

Securities Investment and Short-Term Money Market Transactions

STRATEGIC PORTFOLIO MANAGEMENT

Securities Investment

■ The Bank's Basic Asset Management Stance

The Bank is one of the largest financial institutions in Japan and, at the same time, is one of Japan's leading institutional investors. The Bank's total balance of securities and money held in trust is approximately ¥51 trillion and accounts for a major portion of the Bank's total assets under management.

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

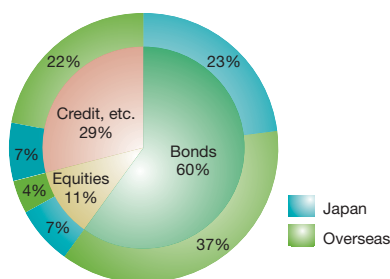
related to these asset categories from a broad range of perspectives and adjusts its asset allocation flexibly in response to changes in market conditions.

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

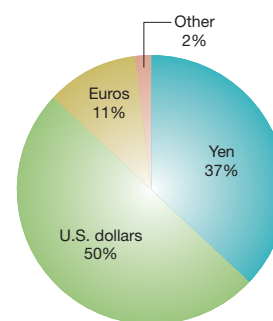
■ Investment Stance by Type of Asset

Investment in bonds, a core invested asset, accounts for a major portion of the Bank's assets due to their risk-return characteristics and other attributes. When making investment decisions, the Bank gives full attention not only to interest rate risk but also to credit and liquidity risks. The Bank has built up an efficient bond portfolio, through investments in a variety of types of bonds, including Japanese government bonds, bonds issued by other government agencies, mortgage-backed bonds, and foreign corporate bonds.

Breakdown of Market Assets by Risk



Breakdown of Market Assets by Currency



Note: All data are as of March 31, 2007, on a non-consolidated basis. The breakdown of bonds and credit assets by maturity is based on the date for interest rate renewal.

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

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

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

■ System for Market Asset Management

Major decisions relating to the Bank's portfolios of market investments are reached systematically by the Market Portfolio Management Committee and the Credit Portfolio Management

Committee, which are composed of board members and the heads of related departments. Moreover, in the departments engaged in market transactions, the Bank has created a mutual checking system with separate front sections (responsible for the execution of transactions), middle sections (responsible for monitoring), and back sections (responsible for processing and settlements).

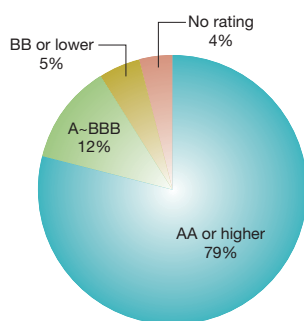
The front sections execute transactions based on the plans drawn up by each Portfolio Management Committee. Their functions also include focusing on optimizing the efficiency of transactions, close and constant monitoring of market trends, developing proposals for new transaction plans, and other activities.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

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

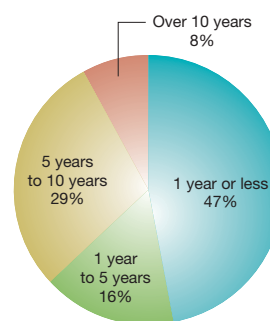
■ Short-Term Money Market Transactions

In its role as the national level financial institution for Japan's agricultural, forestry, and fishery cooperatives, the Bank exercises efficient control over available cash, principally idle funds

Breakdown of Bonds and Credit Assets by Rating



Breakdown of Bonds and Credit Assets by Maturity



Note: All data are as of March 31, 2007, on a non-consolidated basis. The breakdown of bonds and credit assets by maturity is based on the date for interest rate renewal.

of the cooperative system, and manages these funds in domestic money markets. The Bank is a leading and active participant in short-term money markets in Japan.

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

As the global economy has expanded, policy interest rates in Europe and the United States have been raised since the summer of 2004. In Japan, the policy of monetary easing was suspended in March 2006, and policy rates have been increased twice since then. Along with these developments, the Bank is giving due consideration to the risks of rising interest rates and liquidity risk in the management of its short-term funds.

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

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

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

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

■ Foreign Exchange Transactions

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

■ Trading Operations

The Bank trades in various financial products, including commercial paper (CP) and financial derivatives, to meet the needs of its customers, while at the same time working to increase its dealing profits in these trading operations through arbitrage transactions, options, and a range of other techniques.



