



*Annual Report* **2005**

For the Year Ended March 31, 2005

**The Norinchukin Bank**

# Corporate Data

(As of August 1, 2005)

**Name:** The Norinchukin Bank

**Legal basis:** The Norinchukin Bank Law (Law No. 93 of 2001)

**Date of establishment:** December 20, 1923

**President and Chief Executive Officer:** Hirofumi Ueno

**Paid-in capital:**

¥1,224 billion (US\$11,417 million) (As of March 31, 2005)

\*All capital is from private parties (members and investors in preferred securities).  
The Bank receives no public funding and has not accepted the injection of public funds.

**Total assets (On a consolidated basis):**

¥61,978 billion (US\$577 billion) (As of March 31, 2005)

**Capital adequacy ratio (On a consolidated basis):**

12.15% (As of March 31, 2005) (BIS standard)

**Members:**

Japan Agricultural Cooperatives (JA), Fishery Cooperatives (JF), Forestry Cooperatives (Morikumi), and related associations, as well as organizations that have invested in the Bank, including other agricultural, forestry and fishery cooperatives (Number of shareholders: 4,919 (As of March 31, 2005))

**Number of employees:** 2,730 (As of March 31, 2005)

**Offices:**

Head Office (1)

Domestic branches and offices (34)

Overseas branches (3)

Overseas representative offices (2)

**Ratings:**

Ratings agency	Long-term debt	Short-term debt
Standard & Poor's	A+	A-1
Moody's Investors Service	A1	P-1

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## Profile

The Norinchukin Bank (the “Bank”) was established in 1923 as a quasi-governmental financial institution. Privatized in 1959, the Bank is one of Japan’s largest and most distinguished banks.

The Bank is the central bank for Japan agricultural, forestry and fishery cooperative systems. Based on constant funds procurement from member cooperatives, the Bank carries out efficient and flexible asset management by investing in various financial products. This is carried out on a global scale. The profits from these activities are then continuously passed on to its members.

The Bank has branches in the world’s major financial centers, including New York, London and Singapore. Coupled with its Head Office in Tokyo, this network enables 24-hour coverage of the global financial markets.

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### Forward-Looking Statements

This material contains forward-looking statements pertaining to the businesses and prospects of the Bank. These statements are based on our current expectations and are subject to the risks and uncertainties that may affect our businesses, which could cause actual results to differ materially from those currently anticipated.

## A Message from the President



Hirofumi Ueno, *President & CEO*

The Norinchukin Bank's ultimate objective is to enhance its social value while sustaining a stable position for the cooperative credit business within the overall framework of Japan's financial systems.

**The Norinchukin Bank plays a fundamental role in the agricultural, forestry and fishery cooperative systems.**

The Norinchukin Bank (“the Bank”) is a nationwide financial institution based on Japan agricultural, forestry and fishery cooperatives. Supported by stable funds procurement from these cooperatives, the Bank carries out stable and efficient investment management by making loans and investing in marketable securities. The gains acquired through these activities are returned to its shareholders and clients, namely cooperatives. Additionally, the Bank supports the cooperative credit businesses operated by Japan agricultural cooperatives (JA) and fishery cooperatives (JF) by providing the cooperative members with a variety of financial services, which include a common national system infrastructure and financial product development. The Bank also addresses the funding needs of respective cooperatives.

In addition, the Bank advises JA and JF on their cooperative credit businesses within the context of relevant laws and assists in the construction and management of a safety net for the JA Bank and the JF Marine Bank. The Bank remains steadfastly committed to heightening trust in the cooperative credit system and is highly aware of the vital role that it plays in efforts to enhance its competitiveness and profitability.

## **Business Challenges and Directions**

Every three years, the Bank formulates a “medium-term business strategy” to clarify management objectives, the challenges that must be addressed to achieve these objectives, and the direction the Bank plans to take in addressing these challenges. The “current three-year business strategy” runs from fiscal 2004 to fiscal 2006.

The goal of the strategy is to further unify the “JA Banking System” 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. The forward-looking plan positions these three years as a significant turning point in terms of unifying the JA Banking System, with the Bank playing a key role through the provision of operational support.

The Bank is also committed to improving operational efficiency while stabilizing and expanding earning scales as part of a drive to further enhance the functions of the cooperative credit businesses.

### **JA Bank medium-term strategy**

The “JA Bank medium-term strategy (from fiscal 2004 to fiscal 2006)” was formulated based on the “JA Bank basic policy” and is a comprehensive strategy for JA Bank’s business and operations. More than simply a medium-term plan for a single financial institution, the JA Bank medium-term strategy calls for the establishment of a basic action plan aimed at (1) increasing profits and building a stronger customer base, (2) creating a more cohesive JA Bank, (3) achieving greater selectivity and concentration on the business portfolio and (4) delivering tangible results in line with clear management indicators.

## **Operating Environment**

Here, we discuss the major premises of the plan. First, the agricultural, forestry and fisheries industries continue to be lauded for their role in helping preserve the environment. On the other hand, they are being forced to restructure because of several factors. Among these are the aging workforce in these industries and the impact of economic globalization, including free trade agreements (FTA) and economic partnership agreements (EPA) forged within the framework of the World Trade Organization (WTO). Second, looking at the economic and financial environments, corporate profits remain firm underpinned by external demand, while expectations for the domestic economy are for the continuation of a rebound centered on private demand.

Internationally, the global economy remains on a medium- to long-term growth trend based on the ongoing assumption of disinflation. However, even under such favorable conditions, the global economy remains vulnerable to such factors as exchange rates and crude oil prices, necessitating constant monitoring.

In the financial markets, the global capital surplus is making it difficult to generate adequate investment yields.

Also, with the Bank of Japan's "keeping of the zero interest rate policy" apparently nearing to be lifted, it is now time to formulate appropriate responses to moves by the financial authorities based on the Financial Services Agency (FSA)'s Program for Financial Revival.

The cooperative credit business continues to emphasize policies to realize operations that uniformly provide users with highly "reliable" services. In light of strong competition from other areas of the financial sector, we believe that it is even more crucial than before to broaden the customer base of the cooperative credit business. This is done by upgrading infrastructure and services on the retail side, with a view toward generating higher and more stable profits.

Under these conditions, we remain committed to sustaining a stable position for the cooperative credit business in Japan's financial system and continually enhancing its social value.

### **Four Major Components of the Medium-Term Business Strategy**

#### **Four Key Tasks Necessary to Achieve the Objectives of the Medium-Term Business Strategy**

**Ensuring the Soundness and Reliability of the Cooperative Credit Business**

**Strengthening Business Development in the "Integrated Business Areas"**

**Expanding and Stabilizing Earning Scales**

**Streamlining and Increasing Operational Efficiency**

\* The term "Integrated Business Areas" refers to areas where the operations of Shinnoren are assumed by the Bank, namely agricultural cooperative businesses in these prefectures are conducted by JA and the Bank instead of JA, Shinnoren and the Bank.

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

The accomplishment of the first key task requires supporting and guiding JA and prefectural credit federations of agricultural cooperatives (Shinnoren) and ensuring the soundness and reliability of the cooperative credit business. The Bank has stepped up its activities aimed at ensuring the soundness of JA and Shinnoren. Specifically, the Bank periodically monitors the financial conditions of JA Bank members to detect problems at an early stage and implement the necessary corrective measures. Additionally, the Bank provides support to bolster administrative operations, the foundation of the business. On top of this, the Bank promotes the establishment of policies and objectives for respective prefectures and JA based on the "JA Bank medium-term strategy." In conjunction, the Bank provides effective support, including the enhancement of the common national framework, aimed at helping achieve its objectives.

In the JF cooperative credit business, the Bank has stepped up its efforts to ensure the soundness of JF and prefectural credit federations of fishery cooperatives (Shingyoren), and it is focusing on the construction of a "one credit business in one prefecture system."



## **2. Strengthening Business Development in the “Integrated Business Areas”**

The second key task is strengthening business development in the “integrated business areas.” The Bank has already integrated Shinnoren in Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, Nagasaki and Kumamoto prefectures. Efforts to ensure the soundness of JA in these “integrated business areas” involve the enhancement of the administrative capabilities, the foundation of the business. The Bank also conducts effective follow-up on the implementation of the “JA Bank medium-term strategy.”

## **3. Expanding and Stabilizing Earning Scales**

The third key task is expanding and stabilizing earning scales. Toward this end, the Bank has upgraded its system for checking and monitoring risks to facilitate more accurate risk management. One of the Bank’s missions is returning profits to cooperative organizations. Pursuant to this, the Bank is managing its overall portfolio to expand earnings in accordance with market conditions and thus generate stable returns. Also, to strengthen its earning scales, the Bank has bolstered its own equity capital and is continually building up retained earnings. In fiscal 2005, the Bank plans to boost its capital to around ¥440 billion (US\$4,087 million).

## **4. Streamlining and Increasing Operational Efficiency**

The fourth key task is streamlining and increasing operational efficiency and leveraging the resulting benefits to enable the cooperative credit business to demonstrate its full potential. Additionally, to ensure that its business affairs are appropriately conducted, the Bank reviews its corporate governance system and other internal controls on an ongoing basis. The Bank is also taking steps to further enhance its compliance system, the backbone of proper operations, and its framework for managing the security of information.

## **In Closing**

Although achieving these business tasks will be a tough challenge, we recognize that resolving such issues is critical to the further growth of the cooperative organizations and the cooperative credit businesses. We are also confident that these measures will increase the value of the use of the cooperative credit businesses and enable us to support the development of the agricultural, forestry and fisheries industries, and contribute to society as a whole.

August 2005

Hirofumi Ueno  
President and Chief Executive Officer

## Business Summary

In fiscal 2004 (ended March 31, 2005), the Bank worked to generate revenue based on appropriate risk management. However, consolidated net income slightly declined 3.2% to ¥139 billion (US\$1,304 million), reflecting the impact of the application of impairment accounting for fixed assets earlier than the date stipulated by law.

### Main Accounts

Total assets at the end of the fiscal year were at ¥61,978 billion (US\$577 billion), up ¥145 billion from the previous fiscal year.

Total deposits were ¥40,879 billion (US\$380 billion) (down ¥220 billion), while Norinchukin Bank debentures were ¥4,704 billion (US\$43 billion) (down ¥509 billion).

### Disposal of Nonperforming Loans

To guarantee the soundness of assets, the Bank wrote off and provisioned reserves based on rigorous self-assessment of assets. The Bank also sold some nonperforming loans and recovered some unsound loans. Consequently, the balance of risk-managed loans declined ¥160 billion from the previous fiscal year to ¥490 billion (US\$4 billion), corresponding to 3.1% of total loans outstanding.

### Capital Adequacy Ratio

As of March 31, 2005, the Bank's capital adequacy ratio was 12.15% (down 0.79 percentage point) on a consolidated basis and 12.09% (down 0.78 percentage point) on a non-consolidated basis.

### Key Management Indicators (Consolidated)

	Billions of Yen					Millions of U.S. Dollars (Note)
	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2004
Total Income	¥ 1,743	¥ 1,619	¥ 1,463	¥ 1,141	¥ 1,176	\$ 10,965
Total Expenses	1,602	1,528	1,367	953	981	9,151
Net Income	117	70	65	144	139	1,304
Total Shareholders' Equity	2,219	1,881	1,767	2,523	2,901	27,042
Total Assets	60,176	57,579	61,265	61,833	61,978	577,620
Deposits	36,579	38,255	40,421	41,099	40,879	380,979
Debentures	6,535	5,906	5,790	5,213	4,704	43,843
Loans and Bills Discounted	22,805	23,985	19,179	17,789	15,692	146,246
Securities	22,643	23,224	28,623	33,509	37,425	348,791
Capital Adequacy Ratio (BIS)	11.06%	10.02%	9.87%	12.94%	12.15%	
Tier I Capital Ratio	6.84%	6.88%	6.47%	7.49%	6.88%	

Note: Yen amounts have been translated, for convenience only, at ¥107.3 to U.S.\$1.00. "Billion" is used in the American sense of one thousand million.



## Overview of Fiscal 2004 (Consolidated)

### Nonperforming Loans

	Billions of Yen		Millions of U.S. Dollars
	Fiscal 2003	Fiscal 2004	Fiscal 2004
Loans to Borrowers under Bankruptcy Proceedings	¥ 4	¥ 2	\$ 20
Loans with Principal or Interest Payment More than Six Months in Arrears	360	247	2,305
Loans with Principal or Interest Payment More than Three Months in Arrears	2	2	20
Restructured Loans	283	239	2,228
Total Risk-Managed Loans	650	490	4,573
Reserve for Possible Loan Losses	368	318	2,971

### Topics

2004	March	<ul style="list-style-type: none"> <li>• Formulation of JA Bank medium-term strategy (from fiscal 2004 to fiscal 2006)</li> <li>• Formulation of medium-term business strategy of the Bank (from fiscal 2004 to fiscal 2006)</li> </ul>
	September	<ul style="list-style-type: none"> <li>• Announcement of intention to stop issuing the Norinchukin Bank debentures to individual customers</li> <li>• Investment in Mizuho Securities Co., Ltd.</li> </ul>
	October	<ul style="list-style-type: none"> <li>• Merger of Shinnoren in Fukushima and Toyama prefectures (through the transfer of some operations)</li> </ul>
	December	<ul style="list-style-type: none"> <li>• JA deposit balance exceeds ¥78 trillion</li> </ul>
2005	March	<ul style="list-style-type: none"> <li>• Merger of Shinnoren in Kumamoto prefecture (through the transfer of some operations)</li> <li>• Establishment of public trust for the Norinchukin 80th anniversary forestry rejuvenation fund</li> </ul>

## Operations of the Bank

The Bank is a nationwide financial institution that is funded by Japan agricultural cooperatives (JA), fishery cooperatives (JF), forestry cooperatives (Morikumi) and these federations.

### **Background and Basic Philosophy**

The Bank was established in 1923 as the central bank for industrial cooperatives. It was renamed “The Norinchukin Bank” in 1943. The Bank is now a private financial institution chartered under “the Norinchukin Bank Law.”

JA, JF and Morikumi work to improve the economic and social positions of those engaged in the agricultural, forestry and fisheries industries under the slogan “one for all and all for one.” As a nationwide cooperative financial institution whose membership (shareholders) consists of municipal cooperatives, prefectural and national federations, the Bank’s basic philosophy is to contribute to the expansion of the nation’s economy by supporting the advancement of the agricultural, forestry and fisheries industries by function as a conduit for financing for its members.

### **Overview of Operations**

#### ***Fund Procurement***

The Bank procures funds mainly through deposits and the Norinchukin Bank debentures. Deposits come mainly from savings received through JA and JF from their members. The Bank also issues three types of bonds—*Warino* (one-year discount debentures), *Ritsuno* and *Ritsuno wide* (both of them are five-year coupon debentures)—as authorized under the Norinchukin Bank Law. Due to this stable procurement base, the Bank’s total assets (non-consolidated basis) climbed to ¥61,947 billion (US\$577 billion) as of March 31, 2005, making it one of Japan’s largest banks.

