

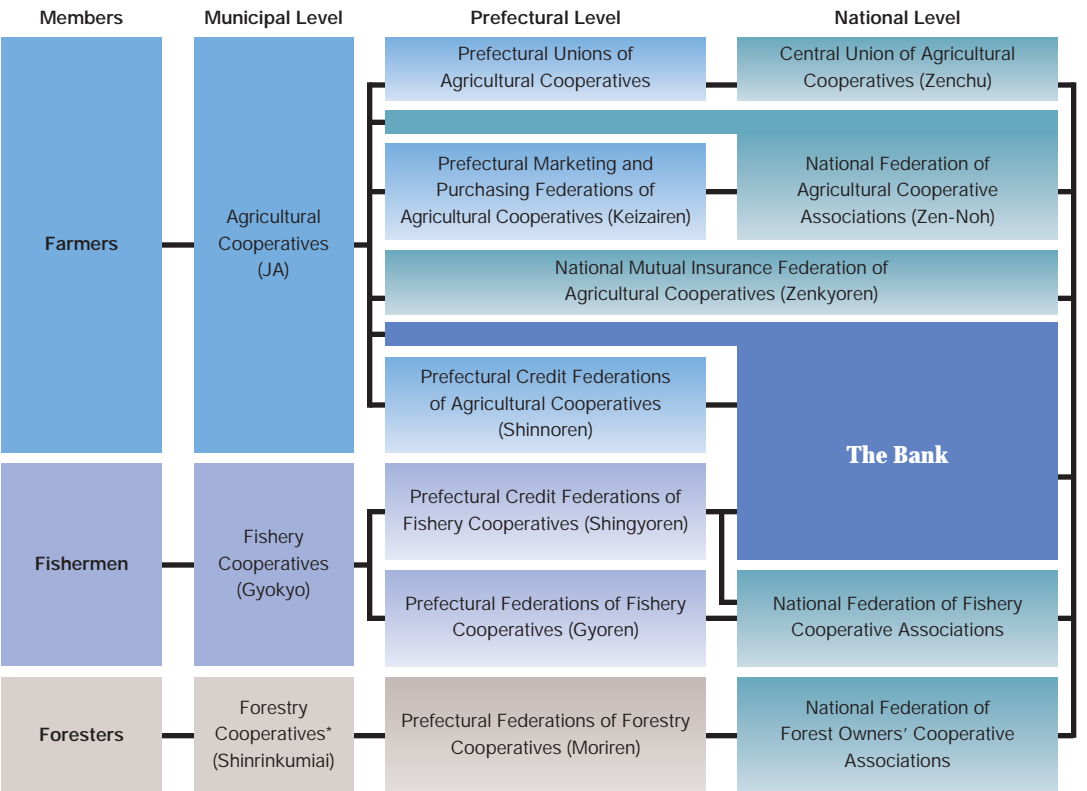
THE BANK'S ROLE IN THE COOPERATIVE SYSTEM

Outline of the Cooperative System

The cooperative system, as shown in the chart below, is a multi-tiered structure with a base comprising farmers, fishermen, and foresters organized into JA, Gyokyo, and the Forestry Cooperatives (Shinrinkumiai) at the municipal level. These cooperatives, in turn, form prefectural organizations, and the entire structure is managed by national-level organizations, including the Bank. Organizations at the prefectural and national levels perform specialized business functions, including consulting, sales and purchasing, financing, and mutual insurance services. (Shinrinkumiai and the Prefectural Federations of Forestry Cooperatives (Moriren) do not provide such financing functions.) The three levels of the cooperative system are closely linked through capital subscriptions, management, and business ties and occupy a major position within the Japanese economy.

The Bank serves as the central bank for the cooperatives, extending loans throughout the cooperative system and receiving the majority of its funding from the cooperatives as well as prefectural federations. The Bank acts as an intermediary, making adjustments in the supply and demand for funds within the cooperative system, returning profits to the system, and providing funds to other national-level federations in the system.

STRUCTURE OF THE AGRICULTURAL, FORESTRY, AND FISHERY COOPERATIVE SYSTEM



* Forestry Cooperatives do not take deposits.

