

# Contents

## 4 A Message from the President

## 6 Recent Trends in Japan's Agriculture, Forestry and Fisheries

## 7 Principal Developments in the First Half of the Fiscal Year

- Initiatives to Strengthen the Financial Services Provided by the JA Bank
- Initiatives in Financial Services for Core Farmers
- The JA Bank Agri-Support Business
- Fees Abolished for Use of ATMs Operated by the JA Bank, and No-Fee ATM Tie-Up Agreement Signed with the Bank of Tokyo-Mitsubishi UFJ
- Measures to Secure Public Trust in the JA Bank
- Management Integration at the JA Bank
- Upgrading the JASTEM System
- Reforms within the Fishery Cooperatives (JF) Group
- Regarding Mitsubishi UFJ NICOS as an Equity Affiliate
- Rationalizing Our Branch Network
- The Establishment of an Endowed University Lecture Course
- Report on Progress Made in Strengthening of the Bank's Compliance System
- Developments Concerning Organizations Involved with Forestry Cooperatives
- Achievements of the Forest Rejuvenation Fund

## 12 Flow of Funds in JA and JF Cooperative Banking Business

## 13 Financial Review

## 20 Financial Statements

## 43 Capital Adequacy (Consolidated & Non-consolidated)

### 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.

# **Report on interim accounts settlement for the first half of fiscal 2008**



During the first half of fiscal 2008, management in Japan's agricultural, forestry and fishery industries was broadly affected by the high price of raw materials, including cereals for animal feed. Moreover, financial markets, which had already been shaken by the U.S. subprime loan crisis, gave way to a sudden credit crunch and have reached the point where there is fear of dysfunction on a global scale, after the failure of a major U.S. investment bank. In response to these conditions, needless to say, each enterprise has taken steps to help itself. Particularly in response to the global financial crisis, actions are being taken, such as precautionary capital injections to financial institutions and the supply of liquidity by central banks as a coordinated international policy, led by the G7. Despite all of these measures, the uncertainty regarding the deterioration in the global economy, especially with regard to future business conditions for financial institutions, is expected to continue for now.

## A Message from the President

Taking into account the business environment described above, we at the Norinchukin Bank (“the Bank”) have pursued a conservative style of portfolio management, based on comprehensive and rigorous risk control. However, our ordinary profit fell 86.9% from the same period in the previous term to ¥20.1 billion (on a consolidated basis) in the first half. This was mainly because increasing losses on securities holdings, which were caused by the collapse in global financial markets, exceeded our expectations.

Our capital adequacy ratio and our Tier I ratio, which indicate the Bank’s financial condition, as of September 30, 2008, on a consolidated basis, stood at 11.29% and 7.90%, respectively. As a result, we have been able to maintain our financial health even amid this unprecedented crisis.

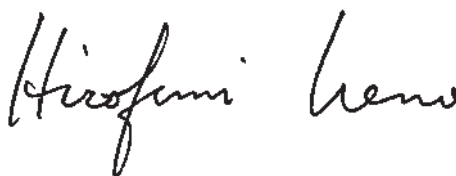
Yet, since the end of September 2008 the financial crisis has been worsening at a greater scale and pace than we expected. Hence, in order to ensure a strong capital base, we made a determination to raise ¥1,905.6 billion, at most, in capital from our members by the end of March, 2009. This will enable us to preserve our

financial health even as the financial markets deteriorate further in the future.

Given the harsh business environment discussed above, all directors and employees of the Bank, the JA Bank and the JF Marine Bank are working, and will continue to work, with each other to resolutely address every issue we face. Through both the sound execution of these efforts and demonstration of the results we have achieved, we intend to work harder than ever to earn both a high reputation and credibility from the Bank’s members, clients and investors.

We look forward to receiving your continued support and encouragement in our endeavors.

February 2009

A handwritten signature in black ink, reading "Hirofumi Ueno". The signature is written in a cursive, flowing style.

Hirofumi Ueno  
President and Chief Executive Officer

# Recent Trends in Japan's Agriculture, Forestry and Fisheries

## Agricultural Situation

As a result of the rise in the prices of fuel, animal feed, and fertilizers since the spring of 2008, Japanese agricultural enterprises are facing great difficulties. While prices of certain fuels and animal feed categories are now falling back toward more normal levels, a decline in consumption is expected, as a result of the global economic downturn, and the business outlook in the agricultural sector is likely to remain harsh for some time to come.

In response to these situations, the Japanese government has recently adopted emergency measures in its supplementary budget for fiscal 2008. The JA Group has also drawn up emergency support initiatives, including programs that address the particular needs of farmers in each region.

On the international stage, as part of agricultural negotiations under the World Trade Organization (WTO) aimed at hammering out new rules on trade liberalization, a round of talks was commenced in the summer of 2008 with the goal of establishing modalities — standards for the reduction of protectionist measures such as customs tariffs — within the year. These negotiations are still ongoing, and we, as a member of the JA Group, will be observing their outcome in the near future with great interest.

As for discussions on the elimination of tariffs and other bilateral and regional measures under the Economic Partnership Agreement (EPA) and the Free Trade Agreement (FTA), the Japanese government has concluded EPAs with eight countries and one regional area. The future development of Japan's agricultural sector will depend heavily on the results of such negotiations, particularly those with Australia. Therefore, close monitoring will be required.