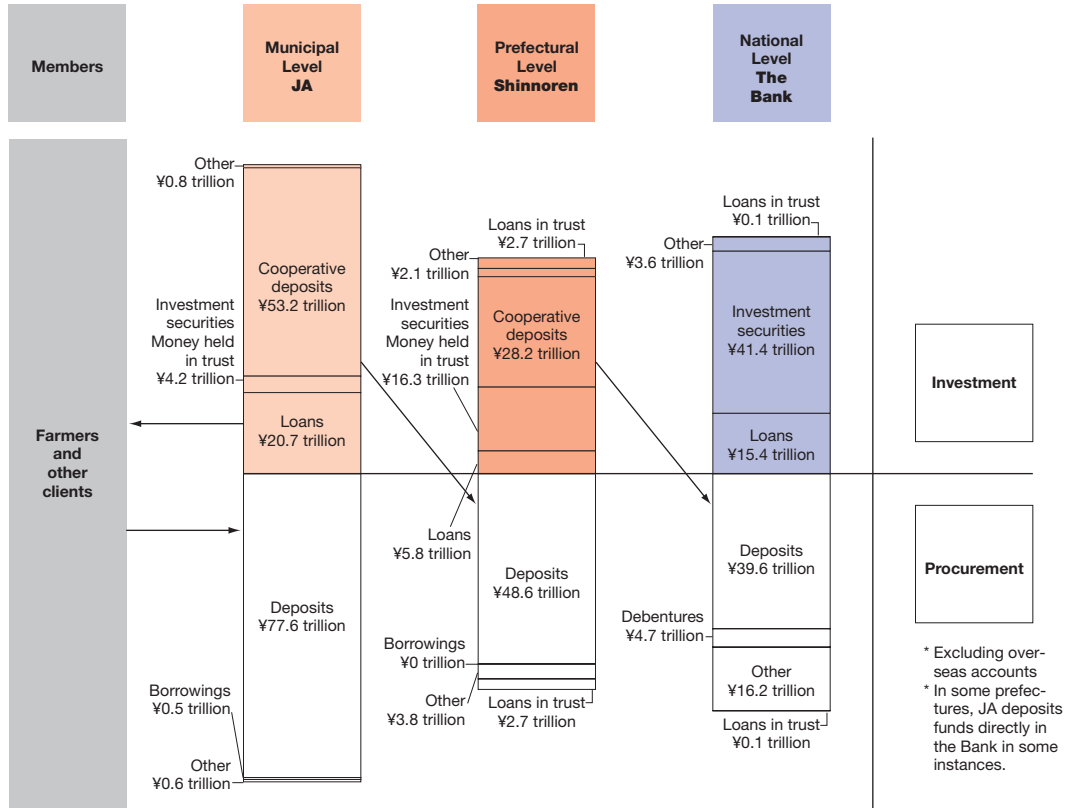
#### ***Fund Management and Other Operations***

The Bank provides loans to those engaged in the agricultural, forestry and fisheries industry corporations related to the primary sector and local governments. The Bank also participates in securities markets as one of Japan’s leading institutional investors based on its wealth of investable funds and sophisticated know-how. In addition, the Bank provides financial assistance to support the development of the overseas operations of customers, engages in both domestic and foreign exchange business, acts as a national revenue agent for the Bank of Japan, and handles loans in trust of the Agriculture, Forestry and Fisheries Finance Corporation.

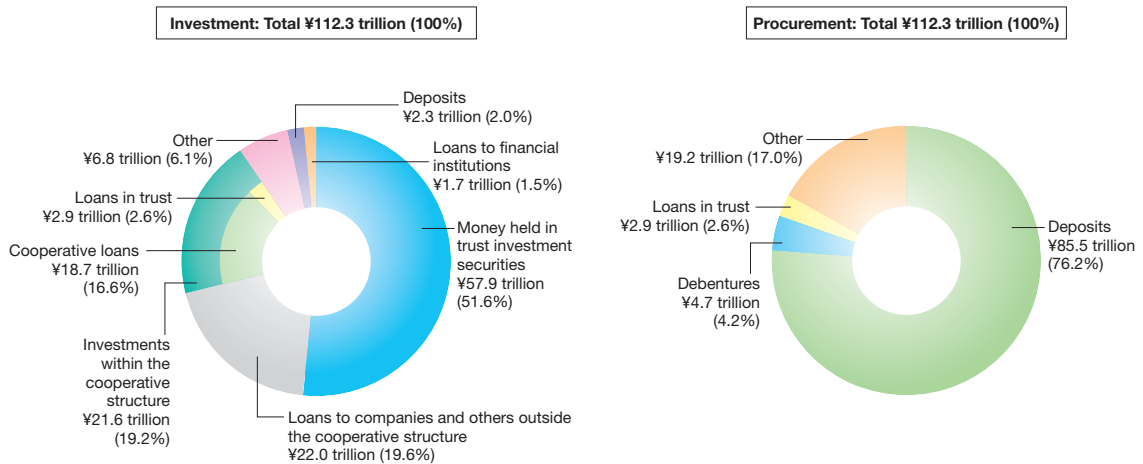
The Bank is dedicated to providing all its members with stable returns through the efficient management of funds. At the same time, it is committed to playing a vital role as a nationwide institution that provides its members with various financial services through a common national infrastructure.

*The Norinchukin Bank provides financial services to its members and others as a nationwide, cooperative organization.*

FLOW OF FUNDS WITHIN JA CREDIT BUSINESS (AS OF MARCH 31, 2005)



OVERALL BALANCE AT THE THREE LEVELS OF THE JA CREDIT BUSINESS SYSTEM (AS OF MARCH 31, 2005)



## Cooperative System and the Cooperative Credit Business

The collective credit businesses of the individual cooperative organizations at the municipal, prefectural and national levels are referred to as the cooperative credit business.

Cooperative organizations engage in a number of operations other than the “credit business” (e.g., receiving deposits and making loans). For example, they provide “guidance” on business and daily affairs to farmers, fishermen and foresters, and they perform an “economic function” through the purchase of production materials and the selling of agricultural, forestry and fisheries products. There is also a “mutual insurance business” to cover various unforeseen events.

The group of cooperative organizations—ranging from JA, JF and Morikumi, which carry out this broad range of operations, to the respective operations organized under federations at the prefectural and national levels—is referred to as the “cooperative system.”

The framework and functions of the credit businesses of JA and JF at the municipal level, of Shinnoren and Shingyoren at the prefectural level, and of the Bank at the national level are referred to as the “cooperative credit business.”

### **Activities of Cooperative Organizations**

#### ***JA***

Japan agricultural cooperatives (JA) were established under “the Agricultural Cooperative Association Law of Japan.” They are organizations that carry out various operations and activities based on a philosophy of mutual cooperation and assistance. Their main functions are to provide: (1) guidance aimed at improving the agricultural businesses and standard of living of members; (2) economic services through the collection and sale of agricultural products and the supply of production materials and goods necessary for the livelihood of members; (3) mutual insurance through the provision of mutual life insurance and mutual vehicle insurance to cover various unforeseen events; and (4) financial services through the provision of savings and loan products and money orders.

The 878 JA (as of April 1, 2005) contribute to the development of the agricultural industries and other local communities throughout Japan through their various operations and activities.

#### ***JF (Gyokyo)***

Fishery cooperatives (JF) were established under “the Fishery Cooperative Union Law.” They are cooperative organizations that work with fishermen to help them improve their fishing businesses and livelihoods. Their main functions are to provide: (1) guidance aimed at enhancing the production technology and operations of members and strengthening businesses relate to the management of marine resources; (2) economic services through the storage, processing, and sale of marine products and the output of members, and to supply goods essential to their businesses and livelihoods; (3) financial services through the acceptance of deposits and the loaning of necessary funds; and (4) mutual insurance through the provision of mutual life insurance and mutual casualty insurance.

***With its common national framework, the cooperative credit business contributes to the development of the agricultural, forestry and fisheries industries in Japan and helps support the livelihood of local citizens.***

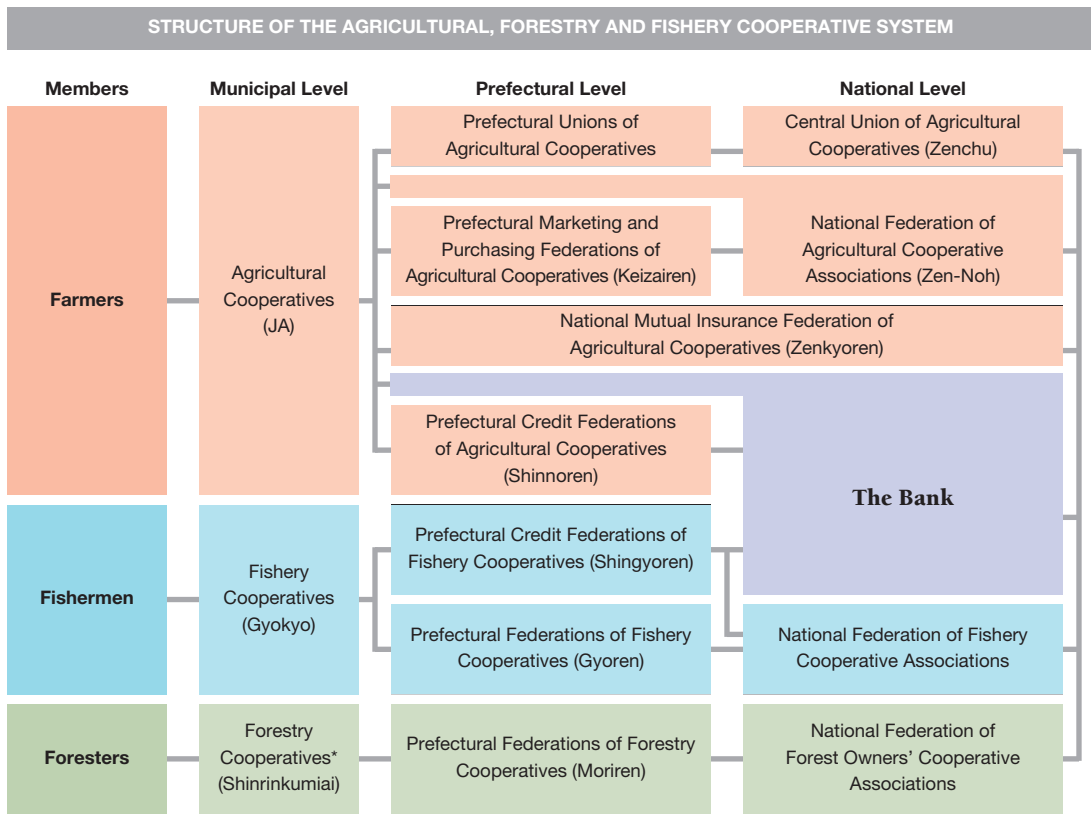
The 1,444 JF (as of April 1, 2005) contribute to the development of the fishing industries and fishing villages throughout Japan through their various operations and activities.

***Morikumi***

Forestry cooperatives (Morikumi) were established under “the Forest Cooperative Law.” They provide vital functions to small forest owners, which make up the majority of this industry in Japan.

Their major functions are to (1) promote the utilization of the forests of cooperative members through afforestation, harvesting and thinning, and (2) sell harvested trees and other forestry products. Morikumi handle 70% of newly afforested land and 65% of thinning and clearing operations in terms of area (based on data for the fiscal year ended March 31, 2005).

The 905 Morikumi (as of March 31, 2005) contribute to the realization of the multifaceted uses of timber resources by playing a central role in the enhancement of local forests (e.g., national conservation, watershed protection, preservation of living environments, provision of places for health and recreation activities and the supply of lumber and other forestry products).



\* Forestry cooperatives do not take deposits.

# JA Bank and the JA Banking System

The JA Bank is the blanket name for the group comprising JA, Shinnoren and the Bank (all of which are JA Bank members). Collectively known as the “JA Banking System,” we work to create a sound cooperative credit business that is more trusted and utilized as a financial institution by its members and other clients.

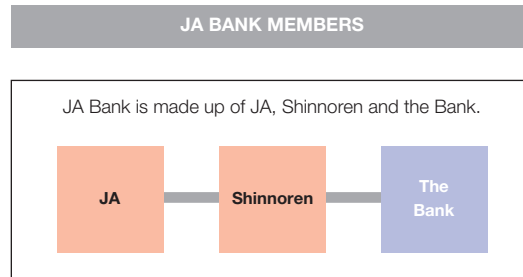
## JA Bank

### *JA Bank: A Group of Organizations*

#### *Functioning as a Single Financial Institution*

JA Bank is made up of JA, Shinnoren and the Bank, and is the name of a group of organizations that essentially functions as a single financial institution. JA Bank operates the largest branch network of any financial institution in the private sector of Japan.

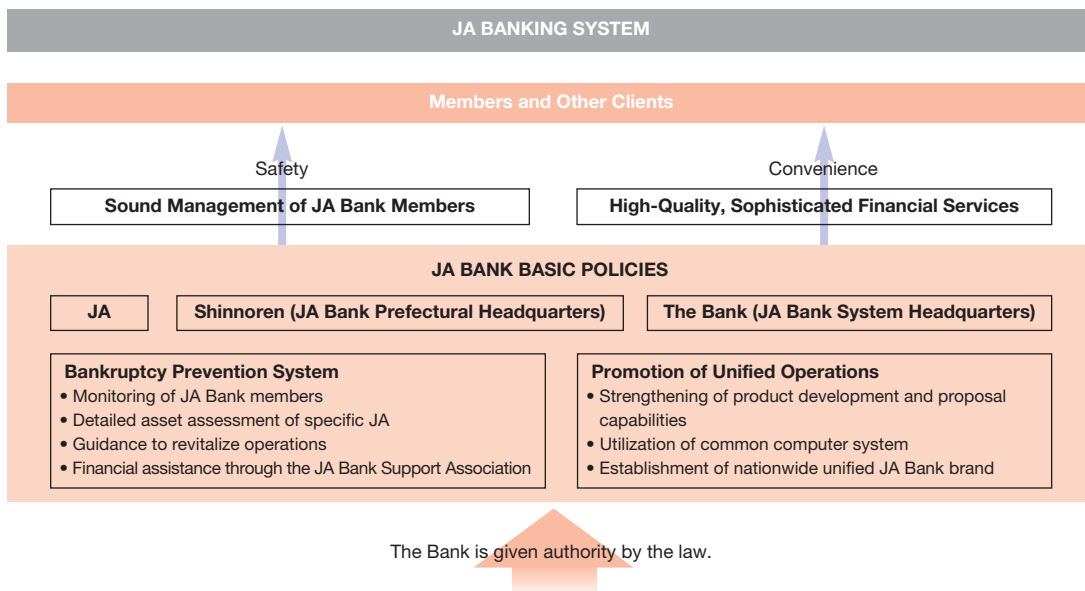
As of July 1, 2005, JA Bank had a total of 933 members, consisting of 886 JA, 46 Shinnoren and the Bank.



## JA Banking System

### *JA Bank Members Working in Concert*

To establish a credit business that is more trusted and utilized by members and other clients, JA Bank members have formulated the “JA Bank basic policy” based on “the Reorganization and Strengthening Law” (the law related to the reorganization and strengthening of the credit business by the Bank and specified agricultural and fishery cooperatives). This policy acts as a code of conduct and was established through consensus by JA Bank members. Based on this policy, JA Bank members pursue more integrated business operations by acting in concert as the “JA Banking



***The Bank works in concert with JA and Shinnoren throughout Japan,  
with the aim of creating a JA Bank more trusted  
and utilized as a financial institution.***

System.” The cornerstones of the JA Banking System are: (1) the “promotion of unified operations” aimed at enhancing and strengthening both the financial services that leverage its economies of scale and close contacts with its customers; and (2) an effective “bankruptcy prevention system” aimed at ensuring the trustworthiness of JA Bank members.

***Ensuring the Trustworthiness of JA Bank Members***

The “bankruptcy prevention system” serves as a mechanism for detecting problems at an earlier stage than stipulated by law. Pursuant to this, the JA Bank System Headquarters requires all members to submit documentation pertaining to business management. It also calls for a detailed assessment of its members’ assets based on a fixed set of pertinent criteria. By so doing, JA Bank members are able to take the necessary steps to revitalize operations at an even earlier stage than that specified in the prompt corrective action measures issued by the Financial Services Agency. Also, the JA Bank Support Association has established a “JA Bank Support Fund”\* through contributions from all JA Bank members. Under this system, the JA Bank Support Association implements support measures, such as the injection of private capital when necessary. These activities are aimed at creating a JA Bank that is more trusted and utilized by its members and other clients.