Funding through the Cooperative System

The Bank's primary sources of funds are deposits, the majority of which are obtained from the cooperative system and the issuance of Norinchukin Bank debentures. Deposits of JA and Gyokyo are obtained from members of these cooperatives in primary-sector industries and from other residents of local communities. These deposits are entrusted to the Bank via Shinnoren and Shingyoren.

Deposits placed with JA and Gyokyo are lent to members for financing their business operations or as general-purpose loans. Of the remainder, in principle, two-thirds or more are entrusted to Shinnoren and Shingyoren at the prefectural level. These organizations extend loans to agricultural and fishery cooperative organizations, corporations related to the primary sector, and local governments within their own prefectures. One-half or more of the remaining funds are deposited with the Bank. This structure is supported by strong ties with the members of Shinnoren, JA, and other related partners.

The Bank is also one of the few financial institutions in Japan that can float bank debentures and raise funds from individual and institutional investors.

Use of Funds

The Bank's abundant funds, procured from the above-mentioned sources, are used intensively for loans and investment in securities. A portion of earnings is also distributed to the members of the cooperative credit system.

The Bank's clients for loans are classified mainly into three categories:

- *Cooperative organizations of the agricultural, forestry, and fishery cooperative system and entities engaged in agriculture, forestry, and fishing,*
- *Companies and organizations contributing to the development of the primary sector, and*
- *Government, local government, and other public institutions*

In particular, the Bank, since its establishment, has positioned loans to member organizations of the cooperative system, related corporations of those members, and entities in the primary sector as the basis of its activities. The Bank has provided a unique cooperative low-interest rate fund, called the Agriculture, Forestry, and Fishery Promotion Fund. The Bank has financially supported the development of primary-sector industries and cooperative organizations, with the aim of training the next generation that will participate in the agriculture, forestry, and fishery industries, and promoted the development of ecological agriculture. The Bank also provides financial resources to regional public-sector organizations and public corporations in order to build a stronger industrial base in local communities and raise the standard of living and well-being of local residents.

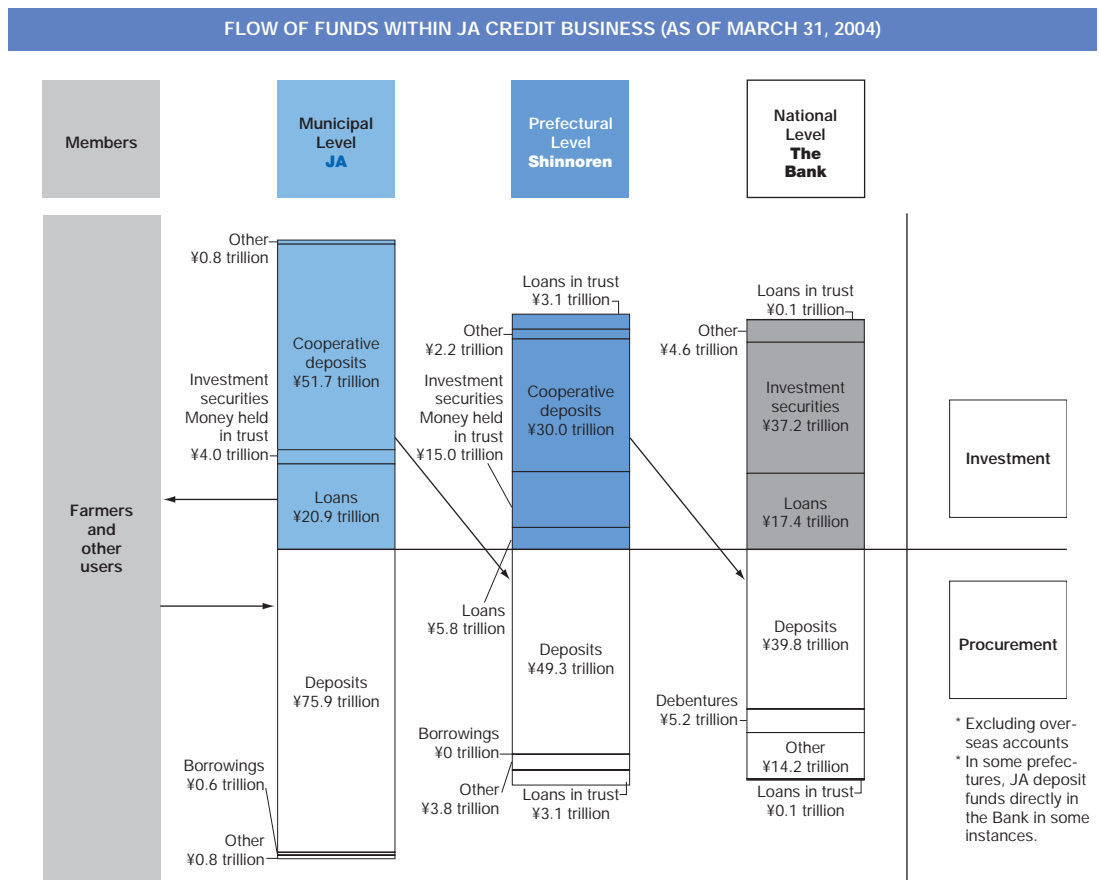
In addition, drawing on its ample financial resources and accumulated know-how, the Bank, as one of the leading global institutional investors, is an active participant in the securities and money markets, and plays a leading role in short-term money markets. Besides these activities, the Bank has been expanding its overseas investments as well as supporting the development of the overseas operations of member organizations and primary-sector-related industries.

