

The Cooperative System and the Cooperative Banking Business

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

◆ The Cooperative System and the Cooperative Banking Business

In addition to the cooperative banking business, which involves accepting deposits and making loans, our cooperative organizations also 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 as well as the procurement of production materials; and engaging in the “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 (JForest) at the municipal level, and their respective prefectural unions and federations as well as the national union and federations of the agricultural, forestry, and fishery cooperatives (as indicated in the accompanying chart). In general, 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 encompass offering guidance for improving cooperative members’ management of their farms 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 services, such as accepting deposits, making loans, remitting funds, and other financial services. As of April 1, 2010, 715 JA throughout Japan have been making contributions to the agricultural industry as well as the development of rural 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, which have the dual objectives of overseeing both fisheries operations and the livelihoods of fishermen, and contributing to members and rural communities. The principal businesses of JF include offering guidance for the management of marine resources, such as improving the business operations of cooperative members and the standards of living of members; conducting marketing and supplying activities, such as the storage, processing, and sale of fish catches and other marine products of cooperative members: the supply of materials necessary for the business activities and daily lives

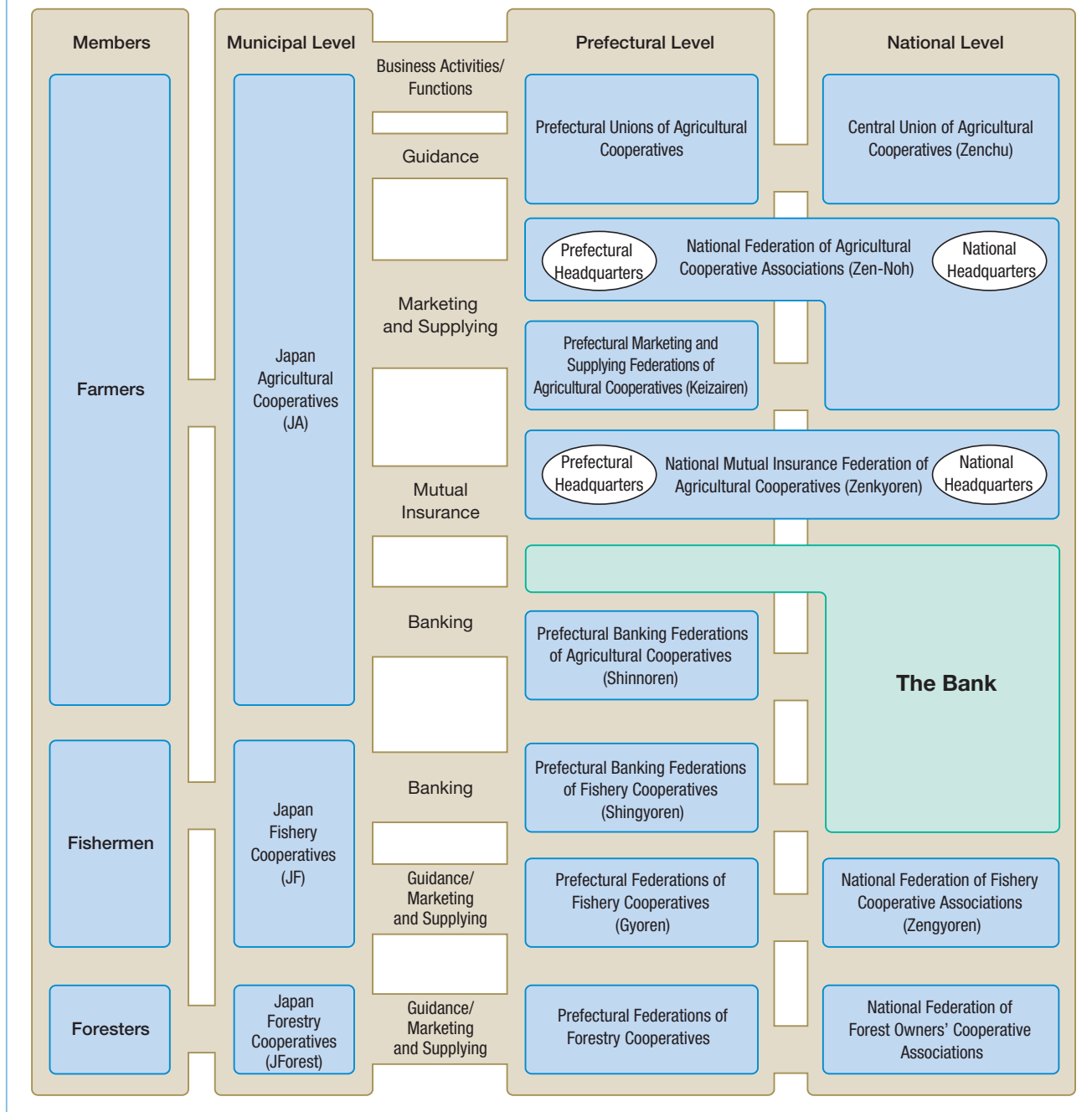
of members and providing banking business services, which include the acceptance of deposits and lending of necessary funds and provision of life and property insurance.

As of April 1, 2010, there were 1,015 JF throughout Japan that contribute both to the fisheries industry and to the development of fisheries communities through a

broad range of activities.

As of April 1, 2010, there were 162 JF nationwide in Japan that conduct banking business services of their own initiative. In addition to these JF, there are JF which act as agents of Shingyoren providing banking business services for fisheries communities throughout their respective prefectures.