Corporate Finance

OFFERING A BROAD SPECTRUM OF FINANCIAL SERVICES TO CORPORATE CUSTOMERS IN A RANGE OF INDUSTRIES

Loans for Companies with Links to the Agricultural, Forestry, and Fisheries Industries

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

The Bank's customer base is highly diverse, encompassing companies in the food product and the pulp and paper industries that process agricultural, forestry, and fisheries products; the chemical and machinery industries that provide production goods for the agricultural, forestry, and fisheries industries; trading companies that offer distribution services; and the supermarket, restaurant, and other industries that supply these products to final consumers. In addition to companies in these industries that engage in businesses directly linked to the agriculture, forestry, and fisheries industries, the Bank's customer base also includes other industries, such as the leasing, credit, and IT/telecommunications sectors as well as wind power generation companies. The Bank's corporate finance departments offer a range of assistance to customers in these industries under its basic policy of contributing to the growth of Japan's agricultural, forestry, and fisheries industries as well as the economy as a whole by supporting the growth and development of customers in these industries.

Support for Fund-Raising

The Bank draws on its strong funding base, backed by the cooperative organization, and its expertise cultivated as one of Japan's leading institutional investors to provide stable sources of funds to meet the needs of its customers. In addition to providing general-purpose long- and short-term loans, the Bank offers a wide range of other financing services, including other types of loans that respond to changes in corporate finance—such as non-recourse loans, syndicated loans, and project finance—as well as commitment lines, securitization of accounts receivable, and real estate, and support in raising funds from capital markets through the issuance of corporate bonds and other financial instruments.

Customer Support through the Bank's Network

The Bank offers these financing services to its customers through its corporate business divisions located in its head office and branches. The head office offers corporate finance services through a special division that is organized by industry, and branches work with the head office and initiatives to arrange various services and techniques to address wide-ranging customer needs.

For customers that have overseas operations, the Bank is positioned to meet customers' needs for foreign currency finance, backed by its top-tier ratings among Japanese banking institutions, through its branches in New York, London, and Singapore.

Other Financial Services

The Bank provides many other financial services as well, including derivative-based interest rate risk hedging schemes; management consulting, advice on initial public offerings (IPOs); and other financial matters and electronic banking services that reduce labor input and increase the efficiency of cash management.

Finance for Cooperative Organizations

SUPPORT FOR THE DEVELOPMENT OF THE AGRICULTURAL, FORESTRY, AND FISHERIES SECTORS IN FINANCE

Core Lending Business of the Bank

As the main financial institution for the agricultural, forestry, and fisheries industries, the Bank has created a funding system unique to the cooperative framework, called Agricultural, Forestry, and Fishery Support Funding. This system aims to nurture core participants in the agricultural, forestry, and fisheries sector while encouraging environmentally friendly practices, with the goal of financially supporting the development of Japan’s agricultural, forestry, and fisheries sectors and their cooperative organizations.

The loans, which are mainly made out to the JA, JF, forestry cooperatives, and enterprises participating in the agricultural, forestry, and fisheries industries, are directly linked to the development of the agricultural, forestry, and fisheries sectors and have been positioned as the core lending business of the Bank since its establishment.

Loans to the Agricultural Sector

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

Outline of Types of Loans (As of March 31, 2007)

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

From the JA Bank's perspective, it plans to move forward with its ongoing initiatives and work proactively to strengthen its efforts to meet the financial needs of the core farmers as a single unit.

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

Loans to the Fisheries Sector

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

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

Loans to the Forestry Sector

Issues confronting the forestry sector include the rising percentage of aging, planted forestlands and the increasing need for thinning and other operations to take proper care of forested areas. In particular, interest among Japanese citizens in

preserving the nation's forests is increasing because of the many roles forests play in providing sources of water and preserving the natural environment. Moreover, forests are expected to play an environmentally significant role in absorbing greenhouse gases and thus forestalling global warming. For these reasons, proper management of forestlands has become an important issue. A further consideration is the growing international demand for forest resources compared to the supply of these resources; this is drawing increasing attention from domestic sources.

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

Norinchukin Bank Debentures

The Bank's Distinctive Funding Source

■ Features of the Bank's Debentures

Under the Norinchukin Bank Law, the Bank is authorized to issue Norinchukin Bank Debentures as a source of funding. The Bank issues two types of debentures; one is the Ritsuki Norinsai, which is primarily issued to institutional investors as an investment product, and the other one is the Zaikeisai, which is issued as a savings product.