Flow of Funds through JA Cooperative System in Fiscal 2003

In fiscal 2003, JA deposits, centered on deposits made by individuals, rose 2.1% over the previous year to stand at ¥75,976 billion (US\$719 billion) at the end of the fiscal year. This increase was attributable to efforts to secure trust in the JA Banking System.

Total JA loans decreased 0.2% from a year before, to ¥20,972 billion (US\$198 billion). However, loan totals have recently been recovering thanks to greater involvement in housing loans. Securities at the fiscal year-end held at the JA level rose 12.7% in comparison with the previous year, to ¥4,044 billion (US\$38 billion), reflecting growth due to stable portfolio construction.

Deposits with Shinnoren rose in response to these trends at the JA level. However, the overall balance of deposits with Shinnoren at the end of the fiscal year declined 2.0% from the previous year, to ¥49,313 billion (US\$467 billion). This decline came as the result of the integration of four Shinnoren with the Bank and the resulting transfer of JA deposits from four prefectures directly into the Bank. Loans from Shinnoren rose 4.4% from a year earlier, to ¥4,920 billion (US\$47 billion), owing to an increase in loans to economic business organizations within the JA Group— This figure does not include loans to financial institutions. Securities held at the Shinnoren level at fiscal year-end amounted to ¥15,068 billion (US\$143 billion), representing an increase of 9.5% over the previous year-end.



As a result of these changes, the remaining funds deposited with the Bank through the JA cooperative credit system amounted to more than ¥30 trillion (US\$284 billion).

Enhancement of the JA Organization

In order to successfully respond to changes in the environment affecting agriculture, cooperative members, and JA itself, the JA Group (i.e., JA, Shinnoren, the Bank, and other related cooperatives) are progressing with the consolidation of individual JA organizations while also taking proactive steps to realign organizational structures and streamline business management at every level of operation and throughout every system and function within the JA structure. As a result, the number of JA cooperatives, which had exceeded 3,000 as of March 31, 1991, was reduced to 904 as of April 1, 2004.

In June 1998, a policy entitled Basic Approach to the Reorganization of the Cooperative Credit Business Organization was established.

In response to this policy, the particulars of the implementation of this reorganization have been debated in each prefecture.

As a result of the discussions held to date, the integration of 9 of the 46 Shinnoren with the Bank has been decided upon. Integration of two Shinnoren with the Bank was achieved through the acquisition of a portion of the Shinnoren's credit business in fiscal 2002, and, in fiscal 2003, further progress was made through the acquisition of a portion of the credit business of four Shinnoren.

In addition, contracts for integration during fiscal 2004 have been concluded with three Shinnoren.

The Bank continuously aims to create a cooperative credit business that lives up to the expectations and proves worthy of the trust it receives from its members and other users. The Bank is committed to continuing to support the development of the functions and systems of JA and to working steadily to streamline and increase the efficiency of its own operations.

