8	8	0
Subtotal	0.05%	20.16%	10%	13,016	5,372	7,644
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	13.97%	90.00%	368%	82	82	—
1-1 to 4	0.08%	90.00%	205%	63	63	—
5 to 7	0.84%	90.00%	255%	0	0	—
8-1 to 8-2	17.24%	90.00%	738%	7	7	—
Subtotal	1.87%	90.00%	261%	71	71	—
8-3 to 10-2	100.00%	90.00%	1,125%	10	10	—

Notes: 1. Weighted averages of PD, LGD and risk weights are computed based on EAD (including on-balance and off-balance items).
2. Risk weights are equivalent to 8% of the total of the amount of risk-weighted assets and expected loss, divided by EAD.
3. "Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach" does not take account of Rider No. 13 to the Notification Regarding Capital Adequacy (regarding provisional measures for equity exposure).

b. Retail Exposure

Retail Pools and Risk Components

On retail exposure, the Bank estimates PD, LGD, and EAD for each pool. PD is estimated by reviewing our internal historical default data. LGD is also estimated by reviewing our internal actual loss and recovery data. EAD is supposed to be the end balance, since the Bank has no exposure for revolving products.

As for the weighted average risk weight of the Retail exposure, as for 71%, the weighted average risk weight of the other retail exposure, 119%, the weighted average risk weight in the whole retail exposure become 75%.

Note that the Bank's definition of default used in estimating the probability of default and in validation meets the conditions of the minimum requirements for the IRB Approach.

Fiscal 2007 (Ended March 31, 2008)
Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	2.88%	49.01%	89.15%	82.61%	71%	680	518	161
Not default Not delinquent	0.45%	49.03%	/	/	41%	647	486	160
Not default Delinquent	24.12%	48.54%	/	/	427%	20	20	0
Not default Subtotal	1.18%	49.01%	/	/	53%	668	507	161
Default	100.00%	/	89.15%	82.61%	1,114%	11	11	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	7.49%	57.03%	73.66%	67.25%	119%	66	58	7
Not default Not delinquent	1.23%	57.20%	/	/	64%	60	52	7
Not default Delinquent	20.96%	52.66%	/	/	260%	2	2	0
Not default Subtotal	1.96%	57.03%	/	/	71%	62	55	7
Default	100.00%	/	73.66%	67.25%	921%	3	3	0
Total	3.29%	49.73%	85.39%	78.89%	75%	746	577	169
Not default Not delinquent	0.52%	49.72%	/	/	43%	708	539	168
Not default Delinquent	23.80%	48.96%	/	/	410%	22	22	0
Not default Subtotal	1.25%	49.70%	/	/	54%	731	562	168
Default	100.00%	/	85.39%	78.89%	1,067%	15	15	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.
2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.
3. Risk weights are equivalent to the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).
4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).
5. As of March 31, 2008, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

Fiscal 2006 (Ended March 31, 2007)

Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	3.22%	40.82%	78.17%	72.38%	59%	422	422	—
Not default Not delinquent	0.37%	40.87%	/	/	28%	396	396	—
Not default Delinquent	20.31%	39.84%	/	/	323%	17	17	—
Not default Subtotal	1.21%	40.82%	/	/	40%	413	413	—
Default	100.00%	/	78.17%	72.38%	977%	8	8	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	4.38%	40.97%	49.65%	46.32%	67%	118	113	5
Not default Not delinquent	1.39%	40.98%	/	/	48%	111	106	4
Not default Delinquent	17.56%	40.76%	/	/	174%	3	3	—
Not default Subtotal	1.96%	40.97%	/	/	53%	115	110	4
Default	100.00%	/	49.65%	46.32%	621%	2	2	0
Total	3.47%	40.86%	70.92%	65.76%	61%	540	535	5
Not default Not delinquent	0.60%	40.89%	/	/	32%	507	502	4
Not default Delinquent	19.80%	40.01%	/	/	295%	21	21	0
Not default Subtotal	1.37%	40.86%	/	/	43%	529	524	4
Default	100.00%	/	70.92%	65.76%	886%	11	11	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.

3. Risk weights are equivalent to the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default)

5. As of March 31, 2007, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

c. Actual Losses on Exposure to Corporate, Sovereign, Bank, and Retail Exposure

Actual Losses for the Previous Period, Comparison with the Year before Last Results and Analysis of Causes

(Billions of yen)

Type of exposure	As of March 31, 2008	As of March 31, 2007	Increase/(decrease)
Corporate exposure	**7**	18	(11)
Sovereign exposure	**—**	—	—
Bank exposure	**—**	—	—
Equity exposure subject to PD/LGD approach	**0**	0	(0)
Retail exposure secured by residential properties	**0**	—	0
Qualifying revolving retail exposure	**—**	—	—
Other retail exposure	**0**	0	0

Note: Actual losses are defined as losses due to direct write-offs, partial direct write-offs, general reserves for possible loan losses and loan sales of exposure that defaulted up to the end of the previous period.

Estimated Losses Depend on Historical Long-Term Results, Comparison with Actual Losses

(Billions of yen)

Type of exposure	As of March 31, 2008		As of March 31, 2007	
	Estimated losses	Actual losses	Estimated losses	Actual losses
Corporate exposure	**29**	**7**	27	18
Sovereign exposure	**1**	**—**	1	—
Bank exposure	**0**	**—**	0	—
Equity exposure subject to PD/LGD approach	**1**	**0**	0	0
Retail exposure secured by residential properties	**1**	**0**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**0**	**0**	0	0

Notes: 1. Comparisons of estimated and actual long-term losses for 10 years accumulatively are scheduled to be disclosed from the year following the application of Basel II (the year ending March 31, 2007).
2. The scope of actual and estimated losses includes the following accounts on balance sheet: loans, foreign exchange, accrued interests in other assets, suspense payable and customers' liabilities for acceptances and guarantees, as well as securities without quoted market values, money trusts without quoted market values, and monetary claims purchased.
3. Estimated losses of each year are amount of expected losses.

Year-on-year comparison of actual losses and factor analysis of difference between estimated losses and actual losses

For fiscal 2007 (ended March 31, 2008) the actual loss amount substantially declined year-on-year due to a decrease in losses arising from defaults by corporate borrowers.

Actual loss amounts have remained at levels generally below the estimated losses at the beginning of the term, both for fiscal 2007 and 2006.

d. Exposure to Specialized Lending Products Subject to Supervisory Slotting Criteria by RW

Amount of Specialized Lending Exposure Subject to Supervisory Slotting Criteria by RW

(Billions of yen)

Classification	**As of March 31, 2008**	As of March 31, 2007
Specialized Lending exposure subject to supervisory slotting criteria	**917**	956
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	**742**	855
Risk weight of 50%	**117**	49
Risk weight of 70%	**419**	539
Risk weight of 90%	**151**	187
Risk weight of 115%	**12**	18
Risk weight of 250%	**0**	15
Risk weight of 0% (default)	**41**	45
High-Volatility Commercial Real Estate (HVCRE)	**174**	100
Risk weight of 70%	**41**	0
Risk weight of 95%	**69**	19
Risk weight of 120%	**10**	60
Risk weight of 140%	**42**	—
Risk weight of 250%	**11**	20
Risk weight of 0% (default)	**—**	—

Notes: 1. "Specialized Lending" refers to loans for Project Finance (PF), Object Finance (OF), Commodity Finance (CF) and Income-Producing Real Estate (IPRE) (as defined in the Notification Regarding Capital Adequacy, Article 1-1-41).

2. "High-Volatility Commercial Real Estate (HVCRE)" refers to loans that are the financing of commercial real estate that exhibits a higher rate of loss volatility compared to other types of Specialized Lending, as specified in the Notification Regarding Capital Adequacy, Article 1-1-43.

3. "Specialized Lending exposure subject to supervisory slotting criteria" refers to the amounts of Specialized Lending, subject to the Bank's internal rating system, and have been allotted to the risk asset classifications given in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5, after taking account of risk weights.

4. For risk weights, the Bank has applied the stipulations contained in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5.

e. Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach by RW

Amount of Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach

(Billions of yen)

Classification	**As of March 31, 2008**	As of March 31, 2007
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	**92**	79
Risk weight of 300%	**—**	—
Risk weight of 400%	**92**	79

Note: The "simple risk-weighted method of the market-based approach by RW" is a method for computing the amount of risk-weighted assets of equity and other investments. Under this method, the market value of listed stocks is multiplied by a risk weight of 300%, and the estimated value of unlisted stocks is multiplied by a risk weight of 400% (Notification Regarding Capital Adequacy, Article 143-4).

(4) EXPOSURE SUBJECT TO STANDARDIZED APPROACH BY RISK WEIGHT

Outline

The Bank employs its internal rating approach in computing risk assets; however, for the assets listed below, the percentage of such assets in credit risk assets is extremely small, and they are not regarded as material from a perspective of credit risk management. Accordingly, for a portion of these assets, the Bank applies the Standardized Approach and does not plan to apply the IRB Approach.

- The on-balance sheet assets and off-balance sheet items of its consolidated subsidiaries, with the exception of Kyodo Housing Loan Co., Ltd.
- The following assets held by the Bank and Kyodo Housing Loan: Suspense payable (with the exception of payable account for securities), prepayment costs, among foreign currency forward contracts those for foreign currency deposits of cooperative organizations and current account overdrafts (to holders of the Bank's debentures).

Please note that Kyodo Housing Loan has adopted the Foundation Internal Ratings-Based Approach (F-IRB) from March 31, 2008.

The Bank uses the ratings of five qualified credit rating agencies (External Credit Assessment Institution (ECAI)) in computing its risk assets: Standard & Poor's, Moody's Investors Service, Fitch Ratings, Ltd., Rating & Investment Information, Inc. and Japan Credit Rating Agency, Ltd. The Bank, based on the Notification Regarding Capital Adequacy, Article 44, applies a risk weight of 100% to its exposure to corporate and others (excluding past due exposure for three months or more), regardless of the ratings assigned by these qualified rating agencies.

Amount of Exposure Subject to Standardized Approach

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Exposure	Refer to ECAI	Exposure	Refer to ECAI
Exposure subject to Standardized Approach	**53**	**—**	335	—
Risk weight of 0%	**14**	**—**	19	—
Risk weight of 10%	**—**	**—**	5	—
Risk weight of 20%	**21**	**—**	13	—
Risk weight of 35%	**—**	**—**	143	—
Risk weight of 50%	**1**	**1**	0	—
Risk weight of 75%	**—**	**—**	66	—
Risk weight of 100%	**14**	**—**	74	—
Risk weight of 150%	**—**	**—**	0	—
Amount deducted from capital	**—**	**—**	—	—
Others	**1**	**—**	0	—

Notes: 1. Others are including risk weight to measure credit risk asset by look-through approach and the assets which are more than 150% risk weight.
2. For exposure computed by the Standardized Approach, the Bank does not refer to external ratings in applying risk weight in any case.

4. Items for Methods of Credit Risk Mitigation Techniques (Consolidated)

Outline of Risk Management Policy and Procedures Related to Credit Risk Mitigation Techniques

■ Outline of Evaluation, Administrative Policy and Procedures for Collateral

The Bank regards future cash flows from the businesses it lends to as the normal source of funds for recovery of its claims on those businesses. Collateral is viewed only as a supplement to cash flow. The recovery of claims through the seizure of collateral occurs when the debtor experiences difficulty in meeting its obligations. Thus, the Bank applies in which collateral evaluation methods to avoid a situation actual recoveries from collateral are less than the valuation of the collateral.

The Bank evaluates collateral based on such objective measurements as reports of appraisers, official land valuations for inheritance tax purposes, and market value. The Bank has established internal procedures for such evaluations to avoid wide variations in assessments. In addition, procedures have been established for the frequency of reviews of evaluations that depend on the type of collateral and the credit condition of the borrower, and evaluations are adjusted to reflect fluctuations in prices. To ensure such reviews are conducted appropriately, assessments are conducted when policies for specific borrowers are prepared and at the time of self-assessments. Depending on the type of asset, the Bank reflects the objectively determined value of collateral in specific coefficients multiplied by the value of assets to estimate the disposal value of collateral. The expected recovery value of the collateral is regarded as security for the Bank's claims and is taken into consideration in making credit decisions and provisions to reserves for possible loan losses. Even in the case of evaluations of real estate, which may vary depending on the accuracy of the methods employed, adjustments are made in coefficients.

In addition, when evaluating the credit standing of guarantors, in principle, the Bank assigns internal ratings. After assessing a guarantor's creditworthiness, the Bank determines the value the Bank applies to the guarantee as security for its claims.