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



• JForest (Shinrinkumiai) (The Japan Forestry Cooperatives)

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

The principal business activities of the forestry cooperatives consist of undertaking operations which include planting, the removal of undergrowth, and the thinning of forests owned by cooperative members as well as the sale of forest products, such as logs and timber.

As of April 1, 2010 there were 691 forestry cooperatives nationwide in Japan. As core participants in cultivating and improving forestlands, the forestry cooperatives make a major contribution toward enabling forests to perform their extensive 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 JForest (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 their respective members under the slogan "one for all and all for one."

The Bank is a national level cooperative financial institution whose membership (i.e. shareholders) comprises the previously mentioned municipal cooperatives, the prefectural and national federations, and other organizations. Furthermore, the Bank plays a major role in Japanese society, as a contributor to the development of the nation's economy and as a supporter of the advancement of the agricultural, forestry, and fisheries industries for its members in accordance with the stipulations of Article 1 of the Norinchukin Bank Law.

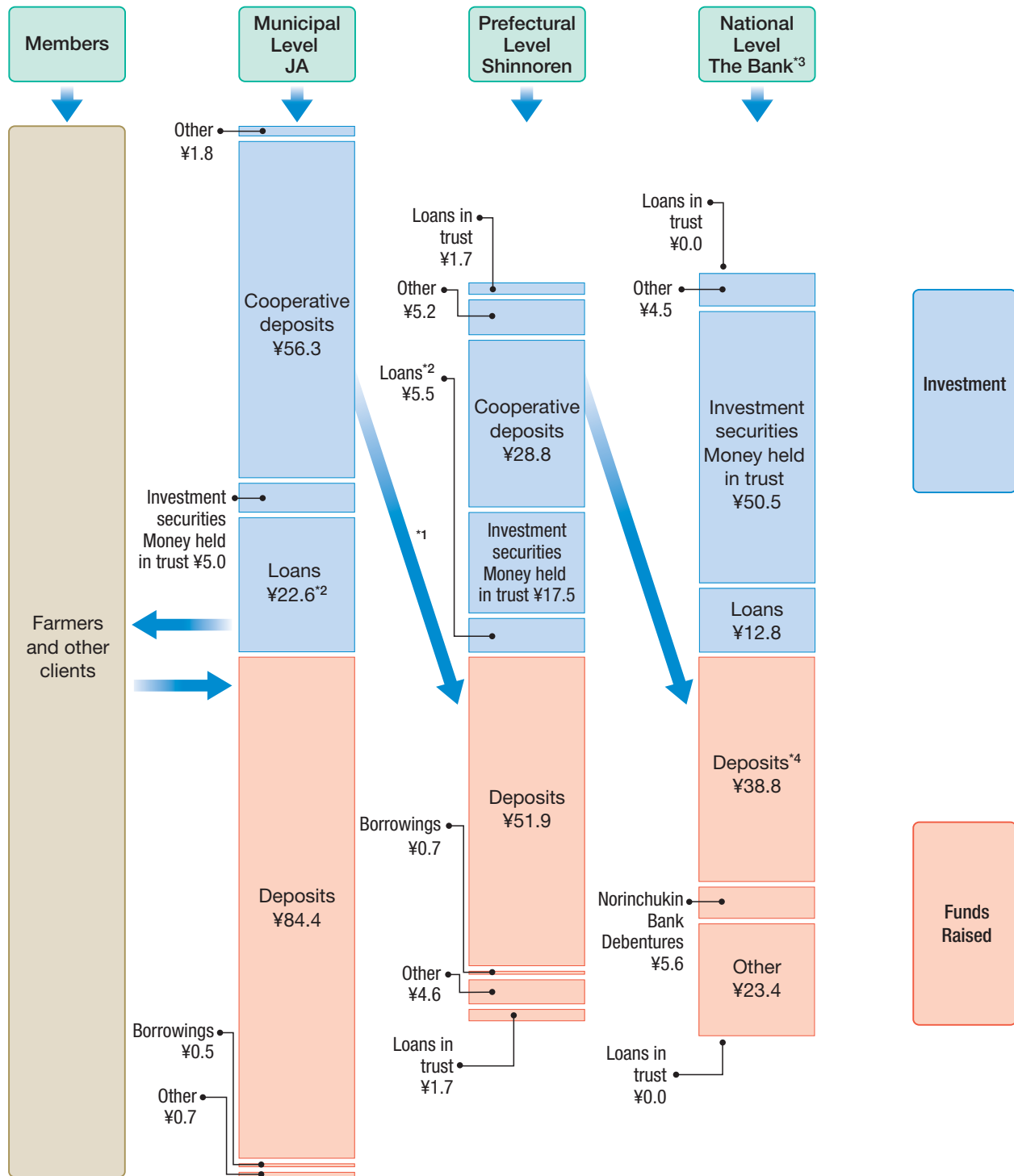
The Bank's funds are derived from deposits placed by members (the majority of the funds held at the Bank are deposits placed originally by members of JA and JF), and the issuance of Norinchukin Bank debentures. Additionally, the Bank also raises capital in the financial markets.

These financial resources are then lent to the agricultural, forestry, and fisheries industries, corporations connected to the agricultural, forestry, and fisheries industries; regional governments, as well as public entities. In addition to the aforementioned activities, the Bank manages its funds efficiently through investments in securities and other financial instruments. The Bank then provides stable returns to its members through earnings received from its investment and lending activities, as well as the provision of various other financial services. Through these various services and activities, the Bank plays a major role as the national level financial institution for cooperative organizations.