## Japan's Forestry Resources

The Japanese forestry industry continues to endure a long-term trend toward lower prices for its lumber products. As a result, Japan's small logging operators are finding it very difficult to run their businesses at a profit. However, signs of recovery by Japan's forestry industry are already appearing, as the country now has enormous timber resources, and overseas supplies of timber are struggling to keep up with demand. In addition, several measures have been taken not only in relation to the environment by aiming to enhance the role of forests as carbon sinks but also in relation to forestry development, by encouraging logging operators to consolidate into units that provide advantages for their clients and that are able to offer a stable supply of domestic timber.

## The State of the Fisheries Industry

From its peak of around 12.82 million tons in 1984, the amount of marine products caught and processed by Japan's fisheries industry has declined to roughly 5.70 million tons in 2007. In fact, the nation's self-sufficiency rate for marine food products has been in decline for an even longer period, having fallen from 113% in 1964 to approximately 62% in 2007. In the background of these developments lies an ongoing depletion of fishery resources in the seas surrounding Japan, combined with other obstacles to maintaining the level of seafood catches, including the rising cost of marine engine fuel, the declining number of people choosing to pursue the fisherman's trade, and the continued aging of many of the country's fishing vessels, owing to a lack of funds for renewal.

Against the backdrop of these long-term trends, particularly the price of oil, a fuel oil, which is limited in its usage to the agriculture or fishery industries, surged by nearly 40% in the first six months of 2008. In response to this, the Fisheries Agency has established a new measure for granting subsidies to cover the price hike margin on fuel, and plans to continue to implement the this measure in fiscal 2009.

# Principal Developments in the First Half of the Fiscal Year

As a national level financial institution for Agricultural, Forestry and Fisheries cooperatives in Japan, the Bank provides active support from multiple perspectives for the cooperative banking business conducted by Japan Agricultural Cooperatives (JA) and Japan Fishery Cooperatives (JF). We also work closely with Japan Forestry Cooperatives on initiatives aimed at developing the nation's forestry industry and supporting reforestation programs.

As one of Japan's leading institutional investors, the Norinchukin Bank constantly strives to ensure improvement in stability of earnings, financial health, management probity and rigorous internal control.

## Initiatives to Strengthen the Financial Services Provided by the JA Bank

Based on the JA Bank Medium-Term Management Strategy for the three-year period from fiscal 2007 through fiscal 2009, covering comprehensive strategies for both management and operational issues, at the Bank we are working to expand our customer base, provide more finely-tailored financial services, and realize the unified operation of JA, Prefectural Banking Federations of Agricultural Cooperatives (Shinnoren), and the Bank itself.

Under the JA Bank Medium-Term Management Strategy, we will be taking steps to raise the efficiency of management and operational methods. We will also aim to provide services that meet the needs of clients and JA members, including financial services for core farmers, services for pension recipients and services related to wills and inheritance. In the retail banking field, a tie-up with Mitsubishi UFJ Financial Group, Inc. (MUFG) has allowed the JA Bank Group to offer IC-embedded ATM cards and credit cards (The JA Card) with more attractive features.

## Initiatives in Financial Services for Core Farmers

Within Japan's agricultural industry and the government's agricultural policy, it is becoming increasingly important to develop core farmers. Acting as the main bank for core farmers, the JA Bank is actively involved in initiatives to revitalize farming in every region of the country. As of the end of September 2008, the number

of JA Bank Finance Leaders, who coordinate funding and other services for Core Farmers, had risen to approximately 1,700.

The Agri-Super Fund, which is offered to core farmers adopting a policy of stabilizing their farming income, and the JA Agricultural Equipment and Greenhouse Loans, which finance the purchase of farming equipment and facilities, were launched in January 2007. Since then, demand for these financial products has been brisk across the country. As a follow-up product, we introduced a new financial service in April 2008, known as the "Core Farmers Support Loan," which targets core farmers who use the JA Bank for conducting their household finances, such as tax payments. (The details of this service may differ from one prefecture to another, as well as among individual JA.)

We are also promoting the direct supply of funds to farmers through our Agribusiness Loan, which we began offering in April 2005 to agricultural companies, as well as funds secured using livestock as collateral, which we commenced in November 2006 through a collaboration among the Bank, the National Federation of Agricultural Cooperative Associations, and Kyoei Fire & Marine Insurance Co., Ltd. These loans, targeted at livestock breeders, utilize the trust method, in which the livestock (such as cattle and pigs) comprise the collateral.

In addition, we contribute to maintain the financial stability of agricultural business operators through investments made by the Agribusiness Investment & Consultation Co., Ltd., an affiliate of the Bank.

## Principal Developments in the First Half of the Fiscal Year

### The JA Bank Agri-Support Business

In fiscal 2007, to provide even more effective financial support for the nation's farmers and farming communities and thus fulfill our social responsibilities, the JA Bank began the JA Bank Agri-Support Business. At present, the Bank plans to contribute roughly ¥10 billion to the JA Bank Agri-Eco Support Fund, the body directly responsible for administering the JA Bank Agri-Support business, by the end of fiscal 2009. The Agri-Support Business pursues four programs, detailed below, to achieve the following three goals: (1) providing support for core farmers; (2) offering assistance in activities that contribute to agriculture and to regional communities; (3) promoting activities to improve the understanding of and increase interest in agriculture.