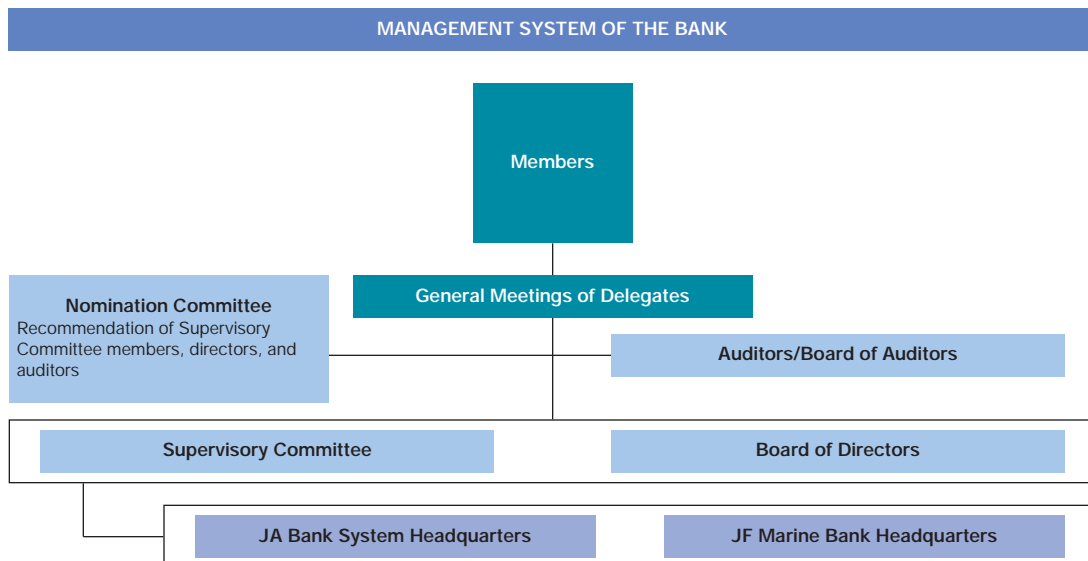
Management System (Corporate Governance)

The Bank is both the central bank for Japanese agricultural, forestry, and fishery cooperatives and an institutional investor that has a major impact on the financial and capital markets through the investment of large amounts of funds both domestically and abroad. The Bank adheres to decisions made at the General Meetings of Delegates, which is comprised of representative members and substitutes for the General Meetings of Members. At the same time, the Board of Directors and the Supervisory Committee, provided for under the Norinchukin Bank Law, make decisions based on the prevailing situations at the cooperative organizations, giving the Bank a decentralized and collaborative management system.

Supervisory Committee

In addition to reporting to the General Meetings of Delegates, the Supervisory Committee makes decisions on important issues related to cooperative matters. The Supervisory Committee also has specific authority to oversee the execution of business policies by the Board of Directors, including the authority to request that board members attend meetings to explain their actions and the power to seek the dismissal of any board member before the General Meetings of Delegates. Currently, the Supervisory Committee has 18 members, selected from among the board members of member cooperatives, agricultural, fishery and forestry cooperative persons or persons with a profound knowledge about finance. Supervisory Committee members are nominated by the Nomination Committee and selected by the General Meeting of Delegates.

Under the jurisdiction of the Supervisory Committee are the JA Bank System Headquarters and the JF Marine Bank Headquarters, which are comprised of members of the Bank's Board of Directors and representative committees of member cooperatives. In addition to deliberating on basic policies of the credit businesses conducted by the agricultural, forestry, and fishery cooperatives, the JA Bank System Headquarters and the JF Marine Bank Headquarters deliberate on guidance practices with respect to members acting under the name of the Headquarters.



Board of Directors

The Board of Directors decides business policy, excluding matters under the jurisdiction of the Supervisory Committee, and carries out mutual supervision of the directors' business execution. Directors are nominated by the Nomination Committee, selected by the Supervisory Committee and assume their position upon confirmation by the General Meeting of Delegates. There are currently 14 full-time board members, and 2 of them serve as representative directors and as members of the Supervisory Committee. Consideration is given to preserving the mutual and close, cooperative nature of decision making by the Supervisory Committee and the Board of Directors.

Auditors/Board of Auditors

Auditors are selected directly by the General Meetings of Delegates, audit decisions made by the Supervisory Committee and the Board of Directors, and generally oversee the execution of business policy by board members. The Board of Auditors currently comprises four members (two full-time auditors and two part-time auditors).

