



A Message from the President



Introduction

The Norinchukin Bank (“the Bank”) is a nationwide financial institution based on Japanese agriculture, forestry, and fishery cooperatives. Supported by stable funds procurement from these cooperative organizations, the Bank carries out efficient, flexible asset management by investing in various financial products on a global scale.

The Bank also provides the cooperative members with a variety of financial services, which include a common national system infrastructure and the development of financial products in the field of retail business.

In addition, in order to secure trust in the cooperative credit business, the Bank provides management guidance to members based on the law and shares the responsibility of building and managing a safety net for cooperative credit business.

Performance of the Norinchukin Bank in Fiscal 2003

In fiscal 2003, the Bank worked to generate revenue through effective risk management amid a backdrop of global economic recovery. As a result of these efforts, the Bank posted record high earnings. Current profit rose 90% from the previous fiscal year, to ¥187,537 million (US\$1,774 million), and net income increased 120%, to ¥144,626 million (US\$1,368 million).

Hirofumi Ueno, *President & CEO*



The Bank's total assets at the fiscal year-end amounted to ¥61,833 billion (US\$585 billion). As a result of globally diversified investments, foreign securities accounted for ¥16,047 billion (US\$152 billion) of total investment securities, which amounted to ¥33,509 billion (US\$317 billion).

To ensure the soundness of its assets, the Bank carried out amortization and established reserves based on rigorous self-assessments, effectuated the bulk sale of loans, and worked to recover non-performing loans. As a result, the total balance of risk-managed loans declined ¥28 billion from the previous fiscal year-end, to ¥650 billion (US\$6,158 million), which represented 3.6% of the Bank's total loan assets.

Strong Capital Adequacy

The Bank's consolidated capital adequacy ratio calculated according to BIS requirements increased 3.07 percentage points from the previous fiscal year-end, to 12.94%. The Bank's Tier I capital ratio, which is regarded as a measure of the quality of the capital of financial institutions, remained one of the highest among major financial institutions in Japan, at 7.49%. Moreover, the Bank maintained the high quality of its Tier I capital, with deferred tax assets accounting for 7.09% of Tier I capital—among the lowest ratios for major Japanese financial institutions.



A Trusted Financial Institution (Credit Ratings)

As of August 2004, the Bank's long-term debt was rated at A1 by Moody's Investors Service and at A+ by Standard & Poor's. These are among the highest credit ratings for Japanese financial institutions and are a reflection of the Bank's stable cooperative funding bases, sound asset quality (represented by its low ratio of non-performing loans), ample liquidity through cash positions and short-term market transactions, and solid capital base. Also, while several large banks in Japan have received injections of public funds with the aim of recovering financing capabilities or facilitating the provision of credit, the Bank has never applied for public funds in light of its strong capital adequacy.

Medium-Term Business Strategy

Every three years, the Bank formulates a medium-term business strategy to clarify management objectives, the issues that must be addressed to achieve these objectives, and the direction the Bank plans to take in addressing these issues.

In response to the rapidly changing business environment, the Bank established a new medium-term business strategy that covers the three-year period from fiscal 2004 to fiscal 2006 and aims to enhance the functions and improve the management efficiency of the cooperative credit business. The goal of the strategy is to further unify the JA Banking System (refer to page 8) by providing concrete support for business evolution in accordance with the JA Bank Medium-Term Strategy—the first comprehensive JA Group strategy formulated since the introduction of the JA Banking System.

Amid the current revitalization of Japan's financial system, the Bank has established four key tasks in order to maintain the stable position of its cooperative credit business and increase the Bank's value to society.

1. Ensuring the Soundness and Reliability of the Cooperative Credit Business

The Bank's first key task is to promote the concrete implementation of the JA Bank Medium-Term Strategy. To accomplish this, the Bank will support the retail operations of the JA and the Prefectural Credit Federations of Agricultural Cooperatives (Shinnoren), primarily through loans, and will continue to provide guidance and support on branch restructuring and other measures to increase management and operational efficiency. At the same time, the Bank will work to reinforce the soundness and reliability of JA and Shinnoren. In particular, the Bank will continue to address the removal of the full deposit guarantee in April 2005 by periodically monitoring the financial conditions of JA Bank members to detect problems at an early stage and implement the necessary corrective measures.



2. Strengthening Business Development in the Integrated Prefectural Areas

The Bank's second key task is bolstering business development in the integrated prefectural areas (The term "integrated prefectural areas" refers to areas where the Bank and Shinnoren are integrated into a new, double-layered structure, composed of the Bank and JA—instead of the usual triple-layered structure—in order to carry out prefectural credit business effectively.). To date, six Shinnoren have been integrated with the Bank, and these integrated prefectural operations are working to ensure the soundness of JA and to boost the administrative capabilities that comprise its business foundation.

3. Expanding and Stabilizing Earnings Sources

The Bank's third key task is to further expand and stabilize earnings sources. To achieve this, the Bank will bolster its risk check and monitoring framework to implement accurate risk management. The Bank is committed to passing on earnings to the cooperatives, and one of its portfolio management goals is to expand earnings sources such that it can carry out stable profit returns. In doing so, the Bank will also work to strengthen its capital base and reinforce its foundation for profit sharing.



4. Streamlining and Increasing Operational Efficiency

The Bank's fourth key task is to streamline and boost the operational efficiency and leverage the results of these efforts to enhance the functions of the cooperative credit businesses. In addition, the Bank will constantly review its corporate governance and internal control structures while establishing solid frameworks for corporate governance and information security management to ensure that it maintains appropriate business operations.

Conclusion

Although achieving these business tasks will be a challenge, we recognize that resolving such issues is critical to the further growth of the cooperatives and the cooperative credit businesses. I am also confident that these initiatives will increase the value of the use of the cooperative credit businesses and enable us to support the development of the agricultural, forestry, and fishery industries in Japan and contribute to society as a whole.

August 2004

Hirofumi Ueno
President and Chief Executive Officer