Furthermore, JA, Shinnoren and the Bank participate in the Savings Insurance System, a public system mandated by law.

\*The JA Bank Support Fund totaled ¥119 billion (US\$1 billion) as of March 31, 2005.

***Providing Enhanced and Strengthened Financial Services***

In accordance with the “JA Bank medium-term business strategy (fiscal 2004 through 2006),” JA Bank is addressing the “promotion of unified operations” as one of Japan’s largest and most prominent financial institutions. The ultimate aim is the establishment of an efficient financial services group with even closer customer contacts and a unique and robust customer base centered on individual membership.

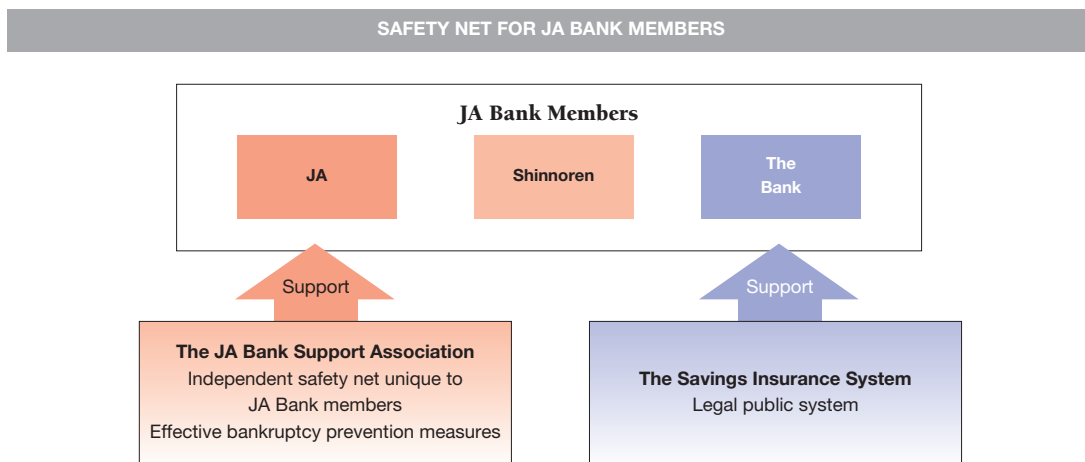
Through these efforts, and through the creation of a more selective and focused business portfolio, JA Bank aims to continually pursue heightened efficiency while extending more loans, providing services to the elderly and pensioners, and assisting those in the agricultural industry with such matters as business successions and inheritance. At the same time, the JA Bank will take proactive measures to combat forged cash cards and other forms of financial fraud and to ensure proper financial disclosure. The overall goal in these endeavors is to remain the institution of choice among its members and other users.

### Cooperative Savings Insurance System

This system protects depositors if a member of the system, such as a JA cooperative, fails and is unable to return deposited funds to its members and other users. The provisions of this system are commensurate with those that cover commercial banks, *shinkin* banks, credit cooperatives and labor credit associations under the “Deposit Insurance System.”

The Agricultural and Fishery Cooperative Savings Insurance Corporation, which administers this system, had reserves totaling ¥212 billion (US\$2 billion) as of March 31, 2005.

In addition, JF, Shingyoren, the Bank and Zengyoren are covered by a bankruptcy prevention system analogous to that of the JA Banking System established for, and in accordance with, the basic policies applicable to the JF Marine Bank.





# Cooperative Organizations and Trend of Cooperative Finance

Agricultural, forestry and fisheries industries and individual cooperative organizations take proactive business stances.

## **Situations in the Agricultural, Forestry and Fisheries Industries and Moves of Individual Cooperative Organizations**

### ***Agricultural industry***

The domestic agricultural industry faces an increasingly fragile production structure: increased international deregulation due to agricultural talks at the World Trade Organization (WTO), including the elimination of tariffs and other measures under Economic Partnership Agreement (EPA) and Free Trade Agreement (FTA) negotiations; and increased concern about food safety and security. In light of these developments, the Japanese government enacted the “Basic Plan for Food, Agriculture and Rural Areas” in a cabinet meeting in March 2005. The new plan calls for the implementation of three key measures to promote the restructuring of the agricultural industry, and those measures are as follows: (1) the concentration of and a greater focus on assistance to farming leaders; (2) the establishment of a new target for the food self-sufficiency rates; and (3) the preservation of food safety and consumer trust as well as the preservation of a stable food supply.

Specifically, the new plan defines farming leaders as “accredited farmers” and “farmer colonies” that have realities in terms of management body. The plan calls for the introduction of a new revenue stabilization scheme (i.e., direct payments) for these farmers in 2007.

At the WTO, member nations continue to discuss the establishment of new multilateral agricultural trade rules, with the first steps directed at coming to an agreement on modality (i.e., the negotiating framework). Also, supplementary to these negotiations, specific countries and regions are discussing in EPA/FTA negotiations on the elimination of tariffs and other measures. Japan has already concluded agreements with Singapore and Mexico and is in the process of negotiating with the governments of several eastern Asian nations.

In response to the rapid changes in the environments for the agricultural industry, rural areas and JA, the JA Group, under mandate from cooperative members, formulated a basic policy based on the Agricultural Cooperative Association Law of Japan at the general assembly meeting of the Central Union of Agricultural Cooperatives (Zenchu) in March 2005. Aimed at promoting local agricultural industry, the plan calls for (1) measures to assist farming leaders, (2) the reform of JA’s economic function, and (3) the improvement of JA management and greater exercise of JA functions.

### ***Fisheries industry***

The fishing industry has been hit by falling catch volumes, low prices for marine products and a diminishing the number of workers. Additionally, WTO negotiations have produced negative impacts on such matters as fisheries industry subsidies and tariffs. Moreover, South Korea filed a WTO case against Japan over its seaweed import quota (IQ) system. As illustrated by these developments, the fishing industry faces an increasingly more difficult operating environment as a result of the greater deregulation of marine products trade.

In response, the government's budget for 2005 contains measures aimed at rejuvenating the rural fisheries industry by establishing a framework for the provision of guidance for business restructuring and establishing targets for fishermen that are working to rebuild their operations. These activities are funded through supplementary financial measures in the budget. In addition, the budget contains measures for providing assistance to the fishing colony on isolated islands based on evaluation of the multifaceted functions provided by the fisheries industry and fishing villages.

Additionally, the fisheries industry is making progress in developing new technologies. Milestones include shipments of the world's first cultured blue fin tuna to market, the testing of fishing boats that use blue light diodes to catch squid and the construction of tuna fishing vessels that use electronic propulsion systems.

### ***Forestry industry***

The forestry industry continues to face a harsh environment because of weak demand and low prices for timber. Under these conditions, the government is implementing measures aimed at helping the forestry industry realize the multifaceted functions of forests and at promoting a healthy and sustainable forestry industry. Specifically, the government is strongly promoting the "ten-year plan for combating global warming through forest absorption," implemented in 2003. To realize the objectives of the plan, the government is encouraging proactive thinning and other measures to preserve and improve the nation's diverse and healthy forests.

Forestry cooperative members are working to strengthen their businesses through organizational and operational restructuring under the forestry cooperative restructuring plan implemented in 2003. This plan is aimed at responding to expectations as a leader for preserving and improving rural timberland.

## **Flow of Funds of the Cooperative Organizations**

### ***JA cooperatives***

In fiscal 2004, JA deposits rose 2.2% over the previous fiscal year to ¥77,668 billion (US\$723 billion). Deposits were centered on deposits by individuals. This reflects the removal of blanket deposit insurance for bank deposits and measures carried out based on the JA Bank medium-term strategy to provide services geared toward the elderly and pensioners as well as to preserve confidence in the JA Bank.

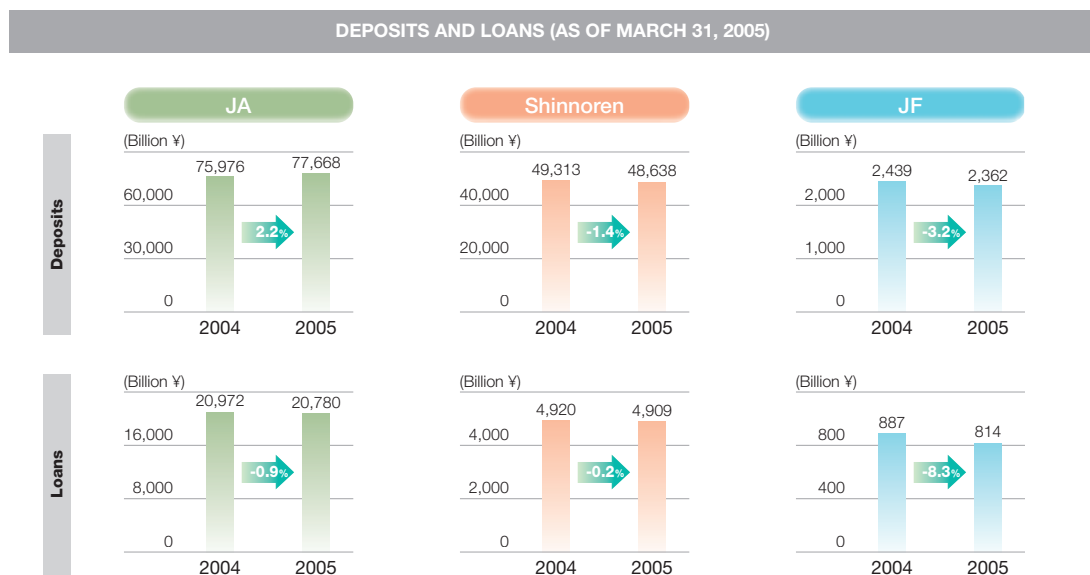
## *Business Development in Accordance with the Changing Environments for the Agricultural, Forestry and Fisheries Industries*

Total JA loans decreased 0.9% from the previous fiscal year to ¥20,780 billion (US\$193 billion). Although the balance of housing loans has increased in a continuation of brisk growth since last year, this was insufficient to offset weak demand for funds for agricultural and personal loans, reflective of difficult conditions in the agricultural sector and tepid consumer spending. Securities at the fiscal year held at the JA level rose 4.3% in comparison with the previous year to ¥4,217 billion (US\$39 billion).

Deposits with Shinnoren rose in response to the stable trend at the JA level. However, the overall balance of deposits with Shinnoren at the end of the fiscal year declined 1.4% from the previous year to ¥48,638 billion (US\$453 billion). This decline came as a result of the integration of Shinnoren in Fukushima, Toyama and Kumamoto with the Bank, and the resulting transfer of JA deposits from these three prefectures directly into the Bank. The balance of loans in Shinnoren dipped a slight 0.2% from the previous year to ¥4,909 billion (US\$45 billion), as growth in loans to listed corporations outside of their prefectures and rice-related loans to both Prefectural and National Federation of Agricultural Cooperative Associations virtually offset the impact of (1) weak demand for funds from local companies, (2) the recovery and write-off of nonperforming loans and (3) decreases in the loan balance due to the integration of the aforementioned three Shinnoren with the Bank. Securities held at the Shinnoren level at year-end amounted to ¥16,341 billion (US\$152 billion), representing an increase of 8.4% over the previous year.

### **JF cooperatives**

Deposits with JF contracted 3.2% to ¥2,362 billion (US\$22 billion), at the end of the fiscal year, reflecting lower fish hauls, decreased prices for marine products and the cessation/transfer of credit businesses in some prefectures. The balance of loans held at the JF level fell 8.3% to ¥814 billion (US\$7 billion), because of a pullback in demand for funds from new businesses.



## Reorganization of the Cooperative System— Main Activities in Reorganization of Cooperative System

### **Reorganization in the JA Cooperative Credit Business**

The JA Group has made progress in streamlining management, increasing efficiency and integrating JA to contend with the changing environments for the agricultural industry, cooperative members and JA. As a consequence, the number of JA across the country has declined from more than 3,000 at the end of March 1991 to 878 as of April 1, 2005.

In the credit business, the Group has studied concrete measures for reorganization in each prefecture since formulating the “basic philosophy on the reorganization of the credit business” in June 1998. Based on the results of this study, the Group has integrated the Bank and Shinnoren in nine prefectures (Miyagi, Akita, Yamagata, Fukushima, Tochigi, Toyama, Okayama, Nagasaki and Kumamoto prefectures). Of these, the Bank and Shinnoren in Fukushima and Toyama prefectures were integrated on October 12, 2004, and the Bank and Shinnoren in Kumamoto prefecture were merged on March 22, 2005.

In Okinawa, JA will assume all rights and obligations of Shinnoren and Keizairen in August 2005, with the goal of making it the second prefecture after Nara prefecture to have a single JA.

In pursuing the reorganization of the JA Group, plans are carried out in accordance with the situations in respective prefectures based on the target for increasing efficiency in the credit business. The Bank supports the enhancement of the functions and framework of JA while making steady efforts to streamline and increase the efficiency of its internal management as part of a broader effort to strengthen its own organizational structure. As a whole, these activities are aimed at building a cooperative credit business that is more trusted and utilized by its members and other clients.

### **Reorganization in the JF Cooperative Credit Business**

The JF cooperative credit business is being reorganized to build a healthier and more efficient management system. Specifically, the “JF Marine Bank basic policy” formulated in 2003, calls for the establishment of a “one credit business in one prefecture system” to provide appropriate financing to its members and other clients while guaranteeing a high level of deposit protection.

The JF cooperative credit business is being reorganized through two methods: the merger and the transfer of credit business from JF to Shingyoren. These efforts have reduced the number of JF engaged in the credit business from 875 at the end of March 1999 to 326 as of April 1, 2005. Also, the credit businesses of JF in 20 prefectures have been shifted to “one credit business in one prefecture system.”

Looking ahead, policy calls for the further reorganization of the JF cooperative system to build a system in which there is one credit business per prefecture by the end of December 2005. The Bank is fully committed to supporting JF members to achieve this goal.

## *Supporting Efforts to Streamline and Increase the Efficiency of Cooperative Organizations*

### **Activities in the Forestry Cooperative System**

The forestry cooperative system is expected to play a central role in forest maintenance based on a new government plan that emphasizes the full demonstration of the multifaceted uses of forests.

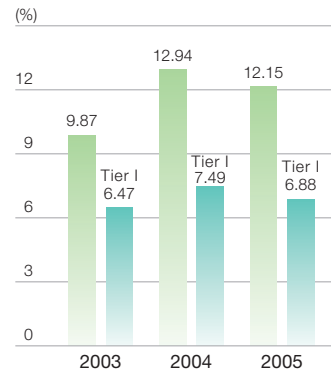
Under these conditions, the “national forestry cooperatives system restructuring plan” was adopted at the national forestry cooperatives representatives meeting in November 2002. Actual organizational and operational restructuring efforts got under way in fiscal 2003. Under the plan, progress is being made in restructuring organizational frameworks and operations in each prefecture, with consideration given to actual conditions in respective areas. Measures include the merger of cooperatives to strengthen operating bases, the consolidation and closure of facilities, and the implementation of policies to increase the efficiency of forestry maintenance.

# Equity Capital

## Capital Adequacy Ratio

To meet the diverse needs of customers and cooperative organizations in the midst of the globalization of financial markets, the Bank has made the enhancement of equity capital as a top management priority within the context of guaranteeing a capital adequacy ratio that will enable it to compete internationally. As a result of efforts toward this objective, the Bank's consolidated capital adequacy ratio (based on the nine consolidated entities) as of March 31, 2005, was 12.15%, and on a non-consolidated basis, the ratio was 12.09%.