Internal Audit Systems

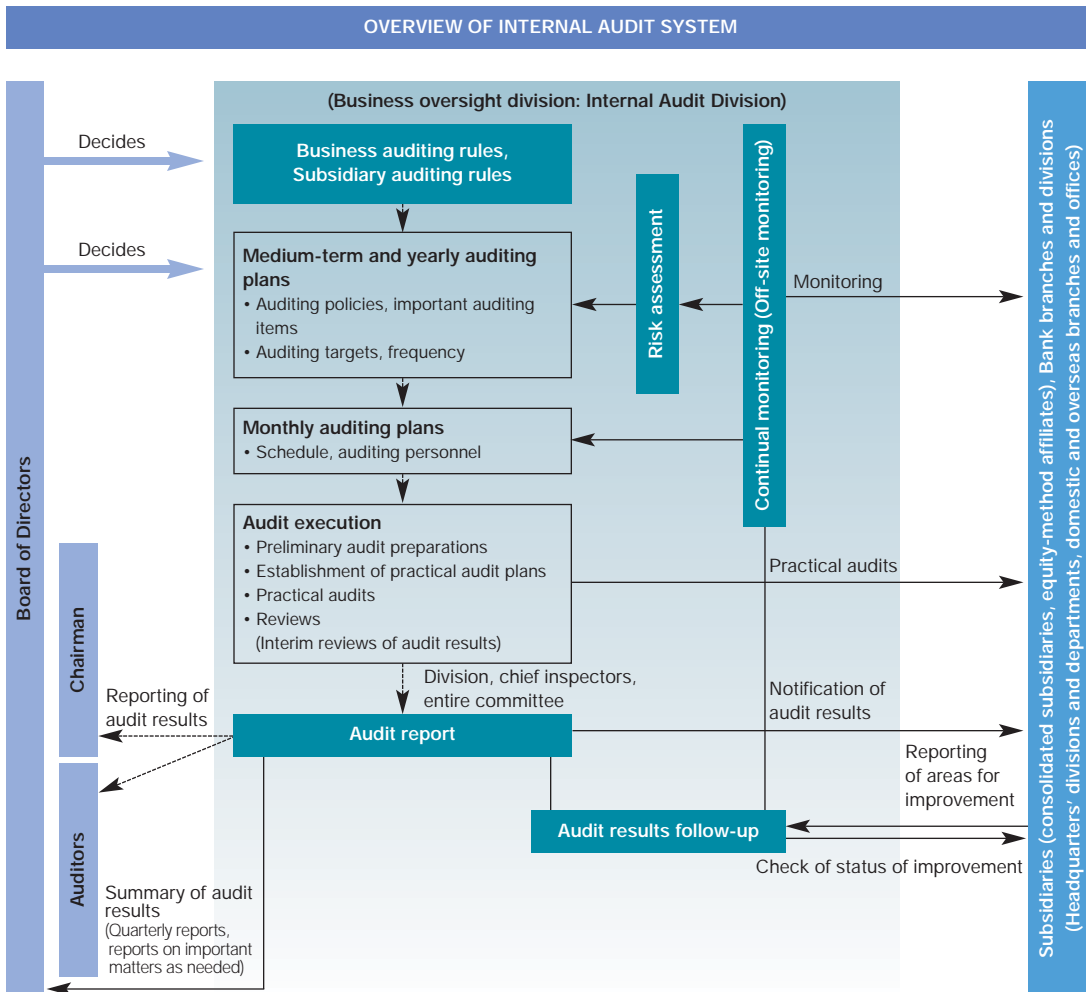
The Bank established the Internal Audit Division as an internal oversight unit independent from other businesses and affairs of the Bank. The Internal Audit Division's mission is to verify and evaluate the management and operations of all managerial activities in terms of the appropriateness and effectiveness of internal controls. Based on the division's reports and recommendations, the Bank sustains and/or improves the effectiveness of its business operations.

These internal audits are conducted not only in each one of the Bank's divisions but also in consolidated subsidiaries and equity-method affiliates within the scope of compliance with laws and regulations. These audits are conducted in accordance with the Bank's three-year audit plan and its yearly audit plans established by the Board of Directors.