In administering collateral, procedures have been established to maintain legal efficacy and to take the necessary measures to exercise rights to collateral. The related documentation is reviewed not only at the time the collateral is pledged but also periodically thereafter.

■ Principal Types of Collateral

The principal types of collateral are securities, commercial notes and real estate.

■ Types of Guarantors and Principal Counterparties in Credit Derivatives and Explanation of Their Credit Standing

The principal types of guarantors in such transactions are mainly sovereigns, including central governments and local governments, and corporates with high credit ratings. Note that no transactions have been made to mitigate the credit risk of credit derivatives.

■ Credit Risk Mitigation Techniques

The principal methods adopted by the Bank to mitigate credit risk are as follows.

Eligible Financial Collateral

Taking account of the conditions stated in the Notification Regarding Capital Adequacy (the Notification) and the Bank's operating practices, the Bank adopts the following methods for accepting monetary assets as collateral to mitigate credit risk: (1) Taking repo-type transactions as collateral, following the stipulations of the Notification and (2) aside from repo-type transactions, taking deposits with the Bank (including Norinchukin Bank Debentures) and stocks as collateral. No other monetary assets are accepted as collateral to mitigate credit risk.

Other Eligible IRB Collateral

Taking account of the conditions stated in the Notification Regarding Capital Adequacy (the Notification) and the Bank's operating practices, the Bank does not consider real estate, commercial notes, and certain other assets as collateral to mitigate credit risk.

On-Balance Sheet Netting for Loans and Deposits

Taking account of the provisions of the Notification and the Bank's operating practices, the Bank does not take deposits held with the Bank without pledge as collateral as a means of mitigating credit risk.

Legally Binding Netting Contracts for Derivatives and Repo-Style Transactions

The Bank considers legally binding bilateral netting contracts for derivatives as a means of mitigating credit risk.

The Bank has a policy of entering into derivative transactions, in principle, only with counterparties with legally binding netting contracts.

In its administration of legally binding netting contracts, the Bank confirms the scope of transactions as and when necessary.

Also, the Bank calculates the amount of credit risk exposure regarding transactions made under the International Swap and Derivatives Association (ISDA) Master Agreement as transactions under legally binding netting agreements.

On the other hand, for repo-style transactions, although the Bank has concluded legally binding netting agreements with its major counterparties, taking account of the stipulations of the Notification and the Bank's operating practices, the Bank does not consider these agreements as a means of mitigating credit risk.

■ Information about (Market or Credit) Risk Concentrations arising from Credit Risk Mitigations

For exposure where the credit risk has been transferred from the party being guaranteed to the party making the guarantee, as a result of credit risk mitigation techniques, the Bank monitors whether there are concentrations of credit risk, and manages this exposure accordingly. Regarding market risk, there is no exposure of credit derivatives included in the Bank's trading accounts.

Amount of Exposure Subject to Credit Risk Mitigation Techniques (Eligible Financial Collateral, Other Eligible IRB Collateral, Guarantees, Credit Derivatives)

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Foundation Internal Ratings-Based Approach	**6,557**	7,786
Eligible financial collateral	**6,263**	7,368
Corporate exposure	**926**	825
Sovereign exposure	**—**	—
Bank exposure	**5,337**	6,543
Other eligible IRB collateral	**—**	—
Corporate exposure	**—**	—
Sovereign exposure	**—**	—
Bank exposure	**—**	—
Guarantees, credit derivatives	**293**	418
Corporate exposure	**260**	371
Sovereign exposure	**33**	47
Bank exposure	**—**	—
Retail exposure secured by residential properties	**—**	—
Qualifying revolving retail exposure	**—**	—
Other retail exposure	**—**	—
Standardized Approach	**—**	—
Eligible financial collateral	**—**	—
Guarantees, Credit Derivatives	**—**	—

Notes: 1. The amount of exposure for which credit risk mitigation techniques have been used is limited to the portion for which such effects have been taken into account.

2. Exposure subject to treatment as credit risk exposure is not included.

5. Items for Counterparty Credit Risk in Derivative Transactions (Consolidated)

Outline of Risk Management Policy and Procedures for Counterparty Credit Risk in Derivatives and Transactions with a Long Settlement Period

■ Policy for Allocation of Risk Capital and Credit Lines

To manage the credit risk involved in derivative transactions where the counterparty is a financial institution, the Bank places a ceiling according to the creditworthiness of the counterparty. The Bank sets a ceiling on unsecured exposure to financial institution groups according to the Bank's internal ratings and sectors of those groups. The Bank manages its total unsecured exposure to such groups, including the credit risk amount in derivative transactions, within the ceiling. This ceiling system is known as the "bank ceiling system." Within the limits of this ceiling, each of the front sections is allocated a position limit by the entity within the group and by type of transaction (such as derivatives, loans, money market transactions). Exposures are managed so as not to exceed risk limits, including derivative transactions. Note that under the bank ceiling system, the exposure amounts of derivatives to be managed are included in "replacement costs," one component of current exposure in the BIS framework. The ceiling on unsecured exposure, by internal rating and sector, is approved by the Bank's Credit Committee, including the member of the board in charge of risk management as a member of the committee. When the internal rating of the financial institution counterparty is downgraded due to a decline in creditworthiness, the ceiling may be automatically lowered. Compliance with the ceiling is monitored on a daily basis by the Risk Monitoring Division. When the total exposure is over a certain percentage of the limit, the Risk Monitoring Division sends a notice to the front section in charge and the Credit Risk Management Division. After receiving this notice, the Credit Risk Management Division and the relevant divisions consider and implement countermeasures. However, when prompt action is required, discussion with the relevant divisions is waived, and the Credit Risk Management Division exercises its authority to take measures immediately, such as ordering the front section to suspend all new transactions.

■ Policy for Calculating the Value of Collateral as Security for Claims and Reserve for Possible Loan Losses

For derivative transactions, the Bank has concluded a Credit Support Annex (CSA) with its major counterparty among financial institutions. In some cases, the Bank receives collateral from these financial institution counterparties. The collateral to be used differs according to the condition of the CSA, but it mainly consists of Japanese government bonds (JGBs), yen cash, U.S. Treasury bonds, and U.S. dollar cash. Regarding replacement costs, the Bank conducts self-assessment exercises and makes provisions to reserves for possible loan losses against possible replacement costs according to the internal rating of the financial institution counterparty.

■ Explanation of Impact if Necessary to Provide Additional Collateral when the Bank's Credit Standing Deteriorates

In general terms, if the Bank's credit rating declines and its creditworthiness deteriorates, financial institutions dealing with the Bank will reduce their credit risk limits and may request collateral from the Bank. Especially under many CSA agreements, when the external credit rating of a bank declines, the credit risk limits applicable to that bank are reduced. If the Bank's credit rating declines, it will be required to provide collateral in accordance with its agreements. However, if the Bank has large holdings of liquid financial instruments, such as government bonds, it will have a sufficient level of assets to offer as collateral, and the Bank's Market Portfolio Management Committee constantly monitors the level of these assets. For this reason, even if the Bank is required to provide additional collateral, the impact on the Bank's activities will be minimal.

Methods Used for Calculating Amount of Credit Exposure

The current exposure method is adopted.

Breakdown of the Amount of Credit Exposure

(Billions of yen)

Classification		As of March 31, 2008	As of March 31, 2007
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	**994**	124
Total gross add-ons	(B)	**517**	310
Gross credit exposure	(C) = (A)+(B)	**1,512**	434
Including, foreign exchange related		**1,450**	374
Including, interest rate related		**54**	57
Including, equity related		**3**	3
Including, credit derivatives		**3**	—
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(D)	**180**	191
Reduction in credit exposure due to netting contracts	(C)–(D)	**1,331**	243
Amount of collateral		**0**	0
Including eligible financial collateral		**0**	0
Amount of credit exposure after taking into account credit risk mitigation techniques du to collateral		**1,331**	243

Notes: 1. Derivatives transactions included in risk-weighted assets calculation for investment funds are not included.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 56-1, the amount of credit exposure not computed has not been included.

Notional Principal Amount of Credit Derivatives Included in Computation of Credit Exposure

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
To buy protection	**—**	—
Including credit default swaps	**—**	—
To sell protection	**79**	—
Including credit default swaps	**79**	—
Notional principal amount of credit derivatives taking into consideration the effect of credit risk mitigation techniques	**—**	—

Notes: 1. Credit derivatives included in risk-weighted assets for investment funds have not been taken into consideration.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 10 and Article 56, the amount of credit risk assets not computed has not been included.

6. Items for Securitization Exposure (Consolidated)

Outline of Risk Management Policy and Procedures for Securitization Exposure

As part of its credit risk transactions, the Bank conducts transactions in securitized (structured finance) instruments. Securitized transactions have a certain type of assets as the underlying assets and make it possible to effectively and efficiently mitigate and acquire credit risk and other forms of risk. Transactions in the market for securitized instruments have expanded in recent years. While conducting appropriate risk management, the Bank also has a policy of continuously investing in these instruments.

The Bank invests in securitization exposure as part of its policy of effectively generating earnings, globally and from credit to individuals and corporates as underlying assets. In making investments in these instruments, the Bank takes account of its market risk asset position as well as its loans and other credit risk asset portfolio and, based on its overall asset allocation policy, engages flexibly in transactions in these instruments while constantly taking account of the market environment. To manage the risk of these investments, the Bank adheres to the credit risk and market risk management frameworks it has established. Specifically, the Bank has established the risk management infrastructure such as credit ceiling, internal rating, self-assessment, and economic capital allocation. Risk management of securitized instruments mainly consists of the cycle of investment policy setting, execution, and monitoring.

In view of the risk profiles of securitization exposure, the Bank sets limits on investment by credit rating. Where the securitized investment instruments are based on underlying assets other than loans, the Bank conducts a risk evaluation process to make correct judgments regarding risk and return on these investments. The Bank monitors the credit condition of these investment products on a continuous basis and conducts analysis and assessment of market environments, including changes in underlying assets for securitization exposure. Regarding its securitization exposure, the Bank appropriately calculates the amounts of credit risk assets based on the Notifications of the financial authorities. As part of its integrated risk management, it examines migrations in credit ratings. In addition, based on the risk properties of the securitization exposure, the Bank computes risk volumes and engages in other initiatives to enhance the accuracy and sophistication of its risk management.

Please note that, as of March 31, 2008, the Bank has not been an originator of securitized transactions, having effects of credit risk mitigation from a regulatory perspective.

Computation of Risk-Weighted Assets for Credit Risk in Securitization Exposure

The Bank computes the amount of risk-weighted assets for securitization exposure by applying the "Ratings-Based Approach (RBA)," "Supervisory Formula (SF)" and "deduction from capital."

The Bank's accounting treatments for securitized instruments are based on the "Accounting Standards for Financial Products" and "Practical Guidelines for Accounting for Financial Products."

To determine risk weights assigned to its securitization exposure, the Bank uses five qualified rating agencies (External Credit Assessment Institution (ECAI)): Standard & Poor's, Moody's Investors Service, Fitch Ratings, Ltd., Rating & Investment Information, Inc., and Japan Credit Rating Agency, Ltd.

The Amount of Underlying Assets Securitized by the Bank by Asset Type

As of March 31, 2007, the Bank has not been an originator for securitization exposure, having effects of credit risk mitigation.

Detail of Securitization Exposure Held as Originator

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Total amount of underlying assets	—	—
Amounts of securitization exposure	—	—
Increase in capital due to securitization transactions	—	—
Deducted from capital	—	—
Amounts of securitized exposure	—	—
Gains (losses) on sales of securitization transactions	—	—

As of March 31, 2008, the Bank has not been an originator for securitization exposure, having effects of credit risk mitigation.

Details of Securitization Exposure Held as Investor by Exposure Type

(Billions of yen)

Classification	As of March 31, 2008	
	Amount of exposure	Deductions from capital
Total amount of securitization exposure	**6,042**	**23**
Individuals		
Asset-Backed Securities (ABS)	**1,841**	**—**
Residential Mortgage-Backed Securities (RMBS)	**847**	**1**
Real estate		
Commercial Mortgage-Backed Securities (CMBS)	**751**	**—**
Corporates		
Subtotal of CDOs (CLO, ABS-CDO, CBO)	**2,515**	**0**
Collateralized Loan Obligations (CLO)	**1,997**	**—**
Asset-Backed Securities CDOs (ABS-CDO)	**412**	**0**
Collateralized Bond Obligations (CBO)	**105**	**—**
Others	**86**	**21**

(Billions of yen)

Classification	As of March 31, 2007	
	Amount of exposure	Deductions from capital
Amount of securitization exposure	4,331	44
Corporates	1,555	15
Individuals	1,708	—
Real estate	889	2
Other	177	26

Note: "Deduction from capital" is equity exposure deducted from capital under Article 224 of the Notification Regarding Capital Adequacy.