The first of the above-mentioned four programs involves granting subsidies to farmers for the payment of interest on agriculture related loans provided by JA. This program started in fiscal 2007, and in the first offering in June 2008, we received over 13,000 applications under which we paid out ¥133 million in interest payment subsidies.

The second program involves the food and regional culture information distribution business. We held events under this program in July 2008 in Tottori Prefecture and in September of the same year in Kagoshima Prefecture. These events featured locally-grown agricultural produce and examples of local culture, and both were well-attended.

Under the third program, launched in fiscal 2008, we produce educational materials and deliver them to elementary schools all over Japan. These educational materials teach children about such themes as the relationships between farming and food, farming and the natural environment, and farming and the financial sector. In addition, financial support is provided to JA and other farming organizations around Japan which are engaged in teaching people about the role of the farming industry. These measures being undertaken by the

JA Bank have been publicized in a program broadcast by one of the private TV networks since October 2008.

The fourth program involves investment initiatives, such as the Agri-Eco Support Investment Fund. This fund was established in August 2008 to target agricultural or environmental projects so as to simultaneously contribute to the rejuvenation of farming communities and help preserve the environment. Under this scheme, investments are made to bolster the capital base of companies engaged in such projects, and management advice is also provided.

### Fees Abolished for Use of ATMs Operated by the JA Bank, and No-Fee ATM Tie-Up Agreement Signed with the Bank of Tokyo-Mitsubishi UFJ

Since July 22, 2008 JA Bank cash card holders have been able to withdraw and deposit cash at ATMs without paying a fee, regardless of when the transaction takes place.

In addition, since October 20, 2008, under an agreement signed between the JA Bank and the Bank of Tokyo-Mitsubishi UFJ, Ltd., cash card holders of both banks have been able to withdraw cash from ATMs operated by the other institution, free of charge. This service is available during the daytime on weekdays only. This agreement will increase the number of ATMs at which JA Bank cash cards can be used with free-of-charge withdrawals during the daytime on weekdays from the approximately 12,000 ATMs operated by the JA Bank to around 34,000, which includes approximately 9,000 ATMs operated by the Bank of Tokyo-Mitsubishi UFJ, Ltd. and about 13,000 operated by Seven Bank, Ltd.

### Measures to Secure Public Trust in the JA Bank

Since the lifting of unconditional guarantees on bank deposits, the JA Bank — in accordance with the basic policies concluded with the unanimous consent of its

## Principal Developments in the First Half of the Fiscal Year

members — has been monitoring each JA's credit status to maintain a constant and firm grasp of the state of its financial position, with the goal of maintaining both good financial health and the public's trust. In line with these efforts, we have been giving advice on management improvement to each JA whose financial position has not been in line with the standards set forth.

We have also been providing each JA with advice regarding the design and operation of an efficient cooperative banking business, the promotion of nonperforming loan disposal, methods of minimizing market risk with regard to securities holdings, and compliance with the Basel II standards.

### Management Integration at the JA Bank

In June 1998, the Bank drew up its basic policy on mergers within the JA Bank, based on separate talks held with the Prefectural Banking Federations (Shinnoren) of individual prefectures interested in merging with the Bank. As of October 31, 2008, eight Shinnoren were fully integrated into the Bank — Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, and Nagasaki Shinnoren. Thus, in these prefectures, the overall system is being simplified from a three-tiered structure to a two-tiered structure — the Bank and individual JA.

In addition, Kumamoto Shinnoren completed the full integration of its operations in January 2009.

With regard to the organizational streamlining of the cooperative banking business, we are carefully taking into account the unique situations of each prefecture, so as to achieve greater efficiency. Going forward, we will be devoting our full efforts to creating a JA Bank that enjoys the trust and fulfills the expectations of its clients and members. We intend to work steadily to enhance support for JA and improve the efficiency of our operations.

### Upgrading the JASTEM System

Migration to JASTEM, the core computer system employed at the JA Bank, was completed in all 47 of Japan's prefectures in May 2006. As a result, the JASTEM system has enabled the creation of the infrastructure for the provision of uniform services nationwide. We are working to ensure that the JASTEM system operates with greater stability.

In addition, the hardware of the current JASTEM system will be upgraded in the near future. The next-generation version of JASTEM is now under development with the aim of achieving an advanced level of security and improved customer convenience.

Development of the new system is proceeding as scheduled, and we are conducting comprehensive tests to confirm the proper functioning of the system.

The next-generation JASTEM system is scheduled to roll out in four phases (January and May of 2010, and January and May of 2011), organized by region, and we are aiming to implement a safe and seamless transition.

### Reforms within the Fishery Cooperatives (JF) Group

The JF Group has been making a concerted effort, particularly in the three-year period between fiscal 2007 and fiscal 2009, to implement reforms with the aim of achieving a reorganization of the operations, structure and management methods. The Fisheries Agency launched a new project for covering losses posted by JF.

In addition to the previous fiscal year's contribution to the JF Marine Bank Support Association, the JF Marine Bank, in the current fiscal year, aims to offer a financial support for individual JF, which seeks proper monitoring of its risk management in accordance with the JF Marine Bank Basic Policy revision. The aim of this is to reduce the bad loans and reform the business models of individual JF. We also are making progress

## Principal Developments in the First Half of the Fiscal Year

towards expanding and strengthening the JF Marine Bank Safety Net by focusing on the supervision of underperforming JF. These efforts are being conducted in collaboration with the regulatory authorities and the National Federation of Fishery Cooperative Associations (Zengyoren) to complete the restructuring of JF Group.