The audit plans call for risk assessments of all operations subject to auditing and determine the key audit points (e.g., verification of the appropriateness of operations with respect to risk management and compliance with laws and regulations) and the frequency and depth of audits in accordance with the type and degree of risk in a given department. As such, the plans serve as road maps for conducting effective and efficient internal audits.

Audit results are reported to the president and the auditors. The audited department is then notified of the results by the Internal Audit Division, with periodic follow-up audits conducted to assess the status of efforts to improve problems indicated in the audit report. Moreover, audit summaries are presented to the Board of Directors on a quarterly basis, with particularly important items quickly reported to the Board of Directors, the president, and the auditors.

To improve the effectiveness of internal audits, the Bank assigns to the internal auditing team employees with a great deal of ongoing, practical experience in highly specialized, market-oriented departments and systems departments. Moreover, the Bank has implemented more advanced auditing methods, including the introduction of a self-assessment system whereby audited



departments can conduct their own checks, and it has upgraded its system for conducting daily, off-site monitoring. The Bank is committed to making further qualitative improvements to its auditing process, with the aim of conducting highly efficient and effective internal audits in response to changes in the Bank's operating environment.

Also, the Asset Audit Department established within the Internal Audit Division works to ensure the soundness of assets by verifying that internal ratings, self-assessments, write-offs, and reserves are all correct and appropriate.

Compliance Management

A financial institution trusted by members, customers, and society as a whole

1) Basic Compliance Policies

Along with changes in socioeconomic circumstances and structural reforms, Japanese society is strongly calling into question the way that businesses are managed. Also, in light of severe public criticism stemming from recent corporate scandals, leading companies have made upgrading and strengthening their compliance measures even more of a management priority. It is no exaggeration to say that financial institutions—which survive on the trust and confidence of society at

large, beginning with their customers—preserve the basis for their existence through proactive compliance measures.

As a core member of Japan’s financial system and a nationwide financial institution with cooperative credit businesses, the Bank works to build continually higher levels of trust with the public to fulfill its fundamental mission and responsibilities to society. Toward this end, the Bank makes unremitting efforts to ensure total compliance with laws and regulations and maintains a high level of transparency in its operations through disclosure and accountability, all rooted on a strict principle of self-responsibility.

2) Compliance Arrangements Directly Linked to Management

The Bank’s compliance arrangements are centered on the Compliance Committee, the Compliance Department of the Legal Division (the department in charge of compliance), and personnel in charge of compliance assigned to each division and branch.

The Compliance Committee (chaired by the Deputy President & Co-CEO) deliberates on basic matters related to the Bank’s compliance issues. The matters deliberated on at the Compliance Committee are discussed and approved by the Board of Directors.

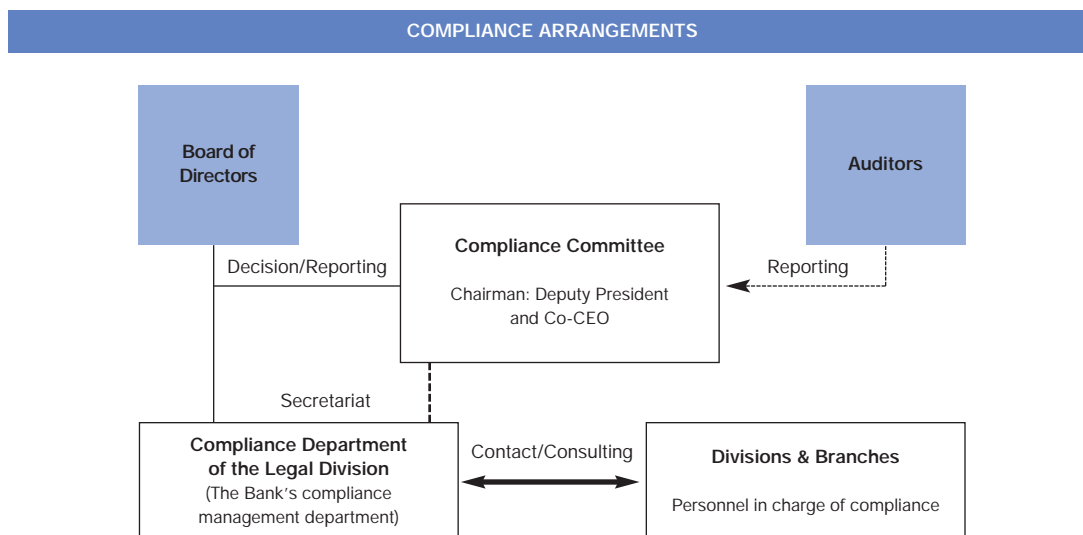
3) Compliance-Related Activities by the Bank