CAPITAL ADEQUACY RATIO (CONSOLIDATED)



## Enhancing the Quality of Capital

Although the Bank's capital adequacy ratio declined year to year both on a consolidated and non-consolidated basis, which reflected the Bank's proactive efforts to acquire superior-quality assets with the intent of sustaining earnings over the longer term, Tier I capital (base capital) improved due to a solid rise in retained earnings.

Management remains committed to maintaining the soundness of the Bank and adding further to retained earnings to ensure that it is able to fully address the needs of its members, users and markets, both in Japan and overseas. Based on this commitment, with the understanding and cooperation of its shareholders, the Bank will increase its equity capital by approximately ¥440 billion (US\$4,087 million) during fiscal 2005.

Specifically, the Bank will increase common stock, the most basic component of Tier I capital. The Bank will also issue perpetual subordinated loans, classified as Upper Tier II capital, which is relatively high-quality capital within Tier II (supplementary capital). As a consequence, the Bank will further enhance its equity capital in terms of both quality and quantity.

## Strong Capital Base

The Bank is rated by the two largest ratings institutions in the United States—Moody's Investors Service and Standard & Poor's. It has received top-class ratings among Japanese financial institutions. The Bank sees the main factor for its high ratings as the strong capital base afforded by the strong membership in its cooperative system.

Major commercial banks in Japan have accepted injections of public funds to rejuvenate their financial capabilities and to ensure the smooth provision of credit. In contrast, the Bank has not applied for any public funds.

## Equity Capital Supported by a Strong Member Base

### BIS Capital Adequacy Ratio (On a Non-Consolidated Basis)

As of March 31	Billions of Yen		Millions of U.S. Dollars
	2005	2004	2005
<b>Shareholders' Equity:</b>			
Tier I	¥ 2,021	¥ 1,910	\$ 18,840
Tier II	1,571	1,413	14,647
Amount to be Deducted	—	—	—
<b>Total</b>	<b>¥ 3,593</b>	<b>¥ 3,324</b>	<b>\$ 33,487</b>
<b>Risk-Adjusted Assets:</b>			
On-Balance Sheet	¥26,229	¥22,625	\$244,454
Off-Balance Sheet	1,000	765	9,327
Assets Equivalent to Market Risk	2,465	2,425	22,979
<b>Total</b>	<b>¥29,696</b>	<b>¥25,816</b>	<b>\$276,760</b>
<b>BIS Capital Adequacy Ratio:</b>			
Tier I	6.80%	7.40%	
Tier I + Tier II	12.09%	12.87%	

*Note: The capital adequacy ratio of the Bank is based on the computational formula specified in Directive No. 7, Criteria for Judging the Management Soundness of the Norinchukin Bank, issued in 2003 by the Financial Services Agency and Ministry of Agriculture, Forestry and Fisheries (hereinafter, the Directive). The Bank observes BIS capital adequacy requirements and has been in compliance with market risk regulations.*

### BIS Capital Adequacy Ratio (On a Consolidated Basis)

As of March 31	Billions of Yen		Millions of U.S. Dollars
	2005	2004	2005
<b>Shareholders' Equity:</b>			
Tier I	¥ 2,039	¥ 1,928	\$ 19,004
Tier II	1,573	1,414	14,668
Amount to be Deducted	12	12	118
<b>Total</b>	<b>¥ 3,600</b>	<b>¥ 3,330</b>	<b>\$ 33,554</b>
<b>Risk-Adjusted Assets:</b>			
On-Balance Sheet	¥26,165	¥22,540	\$243,856
Off-Balance Sheet	1,000	765	9,327
Assets Equivalent to Market Risk	2,465	2,430	22,979
<b>Total</b>	<b>¥29,632</b>	<b>¥25,735</b>	<b>\$276,162</b>
<b>BIS Capital Adequacy Ratio:</b>			
Tier I	6.88%	7.49%	
Tier I + Tier II	12.15%	12.94%	

*Note: The capital adequacy ratio of the Bank is based on the computational formula specified in the Directive. The Bank observes BIS capital adequacy requirements and has been in compliance with market risk regulations.*

# Nonperforming Loans

The Bank continually ensures the soundness of its assets by applying a three-step process to credit, mainly loans extended to various customers. The three steps are (1) assignment of internal ratings, (2) self-assessments and (3) write-offs and reserve provisions.

## Framework for Ensuring Asset Soundness

### (1) Assignment of Internal Ratings

The Bank assigns an internal rating to each debtor based on comprehensive qualitative and quantitative analysis of the debtor's condition. As part of the assessment process, internal ratings are reviewed "periodically" based on disclosed financial data and reviewed "as needed" in consideration of a change in the status of a debtor's creditworthiness.

Internal ratings are a core tool for daily credit management, including serving as the basis for the establishment of lending frameworks such as spread guidelines and a variety of credit ceilings.

Additionally, by continually compiling statistics on defaults among groups within the same internal rating, the Bank is able to calculate average default probabilities for each rating and use this as the base coefficient for quantifying credit risk.

Internal Ratings	Self-Assessments		Write-Off and Reserving Method		
	Debtor classification	Asset category			
1-1 1-2 2 3 4 5 6 7	Standard debtors	Category I	Provisions to the general reserve for possible loan losses based on projected loss amount, calculated as credit exposure multiplied by the historical loss ratio.	General Reserve for Possible Loan Losses	
8-1 8-2 8-3					II
9	Doubtful debtors	III	Provisions to the specific reserve for possible loan losses in amounts as necessary for Category III loans (for the portion unlikely to be recovered through collaterals or guarantees) for individual debtors.		
10-1	Debtors in default		For Category IV loans (portions determined to have zero value and/or be irrecoverable), the entire amount is basically removed from the balance sheet through direct write-offs, even if there are no related tax benefits.		
10-2	Debtors in bankruptcy		IV		For Category III loans, provisions to the specific reserve for possible loan losses are made to cover the entire amount.



## **Steady Disposal of Nonperforming Loans Framework for Ensuring Asset Soundness**

### **(2) Self-Assessments**

Self-assessments are conducted twice per year, in June and December. Also, necessary adjustments are made in March and September.

The self-assessment process first involves categorizing debtors based on their internal ratings. There are five categories: standard debtors, substandard debtors, doubtful debtors, debtors in default and debtors in bankruptcy. Next, individual loans are ranked in one of four categories in accordance with the risk of recovery and the danger of impairment.

### **(3) Write-Offs and Reserve Provisions**

Write-offs and reserve provisions are made in accordance with the standards for each debtor category.

For claims on standard debtors and claims on substandard debtors, the Bank provisions the general reserve for possible loan losses based on the projected loss rate, which is determined from historical data for losses, including defaults, for each group. For some large loans to debtors under requirement of control, reserves are provisioned using the discounted cash flow (DCF) method. For claims on doubtful debtors and below, reserves are provisioned for respective loans based on the calculation of the necessary amount within Category III loans that are not guaranteed or collateralized.

### **Loan Disposal**

Credit costs totaled ¥11 billion (US\$104 million) in fiscal 2004, down approximately ¥40 billion from the previous fiscal year. Improvement in business conditions and repayments reduced the balances of claims on substandard debtors and claims on doubtful debtors, leading to a sharp decline in provisions to the general reserve for possible loan losses and the specific reserve for possible loan losses. Consequently, total reserves for possible loan losses were ¥314 billion (US\$2,932 million).

The Bank is also proactively moving nonperforming loans off the balance sheet. In fiscal 2004, ¥218 billion (US\$2,032 million) in such loans was taken off the balance sheet through sales and recovery. Meanwhile, the application of stricter standards in the determination of debtor categories added ¥102 billion (US\$957 million) to the categories of doubtful debtors and below.

#### **Debtor Classification**

Standard debtors	Debtors with no particular financial or operating problems
Substandard debtors	Debtors that require close monitoring
Doubtful debtors	Debtors highly likely to fall into bankruptcy
Debtors in default	Debtors bankrupt in effect but not legally or formally
Debtors in bankruptcy	Debtors that are legally and formally bankrupt

#### **Asset Categories**

Category I	Assets with no problem being recovered
Category II	Assets at a higher-than-normal danger of not being recovered
Category III	Assets with significant concern about recovery and a high possibility of losses but viewed as a problem asset in terms of the rationally estimated loss amount
Category IV	Assets determined to be unrecoverable or have zero value

## Credit Costs in Fiscal 2004 (On a Non-Consolidated Basis)

	Millions of Yen	Millions of U.S. Dollars
Loan write-offs	¥ 785	\$ 7
Provisions to specific reserve for possible loan losses	3,163	29
Provisions to general reserve for possible loan losses	(16,184)	(151)
Provisions to reserve for specified overseas debts	(63)	(0)
Other	23,561	219
Total credit costs	¥11,263	\$104

**Disclosure of Nonperforming Loans****(1) Risk-Managed Loans**

Risk-managed loans fall into one of four categories: (a) loans with principal or interest payments more than three months in arrears; (b) restructured loans (loans for which the terms and conditions of the original loan agreement are redrawn in the favor of the borrower, including reducing interest rates to support or help rehabilitate the debtor); (c) loans with principal or interest payments more than six months in arrears; and (d) loans to borrowers under bankruptcy proceedings.

As of March 31, 2005, risk-managed loans totaled ¥473 billion (US\$4,414 million), or 3.02% of total loans outstanding. Compared with the previous fiscal year, total risk-managed loans declined ¥159 billion, with loans to borrowers under bankruptcy proceedings falling ¥2 billion, loans with principal and interest payments in arrears dropping ¥113 billion and restructured loans declining ¥43 billion.

Loans to overseas borrowers accounted for 2% of risk-managed loans, with ¥584 million (US\$5 million) in Europe and ¥7 billion (US\$65 million) in the United States.

**(2) Disclosed Claims by the Financial Revitalization Law (Reference)**

Under Article 6 of the Law Concerning Emergency Measures for Early Stabilization of Financial Functions (Law No. 132, 1998), banks are required to disclose nonperforming loans as follows: (a) claims on obligors under close observation (claims in this category basically include loans with principal or interest payments more than three months in arrears and restructured loans); (b) claims on obligors with bankruptcy imminent (claims on obligors who are not yet bankrupt but whose financial position and management performance are deteriorating) (it is highly likely that the principal and interest will become uncollectible); and (c) claims on obligors under legal bankruptcy proceedings and obligors substantially in bankruptcy (claims on obligors who are bankrupt or in the process of bankruptcy, reorganization or similar financial restructuring procedures as well as those in a similar condition).

Claims on obligors under legal bankruptcy proceedings and obligors substantially in bankruptcy totaled ¥7 billion (US\$66 million); claims on obligors with bankruptcy imminent amounted to ¥245 billion (US\$2,284 million); and claims on obligors under close observation totaled ¥231 billion (US\$2,157 million), making a total of ¥483 billion (US\$4,507 million), down ¥159 billion from the the previous fiscal year. The total coverage ratio for disclosed claims by the Financial Revitalization Law was 75.0% (calculated as the coverage amount, which is collateral, and guarantees plus the specific reserve for total loan losses plus the portion of the general reserve for possible loan losses attributable to claims on debtors under requirement of control divided by the total amount of disclosed claims).

### **Policy for Future Activities**

The Bank will continue to apply its credit management processes—namely, assigning internal ratings, conducting self-assessments of assets and making write-offs and reserve provisions—in a timely and thoroughgoing manner. In cases where the Bank determines that rehabilitation of a debtor would be difficult even with the support of financial institutions and assistance in self-supporting efforts on the part of borrowers, the Bank will carry out final disposals by selling claims to the Resolution and Collection Corporation (RCC) and in the market.

The “Program for Financial Revival,” unveiled in October 2002, is a road map for the stabilization of Japan’s financial system, and it calls for the major banks to reduce their nonperforming loan ratios by approximately 50% by the end of fiscal 2004 through the application of stricter asset assessments. The Bank worked to reduce its nonperforming loan ratio in line with the basic policy of the financial authorities. The Bank is committed to maintaining and improving its nonperforming loan ratio through the steady disposal of nonperforming loans.

Additionally, the Bank will pursue appropriate risk management and steadily move nonperforming loans off the balance sheet. In conjunction with such actions, the Bank intends to step up its efforts to generate returns commensurate with risk by implementing more-advanced risk management methods. The Bank is also committed to sustaining the soundness of its assets as well as its profit performance.

Risk-Managed Loans (On a Non-Consolidated Basis)

As of March 31	Billions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Loans to Borrowers under Bankruptcy Proceedings	¥ 1	¥ 4	\$ 16
Loans with Principal or Interest Payments More than Six Months in Arrears	242	355	2,257
Loans with Principal or Interest Payments More than Three Months in Arrears	0	0	2
Restructured Loans	229	273	2,139
<b>Total</b>	<b>¥473</b>	<b>¥633</b>	<b>\$4,414</b>

Disclosed Claims by the Financial Revitalization Law (On a Non-Consolidated Basis)

As of March 31	Billions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Claims on Obligors under Legal Bankruptcy Proceedings and Obligors Substantially in Bankruptcy	¥ 7	¥ 6	\$ 66
Claims on Obligors with Bankruptcy Imminent	245	360	2,284
Claims on Obligors under Close Observation	231	275	2,157
<b>Total</b>	<b>¥ 483</b>	<b>¥ 642</b>	<b>\$ 4,507</b>
Claims on Ordinary Obligors	¥15,432	¥17,424	\$143,828

Reserve for Possible Loan Losses (On a Non-Consolidated Basis)

As of March 31	Billions of Yen		Millions of U.S. Dollars
	2005	2004	2005
General	¥148	¥164	\$1,385
Specific	165	199	1,541
Reserve for Losses on Specified Overseas Debts	0	0	6
<b>Total</b>	<b>¥314</b>	<b>¥365</b>	<b>\$2,932</b>

## Management System (Corporate Governance)

The Bank is both the central bank for Japan 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 internationally. The Bank adheres to decisions made at the “Council of Delegates” which is comprised of representative members and substitutes for the general meetings of all shareholders. At the same time, the “Supervisory Committee” and the “Board of Directors” stipulated by the Norinchukin Bank Law are organized to distribute or coordinate their duties based on the prevailing situations in the cooperative organizations.

### **Supervisory Committee**

In addition to reporting or submitting agendas to the Council of Delegates, the Supervisory Committee makes decisions on important issues related to cooperative organizations. The Supervisory Committee also has specific authority to oversee the execution of business policies by the Directors. This includes the authorities (1) to request the board members attend meetings to explain their business executions and (2) to seek the dismissal of board members from the Council of Delegates.

Currently, the Supervisory Committee has 15 members, selected from among the board members of cooperative organizations; farmers, fishermen and foresters; or those with a profound knowledge about finance. Supervisory Committee members are recommended by the Nomination Committee and selected by the Council of Delegates.