### Regarding Mitsubishi UFJ NICOS as an Equity Affiliate

The Bank maintains a strategic business and capital alliance in the retail business with Mitsubishi UFJ NICOS Co., Ltd. (hereinafter “NICOS”) and Mitsubishi UFJ Financial Group, Inc. We acquired a approximately 15% equity stake in NICOS in August 2008, thereby making it an equity affiliate of the Bank. Through strengthening its collaboration with NICOS, the Bank aims to further develop and grow the credit card business at the JA Bank. Through these efforts, the Bank intends to expand its lineup of credit card services and further enhance customer convenience.

### Rationalizing Our Branch Network

To operate the Bank’s network of branches in Japan both more effectively and more efficiently, we are following a policy of dividing the country into regional blocs and concentrating lending activities for each bloc into a small number of loan centers. The policy also involves a reduction in the total number of our branches, with many offices being closed down and those operational areas taken over by other branches located nearby.

In July 2008, our Mito Branch was closed and its operations were transferred to our Otemachi office located in Tokyo. Our Wakayama Office was closed, with operations taken over by our Osaka Branch. Our Okayama Branch has taken over the operations of the Hiroshima Branch and the Yamaguchi Branch.

In May 2009, the Otemachi office will be closed, with the operations taken over by our headquarters. In July 2009, our Niigata Branch will be closed (operations to be taken over by our Toyama Branch); the Tokushima Office, Matsuyama Branch and the Kochi Branch will be closed, and those operations will be taken over by our Takamatsu Branch.

### The Establishment of an Endowed University Lecture Course

The Bank undertakes CSR activities to fulfill its social responsibilities and ensure the continuing trust of its various stakeholders, including shareholders of the Bank. We implement CSR activities in order to: 1) make a contribution to the Bank’s shareholders and members, 2) make a contribution to the promotion of the agricultural, forestry and fisheries industries, and 3) make a contribution to society.

From the perspective of a financial institution whose foundation is the cooperatives for members and clients engaging in the agricultural, forestry and fishery industries, and at the same time, which plays the role of a major institutional investor, we began providing funding for lecture courses at four universities in fiscal 2008 as part of our CSR activities: Waseda University (a course which was conducted jointly with Beijing University), The University of Tokyo, Keio University and The Tokyo University of Science. This funding is aimed at promoting education and research activity, primarily with regard to industry, finance and investment as well as supporting the development of people who will take on work in these fields in the future.

### Report on Progress Made in Strengthening of the Bank’s Compliance System

The Norinchukin Bank positions the rigorous practice of compliance in its day-to-day operations as one of its top-priority management issues, and to this end, we are



## Principal Developments in the First Half of the Fiscal Year

working to further strengthen our compliance system and enhance its effectiveness.

Amid changes in laws and regulations, as well as growing demand from society at large for more effective protection of customers, the Bank is actively implementing a policy of strengthening management to enhance customer protection.

We will continue to respond to changes in social requirements and the business environment in such a way as to maintain the trust of our customers and shareholders. To do this, we will ensure that all members of the Bank's management and staff practice thorough legal compliance, based uncompromisingly on the practice of self-responsibility. We will practice a transparent management style in which great importance is placed on disclosure of corporate information and on management accountability. To make this possible, an unwavering commitment to compliance is of paramount importance.

### Developments Concerning Organizations Involved with Forestry Cooperatives

The forestry cooperatives have been developing a campaign which comprises three key management reform initiatives focused on the revitalization of forest lands, the forestry industry, and rural mountain villages in order to support the environment and livelihood of the Japanese people. The three key initiatives are: 1) a project for the joint administration of forest lands through the grouping of forest areas, with the goal of lowering operating costs; 2) a project for a stable supply of domestic lumber, which aims to ensure a steady supply of high-quality lumber; and 3) a project for management reform, which has as its objective the nurturing of reliable forestry cooperative organization which will carry out the duties entrusted by their members and customers.

From fiscal 2007, the Forestry Agency clearly positioned the first two initiatives as government policies, and in fiscal 2008, the Agency introduced a training

session for managers of forestry cooperatives, to train them in advanced forestry management.

The Bank is stepping-up its efforts to support forestry cooperatives so that they can reinforce their business base by themselves. We further increased our support for these various initiatives by hosting a seminar for the top management of forestry cooperatives in July 2008. In the seminar, guest lecturers included Germany's former forestry administrator and the top management of Japan's listed companies, who reported on overseas forestry and lumber operations and gave management advice.

### Achievements of the Forest Rejuvenation Fund

To provide support for activities directed at revitalizing private forest lands threatened with deterioration and to help forests fulfill their roles that would be beneficial to the public interest, the Bank established its Norinchukin 80th Anniversary Forest Rejuvenation Fund (Public Trust) in March 2005. Over the last three years, the fund has lended a total of approximately ¥300 million to thirteen organizations.

