

The Bank has structured and operates the JASTEM System, a unified nationwide computer system, to enable JA Bank to offer convenient and secure financial services. In addition, an agreement was concluded with the Mitsubishi UFJ Financial Group, Inc. (MUFG) in November 2005 to make the cutting-edge technological and product capabilities of MUFG available for use in JA Bank's financial services.

Going forward, the Bank will work to offer even more convenient and reliable products and services to cooperative members and other customers.

## **Transition to the Unified Nationwide Computer System**

### **JASTEM System Links to All Prefectures Completed**

In May 2006, the transition in Kanagawa, Nagano, Wakayama and Ehime prefectures from the JA and Shinnoren systems for each prefecture to the JA Bank unified nationwide computer system—the JASTEM System—was implemented. The transition to this system, which is the JA Bank's core computer system, has been progressing since October 1999, when operations in Shiga Prefecture were the first to be connected. With the linking of the previously mentioned four prefectures, the JA Bank operations in all 47 prefectures nationwide are now linked into the nationwide system.

With the JASTEM System now in full operation, approximately ¥79 trillion in deposits, about 45 million customers, approximately 10,800 branches, and about 12,400 ATMs are now linked online to a nationwide system.

### **Expected Strengthening of Financial Services**

The JASTEM System is supported by an emergency backup center and various other security systems. The system is thus capable of performing its functions as an integral part of the social infrastructure and will make it possible to further improve the convenience of services for cooperative members and other customers.

## **Offering New Services**

### **IC Cash Cards to Be Issued at All JA Nationwide**

To eliminate unethical transactions, such as the fraudulent use and theft of cash cards, and offer greater security and peace of mind to customers, the JA Bank will begin to issue IC cash cards in October 2006, and in March 2007 these IC cash cards will be accepted at all JA nationwide. In addition, plans call for the gradual introduction of biometric identification through the use of palm scanners beginning in October 2006.

### **New Tie-Up Credit Cards to Be Issued**

Along with IC cash cards, new tie-up credit cards will be issued jointly through an alliance with UFJ NICOS Co., Ltd., beginning in October 2006. In addition to the basic credit card services offered through the issuance of tie-up cards by individual JA on their own initiative, this new tie-up card will add original services of the JA Group and thereby help expand the base of JA cooperative members and other customers.

### **New Inheritance-Related Services (Will Trusts and Estate Settlements) Begin**

The Norinchukin Trust & Banking Co., Ltd., a consolidated subsidiary of the Bank, began to offer inheritance-related services (will trusts and estate settlements) in October 2005. Through April 2006, within the JA Bank system, six Shinnoren and 23 JA, which is covering eight prefectures, began to offer inheritance-related services acting as an agency for the Norinchukin Trust & Banking. In addition, the Kanagawa Prefecture Shinnoren began to offer these services by itself, and 12 JA began to offer inheritance-related services acting as agents for the Kanagawa Prefecture Shinnoren.

## Initiatives to Supply Financial Services to Core Farmers

### Significance and Background of Activities

Nurturing core farmers is becoming increasingly important for Japan's farming industry and agricultural administration.

The JA Bank, which is composed of JA, Shinnoren and the Norinchukin Bank and pursues unified operations, prepared and issued a paper entitled "The JA Bank's Initiatives to Strengthen Financial Services to Core Farmers." These initiatives are focused on becoming more active in providing support for the development of regional agriculture as the main bank for core farmers.

### Establishment of "JA Bank: Leader in Supplying Financial Services to Core Farmers" and Enhancement of Its Activities

The JA Bank is moving forward to establish practical financial leaders in supplying services to meet the needs of core farmers, with efforts to create systems to respond effectively to requests for funding, and, as of May 2006, it had appointed a total of 1,136 persons as financial service leaders.

#### Introduction of Customers for Agribusiness Loans

##### Wago

Wago Co., Ltd. (Wago Estates Group) is a corporate group that has established a vegetable supply chain that is integrated from farm production through processing and retail distribution. Wago has received the EUREP GAP\* certification under international standards from the EU and is working to establish its value as a brand that can be trusted for the reliability and safety of its vegetable products.



*\* GAP (Good Agricultural Practice): GAP is a set of international standards established by EUREP GAP of the European Union (EU). Related activities include the preparation of a handbook on best practices in production and related implementation activities aimed at ensuring the safety and quality of agricultural food products and reducing the burden of agricultural activities on the natural environment.*

##### Sugaya Farm

Sugaya Farm Co. is a private limited company engaged in integrated pig husbandry. The company has approximately 1,000 adult sows and raises their offspring to market stage. Sugaya Farm places special emphasis on feed quality and keeping its hogs in peak condition to provide consumers with safe and truly delicious pork.



