MANAGEMENT STRATEGY

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

The Norinchukin Bank (“the Bank”) functions as a national level financial institution for agricultural, forestry, and fishery cooperatives in Japan, based on a steady supply of funds and capital from the Japan agricultural cooperatives (JA) and fishery cooperatives (JF). The Bank manages these financial resources stably and effectively by extending loans and investing in securities and other financial instruments. Operating profits generated from these business activities are recycled to agricultural, forestry, and fishery cooperatives that are the Bank’s shareholders and clients. Along with these activities, the Bank supports JA and JF in their cooperative banking business by providing a range of services, including the operation of a unified nationwide computer system (JASTEM System) and the development of financial products. The Bank also responds to the funding needs of cooperative members. Moreover, the Bank supervises JA and JF on matters regarding their cooperative banking business activities, based on the context of relevant laws, and assists in strengthening and managing the JA Bank Safety Net and the JF Marine Bank Safety Net (Refer to the following page.). The Bank believes that it is our essential role to enhance the competitiveness and profitability of the cooperative banking business as well as to reinforce the reliability of the business.

A Message from the President

MANAGEMENT TASKS AND POLICY DIRECTIONS

Hirofumi Ueno, President & CEO
Policy Directions of the Bank

Today, the Bank faces increasing competition in the retail financial market and changes in the composition of its clients and cooperative members. In the midst of such environmental changes, the Bank, as an integral institution of the JA Bank that comprises JA, the Prefectural Banking Federation of Agricultural Cooperatives (Shinnoren), and the Bank, contributes to achieving the objectives of the JA Bank as a whole by fulfilling its basic missions.

Above all, the Bank actively executes the growth strategy of the JA Bank together with JA and Shinnoren to ensure the trust of clients and cooperative members in the JA Bank and to secure its strong position in Japan’s financial markets.

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

In parallel with this, the Bank is endeavoring to nurture an organizational culture appropriate for a global financial institution that operates under the Financial Holding Company (FHC) status in the U.S. financial market (Refer to the following page.). As a prerequisite for the Bank’s business model, the Bank rigorously adopts measures to upgrade its management and control systems, including strengthening its compliance system.

Initiatives in Fiscal 2006

As part of JA Bank business activities during fiscal 2006, which was the final year of the JA Bank Medium-Term Management Strategy (covering fiscal 2004 through fiscal 2006, the fiscal year ended March 31, 2007), the Bank promoted the expansion of JA Bank loans and spread its nationwide services infrastructure for loans. Other activities that aimed at strengthening JA Bank financial services included the introduction of IC cash cards and new JA cards, the introduction of biometric identification based on the scanning of human palm vein patterns, and the expansion of inheritance and will-related services to facilitate the transfer assets, such as agricultural land, to the next generation. They were launched under the Bank’s strategic alliance in retail banking with Mitsubishi UFJ Financial Group, Inc. (MUFG).
In December 2006, the Bank prepared the next JA Bank business plan, namely the JA Bank Medium-Term Management Strategy (covering fiscal 2007 through fiscal 2009), which aims at taking the JA Bank up to the next level in each prefecture.

Other important initiatives and developments during the fiscal year are listed below.

- As part of efforts to streamline the organizational structure for cooperative banking business, the Bank successfully integrated the Akita Shinnoren into the Bank through the full transfer of all business operations in February 2007. This marked the fourth integration, following Miyagi Shinnoren, Okayama Shinnoren, and Nagasaki Shinnoren in fiscal 2005.

- In September 2006, the Bank issued the dated subordinated notes (Lower Tier II notes) through an overseas special-purpose company, thus having raised the total amount of ¥342.7 billion (at the time of the issue). This issue was launched on the basis of the Bank’s judgment that additional capital was needed to further strengthen the asset management capabilities of the Bank and to establish a solid foundation for the risk-capital management system.