The Fund's activities are not limited to providing financing; it also publicizes on a nationwide scale the achievements of forest rejuvenation projects that have been selected for financial assistance, and promotes them as models to be followed. After the initial clearing and reforestation stage, the Fund sends specialists in woodland ecology and forestry management, and provides continuous support until the completion of each project.

For a fourth time, we accepted applications for grants for forestry activities. This fiscal year, we received 21 applications between May 19 and July 18. We are currently examining the applications to determine on the next recipients, to be announced in the spring of 2009. The Bank intends to effectively use the Fund to contribute to the rejuvenation of forests owned by private companies and individuals.

# Flow of Funds in JA and JF Cooperative Banking Business

## Flow of Funds in JA Cooperative Banking Business

The aggregate balance of deposits with JA increased during the first half of fiscal 2008, reaching ¥82,806.3 billion as of the end of September 2008, up 1.9% over the end of the previous first-half period. This is largely attributable to a steady increase in deposits by individual customers as a result of the JA Bank responding to their financial needs.

The aggregate balance of total JA loans, as of the end of September 2008, stood at ¥21,972.2 billion, for a year-on-year increase of 2.2%. Home mortgage consultation sessions and sales campaigns focusing on home mortgages played an important role in increasing loans to individual customers.

The aggregate balance of securities, as of the end of September 2008, stood at ¥4,715.4 billion, representing a year-on-year increase of 4.5%.

The aggregate balance of deposits with Shinnoren rose in connection with the increase seen in JA deposits, reaching ¥51,579.7 billion as of the end of September 2008, for a year-on-year increase of 1.1%.

Shinnoren loans at the end of September 2008 stood at ¥5,302.0 billion, up by 1.9% over the end of the previous first-half period, largely as a result of an increase in loans to corporate clients.

The securities holdings of Shinnoren (including money held in trust) at the end of September 2008 amounted to ¥17,105.0 billion, up 0.8% year-on-year.

### • Trends of Balances of Deposits and Loans

(Billions of yen)

	As of March 31, 2007	As of September 30, 2007	As of March 31, 2008	As of September 30, 2008
JA Deposits	¥80,189.0	¥81,232.3	¥82,075.6	<b>¥82,806.3</b>
JA Loans	21,216.5	21,497.1	21,598.3	<b>21,972.2</b>
Shinnoren Deposits	50,038.8	51,010.8	51,534.7	<b>51,579.7</b>
Shinnoren Loans	5,152.9	5,200.7	5,246.7	<b>5,302.0</b>

## Flow of Funds in JF Cooperative Banking Business

The aggregate balance of JF deposits stood at ¥2,227.5 billion at the end of September 2008, representing a year-on-year decline of 0.4%. This is mainly attributable to poor fish catches as well as a decrease in deposits by local government bodies, etc.

Owing to the severity of the fishery industry's operating environment and the weak investment

demand in this industry, JF loans, as of the end of September 2008, amounted to ¥722.3 billion, down 6.1% year-on-year.

The above-quoted figures for deposits and loans comprise the aggregate balances held nationwide at the JF level and at the prefectural banking federation of fishery cooperatives (Shingyoren) level. (These figures exclude funds deposited with Shingyoren by JF, as well as loans made to JF by Shingyoren.)

# Financial Review

## ■ Financial Results for the First Half of Fiscal 2008 (Consolidated)

The Norinchukin Bank's ("the Bank") financial results on a consolidated basis as of September 30, 2008 include the results of 8 consolidated subsidiaries (down 1 company from previous year-end) and 4 affiliates (up 1 company and down 2 companies from previous year-end) accounted for by the equity method.

The following is a summary of Financial Results for the First Half of Fiscal 2008.

### Balance of Assets and Liabilities

Consolidated Total Assets at the end of the period were ¥58,103.2 billion, down ¥2,982.2 billion from the previous fiscal year-end.

On the procurement side, Deposits amounted to ¥38,302.5 billion and Debentures was ¥5,030.7 billion. On the asset side, Loans and Bills Discounted was ¥8,818.6 billion and the Securities was ¥32,938.7 billion.

### Income

Mainly due to a loss of the Bank's holdings securities, consolidated Ordinary Profits were ¥20.1 billion, down ¥134.5 billion from the previous period and consolidated Net Income was ¥7.7 billion, down ¥135.8 billion from the previous period.

### Capital Adequacy Ratio

Consolidated Capital Adequacy Ratio (Basel II standard) was 11.29% as of September 30, 2008.

## Key Management Indicators (Consolidated)

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

	Fiscal 2005	Fiscal 2006	Fiscal 2007 (First Half)	Fiscal 2007	Fiscal 2008 (First Half)	Fiscal 2008 (First Half)
Total Income	¥ 1,811.2	¥ 2,639.9	¥ 1,384.8	¥ 2,703.8	¥ 952.5	\$ 9,199
Total Expenses	1,445.0	2,250.8	1,165.7	2,278.5	929.6	8,977
Net Income	269.3	256.8	143.5	276.8	7.7	75
Total Net Assets (Note 2)	3,962.2	4,445.8	4,120.3	3,229.9	2,447.3	23,635
Total Assets	70,818.8	68,242.0	66,198.9	61,085.5	58,103.2	561,113
Capital Adequacy Ratio (%, BIS) (Note 3)	12.14	12.84	12.55	12.47	11.29	11.29

**Notes:** 1. U.S. dollars have been converted at the rate of ¥103.55 to U.S. \$1, the effective rate of exchange at September 30, 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 Bank's Consolidated BIS Capital Adequacy Ratio 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 the 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 Review

### ■ Financial Results for the First Half of Fiscal 2008 (Non-Consolidated)

#### Balance of Assets and Liabilities

Total Assets of the Bank at the end of the period were ¥58,114.2 billion, down ¥3,077.4 billion from the previous fiscal year-end.