Article 1 of the Norinchukin Bank Law

As a financial institution which takes as its foundation 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.

► Flow of Funds within JA Cooperative Banking System (As of March 31, 2010) (Trillions of Yen)



Calculated totals for "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.

Operations of the JA Bank System

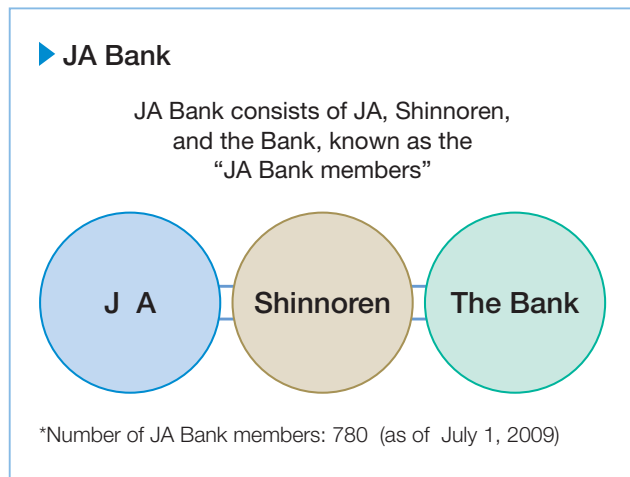
The members of the JA Bank, JA, Shinnoren, and the Norinchukin Bank, work under a framework for integrated and systematic cooperation for each business activity. We call this framework the “JA Bank System,” and our aim is to become a financial institution that is both trusted to a greater degree and chosen more often 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 Norinchukin Bank, and together they are referred to as the “JA Bank members.” The JA Bank System functions essentially as one financial institution, possessing one of the largest networks among private financial groups in Japan.

As of July 1, 2009, the JA Bank contains 743 JA, 36 Shinnoren, and the Norinchukin Bank, for a total of 780 entities.



◆ The JA Bank System

• A Framework for Integrated and Systematic Cooperation among JA Bank Members

To ensure that cooperative members and other customers have 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 is implemented with the consent of all 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 referred to as the “JA Bank System.”

The JA Bank System is founded on two basic pillars. The first is the “promotion of unified operations,” which aims to improve and strengthen the financial services provided by the JA Bank by taking advantage of both economies of scale and finely-tuned customer interactions. The second is the “the bankruptcy prevention system,” which ensures the reliability of the JA Bank.

• Comprehensive Strategy of the JA Bank

The JA Bank has instituted the “JA Bank Medium-Term Management Strategy” as a comprehensive management and business strategy. In accordance with the “JA Bank Medium-Term Management Strategy (fiscal 2007 through fiscal 2009),” in fiscal 2009, the JA Bank promoted stronger, more unified operations among JA, Shinnoren, and the Norinchukin Bank, with the dual 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.

In addition, the Bank has established as its fundamental objective a vision of the JA Bank as an institution which “contributes to the agricultural industry and household budgets, is chosen by its members and continues to grow.” It has also established the “JA Bank Medium-Term Management Strategy (fiscal 2010

through fiscal 2012), the main pillars of which are to strengthen its roles as “the main bank for the agricultural industry” and the “main bank for household budgets.” The Bank has been successful in implementing its medium-term management strategy ahead of schedule.

• Initiatives to Strengthen its Role as the Main Bank for the Agricultural Industry

As the main bank for Japan’s agricultural industry, the JA Bank, together with JA, Shinnoren and the Norinchukin Bank, is working to provide an improved level of financial services to the agricultural industry.

Specifically, JA, Shinnoren, and the Norinchukin Bank has proactively visited customers on a Group-wide basis in order to properly respond to the financial needs of farmers in local farming communities. It has also conducted financial consultations and made proposals including financing of various agricultural equipment, agricultural loans for working capital and providing capital for farming corporations. We have also set up and reinforced the Prefectural and Local Agricultural Financial Center, which trains the JA staff in charge of agricultural loans and provides support for their customer visits.

In addition, in fiscal 2010, we established the JA Bank Business to Encourage Employment in Agriculture as a business within the JA Bank Agri-Support Business. This business provides financial aid to core farmers who train new applicants (trainees) for employment in agriculture.

• Initiatives to Strengthen its Role as the Main Bank for Household Budgets

Seeking to be the main bank for the household budgets of cooperative members and other customers, the JA Bank, together with JA, Shinnoren and the Norinchukin Bank, have put a priority on a rigorous approach to caring for its customers and raising customer satisfaction.

Specific measures taken include an increase in the number of ATMs at other banks that can be used free of charge and issuing commission-free IC cash cards. In

addition, we will successively expand pension account services and introduce JA’s very own point service that employs the JA Card (a credit card) as its main vehicle. The JA Bank will continue to strive to ensure that it is regarded as both a financial institution which offers more convenient and reliable products and services, and is chosen proactively by its cooperative members and other customers.

• Initiatives to Develop Efficient Business Operations

The establishment of a unified nationwide IT system for the JA Bank (known as the JASTEM System) is currently being carried out by the Norinchukin Bank to create the core infrastructure needed to provide a consistent level of service to users everywhere in Japan. While fulfilling this social responsibility, we are building the system to create greater convenience for cooperative members and other customers and to both fulfill and streamline functions required for JA business operations.

We are currently renovating the system, and have completed two migrations (in 20 prefectures) in January and May 2010. We are now working on two remaining migrations scheduled for January and May 2011.