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

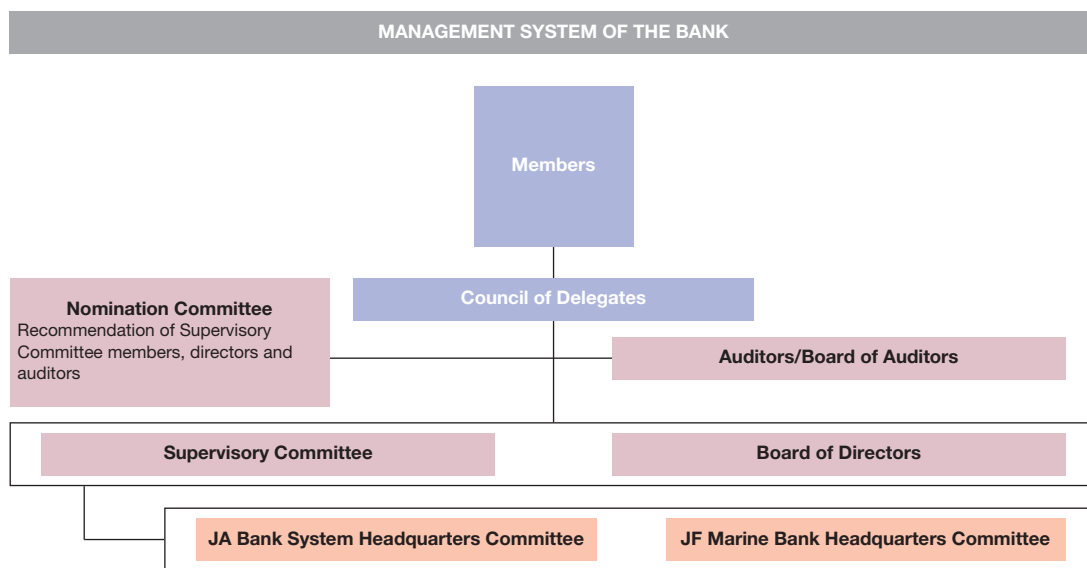
### **Board of Directors**

The Board of Directors decides business executions, excluding matters under the jurisdiction of the Supervisory Committee, and carries out mutual supervision of the Directors’ executions of business affairs. Directors are selected by the Supervisory Committee and assume their position upon approval by the Council of Delegates. There are currently 14 full-time board members, and two of them are selected as representative directors and as members of the Supervisory Committee. Consideration is given to preserving the mutual and close cooperation of decision making by the Supervisory Committee and the Board of Directors.

### **Auditors/Board of Auditors**

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

To enable effective decision making and oversight, the above Supervisory Committee and Board of Auditors also include delegates from outside of the Bank and cooperative organizations



## Internal Auditing System

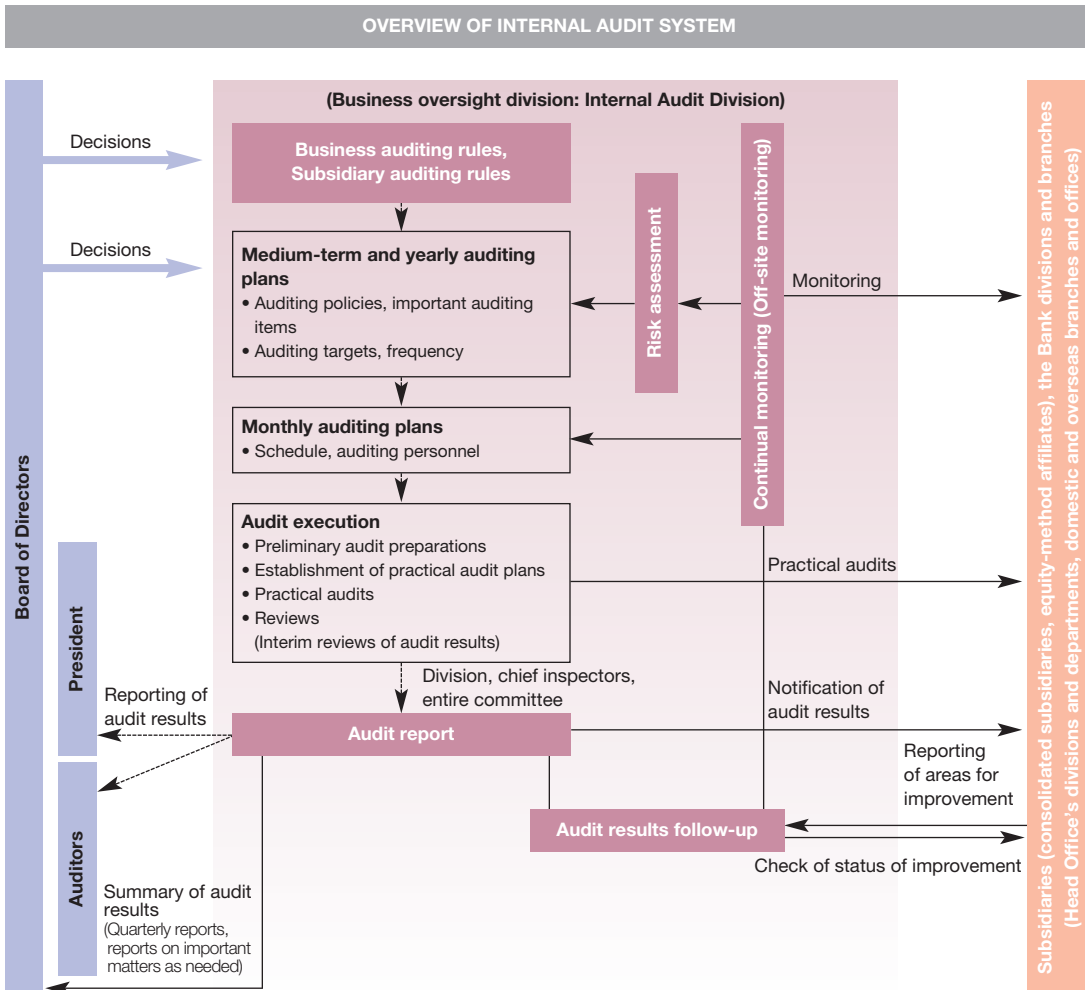
The Bank established the “Internal Audit Division” as an internal oversight unit independent from other businesses and affairs of the Bank. The mission of the Internal Audit Division is to validate and evaluate the management and operations of all business activities in terms of the appropriateness and effectiveness of internal controls. Based on the Division’s reports on its audit results and recommendations of issues to be improved, the Bank sustains and/or improves the appropriateness of its business operations.

The scope of the internal audits is all operations by all divisions and branches of the Bank and operations by its consolidated subsidiaries and equity-method affiliates that are compliant with laws and regulations. These audits are conducted in accordance with the Bank’s three-year mid term audit plan and its yearly audit plans decided by the Board of Directors.

In the course of establishing audit plans, the Internal Audit Division implements risk assessments of all operations subject to auditing and determines the key audit points (e.g., validating 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 division. 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 division 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, and when necessary the Supervisory Committee.

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





# Compliance Activities

## Basic Policy on Compliance

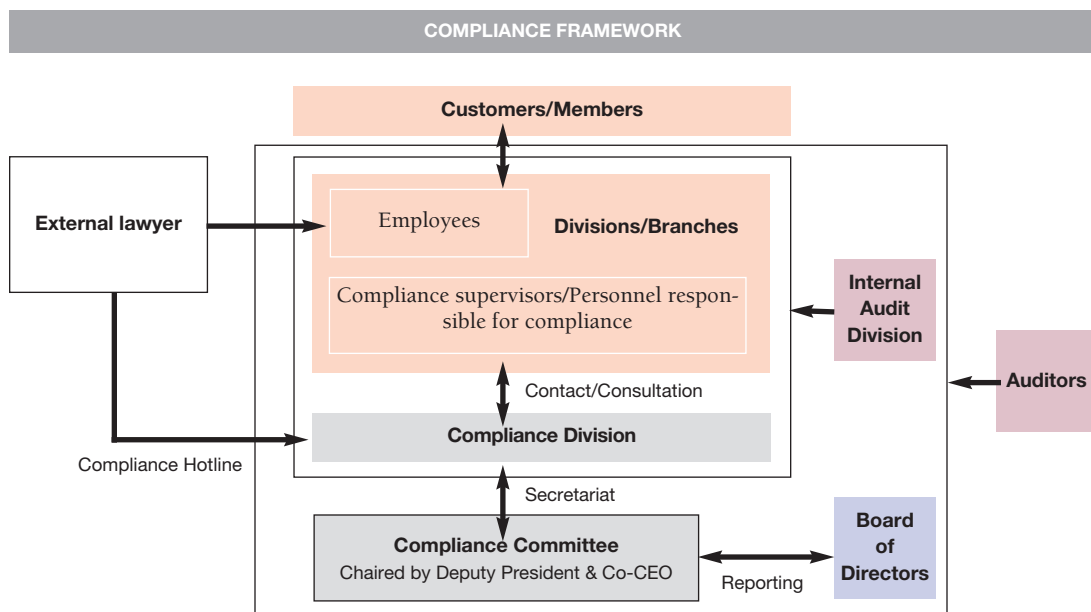
The concepts of corporate business management are being strongly questioned by society amid changes in the nation's socioeconomic situation and its structural reform. Moreover, scathing public criticism of corporate improprieties in recent years has pushed for better and more effective compliance to the top of the management agenda for most companies. This is especially true for financial institutions, whose very existence rests on strong compliance to secure bonds of trust and reliability with the general public, beginning with customers.

As a core member of Japan's financial system and as a nationwide financial institution of the cooperative credit business, the Bank is unequivocally committed to transparent management that emphasizes accountability, disclosure and compliance with all relevant laws and regulations. Basing its activities in these areas on strict adherence to the principle of self-responsibility, the Bank aims to build ever-stronger bonds of trust with the public, which are necessary to fulfill its basic mission and societal obligations.

## Compliance Activities that Are Directly Linked to Management

The Bank's compliance activities are conducted mainly by the compliance supervisors and the personnel responsible for compliance stationed in every division and branch. These personnel work with the Compliance Division and the Compliance Committee responsible for monitoring and improving overall compliance activities.

The Compliance Committee (chaired by the Deputy President & Co-CEO) is a subordinated body of the Board of Directors and was established to deliberate the Bank's fundamental issues on compliance. Items deliberated by the Compliance Committee are decided by the Board of Directors.



### **Compliance Arrangement by the Bank**

In addition to assuming the secretariat function for the Compliance Committee as the compliance control unit of the Bank, the Compliance Division conducts compliance-related educational/awareness programs within the Bank and serves as the contact point for the personnel in charge of compliance stationed in each division and branch.

Also, employees can at any time contact the Compliance Division or outside lawyers through the Bank's Compliance Hotline, which is set up to provide full protection from negative repercussions to those who provide information.

### **Compliance Program**

Each fiscal year, the Bank formulates its "Compliance Program" to serve as a road map for the execution of compliance measures, including the upgrade of the compliance framework and compliance promotion/awareness activities. Additionally, respective divisions and branches establish their own compliance programs that contain specific policies for carrying out ongoing compliance activities.

### **Firmly Affixing Compliance in the Bank's Corporate Mind-Set**

In addition to the "Corporate Ethics" and the "Code of Conduct," the Bank distributes to all employees the "Compliance Manual," including "Employee's Guide to Legal Compliance," and the "Bank's Basic Views on Compliance." These materials are distributed to further entrench compliance activities in the Bank's daily operations and to firmly affix compliance in the Bank's corporate mind-set.

### **Cooperation with Subsidiaries and Affiliates**

The Bank's stance on compliance is communicated to subsidiaries and affiliates as a whole by holding periodic meetings for the personnel in charge of compliance at subsidiaries. At these meetings, the Bank explains its compliance program and discusses current compliance-related issues.

# Column 1

## **Corporate Ethics**

### **The Bank's Fundamental Mission and Social Responsibility**

1. Always cognizant of the importance of its fundamental mission and social responsibility as a financial institution, the Bank is committed to maintaining solid bonds of trust with society by fulfilling these challenges through sound management.

### **Provision of High-Quality Financial Services**

2. By providing high-quality financial services that tap the Bank's creativity and ingenuity, the Bank fulfills its role as a nation-wide financial institution based on the cooperative credit business and contributes to the development of the economy and society as a member of the financial system.

### **Compliance with Relevant Laws and Regulations**

3. The Bank complies with all relevant laws and regulations and conducts fair and impartial operations in line with social norms.

### **Prevention of Anti-Social Behavior**

4. The Bank is resolutely committed to preventing antisocial behavior that could harm society or hinder safety.

### **Creating an Organizational Culture Committed to Highly Transparent Disclosure**

5. The Bank continually strives to improve communication with parties both inside and outside the cooperative system, beginning with impartial and proactive disclosure of business information. The Bank also works to maintain good relationships with these parties while maintaining an organizational culture that is committed to highly transparent disclosure based on respect for human rights.

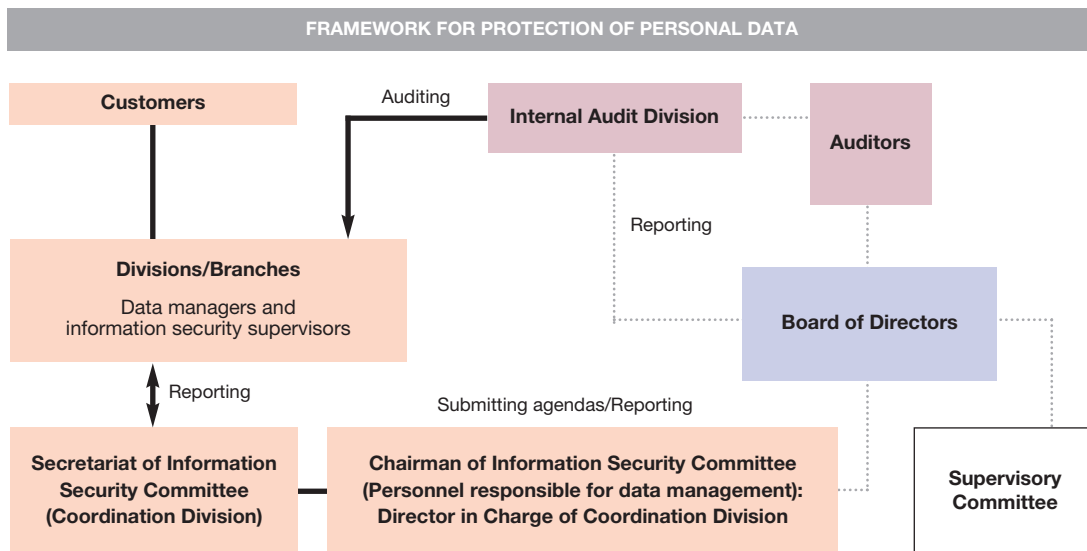
# Protecting Personal Data

Recognizing the great importance of protecting personal data, the Bank complies with laws pertaining to the protection of personal information (Personal Information Protection Law), other pertinent laws, regulations and guidelines, as well as voluntary rules set by the financial industry, thereby helping maintain society's trust not only in the Bank but also in the financial services sector as a whole. The Bank is committed to the proper handling of personal data, the enactment of measures to ensure that it is safely managed, and to the prevention of dissemination of information to unauthorized parties.

## Control Structure

The Information Security Committee (chaired by the Director in charge of the Coordination Division), established at the Head Office, is the central body for overseeing the protection of personal information. At the operational level, the protection of personal data is handled by data managers (division/branch General Managers serving concurrently as information security supervisors) or the personnel responsible for information security (designated by the division/branch General Manager) stationed in every division, branch and office.

The Information Security Committee deliberates policies aimed at maintaining and improving the Bank's information security control, with critical items decided by the Board of Directors.



## Activities for Protecting Personal Data

### Personal Data Protection Framework

The Bank has always been vigilant in the protection of personal information, including the protection of confidentiality and privacy. However, the full implementation of the Personal Information Protection Law in April 2005 has increased the responsibility of organizations that handle personal information. As such, the Bank is introducing a framework to facilitate the proper handling of personal information and educating and training its employees to ensure that the framework operates effectively and efficiently.

The Bank is also reassessing and upgrading measures pertaining to the secure handling of personal information while expediting responses to related inquiries and complaints.

Additionally, the Bank cooperates with the Central Union of Agricultural Cooperatives and the National Federation of Fishery Cooperative Associations, organizations that provide guidance to cooperative organizations, supporting efforts to further improve the protection of personal data for cooperative financial groups as a whole.