On the procurement side, Deposits amounted to ¥38,311.8 billion and Debentures was ¥5,031.1 billion. On the asset side, Loans and Bills Discounted was ¥8,744.7 billion and the Securities was ¥32,960.2 billion.

#### Income

Amid the increasing turmoil in financial markets triggered by the subprime loan crisis in the US, the Bank has been managing its portfolio conservatively, using integrated risk management. Mainly due to a loss of the

Bank's securities holdings which was caused by the exceptional price decline in markets that came under extreme stress, especially on securitized products, by the financial market disruption, the Bank's Ordinary Profits were ¥20.5 billion, down ¥130.0 billion from the previous period and Net Income was ¥10.4 billion, down ¥130.9 billion from the previous period.

The Bank's gross operating profits were ¥59.9 billion and net operating profits (before reversal of reserve for possible loan losses) were ¥4.0 billion.

#### Capital Adequacy Ratio

The Bank's Capital Adequacy Ratio (Basel II standard) was 11.32% as of September 30, 2008.

#### Key Management Indicators (Non-Consolidated)

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

	Fiscal 2005	Fiscal 2006	Fiscal 2007 (First Half)	Fiscal 2007	Fiscal 2008 (First Half)	Fiscal 2008 (First Half)
Total Income	¥ 1,796.1	¥ 2,624.4	¥ 1,378.0	¥ 2,691.4	¥ 947.4	\$ 9,149
Total Expenses	1,435.2	2,241.3	1,162.6	2,274.9	921.8	8,902
Net Income	267.6	253.8	141.4	272.0	10.4	101
Paid-in Capital	1,465.0	1,484.0	1,484.0	2,016.0	2,016.0	19,469
Total Net Assets (Note 2)	3,947.7	4,423.0	4,095.2	3,202.4	2,422.3	23,393
Total Assets	70,764.1	68,487.2	66,383.7	61,191.7	58,114.2	561,219
Deposits	40,483.4	41,253.6	40,646.2	38,813.3	38,311.8	369,984
Debentures	4,787.7	4,471.3	4,659.6	4,822.1	5,031.1	48,587
Loans and Bills						
Discounted	11,948.7	12,804.4	12,289.7	9,795.6	8,744.7	84,450
Securities	45,607.4	43,750.5	41,568.6	36,262.3	32,960.2	318,303
Capital Adequacy Ratio (%, BIS) (Note 3)	12.10	12.84	12.56	12.55	11.32	11.32

**Notes:** 1. U.S. dollars have been converted at the rate of ¥103.55 to U.S.\$ 1, the effective rate of exchange at September 30, 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.

3. The calculation of the Bank's Non-Consolidated BIS Capital Adequacy Ratio 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 the 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 Review

### ■ Credit Costs in First Half of Fiscal 2008 (Non-Consolidated)

(Billions of Yen)

Loan write-offs	¥1.0
Provisions to general reserve for possible loan losses	5.3
Provisions to specific reserve for possible loan losses	0.0
Provisions to reserve for specified overseas debts	(0.0)
Other	—
<b>Total credit costs</b>	<b>¥6.4</b>

### ■ The Norinchukin Bank's Debtor Classification and Reserves for Possible Loan Losses (As of September 30, 2008)

(Non-Consolidated)

(Billions of Yen)

Self-Assessments					Reserves for possible loan losses	Claims disclosed under the Financial Revitalization Law	Risk-managed loans (Note 2)
Debtor classification	Category I	Category II	Category III	Category IV			
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 80.5	Bankrupt or De facto bankrupt 16.9	Loans to borrowers under bankruptcy proceedings 13.7
Doubtful debtors	Portion deemed to be recoverable through collateral or guarantees		Provision ratio: 97.2%				Doubtful 118.1
Substandard debtors	Special attention	Provision ratio of the uncovered portion: 28.9%			General reserve for possible loan losses 55.7 (Note 1)	Special attention 59.0	Loans with principal or interest payments three months or more in arrears 0.0
	(Claims on debtors under requirement of control) Other substandard debtors	Claims on substandard debtors other than "Special Attention"					Standard loans 9,049.0
Standard debtors							

**Notes:** 1. The expected default ratios for computing the provisions to the general reserve for possible loan losses are 0.20% for standard debtors, 4.69% for substandard debtors (excluding claims under requirement of control), and 11.02% 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.

## Financial Review

### ■ Impact of the Financial Crisis Triggered by the U.S. Subprime Loan Crisis

Extremely tight liquidity persists in U.S. and European financial markets, amid an unparalleled global economic crisis triggered by the U.S. subprime loan crisis. Prices of securitized products have plummeted to an all-time low in response to a sell-off by market players amid a growing reluctance among lenders to provide financing. The securitized products held by the Bank mainly consist of financial products with high credit ratings, such as securities collateralized by small loans to

individuals with highly diversified loan portfolios and other securities collateralized by corporate loans. (The details of the Bank's exposure to securitized products appear below.)