## Use of Agribusiness Loans and Funding from the Agribusiness Investment & Consultation Co., Ltd.

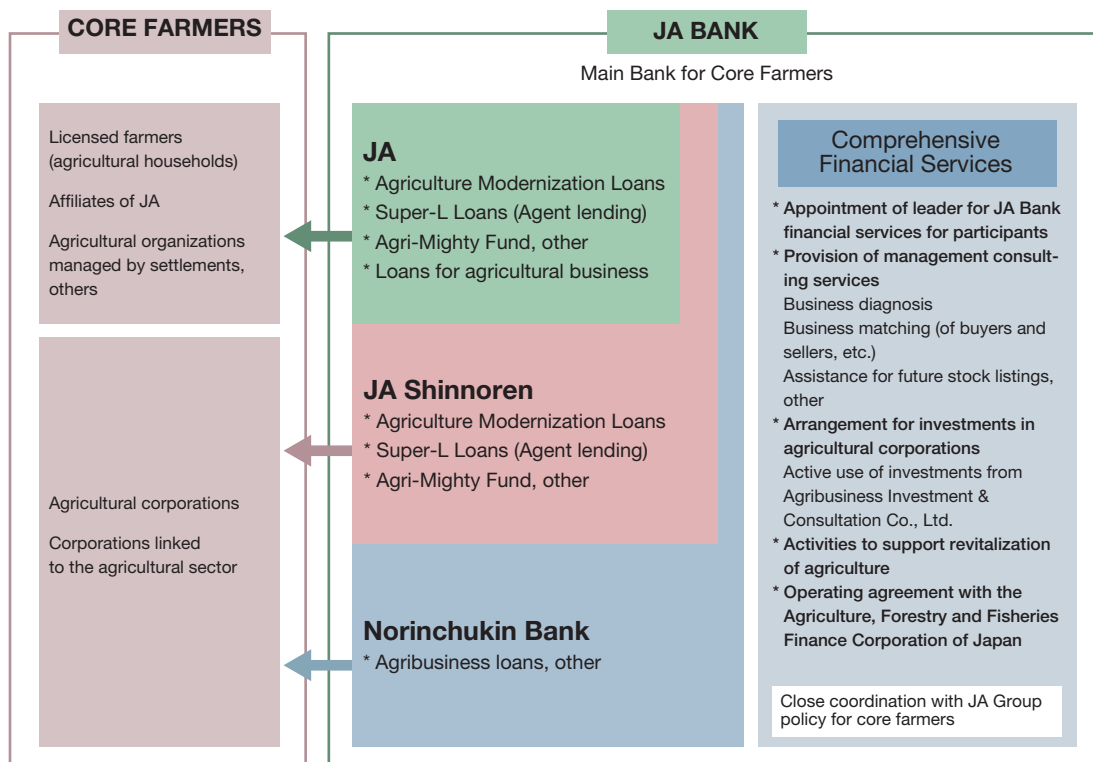
The Bank began to offer agribusiness loans in April 2005. Already, a wide range of agricultural corporations, including consolidators and sellers of rice, producers and processors of vegetables as well as livestock farmers, are drawing upon these financial services. In addition, the Bank is calling on the Agribusiness Investment & Consultation Co., Ltd., a member of the Norinchukin Group, to make investments in agricultural corporations and help to stabilize their financial positions.

*Agribusiness Loans: To provide better services for participants in the agricultural sector, including financing for corporate entities, such as agricultural corporations, the Bank began to offer agribusiness loans in fiscal 2005. Depending on the credit standing of the borrower, the Bank is "providing working capital flexibly without excessive dependence on collateral or guarantees."*

## Operating Agreement with the Agriculture, Forestry and Fisheries Finance Corporation of Japan

In November 2005, the Bank concluded an agreement with the Agriculture, Forestry and Fisheries Finance Corporation of Japan (AFC) entitled "Agreement on Improving Finance for Agricultural-Sector Participants and Others." Under this agreement, the JA Bank will have access to the credit scoring service of the AFC to strengthen its financing activities and expand its co-financing for agricultural-sector participants. Exchange of personnel under the agreement has begun.