Moreover, we are creating a stronger internal control system by installing an even more reliable IT system at the JA Bank.

• Initiatives to Ensure a Sound and Stable JA Bank System

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 any early stage corrective action by the government.

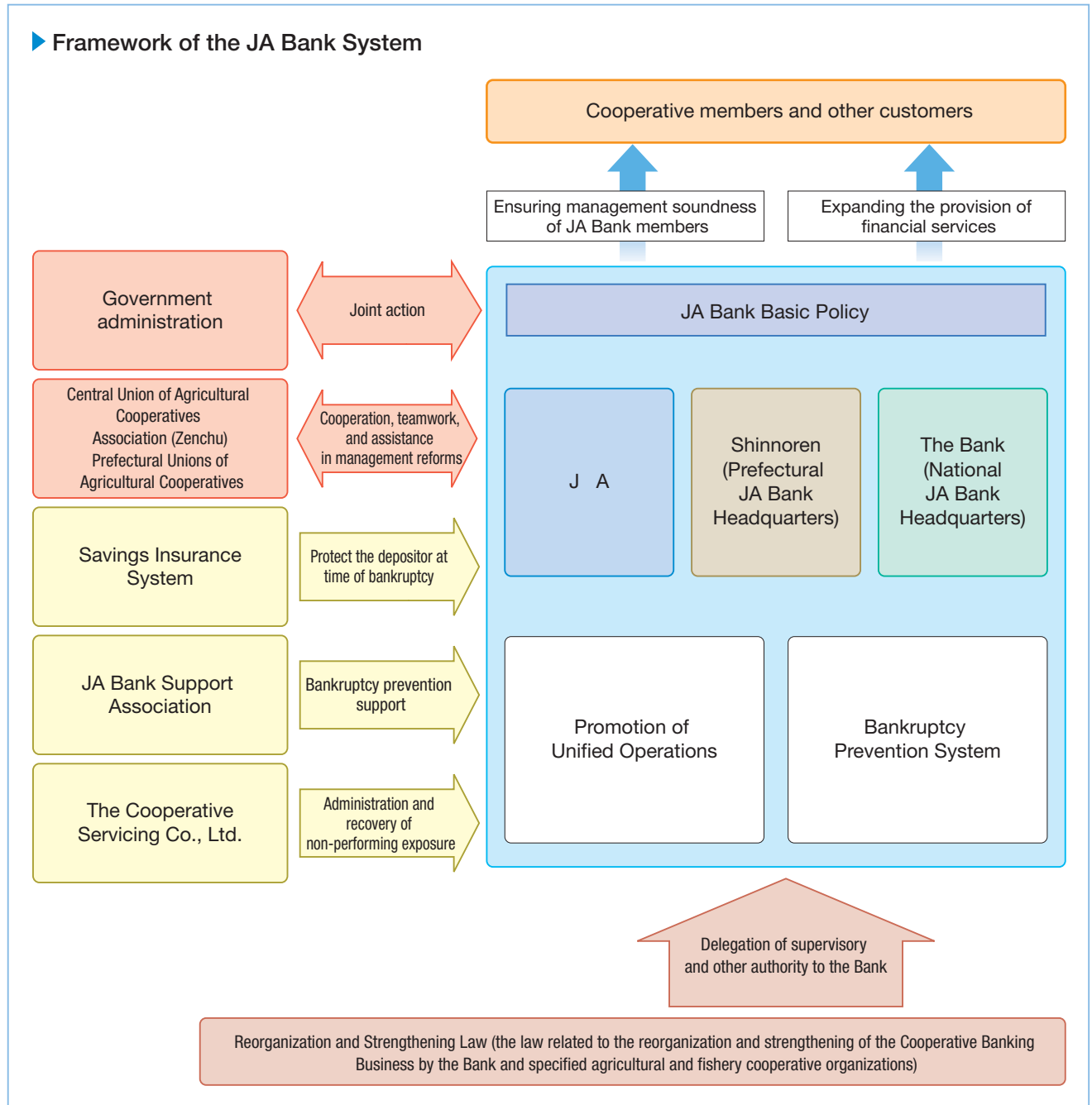
In addition, the JA Bank Support Association has established the JA Bank Support Fund with financial resources contributed by JA Bank members. This fund

can provide capital injections and other support to JA Bank members when necessary.

Through these initiatives, we are working to ensure that the JA Bank enjoys an even greater degree of credibility and confidence from its cooperative members

and other customers.

It is also important to note that JA, Shinnoren, and the Bank participate in the Savings Insurance System, which is a public system mandated by law.



Our Thoughts on Expanding the Business Scope of Japan Post Bank Co., Ltd.

If the Japan Post Bank is fully privatized in the future, we, at JA Bank and JF Marine Bank, are preparing to engage each other in friendly competition. As a cooperative that is based in local communities, we will continue to further enhance and improve services so that we contribute even more to cooperative members, customers and local communities and work hard so that we become a financial institution that is

chosen by the people that it serves.

On the other hand, as long as government investment remains partially, and its public support continues, we believe that the Japan Post Bank should commit itself to complementing the private sector, and that raising the deposit limit, expanding the lending business and other measures should not be allowed.

Our Thoughts on Regulatory and System Reform Now under Review by the Administrative Reform Council

Beginning from March 2010, “the Sectional Meeting Concerning Regulatory and System Reform” and “the Agricultural Working Group” established under “the Administrative Reform Council” are now examining regulatory and system reforms for the agricultural sector.