Amount of Securitization Exposure Held as Investor and Regulatory Required Capital by Risk-Weighted Category

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amount of exposure	Regulatory Required Capital	Amount of exposure	Regulatory Required Capital
Amount of securitization exposure	**6,042**	**112**	4,331	115
Risk weight: 20% or less	**5,441**	**48**	3,606	36
Risk weight: exceeding 20% to 50% or less	**249**	**7**	377	10
Risk weight: exceeding 50% to 100% or less	**266**	**18**	291	20
Risk weight: exceeding 100% to 250% or less	**48**	**9**	7	1
Risk weight: exceeding 250% to less than 1,250%	**13**	**6**	4	2
Deductions from capital	**23**	**23**	44	44

Risk-Weighted Assets Computed through Application of Appendix Article 15 of the Notification Regarding Capital Adequacy

Not applicable

7. Items for Market Risk (Consolidated)

Methods for Computation of Market Risk Amount and Appropriate Assessment

The Bank uses an internal models approach to measure "general market risk in a trading account." The Bank applies the standardized method for measuring "individual risks in a trading account," "foreign currency exchange risk," "commodity risk," "assets and liabilities related to a trading account in consolidated subsidiaries" and "foreign currency exchange risk and commodity risk in consolidated subsidiaries."

The financial products handled in a trading account, where the internal models approach is applied to measure general market risk, are limited to products and transactions that have a high degree of liquidity. These include government bonds, interest rate futures, bond futures, interest rate swaps and other items. In computing the amount of market risk within "general market risk in a trading account," the Bank takes account of the special characteristics of the products handled and assumes a holding period of 10 business days.

Computation of the Market Risk Amount Using the Internal Models Approach

■ Scope of Market Risk Amounts Computed by the Internal Models Approach

The model deals with general market risk within a trading account. The scope is the same on a consolidated and non-consolidated basis. The following risks are computed according to the standardized method: individual risks in a trading account, foreign currency exchange risk, commodity risk and all the market risks with consolidated subsidiaries.

■ Specifications of the Internal Models Approach

(1) Form: Variance-covariance matrix
(2) Holding period: 10 business days
(3) Confidence interval: Computations assume a standard normal distribution, a 99th percentile, one-tailed confidence interval. (Computed for a holding period of one business day by multiplying by the square root of 10)

■ VaR

(Millions of yen)

	Fiscal 2007	Fiscal 2006
Base date of computation	**2008. 3. 31**	2007. 3. 30
VaR (For the most recent 60 business days)		
Base date of computation	**170**	105
Maximum	**532**	730
Minimum	**137**	103
Average	**252**	270

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2007	Fiscal 2006
For the portion computed with the internal models approach (B)+(E)	(A)	**859**	810
Value at Risk (MAX (C, D))	(B)	**859**	810
Amount on base date of computation	(C)	**170**	105
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	**859**	810
Additional amount at the time of measuring individual risk	(E)	**0**	0
(Multiplier)	(F)	**3.4**	3.0
(Times exceeding VaR in back testing)	(G)	**5**	4

8. Items for Equity Exposure (Consolidated)

(Includes items such as shares, excludes items in a trading account)

Outline of Risk Management Policy and Procedures Related to Equity Exposure

The Bank's exposure to equity comprises stocks classified as other securities and stocks of subsidiaries and other associated companies. The amounts of risk-weighted assets for credit risk are computed by the methods specified by the Notifications Regarding Capital Adequacy. However for internal management purposes, the Bank conducts integrated risk management within its economic capital management framework, as described in "Norinchukin Risk Management."

■ Equities Classified as Other Securities

Risk management of equities classified as other securities is conducted properly, principally as part of overall market risk (including interest rate risk and foreign currency exchange risk) that focuses on management within limits set in the economic capital management framework. Further details can be found in "Norinchukin Risk Management."

■ Stocks of Subsidiaries and Other Associated Companies

The stocks of subsidiaries and other associated companies are recognized as credit risk assets and managed within the economic capital management framework.

■ Principal Accounting Policies

For accounting purposes, among exposure to equity and other investments, stocks of subsidiaries and other associated companies are valued at cost, determined by the moving average method. Exposure to equity and other investments classified in other securities is valued at the market value prevailing on the date of the closing of accounts, in the case of equities with quoted market values (with book values mainly determined by the moving average method). Equities without market values are valued at cost, determined by the moving average method. In addition, the valuation difference on other securities is entered directly in the net assets account.

■ Computation of Risk-Weighted Assets Using the Internal Models Approach

The Bank applies the PD/LGD approach to calculation of risk-weighted assets for equity exposures, and the simple risk-weight method and internal model method for calculation under the market-based approach.

Amounts on the Balance Sheet and Market Value

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amounts on the balance sheet	Market value	Amounts on the balance sheet	Market value
Equity exposure	**825**	**825**	1,198	1,198
Exposure to publicly traded equity	**650**	**650**	1,051	1,051
Exposure to privately held equity	**175**	**175**	147	147

Notes: 1. No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately as specified in the Notification Regarding Capital Adequacy, Article 8-1-1.
2. Regarding "market value," equities with quoted market values are evaluated at market, and those without market values are valued using the total amounts entered in the balance sheet.

Amount of Gain (Loss) due to Sale or Write-Off

(Billions of yen)

Item	Fiscal 2007			Fiscal 2006		
	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.
Equity exposure	**53**	**0**	**72**	32	8	0

Note: Amounts reflect relevant figures posted in the consolidated income statements

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2008	As of March 31, 2007
Amount of valuation gain (loss) recognized on the balance sheet and not recognized in the statements of operations	**174**	330

Notes: 1. Exposure is to equity shares issued by both domestic and overseas companies.
2. No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately, as specified in the Notification Regarding Capital Adequacy, Article 8-1-1.

Unrealized Gains (Losses) Not Recognized on Consolidated Balance Sheets or Consolidated Statements of Income

Not applicable

Amount Included in Supplementary Capital (Tier II) Under Stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1

(Billions of yen)

Item	As of March 31, 2008	As of March 31, 2007
Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1	**—**	148

Note: "Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 6-1-1" is 45% of the total value of exposure to equity and other investments (excluding equities, etc., that are fund-raising instruments of other financial institutions that the Bank holds deliberately, as specified in the Notification Regarding Capital Adequacy, Article 8-1-1) classified under other securities at market value, minus the total book value of these securities.

Equity Exposure Subject to Treatment Under the Notification Regarding Capital Adequacy, Appendix Article 13

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
	Amounts on the balance sheets	Amounts on the balance sheets
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	**495**	687
Corporate	**480**	664
Bank	**9**	17
Sovereign	**5**	4

Note: Appendix Article 13 of the Notification Regarding Capital Adequacy specifies provisional methods for calculating the value of credit risk assets in exposure to equity and other investments that meets certain specified standards.

9. Items for Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund (Consolidated)

Overview of Risk Management and Procedures Related to Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

Exposure subject to risk-weighted asset calculation for the investment fund consists mainly of assets managed in investment trusts and money trusts. These assets include equities, bonds and credit assets, which are the Bank's principal investment assets. Risk management policies are determined according to the asset classes. An outline is provided in the section Norinchukin Risk Management. In addition to direct investment, the Bank allocates investments to funds. Relevant procedures are described in "Policies and Procedures for Management of Fund Investments." Risk is managed by applying methods appropriate for various asset categories. When these assets are entrusted with managers, the Bank conducts through due-diligence, including on operating systems, risk management systems, compliance systems, management philosophy and strategies as well as past performance of the managers to be chosen, before making decisions for manager selection. In addition, after entrusting these assets to managers, the Bank monitors their performance from quantitative and qualitative perspectives and conducts reviews of performance on a continuous basis to assess whether to continue or replace individual managers.

Amount of Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Exposure	(For reference) Weighted-average risk weight	Exposure	(For reference) Weighted-average risk weight
Look-through approach	**17,608**	**64%**	18,786	60%
Majority approach	**861**	**365%**	1,027	349%
Mandate approach	**—**	**—**	—	—
Market-based approach	**2,873**	**184%**	4,045	187%
Others (simple approach)	**381**	**459%**	550	505%
Total	**21,725**	**94%**	24,410	97%

Notes: 1. The "Look-through approach" is a method for computing the risk-weighted assets in fund by totaling the amount of risk-weighted assets for credit risk in individual asset categories. (Please refer to Notification Regarding Capital Adequacy, Article 144-1.)

2. The "Majority approach" is a method for computing the risk-weighted assets in fund by applying risk weight to the fund as well as equity exposure when the exposure of equity, in terms of value, is major in a fund. (Please refer to the Notification Regarding Capital Adequacy, Article 144-2.)

3. The "Mandate approach" is a method for computing the risk-weighted assets in fund where only the investment mandate of the fund is known. The risk-weighted assets are computed as follows; It is assumed that the fund first invests, to the maximum extent allowed under its mandate, in the asset classes attracting the highest capital requirement, and then continues making investments in descending order until the maximum total investment level is reached. (Please refer to the Notification Regarding Capital Adequacy, Article 144-3.)

4. The "Market-based approach" is a method for computing the credit risk of exposure regarded as credit risk assets using the Bank's internal model (which is a value-at-risk (VaR) model based on the historical simulation method). (Please refer to the Notification Regarding Capital Adequacy, Article 144-4.)

5. The "Others (simple approach)" is a method for computing the risk-weighted assets in fund by applying risk weight of 400%, when it is judged the probability that the weighted-average risk weight will be less than 400%. In all other cases, risk weight of 1,250% is applied to funds. (Please refer to the Notification Regarding Capital Adequacy, Article 144-5.)

6. The items "(For reference) Weighted-average risk weight" is computed as follows: calculating the total risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

10. Items for Interest-Rate Risk (Consolidated)

(Interest-rate risk (excluding trading account) is the gain or loss from interest-rate shocks or the increase or decrease in economic value used for internal management purposes.)

Outline of Risk Management and Procedures for Interest-Rate Risk

As described in the Norinchukin Risk Management section, in its economic capital management, which is the core of the Bank's risk management framework, the principal business model is the globally diversified investments. Accordingly, the Bank manages risk by taking into account correlation among or within asset classes, principally bonds, equities, credit assets, and diversification effects among asset classes.

In managing "interest-rate risk," the Bank analyzes interest-rate risk by running profit-and-loss impact simulations based on many types of scenarios and carries out various types of interest-rate sensitivity analysis, including BPV and yield-curve risk. In addition, the Bank conducts static and dynamic profit-and-loss impact analyses in major currencies. The Bank manages interest-rate risk in the banking book through a framework to properly capture the impact from interest-rate risk arising from various factors.

Combining this type of interest-rate risk management with the management of other major risks, the Bank has established checkpoints for application of its Internal Capital Adequacy Assessment Process (ICAAP). By conducting sets of stress testing and implementing other measures, the Bank always ensures the proper operation of risk management at all times, from the point of view of the assessment of capital adequacy as well.

Crucial Assumptions for Interest-Rate Risk Management, Frequency of Risk Measurement

As mentioned in the previous section, the core of the Bank's risk management activities is economic capital management. The Bank measures the risk of its securities portfolio on a daily basis. In the banking book, the Bank's internal rule applies one year holding period and five year historical observation period as criteria for interest-rate risk volatility measurements. The Bank calculates the declines in economic value on a monthly basis by taking the first and 99th percentile risk measure. Note that in principle, these measurements cover all financial assets and liabilities, while the measurement process does not take account of inter-grid factors and correlations with other assets at all.

Interest-Rate Risk Volume Computed with the Internal Model in Core Business Accounts (The Banking Accounts)

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Interest-rate risk	**1,290**	1,994
Yen interest-rate risk	**(62)**	131
U.S. dollar interest-rate risk	**1,214**	1,633
Euro interest-rate risk	**114**	203
Interest-rate risk in other currencies	**23**	26

Notes: 1. Interest-rate risk in consolidated subsidiaries is limited in view of the size of their assets, so the interest-rate risk volume for the Bank on a non-consolidated basis is shown here.

2. Regarding core deposits, since the balances of deposits, etc., without maturity dates are limited, the Bank does not currently measure their risk volume. In addition, regarding repayments of mortgage-backed securities and callable securities before maturity, risk volume is measured after taking account of negative convexity and option vega due to call conditions and other factors.