- In December 2006, the Bank obtained Financial Holding Company (FHC) status under the Bank Holding Company Act of 1956 from the U.S. Federal Reserve Board. The objective of obtaining the FHC status was to advance the Bank’s global diversification strategy of its investment portfolio.

- The Bank reported another record level of ordinary profit of ¥373.2 billion for the fiscal year (an increase of 17.4% over the previous fiscal year). This performance was a result of initiatives to increase profits based on the strategy of globally diversified investment through increasing high-quality international assets, taking risks appropriate to the Bank’s capital, and conducting proper risk management.

As of March 31, 2007, the Bank’s capital adequacy ratio (by the new Basel standard) on a consolidated basis stood at 12.84%, which compared with 12.14% at the end of the previous fiscal year (by the former standard). On a non-consolidated basis, the Bank’s capital adequacy ratio (by the new Basel standard) was 12.84%, which compared with 12.10% for the prior fiscal year (by the former standard).

### Key Management Indicators (Consolidated)

<table>
<thead>
<tr>
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<th>Billions of Yen</th>
<th>Millions of U.S. Dollars (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Income</strong></td>
<td>¥ 1,463</td>
<td>¥ 1,141</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>1,367</td>
<td>953</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>65</td>
<td>144</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td>1,767</td>
<td>2,523</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>61,265</td>
<td>61,833</td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td>40,172</td>
<td>40,782</td>
</tr>
<tr>
<td><strong>Debentures</strong></td>
<td>5,790</td>
<td>5,213</td>
</tr>
<tr>
<td><strong>Loans and Bills Discounted</strong></td>
<td>19,179</td>
<td>17,789</td>
</tr>
<tr>
<td><strong>Securities</strong></td>
<td>28,623</td>
<td>33,509</td>
</tr>
<tr>
<td><strong>Capital Adequacy Ratio (BIS)</strong></td>
<td>9.87%</td>
<td>12.94%</td>
</tr>
</tbody>
</table>

Note: The calculation of the 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 Norinchukin Bank) issued in 2006 which came into effect from the fiscal year ended March 31, 2007. The former formula was applied in calculating the Capital Adequacy Ratio before the fiscal year ended March 31, 2007.
Medium-Term Management Plan


The new plan has been made on the recognition that the greater unity of the JA Bank is important in achieving sustainable growth of the JA Bank in the midst of the challenging business environment. The plan strongly takes into account the Bank’s role of taking initiatives in the JA Bank Medium-Term Management Strategy and conducting its business as a financial institution active in global markets.

I. Growth Strategy of the Cooperative Banking Business

By establishing and implementing its growth strategy for the cooperative banking business as a whole, the Bank, together with JA and Shinnoren, will enhance the JA Bank’s presence in Japan’s financial markets.

More specifically, the Bank will aim to attain the numerical targets of the JA Bank Medium-Term Management Strategy while substantially strengthening its functions as the national headquarters of the JA Bank as well as the regional headquarters of the JA Bank in prefectures where the Bank and Shinnoren have merged. Along with these activities, the Bank will take measures to reform the business activities and organization of the Fishery Cooperative Banking Business.

- The Bank will support the JA and Shinnoren so that they will attain the necessary numerical targets established under the JA Bank Medium-Term Management Strategy (Refer to the following page.).
- The Bank will support the JA to create a system to strengthen financial services for core farmers and consultancy services for major clients, while taking the initiatives in developing and supplying financial products.
II. MANAGEMENT STRATEGY

- With the aim of strengthening the retail banking activities of the JA Bank, the Bank will further utilize its retail infrastructure that has been upgraded through strategic alliances, etc. The Bank will also take on product development and establish a distribution channel strategy. Moreover, the Bank and Shinnoren will work to strengthen their planning ability.

- The Bank will rigorously strengthen the internal risk control systems of JA and Shinnoren in order for them to meet the Basel II regulations and improving their management system in the phase of rising interest rates in Japan. In addition, the Bank, together with the Central Union of Agricultural Cooperatives (Zenchu), will help JA and Shinnoren to design and strengthen their internal controls to prevent mismanagement of operations and to appropriately deal with customer complaints.