With respect to these regulatory and system reforms, we strongly support the discussions—part of the New Growth Strategy for creating new demand—now being held on Japanese agriculture to build it into a sustainable industry into the future. We also support promoting discussions that contribute to raising the food self-sufficiency ratio.

From the view point of regional and agricultural

rejuvenation, it is important that we discuss the protection of cooperative members' rights and interests, while taking into full account the functions and roles being fulfilled by the JA Group and cooperatives in agriculture and local communities.

As a rural area-based agricultural cooperative, the JA Group seeks to raise the food self-sufficiency ratio and vitalize agriculture and rural areas. We will continue to make greater efforts to respond to cooperative member and customer mandates through unceasing business and organizational reform. We will also promote understanding including that of cooperatives and the JA Group's social role.

◆ Trends in the Agricultural Industry and the JA Cooperative Banking Business

• The Current State of the Agricultural Industry in Japan

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 of 2008. Discussions are continuing in an effort to reach an agreement on the subject of modalities (i.e. criteria for reducing protective standards applicable to all nations), particularly figures for tariff

reduction ratios. Economic Partnership Agreements (EPA) and the Free Trade Agreements (FTA), discussions on the elimination of tariffs and other bilateral and regional measures, have so far been concluded with 11 countries and regional blocks (ASEAN), while negotiations continue with five countries and regional blocks (GCC).

Although commodity markets and grain prices, which have an impact on raw material prices associated with the production of agriculture, specifically the price of oil, have regained equilibrium compared with fiscal 2008, structural factors behind the tight global supply and demand for food have not yet been eliminated because of a higher demand for food resulting from economic growth in emerging countries and an unstable

food supply caused by such constraints as global warming and the lack of water resources.

There are growing signs of a pickup in domestic agricultural and livestock products due to a heightening awareness of food safety and security issues. Nevertheless, because of decreasing agricultural income, an escalating shortage of people willing to run farms, increased abandonment of cultivated land and other factors, business conditions continue to be very difficult for the country's farmers and farming communities. Consequently, Japan's agricultural and land ownership system was reviewed and a new Basic Plan for Food, Agriculture, and Rural Areas was approved in a Cabinet meeting in March 2010. The purpose of the new plan is to achieve a food self-sufficiency ratio of 50% (on a calorie basis) by 2020 through policies including a system of income indemnification and a sixth industrialization of agriculture and farming communities.

Aiming to revitalize agriculture by collaborating with consumers, the JA Group has implemented various measures to increase the value of agricultural production and raise agricultural income as well as improve self-sufficiency through farmland use and farmer support. Furthermore, the Group is promoting JA Food and Agriculture Education and a project for producing good food for everyone. This is part of its effort to increase the public's understanding of the farming industry and build a consensus.

In April 2010, the damage from the first confirmed case of foot-and-mouth disease in 10 years in Miyazaki Prefecture spread dramatically. We would like to express our heartfelt sympathy to livestock farmers, meat processors and everyone who has suffered damage. The JA Group, in collaboration with the central government, prefectures and municipalities, is doing its utmost to support livestock farmers.

Financial Response in Association with Measures to Prevent a Foot-and-Mouth Disease Epidemic

As of June 23, 2010, the number of cloven-hoofed animals and farms that have been the target of measures (the destruction and burying of farm livestock and the decontamination of farms) to prevent a Foot-and-Mouth epidemic has reached 199,293 heads at 291 farms in Miyazaki Prefecture.

Farmers that had to destroy all of their livestock will be forced to incur a considerable amount of time and cost to resume and recover operation of their farms. Farms with livestock that neighbor the afflicted area have also been burdened by the suspension of trading on livestock markets and other measures taken to prevent an epidemic.

As a result, the JA Bank has set up a consultation service and has expended every possible means to financially support those affected by this tragedy.

The Bank will do everything within its power to help farmers recover and resume farm management.

• The 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 that responded to customer needs during fiscal 2009, JA deposits rose by 1.4% over the previous year, to a term-end balance of ¥84,477.2 billion.

Total JA loans rose by 1.3%, year-on-year, to a term-end balance of ¥22,674.1 billion due to an increase in individual loans, especially mortgage loans, thanks to home loan advisory events and other campaigns. Securities held by JA Bank posted a year-on-year increase of 4.1% to a term-end balance of ¥5,021.1 billion.

Deposits with Shinnoren increased year-on-year by 1.2%, to a term-end balance of ¥51,914.7 billion.

The balance of loans issued by Shinnoren declined, recording a year-on-year decrease of 0.9%, to a term-end

balance of ¥5,591.6 billion. Securities (including money held in trusts) held by Shinnoren saw an annual increase of 5.3% to a term-end balance of ¥17,594.6 billion.

Reorganization of the JA Cooperative Banking Business

To deal effectively with changes in the operating environments of the agricultural industry, cooperative members, and JA, the JA Bank has made progress in improving efficiency and streamlining management.