1. Capital Structure (Non-Consolidated)

(1) CAPITAL ADEQUACY RATIO (NON-CONSOLIDATED)

Non-Consolidated Capital Adequacy Ratio (Basel capital adequacy standards) (Basel II)

Note: The Bank's capital adequacy ratio for the fiscal year ended March 31, 2008 and 2007, was computed according to Basel II.

As of March 31

Items			Millions of yen		Millions of U.S. dollars
			2008	2007	2008
Tier I capital	Capital stock		2,016,033	1,484,017	20,120
	Included as non-cumulative, perpetual preferred stock		24,999	24,999	249
	Deposit for subscription to preferred stock		—	—	—
	Capital surplus		25,020	25,020	249
	Earned surplus		1,353,122	1,151,052	13,504
	Amount correspanding to the decrease in capital due to merger of subsidiaries		—	—	—
	Treasury stock		—	—	—
	Deposit for subscription to treasury stock		—	—	—
	Unrealized loss on other securities		(296,521)	—	(2,959)
	Foreign currency transaction adjustment		(16)	0	(0)
	Stock aquisition rights		—	—	—
	Amount corresponding to operating rights		—	—	—
	Goodwill and others		—	—	—
	Amount corresponding to the increase in capital due to securitization transactions		—	—	—
	Amount equivalent to 50% expected losses in excess of qualifying allowance		77,767	63,238	776
	Subtotal	(A)	3,019,870	2,596,852	30,138
	Including preferred securities with interest rate step-up clause		—	—	—
	(Ratio of the value of such preferred securities to Tier I capital)		—	—	—
Tier II capital	45% of unrealized gains on other securities		—	1,094,704	—
	45% of unrealized gains on land		24,147	32,788	240
	General reserve for possible loan losses		17	17	0
	Qualifying subordinated debt		1,301,395	1,458,629	12,987
	Included as perpetual subordinated bonds and loans		963,700	579,900	9,617
	Included as dated subordinated bonds, loans, and preferred stock		337,695	878,729	3,370
	Subtotal		1,325,560	2,586,139	13,229
	Tier II capital included as qualifying capital	(B)	1,325,560	2,586,139	13,229
Tier III capital	Short-term subordinated debt		—	—	—
	Including amount added to capital	(C)	—	—	—
Deductions	Deductions	(D)	304,516	397,749	3,039
Total Capital	(A)+(B)+(C)-(D)	(E)	4,040,915	4,785,242	40,328
Risk-weighted assets	Risk-weighted assets for credit risk	(F)	29,096,583	33,121,173	290,385
	Including on-balance sheet		27,112,682	30,990,439	270,585
	Including off-balance sheet		1,983,900	2,130,734	19,799
	Assets equivalent to market risk	(G)	2,076,684	3,195,818	20,725
	(For reference: actual market risk volume)	(H)	166,134	255,665	1,658
	Amount corresponding to operational risk (J)/8%	(I)	1,024,690	932,154	10,226
	(For reference: amount corresponding to operational risk)	(J)	81,975	74,572	818
	Total risk-weighted assets (F)+(G)+(I)	(K)	32,197,957	37,249,145	321,336
Basel II Capital Adequacy Ratio (Basel capital adequacy standards) = (E)/(K) x 100%			12.55%	12.84%	12.55%
Tier I ratio = (A)/(K) x 100%			9.37%	6.97%	9.37%
Non-Consolidated required capital			2,575,836	2,979,931	25,706

Notes: 1. The Bank's capital adequacy ratio was computed according to the stipulations outlined in Notification No. 4 of the 2006 Financial Services Agency and the Ministry of Agriculture, Forestry and Fisheries of Japan (Standard for Judging the Management Soundness of the Norinchukin Bank) (hereinafter, Notification Regarding Capital Adequacy). Note that the Bank adopts Foundation Internal Ratings-Based Approach (F-IRB) in computing risk-weighted assets for credit risk and the Standardized Approach (TSA) in computing the amount corresponding to operational risk.

2. Regarding the calculation of capital adequacy ratio, certain procedures were performed by Ernst & Yang ShinNihon pursuant to "Treatment of Inspection of Capital Ratio Calculation Framework Based on Agree-upon Procedures" (JICPA Industry Committee Report No. 30). It does not constitute a part of the audit on financial statements by law, but agree-upon procedures on internal control of capital adequacy calculation. Accordingly, Ernst & Young ShinNihon is not required to express its opinion on the Bank's capital adequacy.

3. The Tier II capital item "general reserve for possible loan losses" is limited to the amount corresponding to assets which is calculated according to a Standardized Approach in terms of risk-weighted assets for credit risk.

4. Deductions are the total of the following: (1) the total amount of the value corresponding to deliberate holdings of instruments for raising capital issued by other financial institutions, (2) holdings of instruments issued for raising capital, issued by affiliated corporations conducting financial service businesses, (3) 50% of the expected value of losses on exposure to corporate, sovereign and bank, and expected losses on retail exposure over the value of qualified reserves, (4) expected losses on equity exposure, and (5) securitization exposure subject to deduction from capital. (Notification Regarding Capital Adequacy, Article 20)

5. In computing risk-weighted assets for credit risk, the Bank has applied a scaling factor of 1.06 to the value of risk-weighted assets for credit risk computed based on its Foundation Internal Ratings-Based Approach (F-IRB), as provided for in the Notification Regarding Capital Adequacy, Article 129.

2. Items for Capital Adequacy (Non-Consolidated)

(Minimum amount of regulatory required capital and breakdown for each risk category as required under Basel II)

Regulatory Required Capital

(Billions of yen)

Items	As of March 31, 2008		As of March 31, 2007	
	EAD	Regulatory Required Capital	EAD	Regulatory Required EAD
Amount of regulatory required capital for credit risk	**73,492**	**2,704**	82,495	3,087
Exposure subject to Internal Ratings-Based Approach	**73,482**	**2,703**	82,489	3,087
Corporate exposure (excluding Specialized Lending)	**7,158**	**412**	7,800	413
Corporate exposure (Specialized Lending)	**742**	**71**	656	72
Sovereign exposure	**19,226**	**0**	26,972	0
Bank exposure	**14,290**	**111**	13,017	101
Retail exposure	**5**	**0**	5	0
Retail exposure secured by residential properties	**—**	**—**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**5**	**0**	5	0
Securitization exposure	**6,039**	**112**	4,318	115
Equity portfolios	**869**	**127**	1,258	193
Equity portfolios subject to PD/LGD approaches	**97**	**12**	100	28
Equity portfolios subject to simple risk-weighted method	**91**	**30**	78	26
Equities under the internal models approach	**162**	**40**	355	76
Grandfathered equity exposure	**518**	**43**	724	61
Exposure subject to risk-weighted asset calculation for investment fund	**24,619**	**1,839**	28,040	2,172
Other debt purchased	**83**	**2**	132	3
Other exposures	**447**	**24**	286	13
Exposure subject to Standardized Approach	**10**	**0**	6	0
Overdrafts	**0**	**0**	0	0
Prepaid expenses	**6**	**0**	3	0
Suspense payments	**3**	**0**	2	0
Other	**—**	**—**	0	0
Amount of regulatory required capital for market risk	**/**	**166**	/	255
Standardized Approach	**/**	**165**	/	254
Interest rate risk category	**/**	**—**	/	0
Equity risk category	**/**	**—**	/	—
Foreign exchange risk category	**/**	**165**	/	254
Commodity risk categor	**/**	**—**	/	—
Option transactions	**/**	**—**	/	—
Internal models Approach	**/**	**0**	/	0
Amount of regulatory required capital for operational risk	**/**	**81**	/	74
Offsets on consolidation	**/**	**2,952**	/	3,418

Notes: 1. Regulatory required capital for credit risk = 8% of risk-weighted assets for credit risk + Expected losses + Deductions from capital

2. "Risk-weighted asset calculation for investment fund" is risk-weighted assets as calculated according to the method specified in Notification Regarding Capital Adequacy, Article 144.

3. Article 13 of the Notification Regarding Capital Adequacy contains a grandfathering provision for computing the amount of risk assets related to equity exposures that meet specified criteria.

4. Under "The Standardized Approach (TSA)," which is a method for computing the amount corresponding to operational risk, the gross profit for one year is allocated among the business activities as specified in Appendix Table 1 of the Notification Regarding Capital Adequacy. The multiplier specified for each business activity classification is multiplied by the gross profit, and the average of the annual totals for the past three years is taken to be the amount corresponding to operational risk. (Notification Regarding Capital Adequacy, Article 282)

3. Items for Credit Risk (Non-Consolidated)

(Funds and securitization exposures are excluded.)

(1) CREDIT RISK EXPOSURE

For Fiscal 2007, ended March 31, 2008

Geographic Distribution of Exposure, Details in Significant Areas by Major Types of Credit Exposure

(Billions of yen)

Region	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure
Japan	12,472	9,404	88	4,906	26,872	214
Asia except Japan	70	27	9	1,528	1,635	—
Europe	113	3,224	485	3,148	6,972	1
The Americas	289	5,827	273	2,165	8,556	—
Other areas	30	19	3	0	54	—
Total	12,977	18,504	860	11,749	44,091	216

Industry Distribution of Exposure, Details by Major Types of Credit Exposure

(Billions of yen)

Industry	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure	Write-off of loans (amounts of partial direct write-off)
Food products	592	132	0	0	725	14	—
Pulp and paper	210	34	0	0	245	4	—
Chemicals	527	118	0	0	646	12	—
Other manufacturing	912	145	0	0	1,059	13	3
Total for manufacturing	2,243	431	1	0	2,676	45	3
Agriculture, forestry and fishing	128	0	—	0	128	38	0
Construction	161	12	—	0	173	1	—
Utility	146	56	0	0	202	—	—
Information/telecommunications, transportation	771	132	2	0	906	13	—
Wholesaling, retailing	1,668	78	1	0	1,747	26	0
Services	1,300	57	0	1	1,359	48	2
Finance and insurance	1,552	5,416	854	10,628	18,452	4	—
Other non-manufacturing	5,003	12,320	0	1,119	18,442	39	—
Total for non-manufacturing	10,733	18,072	858	11,749	41,414	171	3
Total	12,977	18,504	860	11,749	44,091	216	6

Notes: 1. "Other non-manufacturing" includes the central government, local governments and related entities

2. "Others" within "Finance and insurance" includes repo-type transactions, call loans, and certain other items

Residual Contractual Maturity Breakdown of Credit Risk Exposure

(Billions of yen)

Term to maturity	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	**9,448**	**452**	**146**	**9,688**	**19,735**
Over 1 year to 3 years	**1,659**	**2,468**	**708**	**—**	**4,837**
Over 3 years to 5 years	**1,155**	**2,991**	**0**	**57**	**4,205**
Over 5 years to 7 years	**337**	**1,218**	**0**	**3**	**1,560**
Over 7 years	**358**	**10,604**	**3**	**661**	**11,627**
No term to maturity	**17**	**769**	**—**	**1,337**	**2,124**
Total	**12,977**	**18,504**	**860**	**11,749**	**44,091**

Notes: 1. The amount of credit exposure at the end of the period does not substantially differ from the average-risk position during fiscal 2007.
2. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥10.3 billion.
3. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

For Fiscal 2006, ended March 31, 2007

Geographic Distribution of Exposure, Details in Significant Areas by Major Types of Credit Exposure

(Billions of yen)

Region	Loans, commitments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure
Japan	15,704	12,816	27	5,144	33,692	306
Asia except Japan	72	23	11	912	1,020	—
Europe	604	3,379	117	2,627	6,728	—
The Americas	531	8,017	34	2,095	10,678	8
Other areas	43	13	0	0	57	—
Total	16,957	24,250	190	10,779	52,177	314

Industry Distribution of Exposure, Details by Major Types of Credit Exposure

(Billions of yen)

Industry	Loans, commit-ments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure	Default exposure	Write-off of loans (amounts of partial direct write-off)
Food products	709	161	0	0	871	49	0
Pulp and paper	190	49	0	0	239	1	—
Chemicals	547	170	0	0	718	12	—
Other manufacturing	1,056	187	1	0	1,245	24	0
Total for manufacturing	2,503	568	1	0	3,074	88	0
Agriculture, forestry and fishing	126	0	—	0	126	36	3
Construction	170	16	0	0	187	1	—
Utility	170	67	0	0	238	—	—
Information/telecommunications, transportation	838	157	1	0	998	13	—
Wholesaling, retailing	1,848	122	0	0	1,971	69	2
Services	1,428	119	0	0	1,549	60	2
Finance and insurance	2,494	5,569	186	10,038	18,288	43	—
Other non-manufacturing	7,377	17,628	0	739	25,745	0	—
Total for non-manufacturing	14,453	23,682	188	10,779	49,103	226	7
Total	16,957	24,250	190	10,779	52,177	314	8

Notes: 1. "Other non-manufacturing" includes the central government, local governments and related entities
2. "Others" within "Finance and insurance" includes repo-type transactions, call loans, and certain other items

Residual Contractual Maturity Breakdown of Credit Risk Exposure

(Billions of yen)

Term to maturity	Loans, commit-ments, off-balance sheet exposure	Securities	Derivatives	Others	Total credit risk exposure
In 1 year	12,186	439	80	9,244	21,951
Over 1 year to 3 years	2,304	2,246	104	—	4,655
Over 3 years to 5 years	1,555	2,722	1	80	4,360
Over 5 years to 7 years	460	3,222	0	6	3,690
Over 7 years	436	14,447	3	743	15,630
No term to maturity	13	1,171	—	704	1,889
Total	16,957	24,250	190	10,779	52,177

Notes: 1. In consideration of accuracy of disclosure, the Bank will begin to disclose the average-risk position for the period when it differs substantially from the amount at the end of the period, beginning for the interim period ending September 30, 2007.
2. Within credit risk exposure, credit risk exposure subject to the Standardized Approach was ¥6.0 billion.
3. Default exposure is classified in the Bank's self-assessment as being under "Debtor Under Requirement of Control."