- To maintain and enhance the presence of the JA Bank in the retail financial market and to respond appropriately to the Basel II regulations, the JA Bank will make a new business model, in which the roles of JA, Shinnoren, and the Bank are more clearly defined.

- The Bank will start consultation at the prefectural level to develop optimum JA Bank business models tailored for each prefecture and to establish prefectural headquarter functions in Shinnoren (or the Bank’s branches in prefectures in which the Bank merged with Shinnoren).

- To further increase the soundness of the JA Bank, the Bank will improve monitoring over JA and Shinnoren, and strengthen the JA Bank Safety Net.

- The Bank will not only improve and ensure the quality and the operational stability of the current JASTEM System ("JASTEM") but also develop the next-generation JASTEM, which is due to be released in 2010, and prepare a smooth transition through appropriate project and risk management. Along with these activities, the Bank will take steps to effectively improve the Agricultural Cooperative Banking Computer System as a whole by promoting initiatives to standardize JA Bank operation processes and product characteristics.

- The Bank will strengthen the JF Marine Bank Safety Net and tackle outstanding issues for the JF Marine Bank, including nonperforming loans, within a target period. The Bank will aim to establish a new Fishery Cooperative Banking Business model by reforming the JF Marine Bank’s management system into a low-risk and low-cost model. Through these activities, the JF Marine Bank will work to reduce various risks and build a “Stable and Responsible Fishery Cooperative Banking Business System.”

II. Investment Strategy

Based on the careful examination of returns on capital and risk as a source of profits, the Bank will secure stable earnings by taking appropriate risks on a global basis and in a diversified manner through managing overall asset allocation spanning from market investment to lending.
While working to keep a balance among profits, risks, and return on capital, the Bank will secure profits that will make it possible to provide stable returns to its shareholders by managing optimal allocation among bonds, stocks, lending, and credit alternative assets, based on the strategy of globally diversified investment.

As a financial institution for the agricultural, forestry, and fisheries industries, the Bank will provide financial services, including support for new business and revitalization business, to the agricultural, forestry, and fishery cooperatives, their members and companies deeply related to the agricultural, forestry, and fisheries industries, as well as financial services for core farmers.

The Bank will put corporate lending and alternative investments together into the broadly defined category of "credit investment" and manage investment and lending of that category under a unified allocation strategy based on consideration of risk-return on capital.

The Bank will maintain and strengthen the accuracy of operations, in view of the globalization and sophistication of investment and lending operations, and the realization of the advancement of internal control.

III. Management Strategy

In full recognition of the Bank’s basic mission and social responsibility as a major institutional investor, the Bank will reinforce its corporate governance as well as develop and enhance its management and control systems. Moreover, the Bank will not only conduct financial management by balancing profits, risks, and capital, but also implement a personnel policy fortified by diverse and competent human resources. Also, the Bank will strengthen its ‘selective and concentrated’ strategy for the whole scope of its business.

The Bank is intensifying its efforts to enhance the effectiveness of its compliance system and establish a corporate culture appropriate for a central banking cooperative for the agricultural, forestry, and fisheries industries as well as for a global financial institution.

To ensure the appropriateness of operations and management in accordance with relevant accounting standards and regulatory authorities, the Bank is constantly reviewing and upgrading its internal control system.

The Bank places especially strong emphasis on meeting the requirements of the so-called J-SOX Law (the equivalent in Japan for the Sarbanes-Oxley Act in the United States) and is decisively taking steps to ensure financial disclosure as well as upgrade Risk and Control Self-Assessment (RCSA) of the established practices throughout the entire institution.

In addition, the Bank will strengthen its internal auditing functions throughout the Bank to ensure the proper operations of the Bank.