### Initiatives to Strengthen JA Bank Financial Services for Core Farmers



## Condition of Japan's Forests Threatened with Deterioration

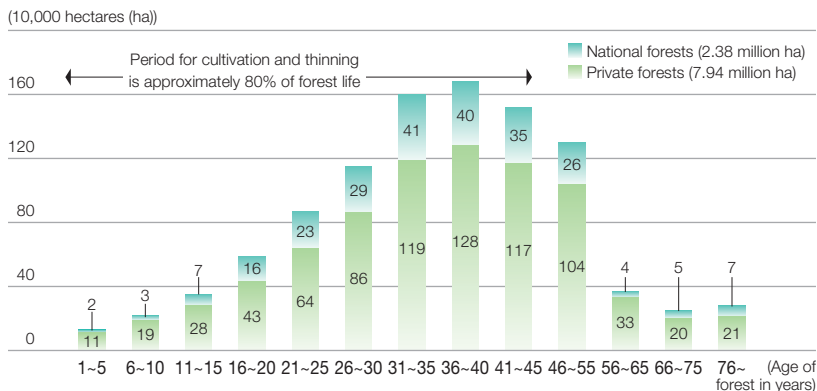
### Forests Are National Assets

Forests are more than producers of raw materials that enable the forestry industry to supply lumber. Forests also play major roles as a base for the agriculture, forestry and fisheries industries by helping to create productive farmland for raising crops and by contributing to an abundant natural environment in the sea and waterway, which nurtures marine life and products. Forests also offer a wide range of other benefits that extend beyond the agriculture, forestry and fisheries industries, including contributing to the prevention of global warming by absorption of carbon dioxide, preventing environmental disasters by protecting soil and groundwater sources and contributing to health and human culture by creating ecologically balanced settings. Accordingly, forests should be treated as “national assets.”

### The State of Forests in Japan

Forests cover about two-thirds of Japan's land mass or about 25 million hectares. About 70% of forestlands in Japan is owned by the private sector, including privately owned and communally owned areas. Along with the aging of Japan's population and the depopulation of rural towns, which have caused a declining interest in forestry development, much of Japan's forestland is not properly sustained and has become unproductive wilderness. This explains why, although the cedar and cypress trees that were planted after World War II are reaching maturity, they are unable to completely fulfill the multitude of functions they should.

#### Age of Japan's Forestlands (Time since planting)



Untended forestland becomes backwoods



A forest that has been thinned and well maintained

## The Forest Rejuvenation Fund

### Establishment of the Forest Rejuvenation Fund Public Trust

To provide support for activities directed at conservation efforts for privately owned forestlands that are at risk of becoming unsustainable and to help forests fulfill their roles beneficial to the public interest, the Bank established its Norinchukin 80th Anniversary Forest Rejuvenation Fund Public Trust in March 2005.

The objective of this fund is to offer support for forestry rejuvenation projects and related activities, which are recognized as highly effective and also to enable private and communal forests that are currently becoming unsustainable to once again fulfill their roles in the public interest. The initial amount placed in the fund was ¥1 billion, and ¥100 million is provided annually for such projects. Recipients of this support include various cooperative unions, including forestry cooperatives, NPOs and other non-profit foundations. During the scheduled 10-year term of the trust, the administrators of the fund are selecting several projects each year for support and thereby supporting rejuvenation of Japan's forests.

### Results of the First Project Selection

The fund solicited proposals for projects between July and September 2005, and 93 applications were received. The final selection was conducted in two stages, with the first consisting of a review of written proposals and the second on-site inspection of the proposed sites for rejuvenation. At the end of this process, four projects were selected to receive support funding.

### Follow-Up Activities of the Fund

The Bank's activities go beyond the establishment and administration of a public trust and provision of project funding and include activities to position the projects chosen for support as models for other areas nationwide. These have included sending specialists in the fields of forest ecology and forestry management to the project sites and offering other support needed for the successful completion of these rejuvenation programs.

#### Outline of Initial Forestry Rejuvenation Projects Selected

Recipient of Support	Outline of the Project
Ogachi Regional Forestry Cooperative (Akita Prefecture)	Solution of issues related to confirming forestland boundaries, which is one of the major problems in the forestry business (Confirmation of the boundaries of a communally owned area of about 260 hectares)
Kashimo Forestry Cooperative (Gifu Prefecture)	Implementation of a long-term forestry cultivation and rotation project, which is suitable for ownership in the form of relatively small forestland holdings going back many years
Miyoshi Area Forestry Cooperative (Hiroshima Prefecture)	Management of forestlands by a forestry cooperative after receiving a commission from the absentee members of the cooperative
Nii Forestry Cooperative (Ehime Prefecture)	Formation of a large-scale forest management area and carrying out low-cost thinning with the close supervision of specialists assigned by forestland owners, followed by activities for stable shipments of timber