(2) RESERVES FOR POSSIBLE LOAN LOSSES

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specific Reserve for Loans to Countries with Financial Problems by Region

(Billions of yen)

Region	As of March 31, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Japan	**84**	101	(16)
Asia except Japan	**—**	—	—
Europe	**1**	—	1
The Americas	**—**	4	(4)
Other areas	**—**	—	—
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**126**	171	(44)

Increase/Decrease in General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and the Specified Reserve for Loans to Countries with Financial Problems by Industry

(Billions of yen)

Industry	As of March 31, 2008	As of March 31, 2007	Increase/(decrease)
General reserve for possible loan losses	**40**	65	(25)
Specific reserve for possible loan losses	**86**	105	(19)
Manufacturing:	**9**	11	(1)
Food products	**6**	6	(0)
Pulp and paper	**1**	1	0
Chemicals	**—**	—	—
Other manufacturing	**2**	2	(0)
Non-manufacturing	**76**	94	(17)
Agriculture, forestry and fishing	**19**	14	4
Construction	**0**	0	0
Utility	**—**	—	—
Information/telecommunications, transportation	**9**	10	(0)
Wholesaling, retailing	**17**	27	(10)
Services	**14**	21	(6)
Finance and insurance	**0**	20	(19)
Other non-manufacturing	**15**	0	15
Others	**—**	—	—
Specified reserve for loans to countries with financial problems	**0**	0	(0)
Total	**126**	171	(44)

(3) EXPOSURE SUBJECT TO THE INTERNAL RATINGS-BASED APPROACH

a. Corporate, Sovereign and Bank Exposure

Fiscal 2007 (Ended March 31, 2008)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	3.81%	39.03%	72%	7,158	5,211	1,947
1-1 to 4	0.15%	37.33%	28%	5,475	3,680	1,794
5 to 7	1.65%	44.48%	109%	1,090	983	107
8-1 to 8-2	19.20%	44.62%	353%	427	385	41
Subtotal	1.55%	38.89%	61%	6,993	5,050	1,943
8-3 to 10-2	100.00%	44.70%	560%	164	161	3
Sovereign Exposure	0.00%	46.15%	0%	19,226	18,131	1,094
1-1 to 4	0.00%	46.15%	0%	19,225	18,131	1,094
5 to 7	7.78%	45.00%	218%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	46.15%	0%	19,226	18,131	1,094
8-3 to 10-2	—	—	—	—	—	—
Bank Exposure	0.05%	25.74%	10%	14,290	6,736	7,554
1-1 to 4	0.04%	25.71%	9%	14,262	6,716	7,546
5 to 7	2.50%	45.00%	157%	16	10	6
8-1 to 8-2	7.07%	27.86%	142%	10	10	0
Subtotal	0.04%	25.73%	10%	14,290	6,736	7,554
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	0.80%	90.00%	158%	97	97	—
1-1 to 4	0.16%	90.00%	145%	92	92	—
5 to 7	2.06%	90.00%	304%	3	3	—
8-1 to 8-2	19.91%	90.00%	783%	0	0	—
Subtotal	0.28%	90.00%	153%	96	96	—
8-3 to 10-2	100.00%	90.00%	1,125%	0	0	—

Notes: 1. Weighted averages of PD, LGD and risk weights are computed based on EAD (including on-balance and off-balance items).
2. Risk weights are equivalent to 8% of the total of the amount of risk-weighted assets and expected loss, divided by EAD.
3. “Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach” does not take account of Rider No. 13 to the Notification Regarding Capital Adequacy (regarding provisional measures for equity exposure).

Fiscal 2006 (Ended March 31, 2007)

(Billions of yen)

Ratings	Weighted-average PD	Weighted-average LGD	Weighted-average risk weight	EAD		
					EAD (on-balance sheet)	EAD (off-balance sheet)
Corporate Exposure	4.09%	40.17%	66%	7,800	5,944	1,856
1-1 to 4	0.14%	39.02%	28%	6,163	4,465	1,697
5 to 7	1.80%	44.64%	115%	1,168	1,032	136
8-1 to 8-2	16.88%	43.96%	329%	215	202	13
Subtotal	0.87%	40.03%	50%	7,548	5,700	1,847
8-3 to 10-2	100.00%	44.39%	558%	252	243	9
Sovereign Exposure	0.00%	45.82%	0%	26,972	26,229	742
1-1 to 4	0.00%	45.82%	0%	26,971	26,229	742
5 to 7	7.78%	45.00%	226%	0	0	—
8-1 to 8-2	—	—	—	—	—	—
Subtotal	0.00%	45.82%	0%	26,972	26,229	742
8-3 to 10-2	100.00%	45.00%	562%	0	0	—
Bank Exposure	0.05%	20.16%	10%	13,017	5,372	7,644
1-1 to 4	0.04%	20.11%	9%	12,980	5,342	7,638
5 to 7	2.07%	45.00%	138%	27	21	5
8-1 to 8-2	7.07%	16.61%	87%	8	8	0
Subtotal	0.05%	20.16%	10%	13,016	5,372	7,644
8-3 to 10-2	100.00%	45.00%	563%	0	0	0
Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach	11.45%	90.00%	359%	100	100	—
1-1 to 4	0.08%	90.00%	230%	82	82	—
5 to 7	0.84%	90.00%	255%	0	0	—
8-1 to 8-2	17.24%	90.00%	738%	7	7	—
Subtotal	1.51%	90.00%	272%	90	90	—
8-3 to 10-2	100.00%	90.00%	1,125%	10	10	—

Notes: 1. Weighted averages of PD, LGD and risk weights are computed based on EAD (including on-balance and off-balance items).
2. Risk weights are equivalent to 8% of the total of the amount of risk-weighted assets and expected loss, divided by EAD.
3. "Equity Exposure for Credit Risk Using Internal Ratings: PD/LGD Approach" does not take account of Rider No. 13 to the Notification Regarding Capital Adequacy (regarding provisional measures for equity exposure).

b. Retail Exposure

Fiscal 2007 (Ended March 31, 2008)

Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	3.75%	42.80%	84.48%	79.07%	69%	372	372	—
Not default Not delinquent	0.40%	42.83%	/	/	31%	347	347	—
Not default Delinquent	23.18%	42.04%	/	/	360%	16	16	—
Not default Subtotal	1.40%	42.80%	/	/	45%	363	363	—
Default	100.00%	/	84.48%	79.07%	1,056%	8	8	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	8.89%	50.28%	55.15%	51.42%	106%	34	29	5
Not default Not delinquent	1.49%	50.38%	/	/	56%	30	25	5
Not default Delinquent	18.47%	48.30%	/	/	214%	1	1	0
Not default Subtotal	2.34%	50.28%	/	/	64%	32	27	5
Default	100.00%	/	55.15%	51.42%	689%	2	2	0
Total	4.19%	43.44%	78.36%	73.30%	73%	407	401	5
Not default Not delinquent	0.49%	43.45%	/	/	33%	378	373	5
Not default Delinquent	22.75%	42.62%	/	/	346%	17	17	0
Not default Subtotal	1.48%	43.41%	/	/	47%	396	390	5
Default	100.00%	/	78.36%	73.30%	979%	11	10	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.

2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.

3. Risk weights are equivalent to the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).

5. As of March 31, 2008, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

Fiscal 2006 (Ended March 31, 2007)

Details on PD, LGD, RW and EAD Assets

(Billions of yen)

Type of exposure	Weighted-average PD	Weighted-average LGD	Weighted-average LGD default	Weighted-average EL default	Weighted-average risk weight	EAD	EAD (on-balance sheet)	EAD (off-balance sheet)
Retail exposure secured by residential properties	3.22%	40.82%	78.17%	72.38%	59%	422	422	—
Not default Not delinquent	0.37%	40.87%	/	/	28%	396	396	—
Not default Delinquent	20.31%	39.84%	/	/	323%	17	17	—
Not default Subtotal	1.21%	40.82%	/	/	40%	413	413	—
Default	100.00%	/	78.17%	72.38%	977%	8	8	—
Qualifying revolving retail exposure	—	—	—	—	—	—	—	—
Not default Not delinquent	—	—	/	/	—	—	—	—
Not default Delinquent	—	—	/	/	—	—	—	—
Not default Subtotal	—	—	/	/	—	—	—	—
Default	—	/	—	—	—	—	—	—
Other retail exposure	4.38%	40.97%	49.65%	46.32%	67%	118	113	5
Not default Not delinquent	1.39%	40.98%	/	/	48%	111	106	4
Not default Delinquent	17.56%	40.76%	/	/	174%	3	3	0
Not default Subtotal	1.96%	40.97%	/	/	53%	115	110	4
Default	100.00%	/	49.65%	46.32%	621%	2	2	0
Total	3.47%	40.86%	70.92%	65.76%	61%	540	535	5
Not default Not delinquent	0.60%	40.89%	/	/	32%	507	502	4
Not default Delinquent	19.80%	40.01%	/	/	295%	21	21	0
Not default Subtotal	1.37%	40.86%	/	/	43%	529	524	4
Default	100.00%	/	70.92%	65.76%	886%	11	11	0

Notes: 1. Purchased retail receivables in investment funds have been included in the amount subject to quantitative disclosure.
2. "Not default Delinquent" is not falling under a default definition in the Notification Regarding Capital Adequacy, but past-due.
3. Risk weights are equivalent to the total of the risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).
4. For defaulted exposure, the risk weights have been computed taking account of the unexpected losses on default (LGD default) and the expected losses on default (EL default).
5. As of March 31, 2007, the Bank held no Qualifying revolving retail exposure for which net withdrawals of commitments had occurred.

c. Actual Losses on Exposure to Corporate, Sovereign, Bank, and Retail Exposure

Actual Losses for the Previous Period, Comparison with the Year before Last Results and Analysis of Causes

(Billions of yen)

Type of exposure	As of March 31, 2008	As of March 31, 2007	Increase/(decrease)
Corporate exposure	**6**	18	(11)
Sovereign exposure	**—**	—	—
Bank exposure	**—**	—	—
Equity exposure subject to PD/LGD approach	**0**	0	(0)
Retail exposure secured by residential properties	**—**	—	—
Qualifying revolving retail exposure	**—**	—	—
Other retail exposure	**0**	0	0

Note: Actual losses are defined as losses due to direct write-offs, partial direct write-offs, general reserves for possible loan losses and loan sales of exposure that defaulted up to the end of the previous period.

Estimated Losses Depend on Historical Long-Term Results, Comparison with Actual Losses

(Billions of yen)

Type of exposure	As of March 31, 2008		As of March 31, 2007	
	Estimated losses	Actual losses	Estimated losses	Actual losses
Corporate exposure	**28**	**6**	27	18
Sovereign exposure	**1**	**—**	1	—
Bank exposure	**0**	**—**	0	—
Equity exposure subject to PD/LGD approach	**1**	**0**	0	0
Retail exposure secured by residential properties	**—**	**—**	—	—
Qualifying revolving retail exposure	**—**	**—**	—	—
Other retail exposure	**0**	**0**	0	0

Notes: 1. Comparisons of estimated and actual long-term losses for 10 years accumulatively are scheduled to be disclosed from the year following the application of Basel II (the year ending March 31, 2007).
2. The scope of actual and estimated losses includes the following accounts on balance sheet: loans, foreign exchange, accrued interests in other assets, suspense payable and customers' liabilities for acceptances and guarantees, as well as securities without quoted market values, money trusts without quoted market values, and monetary claims purchased.
3. Estimated losses of each year are amount of expected losses.