## Column 2

### Declaration on the Protection of Personal Information (Excerpt)

#### Acquisition of Personal Data

Personal information will be acquired only within the scope of that necessary for business and will be properly handled in accordance with all relevant laws and regulations.

#### Objective of Using Personal Data

Personal data is used only within the context of personal information.

#### Provision of Personal Data to Third Parties

Personal information is not provided to third parties without consent of the person in question, except under specific circumstances.

#### Handling of sensitive information

Sensitive information is not acquired, used or provided to third parties except under specific circumstances.

#### Safekeeping of Personal Data

Measures are in place to ensure the safekeeping of personal information. Also, the necessary and proper supervision of employees and/or consignees is conducted.

#### Disclosure, Amendment and Cessation of Usage of Personal Data

Based on the Personal Information Protection Law, measures have been put into place to prevent the disclosure, amendment and cease usage of personal information.

#### Response to Inquiries and Complaints

Inquires and complaints about the handling of personal information are responded to quickly and in good faith.

## Inquiry and Complaint Processing System / Respect for Human Rights

### **Enhanced Ability to Address Customer Complaints**

The Bank takes customer complaints seriously and quickly responds to them as an organization. At the same time, the Bank continually works to improve its ability to address customer issues through the proactive corrective measures in its operations.

### ***Designation of Fair and Impartial Arbitration Organization***

The Bank has designated the “National JA Bank Consultation Office” as a third-party arbiter of customer complaints, based on the model of the complaint/conflict resolution system formulated by the financial service dispute resolution liaison group (established within the FSA). The group has been available to customers seeking the resolution of matters through a fair and impartial arbitration organization since April 1, 2003.

### ***Increased Profile for Complaint Channels***

The Bank has taken steps to make customers more aware of its channels for making complaints (consisting of contact points in each division/branch, the Head Office and the National JA Bank Consultation Office) by placing posters and informative materials in branches.

### **Respect for Human Rights**

The Bank actively provides education and training opportunities to all personnel as part of an overall effort to promote humanitarian affairs. The Bank is committed to building a highly transparent organization's norm based on the concept of respect for human rights that is incorporated in the corporate ethics, conforming to the “Law on the Promotion of Human Rights Education and Human Rights Awareness Raising” and the “Basic Plan for the Promotion of Human Rights Education and Human Rights Awareness Raising.”

The Human Rights Education Promotion Council (chaired by the Director of the Personnel Division) deliberates various policies aimed at cementing respect for human rights in the Bank's corporate mentality, with the Board of Directors deciding yearly policy. Human rights education and awareness activities are carried out mainly by the Human Rights Section in the Personnel Division and the personnel in charge of human rights stationed in respective divisions and branches.

The Human Rights Section in the Personnel Division was established in July 1999 to take general responsibility for human rights issues within the Bank. This section works in concert with the personnel in charge of human rights in every division and branch to conduct human rights education/awareness programs and to provide consultation on matters related to sexual harassment.

The Bank promotes the accurate understating of human rights issues through human rights workshops held at the Head Office. Also, to increase awareness of the need for resolutions of related issues, the Bank distributes “sexual harassment consultation cards” to every employee and director as part of its overall efforts to combat sexual harassment. The Bank is committed to carrying out various other activities in this area. Furthermore, as a member of the JA Group, the Bank works with the Central Union of Agricultural Cooperatives to heighten human rights awareness including with subsidiaries and affiliates.

# Risk Management

## Approach to Risk Management

Financial institutions have been greatly affected by changes in the economic and financial environments in recent years. Under these conditions, prompted by the growing diversity and complexity of their operations, financial institutions have been pressed to construct appropriate risk management systems to sustain and enhance their business soundness while fulfilling their social responsibilities.

Cognizant of this fact, the Bank has established a Risk Management Basic Policy, with the aim of further enhancing its risk management capabilities. This policy serves as the road map for the Bank's risk management activities and clearly lays out the types of risks to be addressed as well as the relevant management structures and mechanisms.

With this in mind, the Bank separates the risks that it must manage into two broad categories. One comprises risks actively taken on to generate profits (i.e., credit risk and market risk), and the other comprises risks passively incurred in the course of carrying out operations (i.e., settlement risk and legal risk). Specific risks are dealt with in accordance with individual guidelines based on risk type, while an integrated approach is taken to manage risk on a Bank-wide basis.

## Comprehensive Risk Management

The Bank has constructed a portfolio comprising various assets based on the concept of globally diversified investments. The Bank considers the comprehensive management of differing risks, risk taking commensurate with its capacity and the appropriate management of these risks essential to maintaining business soundness.

With this understanding, the Bank quantifies its exposure to various risks and constrains the aggregate amount to within its equity capital. To accomplish this, the Bank has adopted the concept of economic capital management and allocates economic capital to individual sectors.

The Bank categorizes "risk" as market risk, credit risk and operational risk, and allocates economic capital on an integrated basis in market-oriented divisions for the purpose of utilizing globally diversified investments to the maximum extent possible. As such, this strategy enables the Bank to allocate and distribute assets in conformance with its business model. Furthermore, every six months, the Board of Directors decides on the allocation of economic capital in accordance with investment policy. The middle office, meanwhile, measures and monitors risk levels on a daily basis.

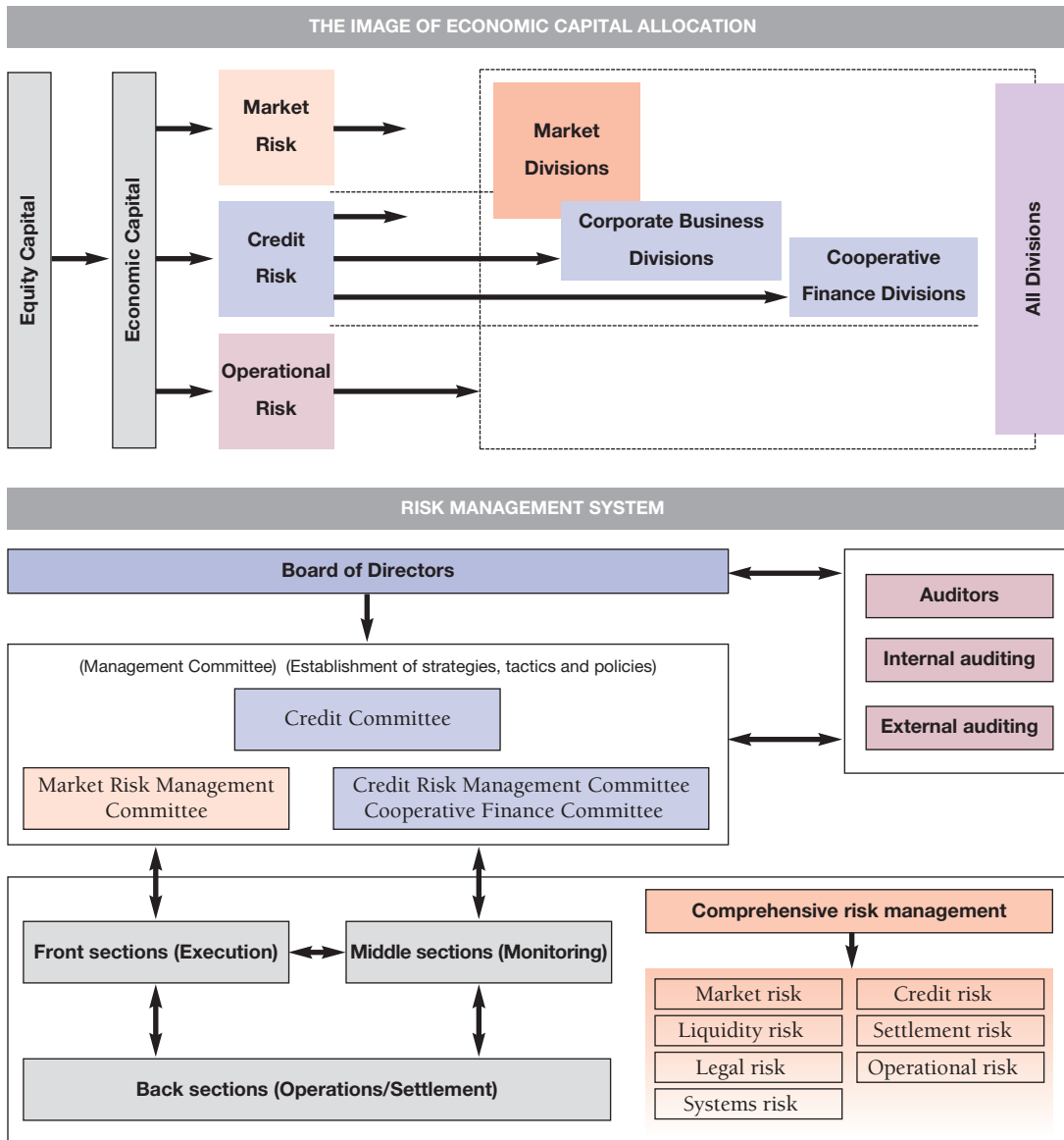
## Credit Risk Management

For the Bank, transactions involving credit risk are a key source of earnings, in line with its business strategy. In addition to assessments of individual credit risk assets, including loans, the Bank conducts comprehensive risk management from the perspective of its overall credit risk portfolio. In this way, the Bank seeks to generate earnings commensurate with its level of credit risk. Also, as a financial institution whose base consists of agricultural, forestry and fishery cooperatives, the Bank aims to promote these industries through "cooperative lending" while carrying out due risk management as a private financial institution.

### Credit Risk Management System

The Bank's credit risk management system centers on three committees comprised of top management. One of them is the Credit Risk Management Committee, which deliberates on specific strategies related to transactions involving credit risk other than those connected with cooperative lending. It also makes determination on large and/or material loans on an individual basis. On the other hand, the Cooperative Finance Committee considers specific strategies concerning cooperative lending in order to fulfill its mission of providing effective and efficient funding.

The Credit Committee is a venue for deliberating on basic rules and policies of risk management, and specific strategies determined by the Credit Risk Management Committee, the Cooperative Finance Committee and the Market Risk Management Committee—which is discussed later in this report—must be consistent with these basic frameworks. These basic frameworks include such systems as credit ceilings by country and individual company, the internal rating system and self-assessments. The Credit Committee also deliberates





on basic directions from the perspective of strengthening risk management in accordance with the concept of comprehensive risk management.

At the same time, monitoring of the credit risk portfolio is carried out by the Risk Monitoring Division established separately from the front office.

### ***Credit Analysis System***

While continually strengthening its credit analysis capabilities, the Bank conducts highly specialized checks of borrowers, taking into account their respective characteristics as cooperatives, general companies, public corporations or non-residents. To conduct credit analyses on private corporations and public corporations, the Bank has established the Credit Risk Management Division, which is separate from the Corporate Business Management & Strategy Division. The division conducts industry-based credit analyses, making full use of the expertise the Bank has cultivated. Specifically, to achieve greater accuracy, each senior credit analyst in charge of a certain industry assesses each client and business through comparisons with competitors in the same business, a method that makes active use of industry research functions. With regard to credit for non-resident borrowers, the Bank has adopted a country ceiling system that takes into account risks that differ from those of domestic loans, such as analyses of political and social conditions of each country. In addition to a business-type-based credit analysis, a region-based senior credit analyst evaluates loan applications, thereby carrying out optimal risk management.

Markets for so-called products involving the securitization of assets—which are backed by account receivables, real estate and other assets—have been expanding in recent years. Aside from credit risk analysis of individual borrowers, senior credit analysts specializing in the structure of investment products focus on a proper understanding of the risks associated with such products while conducting ongoing monitoring and reviews of investment products.

Under this credit analysis system, the Bank conducts sophisticated credit risk management based on strict screening standards and on its own methods for analyses of financial position and cash flow, as well as follow-up monitoring.

In addition to strengthening these reliable analysis methods, the Bank uses management methods that address credit analysis from the perspective of the portfolio as a whole, sets credit limits in accordance with internal ratings, and screens individual companies to control risk volume. Simultaneously, the Bank seeks to set interest rates in accordance with internal ratings and security statutes and thereby secure returns commensurate with risk.

### ***Quantifying Credit Risk***

Through the above various ceiling systems and credit analysis for each transaction, credit risk is managed to prevent overconcentration in a specific industry, company or product to enable balanced portfolio management. At the same time, the Bank measures risk volumes using statistical methods as described below.

**Credit risk measurement methods**

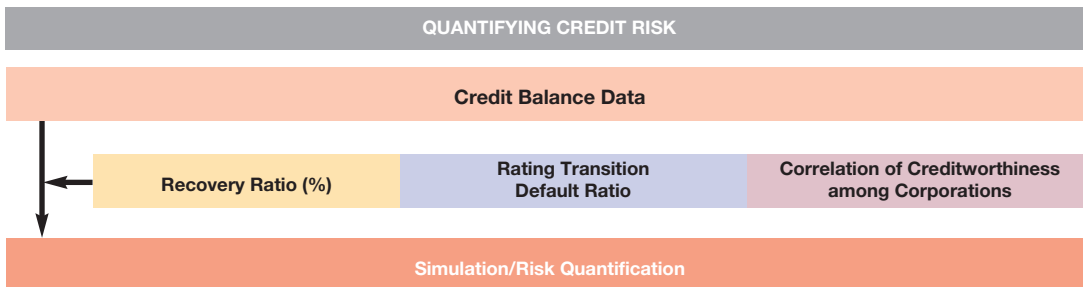
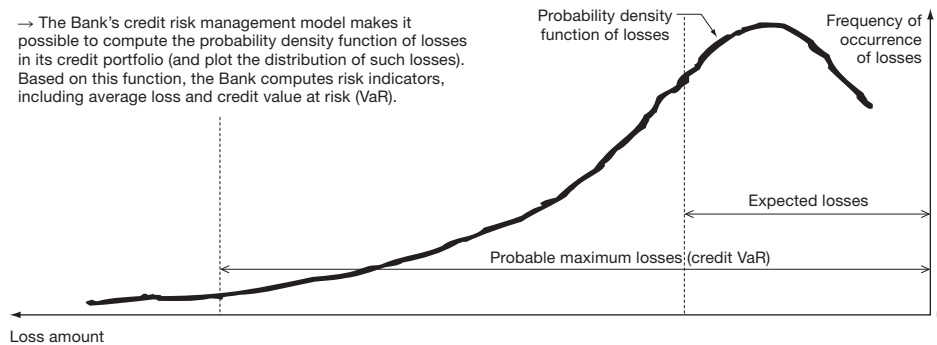
Credit risk encompasses economic losses of granted credit due to depreciation of market prices for corporate bonds and delinquent loan repayment resulting from deterioration in the business conditions of issuers or borrowers. The Bank works to measure volumes of such credit risks.

The Bank measures credit risk for off-balanced swap transactions as well as on-balanced loans, guarantees, foreign exchange and securities such as corporate bonds, which covers issuers and borrowers of domestic and overseas corporations and financial institutions.

The Bank works to accumulating statistical data related to credit risk such as rating transition ratios (probability of rating changes) that are determined both by past and future business performance, default ratios by rating and recovery ratios in the event of default, and then simulates several tens of thousands of potential scenarios such as defaults as well as rating changes for customers and products. Through these methods, the Bank plots the distribution of potential losses.

For the above potential losses, the Bank calculates two risk volumes: the “expected loss” that corresponds to the loss that can be expected on average over the next year; and the “probable maximum loss” which is defined as losses that can be expected under the worst case scenario. By doing so, the Bank validates expected profitability against risk and determines risk capital to be allocated to each business category.