In the same way, at the Norinchukin Bank, the cooperative system has been streamlined in 10 prefectures from the three-tier structure consisting of the JA, the prefectural Shinnoren, and the Norinchukin Bank to a two-tier structure of the JA and the Bank alone. This was achieved through the consolidation of the Shinnoren from nine different prefectures (Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama,

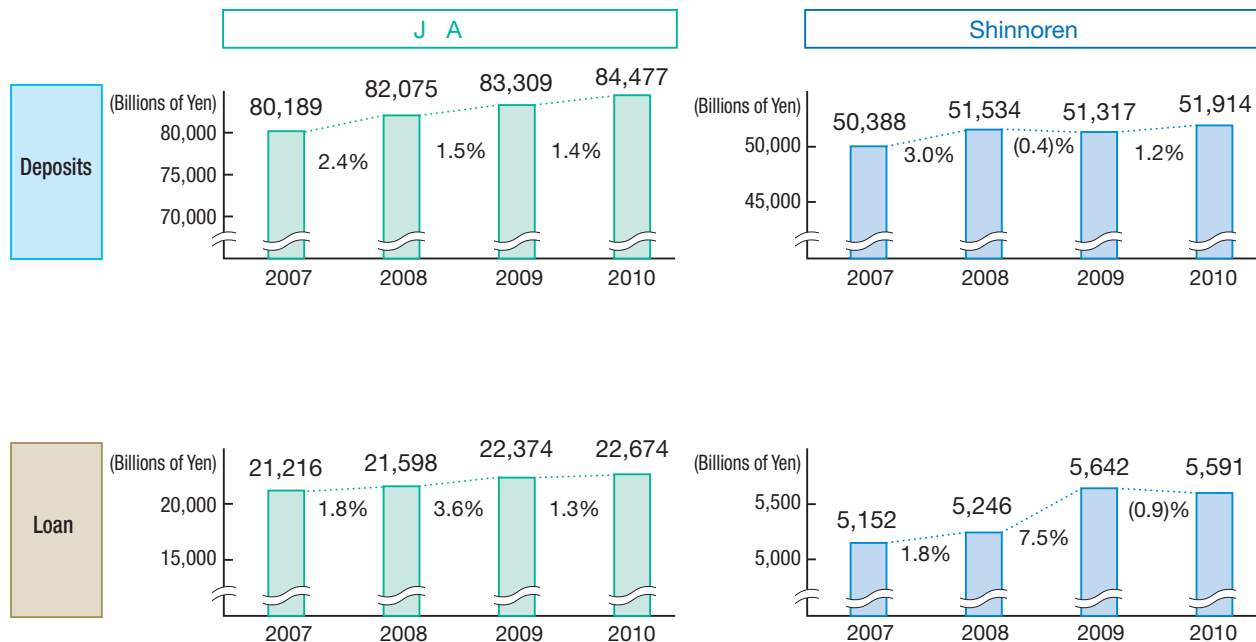
Nagasaki, and Kumamoto) and the transfer of their operations, as well as a partial transfer of the operations of Shinnoren in one prefecture (Aomori) to the Bank.

In October 2011, a portion of the operations of the Shinnoren of Gunma Prefecture is scheduled to be transferred to the Bank.

Elsewhere, the goal of “one JA in each prefecture,” whereby the rights and obligations of both Shinnoren and Keizairen (The 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.

The Norinchukin Bank continues to steadily support internal efforts to enhance JA’s organization and implement the steps the Bank is taking towards achieving efficiency and rationalization, with the aim of creating a cooperative banking structure capable of meeting the expectations and securing the trust of both cooperative members and other customers.

Deposits and Loans (As of March 31)



The JF Marine Bank's Operations

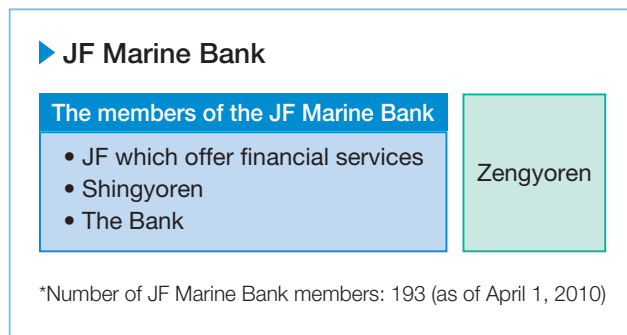
Providing Financial Support to Coastal Communities and Matched Financial Capabilities to Fisheries

◆ 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 IT systems company operated by Zengyoren.

As of April 1, 2010, there were 162 JF offering financial services and 30 Shingyoren, for a total of 193 members, including the Norinchukin Bank.



◆ 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 that the JF Marine Bank conducts its business operations in a sound and proper manner; Second, to respond appropriately to the financial needs of cooperative members and other customers by carrying out reforms in JF Marine Bank's business activities, management and organization.

• A Framework for Preventing Bankruptcy

Taking into consideration various developments that have occurred in the financial environment, such as the complete discontinuation of blanket deposit insurance, and from the perspective of ensuring proper and sound operations, all members of the JF Marine Bank are required to provide management information to the JF Marine Bank Headquarters. Based on their examination of this information, the JF Marine Bank Headquarters can prevent organizations, such as JF, that have problems with their operations, from falling into bankruptcy by quickly identifying issues and taking preventative action, creating a system that is reassuring to customers. These activities are undertaken with the guidance of the Bank and Shingyoren.

In addition to the activities mentioned thus far, JF, Shingyoren, and the Norinchukin Bank have contributed jointly to create the “JF Marine Bank Support Fund,” which also provides a framework to encourage cooperative members' autonomous activity, and is directed toward organizational and business reforms.

