

THE CHARACTERISTICS OF THE NORINCHUKIN BANK

Shareholding Member Cooperatives

The Bank's capital is composed of common stocks, lower dividend rate stocks, and preferred stocks. Common stocks are the most basic means of fund-raising for the Bank, and these are purchased by all of the shareholding member cooperatives. Lower dividend rate stocks are one of the forms of common stocks that are underwritten by specified members for specific purposes and are subject to special conditions under which the equity dividend rate is lower than that of common stocks. As of the end of fiscal 2001, the balance of lower dividend rate stocks purchased by Shinnoren and the Prefectural Credit Federations of Fishery Cooperatives (Shingyoren) stood at ¥1 trillion. Preferred stocks are equity funds purchased by non-members with no voting rights. In the past, the Bank issued a total of ¥50 billion in such stocks on a private offering.

Subordinated loans—contained in the Tier II classification under the BIS requirements and borrowed from Shinnoren and Shingyoren—amount to more than ¥490 billion and serve to enhance the Bank's overall capital position.

As mentioned above, the Bank's shareholders are primarily members of the cooperative system.

Funding

Funding for the Bank mainly consists of deposits and Norinchukin Bank debentures. Deposits differ from those of other banks in respect that they are primarily made up of funds collected from cooperative members. In particular, deposits made by JA and Fishery Cooperatives (Gyokyo) members, who are directly involved in the agriculture, forestry, and fishery industries as well as local residents, are entrusted to the Bank via Shinnoren and Shingyoren.

This unique structure is the reason for the long-term stability of the Bank's funding system.

Revision of Management System of The Norinchukin Bank (Corporate Governance Structure)

Under the revision of The Norinchukin Bank Law, the Bank is able to provide the necessary guidance to JA in order to reorganize and strengthen the JA credit business, as well as carry out its original duties as a financial institution, stipulated in The Norinchukin Bank Law. To achieve this, a Supervisory Committee, as a new organization of the Bank, has been introduced. The Supervisory Committee is empowered to make decisions regarding the basic policies of the Bank and those related to the reorganization and enhancement of the cooperative credit business, as well as important matters related to the agricultural, forestry, and fishery cooperatives, including specific action plans. Meanwhile, the directors of the Bank are entrusted with the authority to approve and execute matters related to the financial duties conducted by the Bank.