As the Bank’s compliance management department, the Compliance Department acts as the secretariat for the Compliance Committee and consults with the personnel in charge of compliance at each division and branch, and carries out internal training and education activities.

In addition, the Bank has set up a system whereby employees can, at any time, consult with or provide information related to compliance to the Compliance Department and/or an external law firm. The Bank has given full consideration to ensuring that those who utilize this system are not disadvantaged in any way.

4) Compliance Program

The Bank formulates the “Compliance Program” each year as a compliance action plan, and it includes the upgrade and enhancement of compliance arrangements and the promotion of and



education in compliance-related issues. In this way, the Bank carries out deliberate activities to ensure that compliance is firmly rooted in all of its business activities. Moreover, each division formulates its own compliance program to serve as a guideline for implementing specific compliance measures on an ongoing basis.

5) *Fostering a Sense of Commitment to Compliance*

To familiarize employees with compliance issues and to foster a sense of commitment to compliance, in addition to the *Ethical Charter* and the *Code of Conduct for the Bank's Management and Staff*, the Bank compiled the Summary of the Bank's Compliance Arrangements for inclusion in the *Compliance Manual*. This manual was distributed to all members of the management and staff.

6) *Cooperation with Group Companies*

The Bank manages compliance arrangements for the Group as a whole through explanations of compliance programs and through the holding of periodic awareness meetings attended by personnel responsible for compliance at Group companies.

Humanitarian Affairs

The Bank actively provides education and training opportunities to all personnel as part of an overall effort to promote humanitarian affairs. The Bank's domestic action plan related to the United Nations' Decade for Human Rights Education (1995–2004) conforms to the Law on the Promotion of Human Rights Education and Human Rights Awareness-Raising and the Basic Plan for the Law on the Promotion of Human Rights Education and Human Rights Awareness-Raising. Based on this, the Bank works to implement the principle of respect for human rights, which is enshrined in its *Ethical Charter*. The management of the Bank's human rights related education and training revolves around the Human Rights Education Promotion Committee, the Human Rights Section in the Personnel Division, and the personnel responsible for human rights in each office and branch. The Human Rights Education Promotion Committee (chaired by the director of the Personnel Division) deliberates on various policies aimed at further establishing the principle of respect for human rights in the Bank's activities, while more important human rights related matters are deliberated on and decided by the Board of Directors.

The Human Rights Section in the Personnel Division was established in July 1999 as the representative organ responsible for general human rights issues; it serves as the secretariat of the Human Rights Education Promotion Committee. The Human Rights Section also works with personnel in charge of human rights at offices and branches regarding such internal human rights related issues as planning, education, and training, as well as the handling of and consultations on sexual harassment.

The Bank strives to promote a correct understanding of human rights through such means as workshops at the Head Office and branches and works to deepen awareness of solutions originating from these programs. The Bank also pursues a variety of other activities on an ongoing basis, including the creation of a portable sexual harassment consultation card for all directors and regular employees. In addition, as a member of the JA Group, the Bank cooperates with the Central

Union of Agricultural Cooperatives to increase the awareness of human rights within the Bank Group.

Social Contributions

Flower Campaign

The Bank, through its handling and channeling of capital from various sources, contributes to the advancement of agriculture, forestry, and fisheries.

Moreover, the Bank also dedicates itself to preserving the natural environment in harmony with people and industry and to making towns more attractive for residents and visitors alike. The Bank has been hosting a nationwide flower campaign with the catchphrase “Green in the Towns, Flowers in the Windowsills” at all of its branches and offices.

These activities include yearly contributions of flower seeds, bulbs, flowerbeds, and other gardening items to public facilities, including local public bodies, parks, and schools, as well as the promotion of greening and environmental preservation programs through the support of organizations that engage in these activities.