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

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

The JF Marine Bank provides financial services with regional coverage for members of 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 bank that is a member of Japan's financial system, measures have been implemented to establish a “system of one fishery cooperative banking business in each prefecture.” As a result, all prefectures

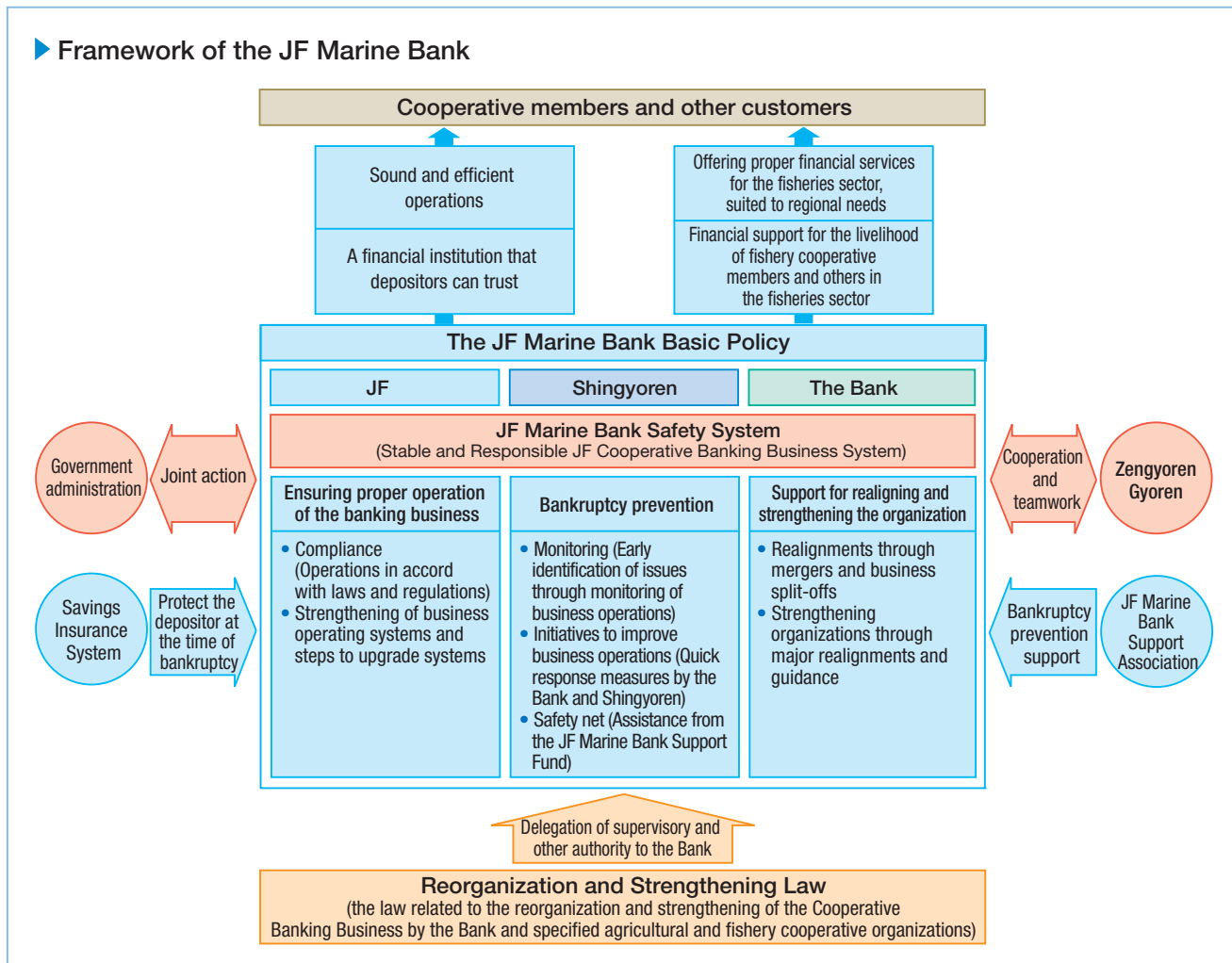
had completed the development of a fishery cooperative banking business in each of their respective prefectures by the end of fiscal 2009.

With the goal of making this foundation even stronger and achieving sound and efficient business operations, we are setting up the JF Marine Bank Safety System (Stable and Responsible JF Cooperative Banking Business System) to manage our banking business by “integrating the prefectural banking business into Shingyoren”, “creating an organization of multiple JF cooperatives centered on Shingyoren”, “establishing one JF in each prefecture” and “creating a wide-area Shingyoren that transcends prefectural boundaries.”

As part of its initiatives related to the cooperative banking business under the JF Marine Bank, a new “JF Marine Bank Medium-Term Business Promotion

Policy” for the three years commencing from fiscal 2009 has been drawn up. Under this policy, the JF Marine Bank is continuing to take measures to improve its management and strengthen its financial position in line with its fundamental policies, while at the same time placing an even greater emphasis than before on the improvement of fishery operations, which is the basis for sound operations at the JF Marine Bank.

The JF Marine Bank aims to be a trusted provider of financial services for fishing communities. As a cooperative financial institution, it believes that its *raison d’etre* is to serve not only its members and other customers, but also communities and regional society as a whole.



◆ Trends in the Fisheries Industry and the JF Cooperative Banking Business

• The State of the Fisheries Industry

The circumstances surrounding the fisheries industry and fisheries communities—the weakening productive structure including fluctuating material costs, such as for fuel and animal feed, falling resource levels in the territorial waters surrounding Japan, the increasing age of people engaged in the fisheries industry, and decreasing consumption of marine products—are growing increasingly harsh.