The Bank will continue its efforts to further enhance its capital base. We are now in the process of conducting a review of current investment and risk management policies with the aim of investing more conservatively in the future.

#### Investment on Securitized Products (Non-Consolidated) (Note 1)

as of September 30, 2008

#### 1. Exposures by product (Note 2)

(Billions of Yen)

	AAA	AA	A, BBB	Below BBB	Total	Change from previous fiscal year end
ABS	¥2,744.9	¥ 13.5	¥121.9	¥ 0.0	¥2,880.5	¥1,038.9
RMBS (Note 3)	610.5	84.6	55.4	4.8	755.4	(92.2)
CMBS	423.5	83.5	163.0	0.0	670.1	(79.2)
CDO	1,784.6	281.7	366.5	8.7	2,441.6	(74.2)
CLO	1,517.7	166.7	311.7	0.0	1,996.1	(1.6)
Resecuritized Products (Note 4)	206.5	97.2	30.8	8.7	343.3	(69.0)
CBO and Others	60.2	17.8	23.9	0.0	102.0	(3.5)
Others	0.0	0.0	35.9	39.5	75.5	(10.5)
<b>Total</b>	<b>¥5,563.7</b>	<b>¥463.4</b>	<b>¥743.0</b>	<b>¥53.1</b>	<b>¥6,823.3</b>	<b>¥ 782.6</b>

#### 2. Unrealized Gains/Losses and Total Losses by product

(Billions of Yen)

	AAA	AA	A, BBB	Below BBB	Total	Change from previous fiscal year end	Losses (Note 5)
ABS	¥(160.3)	¥ (0.2)	¥ (6.7)	¥ 0.0	¥(167.4)	¥(113.8)	¥ 0.0
RMBS (Note 3)	(18.9)	(29.4)	(11.3)	(2.3)	(62.1)	(8.0)	(5.8)
CMBS	(46.7)	(8.3)	(24.1)	0.0	(79.3)	(26.5)	(3.7)
CDO	(234.5)	(74.0)	(129.0)	(0.1)	(437.7)	(156.1)	(71.4)
CLO	(175.6)	(48.5)	(115.3)	0.0	(339.6)	(146.0)	(13.8)
Resecuritized Products (Note 4)	(54.7)	(22.5)	(9.6)	(0.1)	(87.1)	(6.4)	(57.6)
CBO and Others	(4.1)	(2.8)	(4.0)	0.0	(10.9)	(3.5)	0.0
Others	0.0	0.0	(11.8)	0.0	(11.8)	(8.8)	(0.5)
<b>Total</b>	<b>¥(460.5)</b>	<b>¥(112.1)</b>	<b>¥(183.2)</b>	<b>¥(2.4)</b>	<b>¥(758.4)</b>	<b>¥(313.3)</b>	<b>¥(81.5)</b>

## Financial Review

### 3. Exposure by currency

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 5)
U.S. dollars	¥4,777.8	¥1,037.2	¥(537.5)	¥(222.8)	¥(77.3)
Euro	899.0	(136.4)	(203.1)	(82.8)	(3.7)
Pounds sterling	59.4	(4.7)	(4.2)	0.1	(0.5)
Yen	1,087.0	(113.2)	(13.4)	(7.8)	0.0
<b>Total</b>	<b>¥6,823.3</b>	<b>¥ 782.6</b>	<b>¥(758.4)</b>	<b>¥(313.3)</b>	<b>¥(81.5)</b>

- Notes:**
1. Securitized Products are defined internally based on the definition in Basel II. Includes Sub-prime related products.
  2. The amount of securitization exposure is net exposure after write-off and revaluation. For some CMBS, the amount of exposure ¥153.0 billion (Revaluation Losses ¥1.1 billion), which should be included in Specialized Lending (SL) under Basel II, is not included here.
  3. Includes Sub-prime RMBS. Not include mortgage-backed securities related with US Government sponsored entities.
  4. Re-securitized Products such as ABS-CDO, CDO of CDO's. Includes ABS-CDO and CDO of CDO's that contain Sub-prime RMBS as underlying assets.
  5. Total value of revaluation losses and unrealized losses of financial instruments with embedded derivatives in the 2008/9.

#### Reference Fair Value of Securitization Exposure

Securitization exposure includes investment securities, monetary claims bought, outstanding loans as well as accrued income and undrawn commitments. Most of investment securities among securitization exposure have a fair value on an outstanding basis. Loans and monetary claims bought do not have a fair value. Fair value assessment is performed based on "Accounting Standards for Financial Instruments" and "Practical Guidelines on Accounting for Financial Instruments" at quoted prices provided by security firms or other third-parties. Our independent middle office comprehensively verifies the appropriateness of quoted prices. If fair values have declined relative to acquisition cost by 50% or more, the Bank records revaluation losses pursuant to the above accounting standards and practical guidelines.