Workplace Fund-Raising Activities

The Bank cooperates with various fund-raising activities based on dialogue with its employees at the workplace. Specific activities include cooperation with the United Nations Food and Agriculture Organization (FAO)—established to increase food output in developing nations and promote self-sufficiency among impoverished nations—on fund-raisers to eradicate world hunger. Also, in December 2003, heeding the call from the International Co-operative Alliance to assist victims of a major earthquake in southern Iran, the Bank worked with this organization by setting up an Iran Earthquake Support Fund.

Ocean-Related Educational Activities

The oceans, often called the cradle of life, are not just home to various organisms and a supplier of precious foodstuffs in the form of marine products; they also play a vital role in the maintenance and stability of the global environment.

To sustain the wide-ranging functions of the oceans, it is essential to educate citizens on maintaining and nurturing marine resources and preserving marine environments. To this end, the Bank sponsors and collaborates with various public and non-profit organizations whose aim is to educate people about the oceans.

The Norinchukin Foundation, Inc.

The Bank created the Norinchukin Foundation, Inc., in 1994 to commemorate the 10th anniversary of the establishment of its New York Branch. The objectives of the Foundation are to preserve nature, educate children, and promote cultural activities to improve the quality of life in the states of New York, Connecticut, and New Jersey. Each year, the Foundation donates proceeds to non-profit organizations that engage in activities that support the Foundation’s goals.

Milestones in the Bank's 81-Year History

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| <p>1923 • The Bank established with government funds under special legislation as the central bank for Industrial Cooperatives</p> <p>1938 • Gyokyo joins the Bank</p> <p>1943 • Forestry Cooperatives (Shinrinkumiai) join the Bank</p> <p>• The Bank's name officially changed to the Norinchukin Bank</p> <p>1950 • The first Norinchukin Bank debentures issued</p> <p>1959 • Redemption of the government's equity stake completed, thereby becoming a private bank</p> <p>1974 • Foreign exchange operations begin</p> <p>1977 • Investment and trading in foreign currency denominated bonds begin</p> <p>1982 • A representative office opens in New York (the Bank's first overseas foothold)</p> <p>1984 • The New York Representative Office upgraded to branch status</p> <p>1985 • A representative office opens in London</p> <p>1986 • Fiduciary services for corporate bonds begin</p> <p>• Norinchukin International plc opens in London</p> <p>1989 • The Bank's U.S. dollar denominated notes issued in the Euromarket</p> <p>1990 • A representative office opens in Singapore</p> <p>1991 • The London Representative Office upgraded to branch status</p> <p>1993 • The Singapore Representative Office upgraded to branch status</p> <p>• Norinchukin Securities Co., Ltd., established</p> <p>• Norinchukin Investment Trust Management Co., Ltd., established</p> <p>1995 • Preferred stocks issued, opening the way for capital increases through the participation of ordinary investors</p> <p>• The Norinchukin Trust & Banking Co., Ltd., established</p> | <p>1996 • Operations of Norinchukin Asset Management Co., Ltd., begin</p> <p>• Laws concerning the integration of the Bank and Shinnoren enacted</p> <p>1998 • Issuance of ¥1 trillion in lower dividend rate stock to Shinnoren and Shingyoren and ¥0.5 trillion in subordinated loan transaction completed</p> <p>• Substantial reorganization of the market risk investment sections, updating these to match global asset management styles</p> <p>• Representative offices open in Hong Kong and Beijing</p> <p>2000 • Norinchukin-Zenkyoren Asset Management Co., Ltd., formed through the reorganization of the former Norinchukin Asset Management Co., Ltd.</p> <p>2001 • The Norinchukin Bank Law is revised</p> <p>• The Law concerning the reorganization and strengthening of credit business by the Bank and specified cooperatives is revised.</p> <p>2002 • The JA Banking System begins</p> <p>• A capital increase of ¥100 billion in common stock is conducted, and ¥183 billion in funds is procured through the issuance of perpetual subordinated loans</p> <p>• The consolidation of Shinnoren with the Bank begins</p> <p>2003 • JF Marine Bank implements fundamental policies (January)</p> <p>• Integration of prefectural Shinnoren (total of six)</p> <p>• Another ¥183 billion is procured through the issuance of perpetual subordinated loans</p> |
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