To preserve trust from various stakeholders, the Bank is taking initiatives to fulfill its social responsibilities, such as (1) responsibilities under its basic mission (returning profits to shareholders), (2) responsibilities as a central banking cooperative for the agricultural, forestry, and fisheries industries (contributing to growth of the agricultural, forestry, and fisheries industries) and as a major institutional investor, and (3) responsibilities as a corporate citizen (contributing to the society).

The Bank will actively disclose information not only to its members but also to its overseas and domestic investors, and thereby enhance the transparency of its management.
MANAGEMENT STRATEGY

- The Bank will further strengthen its firm-wide risk management systems in order to make them fit the Bank’s own business model and to meet the Basel II regulations. Efforts will be made both on the quantitative aspects of measuring risks and relating risks to the Bank’s capital and on the qualitative aspects of capturing comprehensive information on risks and controlling the risks.

Through these activities, the Bank will establish the process of evaluating the adequacy of its capital in relation to its risk profile.

- To ensure stable earnings and to maintain and upgrade the Bank’s capital ratio, the Bank will implement an appropriate capital policy based on the evaluation of its capital adequacy.

- To secure diverse candidates who will become core employees in implementing the growth strategy of the cooperative banking business, the Bank’s investment and lending strategy, and its management strategy, the Bank will diversify its recruiting channels, allocate its human resources flexibly and strategically, and upgrade employee training.

Along with these activities, the Bank is working to create an attractive work environment in which each employee can feel confident that they are making a worthwhile contribution and have a sense of fulfillment.

IV. CSR Initiatives

The Bank believes that the aim of its CSR activities is to increase the satisfaction of its stakeholders—including shareholders, depositors, customers, employees, and the community—by integrating initiatives throughout society and natural-environment preservation policies into its management plan and implementing them in practice.

Especially in fiscal 2006, the Bank placed primary emphasis on CSR activities related to the agricultural, forestry, and fisheries industries, such as financial services for core farmers and the Forest Rejuvenation Fund.

In fiscal 2007, the Bank, as a member of the JA Bank, will start “JA Bank Agri-Support Business” for the purposes of (1) supporting core farmers, (2) offering assistance for activities that contribute to agricultural and regional communities, and (3) increasing the general public’s understanding of and interest in agriculture.

In Closing

The Bank is committed to steadily addressing each of the management tasks presented in this message and working to make even greater contributions to the satisfaction of stakeholders. We look forward to your continuing support and encouragement.

August 2007

Hirofumi Ueno
President and Chief Executive Officer
JA Bank “Step-Up” Plan
The Norinchukin Bank (“the Bank”) made a three-year business strategy for the JA Bank as a whole entitled the “JA Bank Medium-Term Management Strategy (fiscal 2007 through fiscal 2009),” and implementation began with the commencement of the current fiscal year.

1. Objectives of the JA Bank Medium-Term Management Strategy
The current JA Bank Medium-Term Management Strategy has three key objectives: (1) To identify and prioritize the items for focus over the coming three years of the strategy, beginning with “enhancing financial services for core farmers,” (2) To set numerical targets common to all JA and implement initiatives to attain them, and (3) To strengthen the cohesiveness among JA, Shinnoren, and the Bank so that these priority policy objectives and numerical targets are carried out.

Based on the concepts of this strategy, the JA Bank will prepare and implement “Each Strategy at Every Prefectural Level” and thus aim to raise the level of the JA Bank as a whole. To underscore this objective, the strategy has been subtitled “the JA Bank Step-Up Plan.”

2. Specific Content of the JA Bank Medium-Term Management Strategy
The strategy has four specific policy objectives.
(1) Implementing Policies to Increase the Core Customers Base
1. Enhancing the Responsiveness of Financial Services for Core Farmers
2. Providing Consulting to Major Clients
To respond to the transformation of the needs of cooperative members and customers, the JA Bank is striving to increase the core customers base. Over the coming three years especially, responding to the needs of core farmers will be the most important task for the JA Group. Accordingly, the JA Bank will work actively to provide new financing to core farmers.