**Basic Outline of the Bank’s Credit Risk Management Model**



## **Market Risk Management**

The Bank has positioned its market transactions as an important source of income as well as a means to hedge risks. Interest rate and price fluctuation risks are properly controlled using comprehensive risk management systems to generate profits and stabilize financial positions.

To ensure the implementation of these management strategies, the Bank has created a mutual checking system where decision-making, execution and monitoring functions are systematically separated and organized into independent units. These activities are carried out to realize appropriate risk management.

Looking forward, the Bank will work to further enhance its technical capabilities, including systems, personnel and the quantitative analysis of risk volume, thereby optimizing its risk management.

## ***Banking Operations (ALM)***

The optimal management of risks in banking operations is indispensable to the stability of financial institutions.

The Bank began risk management at an early stage through asset-liability management (ALM) that places emphasis on a balance of maintaining financial soundness and strengthening profitability. Both static and dynamic interest rate sensitivities of cash flow are analyzed, and basis point values are calculated. Based on the analyses conducted from various angles, the Bank works to construct a flexible financial structure that can respond promptly to changes in financial conditions.

## ***Market Portfolio Management***

In banking operations, the Bank places special emphasis on analyzing and managing market risk in view of the importance of its portfolio of marketable securities. This framework is described below.

### **(1) Decision making**

Important decisions on market transactions are made at the managerial level. The Market Risk Management Committee, composed of members of management as well as the general managers of related divisions, considers, discusses and authorizes final decisions concerning specific policies related to market transactions.

At the time of analysis, in addition to the examination of the investment environment, including market trends and the economic outlook, the Committee makes appropriate decisions taking ALM and the Bank's securities portfolio into consideration. The Market Risk Management Committee meets, in general, once per month. In addition, meetings are held on an ad-hoc basis when it is necessary to formulate flexible measures to deal with market trends or other such factors. In addition, to facilitate the close exchange of day-to-day information related to market movements, management and general managers of related divisions hold weekly meetings to share information that enables the making of swift and optimal decisions.

### **(2) Execution**

The front offices buy and sell securities and hedge risks based on policies set by the Market Risk Management Committee. These activities are executed efficiently while monitoring market trends to enable new proposals for investment strategies.

### **(3) Monitoring**

The Risk Monitoring Division checks whether the operations conducted by the front offices conform to the policies set by the Market Risk Management Committee. In addition to measuring risk, the division also performs a monitoring function in that it measures risk volumes. Results of the monitoring carried out on a daily basis are periodically reported to management. The Market Risk Management Committee uses the results as the basis for confirming the risk condition of the portfolio and for exploring specific policies for the future.

**(4) Alarm system**

The Bank has adopted an alarm system, called the “Checkpoint System,” as a tool for risk management. This system requires the Market Risk Management Committee, which includes top management, to discuss actions when the risk volume in the overall portfolio reaches a certain level stipulated in the Bank’s tolerance limits. An alarm is activated when the risk volume radically changes in the short term and exceeds a certain level. In such cases, relevant personnel from top management and ranks below are obliged to meet and discuss appropriate actions. This mechanism enables the Bank to quickly and appropriately manage risks; however, the Bank is committed to establishing an even more optimal risk management system in the future.

**(5) Risk measurement methods**

Market risk is the potential for losses to occur from changes in revenues due to interest rate fluctuations and/or changes in asset and liability values as a result of market fluctuations, including interest rates, stock prices and exchange rates. Controlling revenues and expenses in line with interest rate fluctuations is very important in banking operations, making it necessary to grasp the degree of impact on revenues and expenses from a certain change in interest rates. The Bank calculates the interest rate sensitivity of its assets and liabilities and measures cash flow fluctuations of assets and liabilities (as measured by the changes in interest margins or unrealized gains and losses in cases where the standard interest rate moves by one percentage point). This scheme is combined with scenario-based simulation methods to measure the impact of interest rate changes on cash flows in overall banking operations.

In addition, the Bank regularly carries out the measurement of the risk volume by taking account of price fluctuation risk involved with bonds, stocks and foreign currency exchange. Furthermore, simulations under stress conditions are also performed for the overall banking account. The Bank uses these processes to determine the impact of market movements on the value of held assets.

***Trading***

The Bank maintains distinct organizational separation between its trading operations, which conduct transactions with the aim of generating profits from short-term market fluctuations, and sections that carry out other transactions. Also, the Bank has established a trading framework for front sections, including predetermined position limits and loss limits, from the perspective of risk and return. The objective of this framework is to achieve profit targets.

**(1) Alarm system**

Front sections are notified and warned when positions and/or losses exceed specified levels. They are then obliged to take corrective action, reduce trading volume, halt trading or otherwise respond to the levels.

**(2) Risk measurement methods**

The Bank measures the risk in its trading operations by adopting such methods as basis point value (BPV), slope point value (SPV), option risk parameters and VaR to monitor compliance with risk limits.

The precision of the internal model for measuring risk volumes is increased through the continual comparison of fluctuations in actual gains and losses with those projected by the model (back testing). At the same time, the Bank strives to further increase the sophistication of its measurement methods by adopting new financial and information technologies.

Moreover, the validity of the model developed by the Bank has been proven by objective quantitative and qualitative audits conducted by an outside audit corporation. The model is also used for calculating market risk volume and required capital volume as stipulated by the BIS at the end of March 1998.

## Glossary

- **BPV (basis point value)**

BPV indicates the change in the value of a current position given a 0.01% change in interest rates. The Bank uses total delta as the indicator of the impact assuming a parallel shift in the yield curve.

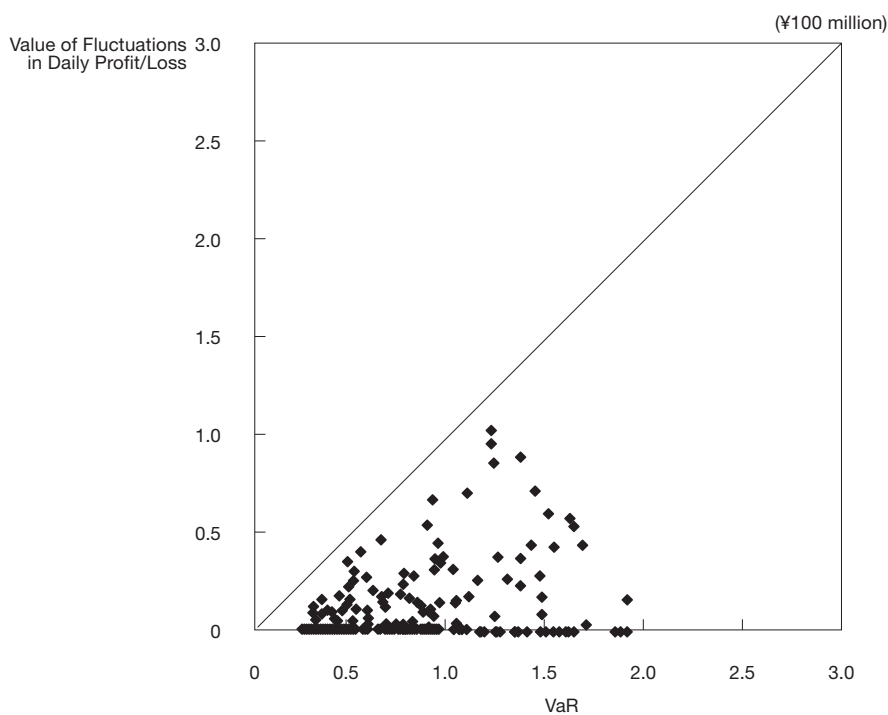
- **SPV (slope point value)**

SPV is an indicator of the impact assuming a non-parallel shift in the yield curve. Because each yield curve grid is a compilation of absolute values for BPV, SPV indicates the changes in value of the Bank's positions when the interest rate moves against the Bank's positions by 0.01% in each grid.

- **VaR (value at risk)**

VaR is the maximum possible loss over a specified holding confidence interval. The Bank calculates VaR using a variance-covariance matrix with two distinct holding periods (1 day and 10 business days) and a 99% confidence interval (standard deviation of 2.33).

### Results of Back Testing (Trading Divisions, Interest Rate VaR (1 day))



From April 1, 2004 to March 31, 2005 (consisting of 245 business days), the negative value of fluctuations in daily profit and loss exceeded VaR (1-day holding period) zero times. As shown in the diagram above, the model has been proven valid within the specified probability range (one-tailed confidence interval of 99%).

### **Liquidity Risk Management**

The Bank manages liquidity risk as prescribed in its Liquidity Risk Management Guidelines using the following definitions: (1) market liquidity risk—the risk that rapid changes in the market environment will prevent fast and accurate price formation for a position or its liquidation—; and (2) cash flow risk—the risk of disrupting the settlement of transactions due to reduced liquidity funds or suffering from losses by having no means but to procure funds at interest rates much higher than normal.

The Bank conducts market liquidity risk-oriented investigations when setting concrete investment strategies by taking into account these factors critical to investment decisions and by assessing the liquidity (marketability) for each investment product.

A premise necessary for ongoing operations and portfolio management, cash flow risk is managed by the Bank on a daily basis for each currency, product and office in terms of both funds management and procurement. Based on daily and monthly funds targets, the Bank works to maintain a stable level of liquidity while taking into account market movements.

### **Settlement Risk Management**

The Bank defines settlement risk as the risk of losses due to the failure of a counterparty to settle a transaction for some reason. The Bank manages settlement risk according to its Settlement Risk Management Guidelines.

Settlement risk encompasses credit risk, liquidity risk, operational risk and legal risk, and the Bank continually upgrades its internal management system in accordance with the various conditions of settlement risk and strengthened policies for dealing with settlement risk should it materialize. Additionally, by implementing measures in line with settlement system reforms, the Bank strives to achieve highly smooth, safe settlement by using its current account at the Bank of Japan, the real-time gross settlement (RTGS) system for settling Japanese government bond (JGB) transactions and the continuous linked settlement (CLS) system for settling foreign exchange transactions.

### **Legal Risk Management**

The Bank manages legal risk as prescribed in its Legal Risk Management Guidelines. The Bank defines legal risk as the risk of adverse transactions or damage to the Bank from illegal or inappropriate contracts in the execution of management decisions or individual operations.

In addition to conventional financial services, the Bank offers new financial services using its enhanced and expanded credit business. The Bank also proactively conducts investment operations. Under these conditions, the Bank has made legal risk management one of the top management priorities at all of its business and is working to upgrade its management procedures and techniques.

Specifically, the Bank has created a database of all banking-related laws and regulations by office and operation to enable swift and accurate assessment in response to legal and regulatory changes. The Bank also works to minimize legal risk by fully supporting each concerned office and branch with regard to legal checks of individual items and the drafting and screening of contracts.

## **Operational Risk Management**

The Bank manages operational risk according to its Operations Risk Management Guidelines. The Bank defines operational risk as the risk of losses from improper clerical operations. This includes executives and employees failing to carry out operations in accordance with established procedures due to a variety of causes, such as accidents and improper conduct or failure to conduct the proper clerical operations. This failure may stem from inadequate procedures and/or manuals and/or actions inconsistent with these procedures and manuals.

The Bank continually improves its clerical operations while working to reduce risk through various efforts such as assessment of the circumstances that have resulted in accidents and errors and implementation of self-examinations, self-inspections and risk assessments.

## **Systems Risk Management**

The Bank does not limit system risk to IT or security-related risks but broadly defines it to include consistency with business strategies and compliance with laws and regulations. The Bank manages the system risk in accordance with its Systems Risk Management Guidelines. In addition, to enable appropriate management of information assets such as information and information systems, the Bank continually improves its security by establishing internal rules and regulations under “Security Policy” and “Security Standards”.

Various committees (Information Security Committee, etc.) are to be held to enable prompt management decisions. Also, “systems risk management plans” are formulated for each fiscal year.

Furthermore, the Bank has set up backup sites and carries out contingency training to prepare for serious system failures in the event of a disaster.

## Contributing to Society, Local Communities and the Environment

Companies and organizations are members of society whose activities are deeply connected with customers, local communities and the environment. By means of various activities carried out through its branches and offices in Japan and overseas, the Bank contributes to the enrichment of society and the betterment of people's lifestyles and the environment.

### Contributing to the Environment Helping Conserve Forestry Resources

Forests serve many functions, ranging from the development of timber resources to the prevention of global warming, the formation of watersheds and national land conservation.

In light of the importance of forests, the Bank proactively engages in activities to preserve timber resources.

#### ● Establishment of Public Trust to Promote Forest Revitalization

The Bank established the Norinchukin 80th anniversary forest rejuvenation fund in March 2005 as a public trust to support activities and businesses associated with the revitalization of deteriorated private and communal forests located in Japan.

This program uses a specified public trust to fund the revitalization of deteriorated private and communal forests and other such activities and to promote the public utility of these forests. The Bank views the fund (initial funding: ¥1 billion (US\$9 million); trust term: 10 years; trustee bank: the Norinchukin Trust & Banking Co., Ltd.) as a vehicle for contributing to the conservation of forest resources.



#### ● Donation of Pellet Stove that Burns Wood from Thinned Timber (Nagano Branch Activities)

The use of wood from thinned timber plays an important role in conserving forest resources. The Nagano branch has donated to the prefectural government and other organizations three pellet stoves that use wood pellets as fuel, with the aim of promoting the use of wood from thinned timber.

Wood pellets are a type of forestry biomass (regenerable bio-resources) derived from thinned timber. The use of biomass fuels is expected to help prevent global warming. The Bank plans to continue promoting a greater awareness of forest resources through the spread of pellet stoves in partnership with local governments, forestry cooperatives and non-profit organizations (NPO).



Donation of pellet stove

#### ● Effective Utilization of Other Forest Resources

The Bank uses recycled paper in its photocopier machines and to print its annual report as a way to promote the effective use of forest resources. The Bank also has a program under which employee business cards are printed on stock derived from wood taken from thinned timber.



Business card made from thinned timber



### **Co-Sponsor of the 2005 World Exposition, Aichi, Japan**



The Bank is a co-sponsor of the 2005 World Exposition, Aichi, Japan (Aichi Expo). As a member of the JA Bank Group, the Bank co-sponsors this event to help to promote the “harmonious co-existence of

humankind” and “nature” in this century. The theme of the Aichi Expo is “Nature’s Wisdom” based on the three sub-themes of “Nature’s Matrix,” “The Art of Life” and “Development for Eco-communities.”

### **Contributing to Local Communities and Society**

#### **Flower Campaign**

The Bank is dedicated to preserving the natural environment in harmony with people and industry and to making towns more attractive for residents and visitors alike. As such, it has been hosting a nationwide flower campaign with the catchphrase “Green in the towns, flowers on the windowsills” at all of its branches and offices. Specifically, this campaign involves 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 related organizations.



#### **Various Donation Activities**

Each year, the Bank donates book bag covers and book covers to prefectures and municipalities.

#### **Sapporo Branch Activities**

In 1959, the Sapporo branch created a circular flower garden in the city’s Odori park, and it has maintained the garden since its inception.



Flower garden established by the Bank in Sapporo’s Odori park

#### **Mito Branch Activities**

Each year since 1991, the Bank has donated tulip bulbs to the city of Mito in September (10,000 bulbs in fiscal 2004). These bulbs are used in the Senbako flower garden and other public parks, both managed by the local government, contributing to beautification of the city. The branch sponsors a highly popular “flower picture” contest for local kindergartens, elementary schools, junior high schools and high schools. Roughly 10,000 tulip bulbs are distributed among the participating schools.



#### **Aomori Branch Activities**

Since 1966, the Bank has donated “student safety book bag covers” to first-year students in the cities of Aomori and Hiranai. (The Bank donated approximately 3,000 book bag covers in fiscal 2004)



#### **Morioka Branch Activities**

Each year since 1992, the Morioka branch has donated book covers to the city of Morioka to provide greater convenience for library users and to promote greater use of the city’s social/educational facilities. (The Bank donated approximately 2,000 book covers in fiscal 2004)



Donation of book covers

### ***Fund-Raising Activities***

The Bank engages in various fund-raising activities initiated by its employees.