■ Balance of Debentures Issued: Approximately ¥4.5 Trillion

The total balance of the Bank's debentures issued and outstanding, as of March 31, 2007, was ¥4,471.3 billion. Of this amount, the Ritsuki Norinsai, which are primarily issued to institutional investors, account for about 90% of the total. Funds raised through the issuance of debentures are used for lending and providing other finance to the agricultural, forestry, and fisheries industries and companies related to those industries.

Settlements

■ Approximately 10,000 Offices Nationwide of JA, JF, and Other Cooperative Organizations—One of the Largest Networks among Private Financial Institutions

The Cooperative Financial Institutions, comprising JA, Shinnoren, JF, the Prefectural Banking Federations of Fishery Cooperatives (Shingyoren), and the Bank, have one of the largest networks among all the private financial institutions in Japan, with approximately 10,000 of their branches (as of March 31, 2007). At the core of this network is the Cooperative Settlement Data Transmission System, which is operated by the Bank, Shinnoren, and Shingyoren.

Head Office and Branch Operations (Domestic and Overseas)

■ The Bank's Domestic Offices

The domestic offices of the Bank comprise the head office, the Otemachi Office, 27 branch offices located throughout Japan, and five other offices (as of July 17, 2007).

■ Roles of Domestic Branches

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

■ The Bank's Overseas Branches and Representative Offices

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

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

■ Roles of Overseas Branches

The Bank, through the joint activities of the head office and its overseas offices, makes efficient investments of abundant resources of the cooperative funds in international financial and capital markets.

The Bank's balance of investments in foreign securities was approximately ¥28 trillion as of March 31, 2007. Foreign currency funds for these investments are raised on a stable basis, partly through the Bank's overseas branches.

In lending operations also, the Bank draws on the capabilities of overseas branches and the head office to meet the funding needs of cooperative organizations, companies with relationships to the agricultural, forestry, and fisheries industries as well as other customers. In addition, the Bank's overseas branches and offices play a diversity of roles in providing support for customers entering overseas markets and supplying information on local conditions.

Companies of the Norinchukin Group

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

Trust and Banking Company

The Norinchukin Trust & Banking Co., Ltd., provides trust products and services for cooperative organizations, corporations, and other customers. Assets under management and administration by this company exceed ¥13 trillion. Norinchukin Trust & Banking also focuses on asset management for JA cooperative members, including inheritance trust services.

Companies that Support the Organizational Base of the Cooperative Banking Business

- Norinchukin Research Institute Co., Ltd., is the think tank of the agricultural and fishery cooperative financial institutions and supports the cooperative banking business through its survey and research activities.
- Kyodo Seminar Co., Ltd., is responsible for training the employees of the agricultural and fishery cooperative financial institutions and conducts training courses and correspondence courses and publishes training materials for the management and staff of the cooperative financial institutions.

Companies that Complement the Business Base of the Cooperative Banking Business

- Kyodo Housing Loan Co., Ltd., is a mortgage loan company that has established alliances with more than 200 companies in the fields of housing and real estate sales, housing manufacturers, and other related areas.
- Kyodo Leasing Co., Ltd., is a full-service leasing company offering a wide range of services, including leasing and rental arrangements and agreed on May 2007 with Mitsui Leasing & Development, Ltd., to establish a joint holding company. Please note that automobile leasing and lease-back services are offered by Kyodo Auto Leasing Co., Ltd., a company that specializes in these areas.
- The Cooperative Servicing Co., Ltd., is responsible for the management and recovery of nonperforming loans and is part of the cooperative safety net.

- Norinchukin-Zenkyoren Asset Management Co., Ltd., responds to the asset management needs of a range of financial institutions and institutional investors, including the agricultural cooperative organizations, through the development and offering of investment funds. This company is also responsible for offering the principal investment trust products sold in the branches and offices of the agricultural cooperative financial institutions.
- The Agribusiness Investment & Consultation Co., Ltd., makes investments and provides other financial support for agricultural corporations, with the objective of helping them to secure financial stability and support their development.

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

- Norinchukin Information System Co., Ltd., is trusted with the tasks of developing and operating the Bank's various computer systems, including the backbone bank operating system. This company also plays a major role in the Bank's systems strategy.
- The JA Bank Computer System Co., Ltd., is responsible for all aspects of the development and operation of the nationwide JA computer system (JASTEM System). The agricultural cooperatives using this system have deposits of about ¥80 trillion, and the system covers about 11,000 branches and offices.
- Nochu Business Support Co., Ltd., provides outsourcing services on an as-needed basis to the Bank and other Norinchukin Group companies for various operations, including the dispatch of necessary personnel.

Other

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