Despite this adverse environment, in the fiscal 2010 fisheries budget, the government is to strengthen Japan's fisheries industry and establish dynamic fisheries communities through a variety of measures. These include creating sustainable fisheries and aquaculture industries, restoring and managing marine resources that are now at low levels, supplying domestic marine products based on consumer needs and taking comprehensive measures to rejuvenate fisheries communities.

Specifically, as a policy to counter the sharply rising costs of fuel and mixed feed for aquatic farms, we created a business that provides a safety net for fisheries industry management, setting up a new mechanism for providing compensation for fuel and mixed feed costs when their prices rise sharply, based on contributions from fishery operators and the government. In addition, we continue to implement fisheries management stabilization policies by providing aid to the Federation of the Fishery Mutual Relief Insurance Associations and the Fishing Boat Insurance Associations. As a financial measure for the fisheries industry, fisheries industry emergency guarantee measures were extended and the guarantee framework was expanded in the fiscal 2009 supplementary budget.

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

• The Flow of Funds in the JF Cooperative Banking Business

The balance of deposits held with JF decreased 0.1% from the previous fiscal year-end, to ¥2,243.4 billion, at the end of fiscal 2009.

The balance of loans at JF fell 1.1%, year-on-year, to ¥688.1 billion, due to such factors as the easing of demand for new financing.

◆ Reorganization of the JF Cooperative Banking Business

The JF cooperative banking business is being reorganized to create more sound and efficient management systems by means of two methods: Mergers between various JF and the transfer of banking business activities from the JF to the Shingyoren.

These efforts have reduced the number of JF engaged in the banking business from 875 JF as of March 31, 2000, to 162 JF as of April 1, 2010.

The total number of JF, including those that are not engaged in the banking business, was reduced by 73 JF in fiscal 2009, and, as of April 1, 2010, the number stood at 1,015 JF, reflecting the progress being made toward consolidation.

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

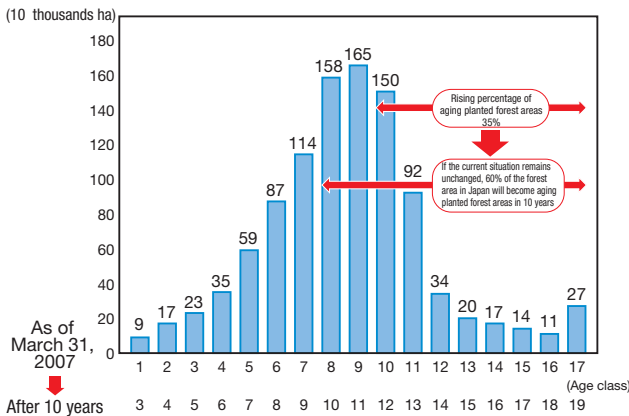
The Bank supports the aforementioned JF cooperative banking business initiatives.

Japan Forestry Cooperative Initiatives

◆ The Current State of the Forestry Industry in Japan and Cooperative Activities

Japan's forests cover 25 million hectares, or about two-thirds of the country's land mass. About 70% of the forest area in Japan is held by private landowners. Partly due to the aging of the Japanese population and the trend towards depopulation in rural mountain villages, factors that have caused a decline in forestry development, Japanese forest areas are not properly sustained and have become unproductive wilderness. This explains why the cedar and cypress forests that were planted after World War II are unable to properly perform their functions even though the trees have reached maturity.

▶ Japan's Rising Percentage of Aging Planted Forest Areas



Source: Forestry Agency, "Fiscal 2009 Forestlands and Forestry Industry White Paper"

In addition to the recent tight global supply and demand for timber, with the new government administration having set its sights on achieving a "low-carbon society," things are looking upbeat for the restoration of the domestic timber industry, as more people are calling for the regeneration of forestlands and the forestry industry. In December 2009, the Ministry of Agriculture, Forestry and Fisheries instituted the "Forestland and Forestry Industry Regeneration Plan," a roadmap for the swift regeneration of forest areas as well as the forestry industry. The plan is to lay the foundation for an efficient and stable forestry industry and to develop a system for the stable supply and use of timber.

As a result, forestry cooperatives are building roads within forests and introducing high-performance forestry machinery, and taking practical steps to train personnel in a comprehensive manner. Forestry cooperatives are also expanding the "Movement to Revitalize Forestlands, the Forestry Industry, and Rural Mountain Villages that support the Environment and our Livelihood." Accordingly, based on the "Forestland and Forestry Industry Regeneration Plan" described earlier, a new cooperative campaign policy (for fiscal 2011 through fiscal 2015) is being studied and is to be passed at the National Federation of Forest Owners' Cooperative Association meeting scheduled for the fall of this year.

The Bank's policies include helping to strengthen the foundation for autonomy in the management of forestry cooperatives and substantially increasing support for their initiatives.



Untended forestland becomes backwoods



A forest that has been maintained by tree trimming

Safety Net for the 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.

The specific functions of these systems include: (1) Monitoring of the management conditions of individual JA and JF to identify any problems at an early stage, (2) Taking steps at the earliest stage possible in order to prevent bankruptcy and (3) Infusing any necessary funds drawn from the JA Bank Support Fund or the JF Marine Bank Support Fund* (collected from all members of the JA Bank and the JF Marine Bank) in order to restore sound management to either JA or JF.

*As of March 31, 2010 the balance of the JA Bank Support Fund was ¥169.3 billion and that of the JF Marine Bank Support Fund was ¥25.3 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 Norinchukin 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 system was fully discontinued 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, 2010 the balance of the reserve fund of the Savings Insurance System was ¥286.0 billion.

▶ Safety Net for Cooperative Banking System