Year-on-year comparison of actual losses and factor analysis of difference between estimated losses and actual losses

For fiscal 2007 (ended March 31, 2008) the actual loss amount substantially declined year-on-year due to a decrease in losses arising from defaults by corporate borrowers.

Actual loss amounts have remained at levels generally below the estimated losses at the beginning of the term, both for fiscal 2007 and 2006.

d. Exposure to Specialized Lending Products Subject to Supervisory Slotting Criteria by RW

Amount of Specialized Lending Exposure Subject to Supervisory Slotting Criteria by RW

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Specialized Lending exposure subject to supervisory slotting criteria	**917**	956
Specialized Lending, excluding High-Volatility Commercial Real Estate (HVCRE)	**742**	855
Risk weight of 50%	**117**	49
Risk weight of 70%	**419**	539
Risk weight of 90%	**151**	187
Risk weight of 115%	**12**	18
Risk weight of 250%	**0**	15
Risk weight of 0% (default)	**41**	45
High-Volatility Commercial Real Estate (HVCRE)	**174**	100
Risk weight of 70%	**41**	0
Risk weight of 95%	**69**	19
Risk weight of 120%	**10**	60
Risk weight of 140%	**42**	—
Risk weight of 250%	**11**	20
Risk weight of 0% (default)	**—**	—

Notes: 1. "Specialized Lending" refers to loans for Project Finance (PF), Object Finance (OF), Commodity Finance (CF) and Income-Producing Real Estate (IPRE) (as defined in the Notification Regarding Capital Adequacy, Article 1-1-41).

2. "High-Volatility Commercial Real Estate (HVCRE)" refers to loans that are the financing of commercial real estate that exhibits a higher rate of loss volatility compared to other types of Specialized Lending, as specified in the Notification Regarding Capital Adequacy, Article 1-1-43.

3. "Specialized Lending exposure subject to supervisory slotting criteria" refers to the amounts of Specialized Lending, subject to the Bank's internal rating system, and have been allotted to the risk asset classifications given in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5, after taking account of risk weights.

4. For risk weights, the Bank has applied the stipulations contained in the Notification Regarding Capital Adequacy, Article 130-3 and Article 130-5.

e. Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach by RW

Amount of Equity Exposure Subject to the Simple Risk-Weighted Method of the Market-Based Approach

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Equity exposure subject to the simple risk-weighted method of the market-based approach by RW	**92**	79
Risk weight of 300%	**—**	—
Risk weight of 400%	**92**	79

Note: The "simple risk-weighted method of the market-based approach by RW" is a method for computing the amount of risk-weighted assets of equity and other investments. Under this method, the market value of listed stocks is multiplied by a risk weight of 300%, and the estimated value of unlisted stocks is multiplied by a risk weight of 400% (Notification Regarding Capital Adequacy, Article 143-4).

(4) EXPOSURE SUBJECT TO STANDARDIZED APPROACH BY RISK WEIGHT

Amount of Exposure Subject to Standardized Approach

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Exposure	Refer to ECAI	Exposure	Refer to ECAI
Exposure subject to Standardized Approach	**10**	**—**	6	—
Risk weight of 0%	**—**	**—**	—	—
Risk weight of 10%	**—**	**—**	—	—
Risk weight of 20%	**—**	**—**	—	—
Risk weight of 35%	**—**	**—**	—	—
Risk weight of 50%	**—**	**—**	—	—
Risk weight of 75%	**—**	**—**	—	—
Risk weight of 100%	**10**	**—**	6	—
Risk weight of 150%	**—**	**—**	—	—
Risk weight of more than 150%	**—**	**—**	—	—
Amount deducted from capital	**—**	**—**	—	—

4. Items for Methods of Credit Risk Mitigation Techniques (Non-Consolidated)

Amount of Exposure Subject to Credit Risk Mitigation Techniques (Eligible Financial Collateral, Other Eligible IRB Collateral, Guarantees, Credit Derivatives)

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Foundation Internal Ratings-Based Approach	**6,557**	7,786
Eligible financial collateral	**6,263**	7,368
Corporate exposure	**926**	825
Sovereign exposure	**—**	—
Bank exposure	**5,337**	6,543
Other eligible IRB collateral	**—**	—
Corporate exposure	**—**	—
Sovereign exposure	**—**	—
Bank exposure	**—**	—
Guarantees, credit derivatives	**293**	418
Corporate exposure	**260**	371
Sovereign exposure	**33**	47
Bank exposure	**—**	—
Retail exposure secured by residential properties	**—**	—
Qualifying revolving retail exposure	**—**	—
Other retail exposure	**—**	—
Standardized Approach	**—**	—
Eligible financial collateral	**—**	—
Guarantees, Credit Derivatives	**—**	—

Notes: 1. The amount of exposure for which credit risk mitigation techniques have been used is limited to the portion for which such effects have been taken into account.
2. Exposure subject to treatment as credit risk exposure is not included.

5. Items for Counterparty Credit Risk in Derivative Transactions (Non-Consolidated)

Methods Used for Calculating Amount of Credit Exposure

The current exposure method is adopted.

Breakdown of the Amount of Credit Exposure

(Billions of yen)

Classification		As of March 31, 2008	As of March 31, 2007
Total gross replacement costs (limited to items with a value of greater than zero)	(A)	**994**	124
Total gross add-ons	(B)	**517**	310
Gross credit exposure	(C) = (A)+(B)	**1,512**	434
Including, foreign exchange related		**1,450**	374
Including, interest rate related		**54**	57
Including, equity related		**3**	3
Including, credit derivatives		**3**	—
Amount of credit exposure before taking into account credit risk mitigation techniques due to collateral	(D)	**180**	243
Reduction in credit exposure due to netting contracts	(C)−(D)	**1,331**	191
Amount of collateral		**0**	0
Including eligible financial collateral		**0**	0
Amount of credit exposure after taking into account credit risk mitigation techniques du to collateral		**1,331**	191

Notes: 1. Derivatives transactions included in risk-weighted assets calculation for investment funds are not included.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 56-1, the amount of credit exposure not computed has not been included.

Notional Principal Amount of Credit Derivatives Included in Computation of Credit Exposure

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
To buy protection	**—**	—
Including credit default swaps	**—**	—
To sell protection	**79**	—
Including credit default swaps	**79**	—
Notional principal amount of credit derivatives taking into consideration the effect of credit risk mitigation techniques	**—**	—

Notes: 1. Credit derivatives included in risk-weighted assets for investment funds have not been taken into consideration.
2. Under the stipulations of the Notification Regarding Capital Adequacy, Article 4-2 and Article 21-3, the amount of credit risk assets not computed has not been included.

6. Items for Securitization Exposure (Non-Consolidated)

Detail of Securitization Exposure Held as Originator

(Billions of yen)

Classification	**As of March 31, 2008**	As of March 31, 2007
Total amount of underlying assets	**—**	—
Amounts of securitization exposure	**—**	—
Increase in capital due to securitization transactions	**—**	—
Deducted from capital	**—**	—
Amounts of securitized exposure	**—**	—
Gains (losses) on sales of securitization transactions	**—**	—

As of March 31, 2008, the Bank has not been an originator for securitization exposure, having effects of credit risk mitigation.

Details of Securitization Exposure Held as Investor by Exposure Type

(Billions of yen)

Classification	**As of March 31, 2008**	
	Amount of exposure	**Deductions from capital**
Total amount of securitization exposure	**6,040**	**23**
Individuals		
Asset-Backed Securities (ABS)	**1,841**	**—**
Residential Mortgage-Backed Securities (RMBS)	**847**	**1**
Real estate		
Commercial Mortgage-Backed Securities (CMBS)	**749**	**—**
Corporates		
Subtotal of CDOs (CLO, ABS-CDO, CBO)	**2,515**	**0**
Collateralized Loan Obligations (CLO)	**1,997**	**—**
Asset-Backed Securities CDOs (ABS-CDO)	**412**	**0**
Collateralized Bond Obligations (CBO)	**105**	**—**
Others	**86**	**21**

(Billions of yen)

Classification	As of March 31, 2007	
	Amount of exposure	**Deductions from capital**
Amount of securitization exposure	4,331	44
Corporates	1,555	15
Individuals	1,708	—
Real estate	889	2
Other	177	26

Note: "Deduction from capital" is equity exposure deducted from capital under Article 224 of the Notification Regarding Capital Adequacy.

Amount of Securitization Exposure Held as Investor and Regulatory Required Capital by Risk-Weighted Category

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amount of exposure	Regulatory Required Capital	Amount of exposure	Regulatory Required Capital
Amount of securitization exposure	**6,040**	**112**	4,331	115
Risk weight: 20% or less	**5,441**	**48**	3,606	36
Risk weight: exceeding 20% to 50% or less	**247**	**6**	377	10
Risk weight: exceeding 50% to 100% or less	**266**	**18**	291	20
Risk weight: exceeding 100% to 250% or less	**48**	**9**	7	1
Risk weight: exceeding 250% to less than 1,250%	**13**	**6**	4	2
Deductions from capital	**23**	**23**	44	44

Risk-Weighted Assets Computed through Application of Appendix Article 15 of the Notification Regarding Capital Adequacy

Not applicable

7. Items for Market Risk (Non-Consolidated)

Computation of the Market Risk Amount Using the Internal Models Approach

■ VaR

(Millions of yen)

	Fiscal 2007	Fiscal 2006
Base date of computation	**2008. 3. 31**	2007. 3. 30
VaR (For the most recent 60 business days)		
Base date of computation	**170**	105
Maximum	**532**	730
Minimum	**137**	103
Average	**252**	270

■ Amounts of Market Risk

(Millions of yen)

		Fiscal 2007	Fiscal 2006
For the portion computed with the internal models approach (B)+(E)	(A)	**859**	810
Value at Risk (MAX (C, D))	(B)	**859**	810
Amount on base date of computation	(C)	**170**	105
Amount determined by multiplying (F) by the average for the most recent 60 business days	(D)	**859**	810
Additional amount at the time of measuring individual risk	(E)	**0**	0
(Multiplier)	(F)	**3.4**	3.0
(Times exceeding VaR in back testing)	(G)	**5**	4

8. Items for Equity Exposure (Non-Consolidated)

(Includes items such as shares, excludes items in a trading account)

Amounts on the Balance Sheet and Market Value

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Amounts on the balance sheet	Market value	Amounts on the balance sheet	Market value
Equity exposure	**866**	**866**	1,254	1,254
Exposure to publicly traded equity	**650**	**650**	1,051	1,051
Exposure to privately held equity	**215**	**215**	203	203

Notes: 1. No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately as specified in the Notification Regarding Capital Adequacy, Article 20-1-1.
2. Regarding "market value," equities with quoted market values are evaluated at market, and those without market values are valued using the total amounts entered in the balance sheet.

Amount of Gain (Loss) due to Sale or Write-Off

(Billions of yen)

Item	Fiscal 2007			Fiscal 2006		
	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.	Gains from sale of equities, etc.	Losses from sales of equities, etc.	Write-offs of equities, etc.
Equity exposure	**53**	**0**	**72**	32	8	0

Note: Amounts reflect relevant figures posted in the income statements

Amount of Valuation Gains (Losses)

(Billions of yen)

Item	As of March 31, 2008	As of March 31, 2007
Amount of valuation gain (loss) recognized on the balance sheet and not recognized in the statements of operations	**170**	330

Notes: 1. Exposure is to equity shares issued by both domestic and overseas companies.
2. No stocks included in this table are fund-raising instruments of other financial institutions that the Bank holds deliberately, as specified in the Notification Regarding Capital Adequacy, Article 20-1-1.

Unrealized Gains (Losses) Not Recognized on Non-Consolidated Balance Sheets or Non-Consolidated Statements of Income

Not applicable

Amount Included in Supplementary Capital (Tier II) Under Stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1

(Billions of yen)

Item	As of March 31, 2008	As of March 31, 2007
Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1	**—**	148

Note: "Amount included in supplementary capital under the stipulations of the Notification Regarding Capital Adequacy, Article 18-1-1" is 45% of the total value of exposure to equity and other investments (excluding equities, etc., that are fund-raising instruments of other financial institutions that the Bank holds deliberately, as specified in the Notification Regarding Capital Adequacy, Article 20-1-1) classified under other securities at market value, minus the total book value of these securities.