(2) Implementing Competitive Strategy for the Retail Financial Market
1. Expanding JA Bank loans
2. Implementing JA Bank card strategy
3. Promoting individual deposits and pensions
4. Expanding sales of Japanese government bonds and investment trusts
5. Creating a more efficient retail business system
To win in competition with competitors and strengthen its earning power, JA, Shinnoren, and the Bank will together implement a competitive strategy.

(3) Upgrading Management Control Systems as a Financial Institution
The JA Bank will adopt measures to enhance the sophistication of its management control systems, as a financial institution, to respond properly to new regulatory requirements, including the Basel II regulations, and conduct appropriate risk management activities.

(4) Establishing a New Business Model for the JA Bank as a Whole
The JA Bank will consider new business models as a whole that can bring together more effectively the drive within JA “to strengthen face-to-face consultation services for members and customers,” and the movement within Shinnoren and the Bank “to realize economies of scale and enhance backup support functions.”

3. Implementation of the JA Bank Medium-Term Management Strategy
To put the previously mentioned policies into action throughout the JA Bank, numerical targets will be set in all JA, and JA, Shinnoren, and the Bank will work together to attain them. The items for which numerical targets will be set are shown below.

In addition, the JA Bank as a whole is moving forward with initiatives to train and develop professionals who can respond accurately to the needs of customers, offer appropriate information to cooperative members and customers through active disclosure and PR activities, and operate systems efficiently.

Managerial Target: Set the National-Level Numerical Target on the Ground of Each JA’s Buildup Approach
• Profits from the cooperative banking business
• Outstanding amounts of JA Bank loans, the number of subscribers of the JA Card, outstanding amounts of retail deposits, the numbers of newly obtained pension funds, sales amounts of JGBs and investment trusts to customers
In January 2007, an Agri-Super Fund and a JA Agricultural Equipment and Greenhouse Loan were introduced. The Agri-Super Fund can be used for core farmers who are engaged in multi-products. The JA Agricultural Equipment and Greenhouse Loan, under a unified nationwide procedure, provides quick-response financing for agricultural equipment, greenhouses, and other funding requirements.

Making Use of Measures for Agribusiness Loans and Funds Secured by Using Livestock as Collateral

The Bank began to offer Agribusiness Loans in April 2005. These loans are made available to agricultural corporations engaging in various activities (including the production, processing, and sale of rice; the production and processing of vegetables; livestock farmers; garden product suppliers; and other types of agriculture-related companies. In addition, the Bank supports the financial stabilization of agricultural corporations through investments made by the Agribusiness Investment & Consultation Co., Ltd., an affiliate company of the Bank.

In November 2006, the National Federation of Agricultural Cooperative Associations, Kyoei Mutual Fire & Marine Insurance Co., and the Bank worked together to introduce a new system for effectively using livestock (cattle and pigs) as collateral for financing, making use of a trust scheme.

Initiatives to Strengthen JA Bank Financial Services for Core Farmers

In January 2007, an Agri-Super Fund and a JA Agricultural Equipment and Greenhouse Loan were introduced. The Agri-Super Fund can be used for core farmers who are engaged in multi-products. The JA Agricultural Equipment and Greenhouse Loan, under a unified nationwide procedure, provides quick-response financing for agricultural equipment, greenhouses, and other funding requirements.
Interest regarding corporate social responsibility (CSR) has risen in recent years. The Bank also included a section in its Medium-Term Management Strategy (fiscal 2007 through fiscal 2009) entitled “Fulfillment of Corporate Social Responsibility (CSR).” The following is a summary of the Bank’s CSR policy.

**Background for Establishment of JA Bank AgriSupport Business**

JA, Shinnoren, and the Bank are implementing greater measures to Japan’s agriculture and agricultural communities facing major transformations than ever before. The JA Bank AgriSupport Business was established based on the policy that the JA Bank should fulfill its mission to society.