#### Reference (Non-Consolidated)

as of September 30, 2008

### 1. Investment on Sub-prime Loan Related Products (Note 1)

#### (1) Sub-prime Loan related products (Sub-prime RMBS: primary Instruments) (Note 2)

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 3)
AAA	¥ 39.5	¥ (2.7)	¥(15.3)	¥(4.0)	¥ 0.0
AA	71.5	(9.2)	(29.2)	(5.3)	(1.4)
A, BBB	24.3	(15.5)	(10.9)	6.0	(3.5)
Below BBB	4.8	1.7	(2.3)	(2.3)	(0.9)
<b>Total</b>	<b>¥140.3</b>	<b>¥(25.8)</b>	<b>¥(57.8)</b>	<b>¥(5.6)</b>	<b>¥(5.8)</b>

## Financial Review

### (2) ABS-CDO including sub-prime RMBS (squared instruments) (Note 4)

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 3)
AAA	¥ 3.7	¥(11.0)	¥ (1.3)	¥ 3.3	¥ 0.0
AA	51.9	(4.6)	(9.7)	(5.5)	(0.4)
A, BBB	5.7	(1.1)	(1.6)	(0.7)	0.0
Below BBB	1.9	0.5	0.0	0.0	(2.1)
<b>Total</b>	<b>¥63.3</b>	<b>¥(16.2)</b>	<b>¥(12.8)</b>	<b>¥(2.9)</b>	<b>¥(2.6)</b>

### (3) CDO of CDO's including sub-prime RMBS (cubic instruments) (Note 5)

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 3)
AAA	¥36.9	¥(3.1)	¥(16.2)	¥(4.7)	¥ 0.0
AA	0.9	(0.3)	0.0	0.8	(1.2)
A, BBB	0.0	0.0	0.0	0.0	0.0
Below BBB	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>¥37.9</b>	<b>¥(3.5)</b>	<b>¥(16.2)</b>	<b>¥(3.9)</b>	<b>¥(1.2)</b>

### (4) Total of sub-prime loan related products (Total of (1) to (3))

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 3)
AAA	¥ 80.2	¥(16.9)	¥(32.9)	¥ (5.5)	¥ 0.0
AA	124.4	(14.1)	(39.0)	(10.1)	(3.1)
A, BBB	30.1	(16.6)	(12.6)	5.3	(3.5)
Below BBB	6.7	2.2	(2.3)	(2.3)	(3.0)
<b>Total</b>	<b>¥241.6</b>	<b>¥(45.6)</b>	<b>¥(86.9)</b>	<b>¥(12.6)</b>	<b>¥(9.7)</b>

## 2. Investment on Monoline Products

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 3)
Financial Products with Monoline guarantee (Note 6)	¥190.5	¥(3.1)	¥(32.3)	¥(6.9)	¥0.0
Monoline Products in Securitization business	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>¥190.5</b>	<b>¥(3.1)</b>	<b>¥(32.3)</b>	<b>¥(6.9)</b>	<b>¥0.0</b>

## 3. Investment on Leveraged Loans (Note 7)

(Billions of Yen)

	Exposures	Change from previous fiscal year end
Domestic	¥ 52.3	¥(3.2)
Overseas	193.4	2.8
<b>Total</b>	<b>¥245.7</b>	<b>¥(0.4)</b>



## Financial Review

### 4. Trading of Sub-prime loan related products

The Bank has not originated, underwritten traded ABCP, SIV, and leveraged loans. We do not own any Sub-prime loan related products in our trading account and are not involved in any unconsolidated off-balance transactions. We are only involved in sponsoring 1 SPC to provide liquidity to our domestic client's account receivables. (Exposures: ¥116.2 billion)

### 5. Investment on Bonds Issued by US Housing-related GSEs (Note 8)

(Billions of Yen)

	Exposures	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses (Note 3)
Agency Mortgage Bonds	¥2,158.3	¥(1,406.0)	¥ 2.5	¥ (77.8)	¥0.0
Agency Bonds	1,324.1	(744.0)	29.1	(42.8)	0.0
<b>Total</b>	<b>¥3,482.5</b>	<b>¥(2,150.0)</b>	<b>¥31.7</b>	<b>¥(120.6)</b>	<b>¥0.0</b>

### 6. Credits to Lehman Brothers Group

The bank gives no direct credit such as loans, bonds, equities, and commitment line to Lehman Brothers Group. Also there are no exposures by unwinding swaps (e.g. currency swaps) or repurchase transactions.

**Notes:** 1. The Bank has not loaned in pure Sub-prime loans.

2. Ratios by vintage (Issuance year) is 97%, 3%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.

3. Total value of impaired losses and unrealized losses of compound instruments in 1st-half of 2009/3.

4. Capital Note issued SIV is ¥0.52 million (After ¥25 million write-off and non-revaluation losses).

Ratios by (Issuance year) is 50%, 36%, and 14% for 2004 and before, 2005-2006, and after 2007, respectively.

5. CDO of CDO's contains RMBS even if only slightly. Include only a few sub-prime RMBS included.

Ratios by vintage (Issuance year) is 55%, 45%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.

6. Non-guaranteed grade for nonrecourse loan and CLO is above investment grades. No sub-prime related loan products for guaranteed products.

The Bank has CDO including monoline-CDS in addition to monoline guaranteed products. Exposure of monoline-CDS calculated based on monoline-CDS ratio to securitized product amounts is ¥6.2 billion.

7. Internal definition of loans mainly targets LBOs. The reserve for individual possible loan losses is ¥4.7 billion.

8. The Bank has ¥647.8 billion of mortgaged-backed security bonds issued and guaranteed by Ginnie Mae, a US government-owned corporation.