Equity Exposure Subject to Treatment Under the Notification Regarding Capital Adequacy, Appendix Article 13

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
	Amounts on the balance sheets	**Amounts on the balance sheets**
Equity exposure subject to treatment under the Notification Regarding Capital Adequacy, Appendix Article 13	**518**	724
Corporate	**483**	682
Bank	**29**	37
Sovereign	**5**	4

Note: Appendix Article 13 of the Notification Regarding Capital Adequacy specifies provisional methods for calculating the value of credit risk assets in exposure to equity and other investments that meets certain specified standards.

9. Items for Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund (Non-Consolidated)

Amount of Exposure Subject to Risk-Weighted Asset Calculation for Investment Fund

(Billions of yen)

Classification	As of March 31, 2008		As of March 31, 2007	
	Exposure	(For reference) Weighted-average risk weight	Exposure	(For reference) Weighted-average risk weight
Look-through approach	**17,607**	**64%**	18,786	60%
Majority approach	**861**	**365%**	1,027	349%
Mandate approach	**—**	**—**	—	—
Market-based approach	**2,873**	**184%**	4,045	187%
Others (simple approach)	**381**	**458%**	550	505%
Total	**21,724**	**93%**	24,410	97%

Notes: 1. The "Look-through approach" is a method for computing the risk-weighted assets in fund by totaling the amount of risk-weighted assets for credit risk in individual asset categories. (Please refer to Notification Regarding Capital Adequacy, Article 144-1.)

2. The "Majority approach" is a method for computing the risk-weighted assets in fund by applying risk weight to the fund as well as equity exposure when the exposure of equity, in terms of value, is major in a fund. (Please refer to the Notification Regarding Capital Adequacy, Article 144-2.)

3. The "Mandate approach" is a method for computing the risk-weighted assets in fund where only the investment mandate of the fund is known. The risk-weighted assets are computed as follows; It is assumed that the fund first invests, to the maximum extent allowed under its mandate, in the asset classes attracting the highest capital requirement, and then continues making investments in descending order until the maximum total investment level is reached. (Please refer to the Notification Regarding Capital Adequacy, Article 144-3.)

4. The "Market-based approach" is a method for computing the credit risk of exposure regarded as credit risk assets using the Bank's internal model (which is a value-at-risk (VaR) model based on the historical simulation method). (Please refer to the Notification Regarding Capital Adequacy, Article 144-4.)

5. The "Others (simple approach)" is a method for computing the risk-weighted assets in fund by applying risk weight of 400%, when it is judged the probability that the weighted-average risk weight will be less than 400%. In all other cases, risk weight of 1,250% is applied to funds. (Please refer to the Notification Regarding Capital Adequacy, Article 144-5.)

6. The items "(For reference) Weighted-average risk weight" is computed as follows: calculating the total risk-weighted assets and the amount of dividing the expected loss by 8%, then dividing the result by exposure at default (EAD).

10. Items for Interest-Rate Risk (Non-Consolidated)

(Interest-rate risk (excluding trading account) is the gain or loss from interest-rate shocks or the increase or decrease in economic value used for internal management purposes.)

Interest-Rate Risk Volume Computed with the Internal Model in Core Business Accounts (The Banking Accounts)

(Billions of yen)

Classification	As of March 31, 2008	As of March 31, 2007
Interest-rate risk	**1,290**	1,994
Yen interest-rate risk	**(62)**	131
U.S. dollar interest-rate risk	**1,214**	1,633
Euro interest-rate risk	**114**	203
Interest-rate risk in other currencies	**23**	26

Note: Regarding core deposits, since the balances of deposits, etc., without maturity dates are limited, the Bank does not currently measure their risk volume. In addition, regarding repayments of mortgage-backed securities and callable securities before maturity, risk volume is measured after taking account of negative convexity and option vega due to call conditions and other factors.

Status of Capital and Shareholders

Members and Share Ownership (As of March 31, 2008)

(1) Common Stocks (Excluding lower dividend rate stocks)

The face value of one common stock is ¥100.

Type of Organization	Number of Members	Stocks Owned
Agricultural Cooperatives	1,008	835,667,990
Federations of Agricultural Cooperatives	121	2,961,882,820
Forestry Cooperatives	723	19,592,630
Forestry Production Cooperatives	11	14,650
Federations of Forestry Cooperatives	47	22,934,190
Fishery Cooperatives	1,170	60,325,041
Fishery Production Cooperatives	30	241,140
Federations of Fishery Cooperatives	89	324,988,149
Marine Products Processing Cooperatives	46	681,100
Federations of Marine Products Processing Cooperatives	6	672,650
Mutual Insurance Federation of Fishery Cooperative Associations	1	7,064,800
Agricultural Mutual Relief Insurance Associations	34	375,700
Federations of Agricultural Mutual Relief Insurance Associations	42	983,100
Fishing Boat Insurance Associations	20	2,454,350
Agricultural Credit Guarantee Fund Associations	10	139,650
Fishery Credit Guarantee Fund Associations	35	15,704,150
Fishery Mutual Relief Insurance Associations	22	132,000
Federation of Fishery Mutual Relief Insurance Associations	1	292,800
Land Improvement Districts	821	2,883,640
Federations of Land Improvement Districts	4	2,850
Medium and Small-Sized Enterprise Cooperative Associations Related to Sericulture, Forestry or Salt Production	19	144,900
Total	4,260	4,257,178,300

(2) Lower Dividend Rate Stocks

The face value of one stock is ¥100.

Type of Organization	Number of Members	Stocks Owned
Agricultural Cooperatives	126	2,739,900,000
Federations of Agricultural Cooperatives	36	12,449,260,000
Fishery Cooperatives	4	41,040,000
Federations of Fishery Cooperatives	30	422,960,000
Total	196	15,653,160,000

(3) Preferred Stocks

The face value of one stock is ¥100.

Type of Organization	Number of Members	Stocks Owned
Financial Institutions	9	26,787,410
Securities Companies	4	5,577,700
Other Corporations	19	23,426,340
Total	32	55,791,450

Voting Rights of Members

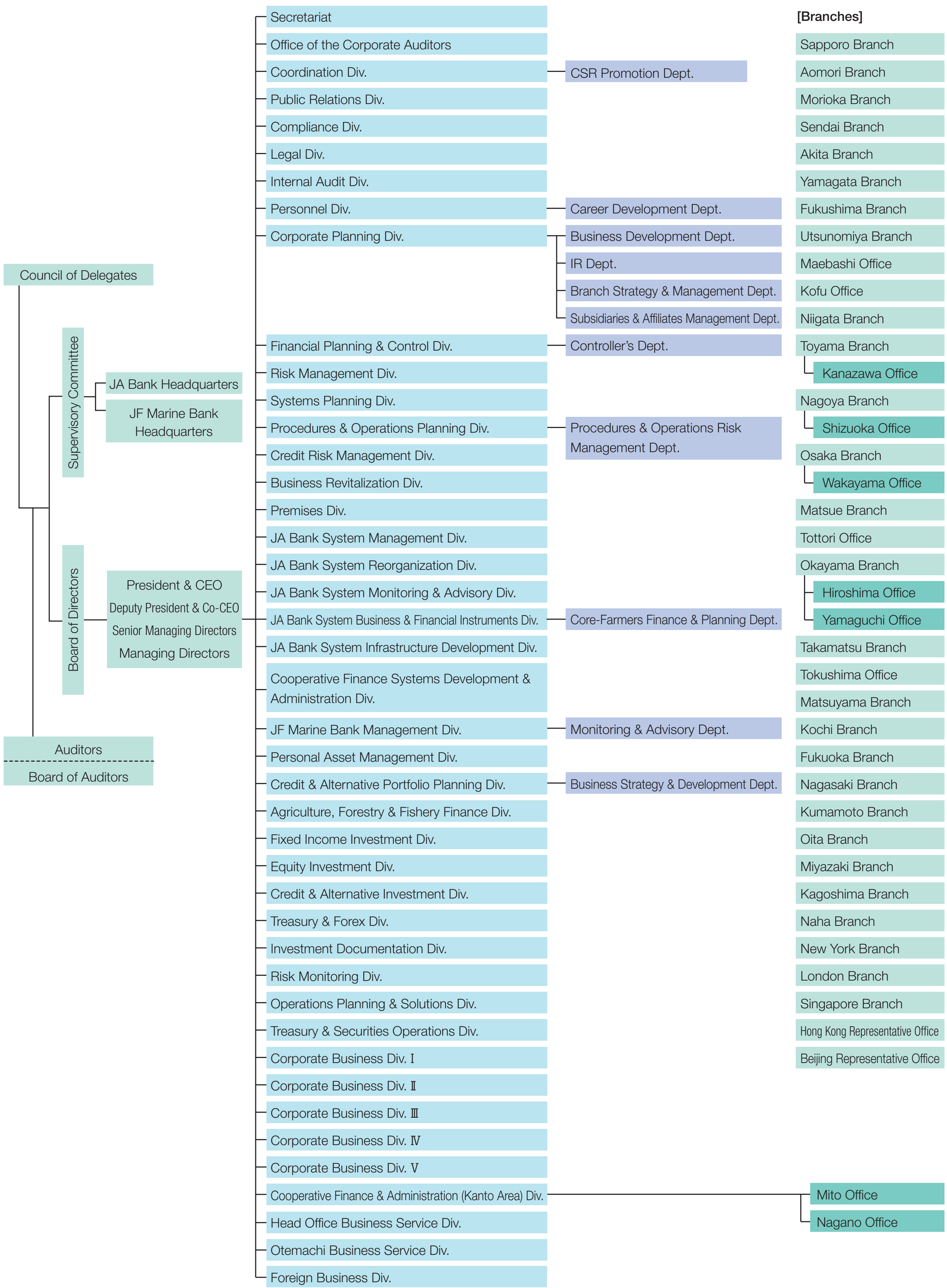
The Norinchukin Bank is the central financial institution for Japan's agricultural, forestry, and fishery cooperative system. The supreme management decision-making organization for the Bank is the Council of Delegates, which consists of representative members and substitutes for the general meetings of all shareholders. Unlike stock companies, where one share represents one vote, the voting rights of the members of the Council of Delegates are equal regardless of the number of investment units they own. For this reason, a list of major shareholders has not been included in this report.

Trends in the Bank's Capital

Millions of yen

Date	Increase in Capital	Capital after Increase	Method of Increase
November 30, 1983	15,000	45,000	Allotment
November 30, 1990	30,000	75,000	Allotment
November 30, 1992	25,000	100,000	Allotment
February 16, 1995	24,999	124,999	Private placement
September 25, 1997	150,000	274,999	Allotment
March 25, 1998	850,000	1,124,999	Allotment
November 29, 2002	100,000	1,224,999	Allotment
December 1, 2005	225,717	1,450,717	Allotment
March 30, 2006	14,300	1,465,017	Allotment
September 29, 2006	19,000	1,484,017	Allotment
November 26, 2007	15,900	1,499,917	Allotment
February 28, 2008	12,900	1,512,817	Allotment
March 25, 2008	503,216	2,016,033	Allotment

Organizational Diagram (As of August 4, 2008)



Directors and Auditors (As of July 1, 2008)

Members of Board of Directors (International & Market-Related Business)

Hirofumi Ueno
President & Chief Executive Officer

Yoshio Kono
Deputy President & Co-Chief Executive Officer

Masanobu Takatani
Senior Managing Director

Masataka Miyazono
Senior Managing Director

Hiroshi Matsumoto
Senior Managing Director

Toshihiko Tajima
Managing Director

Etsuo Uchiyama
Managing Director

Norihiro Takahashi
Managing Director

BOARD OF DIRECTORS

President & Chief Executive Officer
Hirofumi Ueno

Deputy President &
Co-Chief Executive Officer
Yoshio Kono

Senior Managing Directors
Masanobu Takatani
Masataka Miyazono
Hiroshi Matsumoto

Managing Directors
Shuzo Furuya
Toshihiko Tajima
Atsushi Takaoka
Kazumi Torii
Etsuo Uchiyama
Norihiro Takahashi
Kazuo Yoshida
Takahiro Ishida

SUPERVISORY COMMITTEE

Isami Miyata
Ichio Kuramitsu
Ikuhiro Hattori
Tsuneo Kunii
Kiichi Sugawara
Akio Mishima
Yoshinori Ando
Motonori Baba
Hakusaburo Tezen
Mikio Wakatsuki
Hideaki Kubori
Hirofumi Ueno
Yoshio Kono