**Purposes for Establishment**

As a result of developments in government agricultural administration, the operating environment for agriculture is undergoing drastic changes. This is drawing attention to many related issues, including policies aimed at creating larger and stabler agricultural management units, expansion of areas where the cultivation of agricultural produce has been abandoned, and the movement of population away from agricultural areas and the aging population of the agricultural settlements.

JA has focused on policies to foster and secure core farmers for its agricultural and regional communities, and made significant efforts to preserve the natural environment in response to the expectations from society, and also to provide support not only to core farmers but also to non-core farmers and members, and finally to make contributions to the local community.

Amid these conditions, the JA, Shinnoren, and the Bank believe that—by establishing these businesses that address the issues faced by cooperative member management, agriculture, and agricultural communities, and offer support for growth—they will fulfill their social responsibilities as cooperative financial institutions that have the mission of promoting the development of the agricultural, forestry, and fisheries industries.

**Outline of the AgriSupport Business**

This business will give consideration to the establishment of funds that will actively offer risk capital for challenging initiatives related to agriculture, such as assistance to core farmers nationwide as they stand on the starting line for major changes in agricultural policy and administration. These may include activities for the revitalization of agriculture and regional communities, such as policies for land areas where agricultural production has been abandoned, projects for exporting agricultural products and measures to facilitate new entries into the agriculture business.

**Policy for CSR Initiatives**

The Norinchukin Bank is a financial institution with its base in the agricultural, forestry, and fishery cooperative organization and an active participant making investments and providing loans in the global market. To contribute to the sustainable development of the Japanese economy and society based on the trust of its diverse range of stakeholders, the Bank has positioned “Systems for Strong Internal Management, Including Thoroughgoing Compliance with Laws and Regulations” and “Personnel Policies to Enable a Diversity of Human Resources to Play Active Roles,” as the basis for all trust. Accordingly, in all aspects of its activities, the Bank works to

1. Contribute to its shareholders and members
2. Contribute to the promotion of the agricultural, forestry, and fisheries industries
3. Contribute to society

The Bank proactively conducts CSR activities to contribute in these three areas.

Name of organization: JA Bank AgriSupport Business
Activities: This business will focus on the following three areas and work to contribute to the promotion of agriculture.

1. Providing support for core farmers
2. Offering assistance for activities that contribute to agriculture and regional communities
3. Promoting activities to improve the understanding of and increase interest in agriculture

Specific projects may include the establishment of funds to promote exports of agricultural products as well as the entry into, development and expansion of new businesses, such as biomass usage and other projects. Other activities will likely include implementing policies to strengthen financial support for core farmers and support for initiatives that link the producing regions with the regions where the products are consumed.

Project costs: The Bank is planning on contributions of ¥10 billion to this business over a three-year period ending in fiscal 2009.
Japan’s Forests Threatened with Deterioration

Forests—National Assets

Forests are more than just producers of raw materials that enable the forestry industry to supply lumber. Forests also play major roles as a base for the agricultural, forestry, and fisheries industries by helping to create productive farmland for raising crops and by contributing to an abundant natural environment in the sea. Furthermore, forests offer a wide range of other benefits that extend beyond the agricultural, forestry, and fisheries industries, including contributing to the prevention of global warming by absorbing 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 regarded as “national assets.”

The Forest Rejuvenation Fund

Establishment of the Forest Rejuvenation Fund (Public Trust)

To provide support for activities directed at revitalizing private forestlands threatened with deterioration 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 enable private and communal forests that are currently becoming unsustainable, to once again fulfill their roles in the public interest and to offer support for forestry rejuvenation projects and related activities that are recognized as highly effective. 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 period of the trust, the Bank is selecting several projects each year for support and thereby supporting the rejuvenation of Japan’s forests.

Follow-Up Activities of the Fund

The Bank’s activities go beyond the establishment and administration of a public trust and the provision of project funding, and include activities to position the projects chosen for support as models for other areas nationwide. These activities 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.