

Norinchukin Bank and the New JA Banking System

FRAMEWORK OF THE JA BANKING SYSTEM AND THE UNIQUE SAFETY NET FOR THE COOPERATIVE CREDIT BUSINESS

The Norinchukin Bank Law was revised in June 2001 and went into effect on January 1, 2002. The objective of the revision is to create a sound and highly reliable organization of the JA credit business in line with changes in the business environment. To achieve this, the JA credit business will provide high-quality and sophisticated services to its clients as well as establish effective bankruptcy prevention measures.

JA, Shinnoren, and the Bank (all of which are JA bank members: JA bank is the generic term for JA, Shinnoren, and the Bank) will pursue more unified business operations in order to increase competitiveness and credibility (JA Banking System).

To facilitate unified business operations, JA bank basic policies have been formulated as a code of conduct for JA bank members. To conduct operations of the JA Banking System based on these policies, a JA Bank System Headquarters has been established within the Bank, and a JA Bank Prefectural Headquarters has been set up within each Shinnoren.

Function of the JA Banking System

The specific activities of the JA Banking System are as follows:

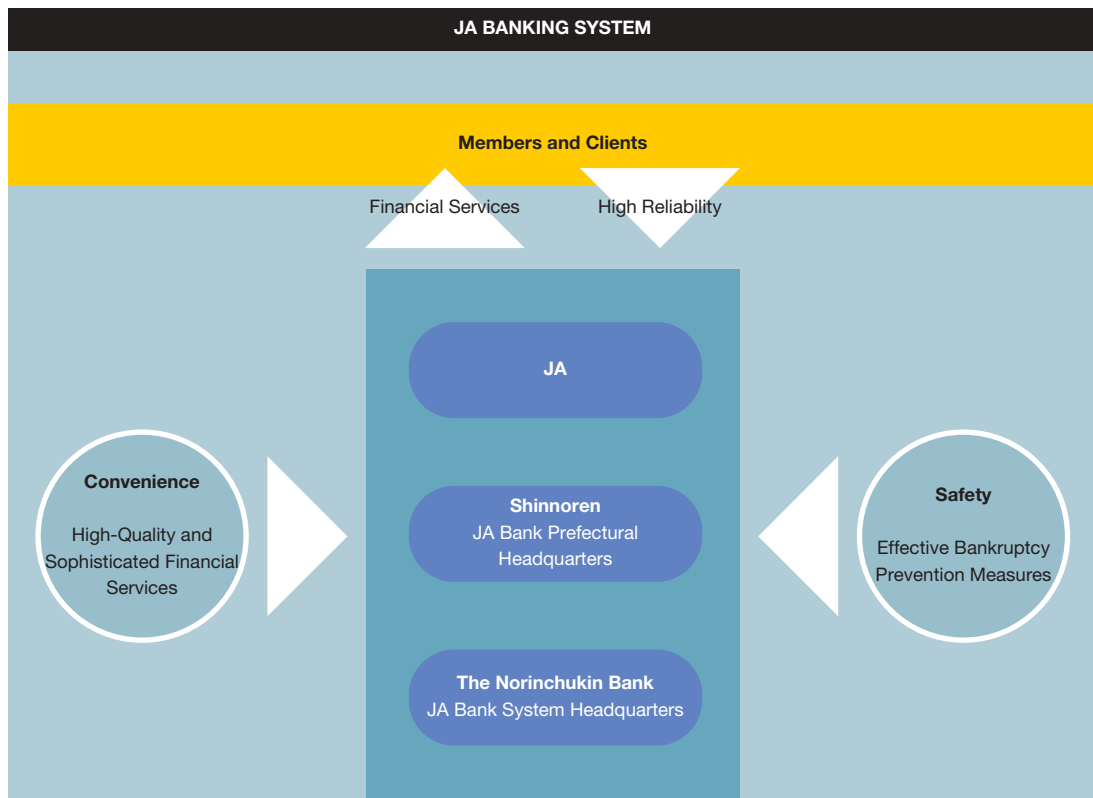
Providing High-Quality and Sophisticated Financial Services

To promote the IT initiatives of the JA bank, a project team for IT planning and development was established within the Bank in July 2000. The team focuses on planning and developing unified, strategic systems. In order to achieve more efficient and streamlined development of the JA banks' computer system, the Bank, as the main coordinator of the system, established The JA Bank Computer System Co., Ltd., in March 2002. In addition, the Bank is focusing on R&D of new products and marketing methods for customer satisfaction by introducing Customer Relationship Management (CRM). Information networks linking JA, Shinnoren, and the Bank were also created to enable these three entities to pursue product development and business operations in line with customers' needs. The JA bank will work closely with the JA mutual insurance business in preparation for the defined contribution pension plan, which is due to be introduced in October 2002.

Establishing Effective Bankruptcy Prevention Measures

To give clients peace of mind when using the JA bank, the Bank will take legal measures to improve business at a stage earlier than that required by law under the prompt corrective action policy. The JA Bank System Headquarters will periodically monitor the financial conditions of JA and Shinnoren. If capital ratios and business execution systems fail to meet certain standards, the JA Bank System Headquarters will enact measures depending on the degree of the problem, including those to improve business. Furthermore, the JA Bank System Headquarters will take immediate measures, such as business transfer or the implementation of changes in organizational structure, when business improvement is considered difficult.

To further enhance the effectiveness of JA audits, the JA National Audit Organization was established as a specialized agency in April 2002. The JA Bank System Headquarters is committed to increasing trust in the JA Banking System by further strengthening close coordination with the Prefectural Unions of Agricultural Cooperatives (refer to page 12) and the JA National Audit Organization.



Summary of the Unique Safety Net for the Cooperative Credit Business

JA is supported by the Deposit Insurance System, a legal public system and, in addition to this, the Cooperative Mutual Aid System, an independent safety net unique to the JA bank and unseen in other banks. This double safety net enables the JA bank to provide its clients with safe, high-quality financial services.

The Deposit Insurance System is funded by deposit insurance premiums paid annually by JA, Shinnoren, and the Bank. This system protects depositors if a JA becomes insolvent and cannot cover deposit payments. The system is comparable to the Deposit Insurance System targeting other banks.

The Cooperative Mutual Aid System, an independent system unique to the JA bank, is a system designed to prevent bankruptcies. In order to provide necessary support (capital injection) as one of the early improvement measures under this system, the JA Bank Support Fund has been newly established based on contributions made by the JA bank. If a JA experiences management difficulties, the said fund will support the concerned JA in close cooperation with the Deposit Insurance System.

The Fishery Cooperatives Law was revised in June 2002. When implemented in January 2003, a system of mutual aid similar to the bankruptcy prevention measures in the JA Banking System will also be implemented in the fishery cooperative business.

SAFETY NET FOR THE COOPERATIVE CREDIT BUSINESS