BOARD OF AUDITORS

Masaaki Tanaka
Kozo Konishi
Nobuo Igarashi
Yasuhiko Kishi
Nobuo Ohashi

History

Milestones in the Bank's 85-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 • 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., established

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 permanently subordinated loans
• The consolidation of Shinnoren with the Bank begins

2003 • JF Marine Bank implements fundamental policies

2004 • Norinchukin Securities Co., Ltd., liquidated

2005 • Increase in capital of ¥225 billion in common stock and perpetual subordinated loans of ¥212 billion
• Final integration of Miyagi Shinnoren

2006 • Final integration of Okayama Shinnoren and Nagasaki Shinnoren (January)
• JASTEM made available in all prefectures (May)
• Capital increase through issue of subordinated bonds with maturity dates (September)
• Capital increase through issue of lower dividend rate stock (¥19.0 billion) (September)
• Merger of Kyodo Credit Service Co., Ltd., with UFJ Nicos Co., Ltd. (October)
• Acquisition of Financial Holding Company (FHC) status in the United States (December)
• JA savings deposits top ¥80 trillion (December)

2007 • Final integration of Akita Shinnoren (February)
• JA Bank Agri-Support business established (June)
• Final integration of Tochigi Shinnoren (October)
• Capital increase through issue of lower dividend rate stock (¥15.9 billion) (November)

2008 • Final integration of Yamagata Shinnoren and Toyama Shinnoren (January)
• Capital increase through issue of lower dividend rate stock (¥12.9 billion) (February)
• Capital increase through issue of lower dividend rate stock (¥503.2 billion), and permanently subordinated loan (March)

List of Group Companies

As of March 31, 2008

Company Name	Address	Nature of Business	Date of Establishment	Capital (Millions of yen) Bank Ownership/ Group Ownership (%)
The Norinchukin Trust & Banking Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Trust & Banking	August 17, 1995	20,000 100.0/100.0
Kyodo Seminar Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Training	May 25, 1981	20 100.0/100.0
Nochu Information System Co., Ltd.	5-3, Musashino 3-chome, Akishima-City, Tokyo 196-0021, Japan	System Development & Maintenance	May 29, 1981	50 100.0/100.0
Norinchukin Research Institute Co., Ltd.	8-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Research	March 25, 1986	300 100.0/100.0
Nochu Business Support Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Operations for Property Accumulation Savings, Various Operations, Talent Provider on behalf of The Norinchukin Bank	August 18, 1998	100 100.0/100.0
Kyodo Housing Loan Co., Ltd.	15-3, Chuocho 1-chome, Meguro-ku, Tokyo 152-0001, Japan	Mortgage Loans	August 10, 1979	10,500 91.16/91.16
The JA Bank Computer System Co., Ltd.	East Net Building, 1-1, Toyo 7-chome, Kohto-ku, Tokyo 135-0016, Japan	System Development & Maintenance for JA Bank Group	March 25, 2002	100 60.0/60.0
Norinchukin-Zenkyoren Asset Management Co., Ltd.	7-12, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan	Asset Management & Investment Advice	September 28, 1993	1,920 50.91/50.91
Kyodo Leasing Co., Ltd.	9-17, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-0062, Japan	Leasing	March 24, 1972	9,000 39.0/39.0
Kyodo Auto Leasing Co., Ltd.	9-17, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-0062, Japan	Auto Leasing	September 13, 2005	300 0.0/100.0
The Cooperative Servicing Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Management of Non-Performing Loans	April 11, 2001	500 37.96/37.96
Private Equity Fund Research and Investments Co., Ltd.	7-9, Nihonbashi 1 chome, Chuou-ku, Tokyo 103-0027, Japan	private equity fund ratings, business management	October 19, 2007	1,000 25.0/30.0
The Agribusiness Investment & Consultation Co., Ltd.	1-12, Uchikanda 1-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Investment Consultation to the Agricultural Companies	October 24, 2002	4,070 19.97/19.97
Daiichi Life Norinchukin Building Management Co., Ltd.	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-8420, Japan	Building Maintenance	April 1, 1993	10 27.0/27.0
Norinchukin Finance (Cayman) Limited	M&C Corporate Services Limited P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands	Issue of Subordinated Bonds, Borrowing of Subordinated Loans, etc.	August 30, 2006	$50,000 100.0/100.0

Notes: 1. The Group share ownership percentage is the percentage of totals owned by The Norinchukin Bank Group.

2. Nochu Information System Co., Ltd. and The JA Bank Computer System Co., Ltd. have merged on April 1, 2008 (a surviving company is Nochu Information System Co., Ltd.).

3. Kyodo Leasing Co., Ltd. and Mitsui Leasing & Development, Ltd. founded JA MITSUI LEASING, LTD., which is a common holding company, on April 1, 2008, and turned into the wholly-owned subsidiary of JA MITSUI LEASING, LTD.

4. Kyodo Auto Leasing Co., Ltd. is a wholly-owned subsidiary of Kyodo Leasing Co., Ltd.

Global Network (As of August 1, 2008)

Overseas Branches

New York Branch
Noritsugu Sato, *General Manager*

21st Floor, 245 Park Avenue,
New York, NY 10167-0104, U.S.A.
Telephone: 1-212-697-1717
Fax: 1-212-697-5754
SWIFT: NOCUUS 33

London Branch
Hiroshi Takashima, *General Manager*

4th Floor, 155 Bishopsgate,
London EC2M 3YX, U.K.
Telephone: 44-20-7588-6589
Fax: 44-20-7588-6585
SWIFT: NOCUGB2L
Company number: BR001902

Singapore Branch
Akira Kurihara, *General Manager*

80 Raffles Place, #53-01,
UOB Plaza 1, Singapore 048624
Telephone: 65-6535-1011
Fax: 65-6535-2883
SWIFT: NOCUSGSG
Telex: RS21461

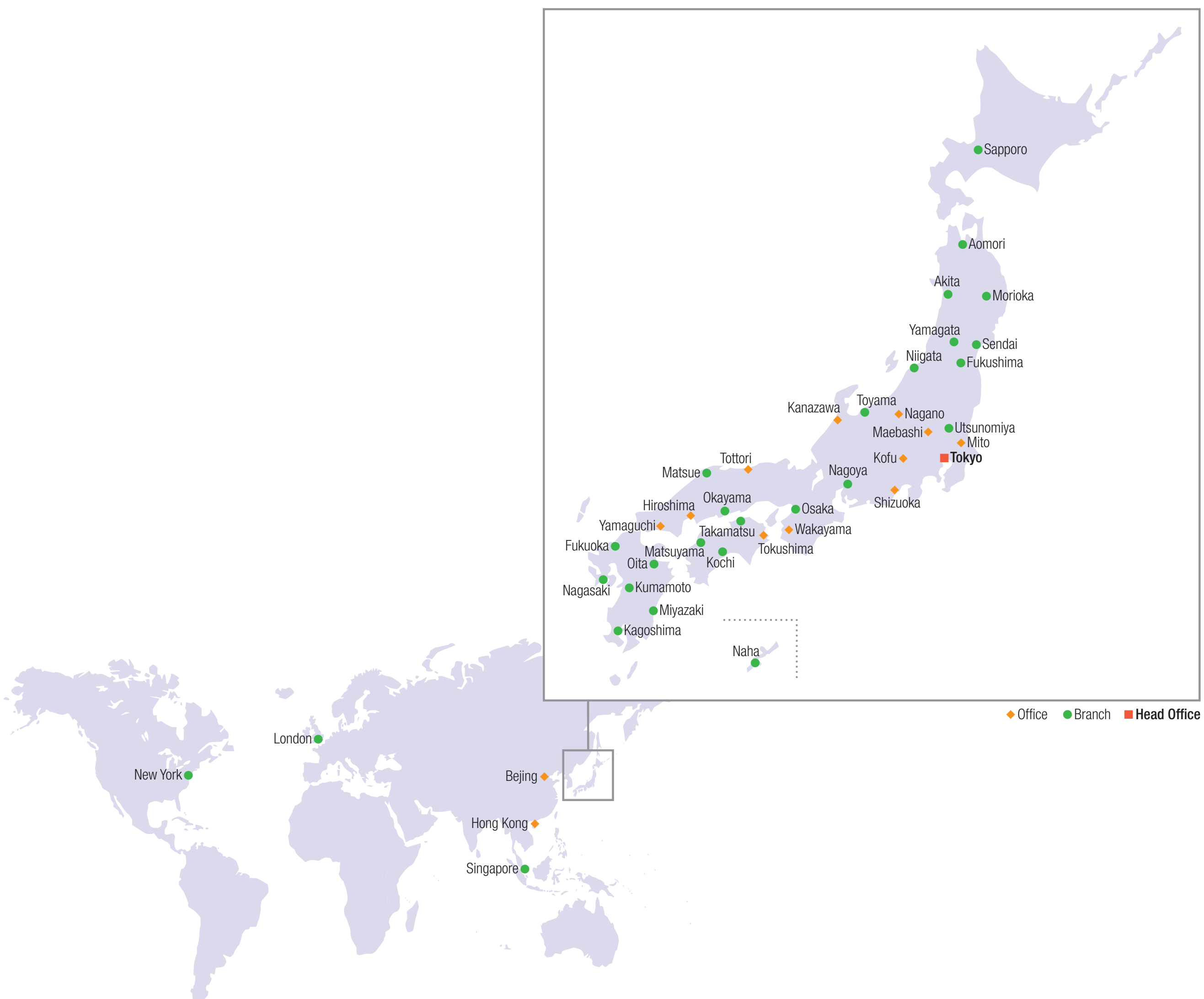
Overseas Representative Offices

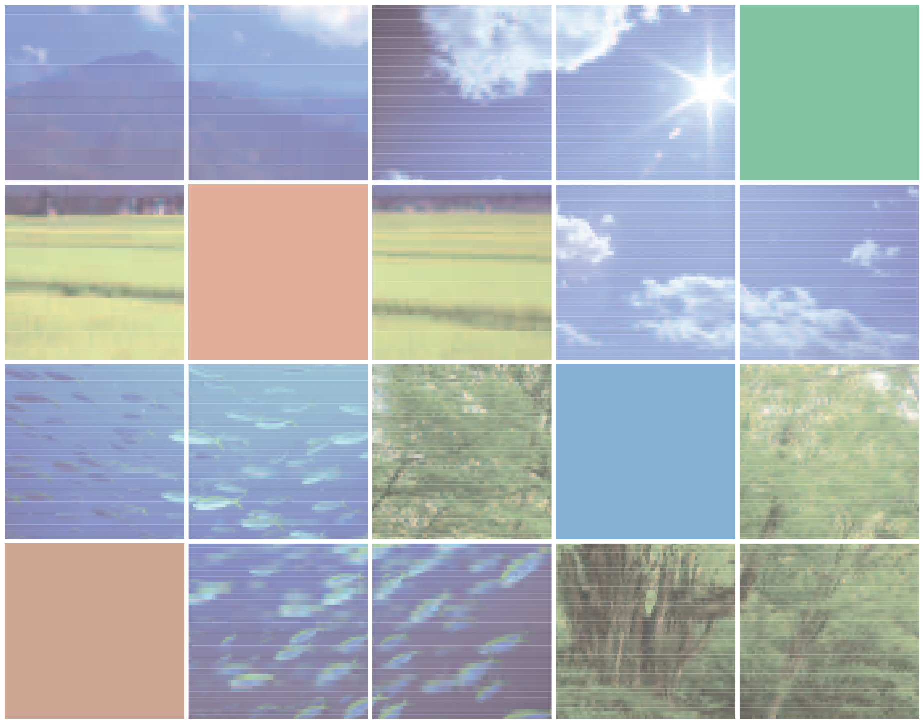
Hong Kong Representative Office
Akira Matsuo, *Chief Representative*

34th Floor, Edinburgh Tower,
The Landmark, 15 Queen's Road,
Central, Hong Kong
Telephone: 852-2868-2839
Fax: 852-2918-4430

Beijing Representative Office
Masato Inagaki, *Chief Representative*

Room 601, Chang Fu Gong Building,
Jia-26, Jianguo Men Wai St.,
Beijing, China 100022
Telephone: 86-10-6513-0858
Fax: 86-10-6513-0859





Contact information of Head Office:

13-2, Yurakucho 1-chome, Chiyoda-ku,
Tokyo 100-8420, Japan
URL: http://www.nochubank.or.jp/
SWIFT: NOCUJPJT

The Norinchukin Bank