#### ● **Cooperation in Green Fund-Raising**

The Bank raises funds for the preservation of forests, contributing them mainly to the National Land Afforestation Promotion Organization.

#### ● **Cooperation in Fund-Raising for the Foundation for Orphans of Casualties of Marine Accidents**

The Bank raises funds to provide support for the families of seamen deceased in marine accidents, contributing funds to the foundation for orphans of casualties of marine accidents.

#### ● **JA Disaster Relief Fund for Victims of the Niigata-Chuetsu Earthquake**

The JA Group raised funds to support recovery efforts in the wake of the devastating Niigata-Chuetsu earthquake. The Bank also helped stricken areas by donating sleeping bags and satellite phones.

#### ● **Flood and Typhoon Disaster Relief Fund**

The JA Group raised funds to support recovery efforts in the wake of damage caused by typhoons and flooding caused by heavy seasonal rains, which caused substantial damage in Japan in 2004.

#### ● **Sumatra Earthquake Relief Fund**

The JA Group raised funds to assist victims of the tsunami caused by the undersea earthquake that occurred near the island of Sumatra on December 26, 2004.

### ***Cooperation in Various Events***

The Bank cooperates with various events aimed at contributing to the protection of the environment and the betterment of society.

#### ● **Cooperation with the “Promotion of an Abundantly Productive Sea” Activities**

The Bank helps sponsor the “national convention for the promotion of an abundantly productive sea,” the largest event in the marine industry, and has been held annually since 1981 (main sponsors: council for the promotion of an abundantly productive sea; associate supporter: Agriculture, Forestry and Fisheries Ministry). Through these activities, the Bank aims to heighten awareness of the need to preserve the marine environment and to sustain marine resources.

#### ● **Cooperation with Activities of the Wild Bird Society of Japan**

As a special corporate member of the Wild Bird Society of Japan, the Bank supports activities aimed at protecting the natural environment, especially on wild birds as well as related research and surveys.

#### ● **Cooperation with Activities of the Traditional Culture Promotion Association**

The Bank supports the promotion of traditional culture in Japan as a sponsoring member of the traditional culture promotion association.

### **Overseas Activities**

#### ● **Establishment of the “Norinchukin Fund”**

The Bank established the “Norinchukin Fund” in 1994 to commemorate the 10th anniversary of the establishment of its New York branch. Since then, profits from the fund have been contributed to organizations that promote preservation of the natural environment, as well as educational and cultural programs. In 2004, the Bank contributed to such cultural facilities as the Metropolitan Museum, Carnegie Hall, Lincoln Center and the Museum of Arts and Design. The Bank also made contributions to the Center for Environmental Research and Conservation at Columbia University.

## Business Outline

### Globally Diversified Investments

#### Basic Concept

The Bank places emphasis on total portfolio management based on the concept of globally diversified investments. To accomplish this, the Bank utilizes its strengths, namely (1) a stable yen procurement base provided by cooperative credit businesses, (2) abundant liquidity and (3) efficient business management underpinned by fewer personnel and branches.

#### Characteristics of the Balance Sheet

The Bank's policy of globally diversified investments has resulted in significant changes in its balance sheet, as indicated by the following figures for foreign securities balances. As of March 31, 2005, the Bank's total assets on a consolidated basis amounted to ¥61 trillion (US\$577 billion), with investment securities accounting for ¥37 trillion (US\$348 billion). Of the total amount of investment securities, foreign securities accounted for ¥21 trillion (US\$198 billion).

#### Financial Products

The Bank seeks to diversify its investments with an eye towards an overall asset balance, stability of earnings and risk management. To achieve this, investments in marketable credit risk related financial products, including asset-backed securities (ABS), are carried out. So-called alternative investments, which have a low correlation with bonds and stocks, are also being carried out.

#### Portfolio Management

The Bank's objective in managing its portfolio is to establish a flexible and stable financial structure. In order to realize this, the Bank seeks to optimize allocation through long-term investment by considering risk-return, yield differentials among financial products, correlations and comprehensive diversification (e.g., in financial products, countries, industries and ratings). In doing so, optimal portfolio management in terms of strategic risk taking and risk control is made possible.

#### Risk Management

The Bank has constructed a portfolio comprising various assets based on the concept of globally diversified investments. The Bank considers the comprehensive management of differing risks, risk taking commensurate with its capacity and the appropriate management of these risks essential to maintaining business soundness.

With this understanding, the Bank quantifies its exposure to various risks and constrains the aggregate amount to within its equity capital. To accomplish this, the Bank has adopted the concept of economic capital management and allocates economic capital to individual sectors.

The Bank categorizes “risk” as market risk, credit risk and operational risk, and allocates economic capital on an integrated basis in market-oriented divisions for the purpose of utilizing globally diversified investments to the maximum extent possible. As such, this strategy enables the Bank to allocate and distribute assets in conformance with its business model. Furthermore, every six months, the Board of Directors decides on the allocation of economic capital in accordance with investment policy. The middle office, meanwhile, measures and monitors risk levels on a daily basis.

### Operations of Overseas Branches and Offices

Overseas branches focus on money market operations and loans and are continuing to develop their activities based on the nature of their respective markets. Especially, in their respective money market operations, these branches play an extremely important role in raising stable flows of foreign currencies, which are essential for the implementation of the Bank’s overall strategy of globally diversified investments.

#### The New York Branch

The New York Branch has expanded its business operations since its inception in 1984. In its money market operations, based in the mother market for U.S. dollars, and with its status as a member of the Fixed Income Clearing Corporation (FICC), the branch constantly procures dollar funds on favorable terms through repurchase agreements (repos) and other transactions. In its lending operations, the Bank regards the United States as the largest market for credit investment for non-Japanese clients and is continuing to expand these types of investments while enhancing risk management systems.



The branch also works closely with the Head Office in providing financial services to the U.S. subsidiaries of Japanese companies. Taking advantage of the Bank's higher credit rating, relative to other Japanese banks, the branch has shown steady results to date.

### **The London Branch**

The London Branch was opened in 1991 and is the Bank's largest base among overseas branches for procuring foreign currencies. The branch provides steady flows of foreign currencies by enhancing its strong relations with various financial institutions. It has also benefited from London's strategic position as the center of the Euro market and has delivered results by utilizing the abundant yen funds of the Head Office. The branch is working to selectively expand its credit investments for non-Japanese clients, targeting mainly borrowers in the unified Euro market while paying attention to the diversification of industries and carrying out selective investment. The branch also supports Japanese clients in developing their business operations in Europe.

### **The Singapore Branch**

The Singapore Branch started operations in 1993. Like other branches, the Singapore Branch plays an important role in the procurement of foreign currencies for the Bank by using the infrastructure of the financial centers of Asia and Oceania. In credit investments for non-Japanese clients, the branch focuses on Asia and Oceania while paying close attention to risk management. The branch also provides loans to Japanese-affiliated companies operating in the surrounding Asian countries.

### **Representative Offices (Hong Kong and Beijing)**

In addition to these branches, the Bank established representative offices in Hong Kong and Beijing in 1998. These offices are engaged in gathering information on business activities in East Asia.

These overseas branches are continuing to play important roles as leading-edge centers for the procurement of foreign currencies, as well as credit investment, and the gathering of banking-related information. In doing so, they are improving the Bank's globally diversified investments.

## Market Operations

### Framework for Market Operations

The Bank is one of the most prominent financial institutions in Japan, while, at the same time, an institutional investor with a huge amount of funds under its management.

The market operations divisions are managed under a mutual checking system in which the front, middle and back offices work independently. The front offices manage domestic and overseas investments, including bonds and equities, as one portfolio, and have constructed an efficient and effective investment framework.

The Bank's objective in managing its market portfolio is to establish a flexible and stable financial structure. In order to achieve this, the Bank seeks to optimize asset allocation through long-term investment, taking macroeconomic and risk-return analyses into careful consideration. By doing so, the Bank is able to carry out optimal portfolio management from the standpoint of strategic risk taking and risk control, thanks to a portfolio composition that is globally diversified.

### Securities Investment

Investment in bonds, a core management asset, accounts for a significant portion of the assets of the Bank, due to their risk-return characteristics. When making investment decisions, the Bank gives full attention not only to interest rate risk but also to credit and liquidity risks. As a result, the Bank has constructed an efficient bond portfolio through investment in a variety of domestic and foreign bonds, mainly government bonds.

In equity investments, the Bank takes correlation with other asset classes into consideration and manages its equity portfolio from a long-term perspective. The Bank's strategy for equity investments focuses on passive investing through linkage to various stock indices. The Bank then complements this strategy with active investing aimed at generating returns in excess of that of the relevant index, with holdings diversified among domestic and foreign stocks.

In recent years, the markets for asset-backed securities (ABS) and other marketable credit risk products have expanded. The Bank also actively invests in global credit instruments while implementing complete risk analyses. Moreover, the Bank invests in so-called alternative investments, which have low correlations with traditional assets, such as stocks and bonds.

## **Basic Policy on Investing in Securities and Trading of Short-Term Money-Market Products**

*Top-Level Strategic Portfolio Management-In Both Quality and Volume*

### **Short-Term Money-Market Transactions**

The Bank is a major player in short-term, money-market transactions, in both domestic and overseas markets.

Under an environment of ultra low interest rates in Japan and when interest rates are rising in the United States, the Bank works to efficiently control its available funds, principally obtained from the cooperative organizations, while at the same time giving full consideration to various types of risks. Domestically, the Bank is active in such interbank markets as the call market and in the repo market. The Bank continually maintains a leading role in these markets and plays an important role in expanding these market functions.

Backed by its strong credit standing in foreign currency markets, the Bank conducts stable and effective transactions, including those necessary for globally diversified investment.

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. In addition, the Bank takes part in Continuous-Linked Settlement (CLS), a system for foreign currency settlements, thereby contributing to the construction of a network necessary for managing settlements in U.S. dollars, euros and other major currencies.

### **Foreign-Exchange Transactions**

The Bank has organized an efficient and highly skilled dealing team able to accurately meet the needs of its customers, including cooperative organizations and companies related to the agricultural, forestry and fisheries industries.

### **Trading Operations**

In the trading of financial products, the Bank meets the needs of its customers through transactions in Japanese government bonds, commercial paper (CP) and derivatives. The Bank also works to increase its dealing profits through various methods, such as arbitrage transactions and options, involving respective financial products.

#### **Breakdown of Securities by Type (On a Consolidated Basis)**

As of March 31	Billions of Yen		Millions of U.S. Dollars
	<b>2005</b>	2004	<b>2005</b>
Japanese Government Bonds	<b>¥12,889</b>	¥14,574	<b>\$120,125</b>
Municipal Bonds	<b>198</b>	290	<b>1,852</b>
Corporate Bonds	<b>711</b>	793	<b>6,630</b>
Equities	<b>623</b>	520	<b>5,814</b>
Foreign Securities	<b>21,299</b>	16,047	<b>198,502</b>
Other	<b>1,702</b>	1,282	<b>15,868</b>
Total	<b>¥37,425</b>	¥33,509	<b>\$348,791</b>

## Corporate Business

**Providing various financial services to customers in a broad spectrum of industries, especially enterprises related to the agricultural, forestry and fisheries industries**

As a financial institution based on the agricultural, forestry and fisheries industries, the Bank provides various financial services to private and public enterprises related to these sectors.

The Bank's customer base is highly diverse, encompassing industries that are directly related to the primary sector, including the food industry (processing), the pulp and paper industry (packaging), the chemical products and machinery industries (the manufacture of necessary production equipment and materials), trading companies (distribution) and the supermarket and restaurant industries (final consumption). The Bank's customer base also encompasses other industries as well, including the leasing, credit and the IT/telecommunications sectors. The Bank's corporate business provides various financial services to these customers under a 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 expansion of these customers.

### **Supporting the Procurement of Funds**

The Bank utilizes expertise cultivated as one of Japan's most prominent financial institutions and its considerable fund procurement capabilities, strengthened by cooperative organizations to address increasingly diversified fund procurement methods of its customers. In this way, the Bank is able to steadily meet the demand for funds from its customers. The Bank also provides a wide variety of financial services, ranging from various types of loans (long-term and short-term loans, non-recourse loans, syndicate loans and project finance) in accordance with the evolution of finance. The Bank provides other types of financial support as well, including commitment line contracts, the securitization of sales receivables and real estate, and assistance in procuring funds from capital markets through the issuance of corporate bonds and other instruments. The Bank also proactively invests in these and other financial products in its capacity as an institutional investor.



## *Providing Loans to Enterprises Related to the Agricultural, Forestry and Fisheries Industries*

### **Head Office and Branch Corporate Business System**

The Bank has consolidated its corporate business system at the Head Office and at regional headquarters to promote business deployment. The Head Office assists in the procurement of funds through a special division that addresses customer needs according to the type of business. Branches work with the Head Office to arrange various corporate functions and methods to address wide-ranging customer needs. The current system consists of the corporate divisions in the Head Office as well as respective branches in Sapporo, Akita, Sendai, Utsunomiya, Kanazawa, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka and Naha.

For customers with operations overseas, the Bank uses its top-class rating among Japanese banks to address their foreign currency procurement needs through branches in New York, London and Singapore.

### **Other Financial Services**

The Bank provides a host of other financial services as well, proposals for avoiding interest rate risk through the use of derivatives, the supply of information that leverages its business base (i.e., cooperatives), and advice on initial public offerings (IPO).

#### **Breakdown of Loans by Industry (On a Non-Consolidated Basis)**

As of March 31	Billions of Yen (%)		Millions of U.S. Dollars
	2005	2004	2005
Foods	¥ 400 (2.5%)	¥ 459 (2.6%)	\$ 3,729
Pulp and Paper	194 (1.2)	223 (1.2)	1,812
Chemicals	299 (1.9)	353 (2.0)	2,790
Other Manufacturing	730 (4.7)	799 (4.5)	6,804
Agriculture, Forestry and Fisheries	142 (0.9)	162 (0.9)	1,328
Construction	100 (0.6)	124 (0.7)	936
Electricity, Gas and Water	225 (1.4)	256 (1.4)	2,097
Transportation and Telecommunications	836 (5.3)	944 (5.3)	7,796
Wholesale, Retail and Restaurant	1,253 (8.0)	1,455 (8.2)	11,685
Services	1,217 (7.8)	1,339 (7.5)	11,350
Finance and Insurance	3,272 (20.9)	4,932 (27.7)	30,501
Other Non-Manufacturing	7,027 (44.8)	6,748 (37.9)	65,495
<b>Total</b>	<b>¥15,700 (100.0%)</b>	<b>¥17,798 (100.0%)</b>	<b>\$146,323</b>

## Capital Markets Business

Providing services that contribute to the procurement of funds and to fund management for cooperative organizations and other customers.

### **The capital markets business and provisions of support for investing in marketable securities to cooperative organizations**

The Bank assists in raising funds from capital markets by acting as a commissioned bank for bond issues and by underwriting commercial paper (CP). In addition, the Bank helps to stabilize procurement of funds by customers through structuring and acquiring private-placement bonds.

Regarding investment in marketable securities by JA and Shinnoren, the Bank provides systems related to settlement and risk management and offers guidance on improving ALM and risk management through personal exchanges, including through a training program in which the Bank accepts interns from Shinnoren. Additionally, the Bank has positioned the capital markets business as an operational guidance that advises JA Bank members under the framework of the JA Banking System.

### **Deployment of Securities-Related Subsidiaries**

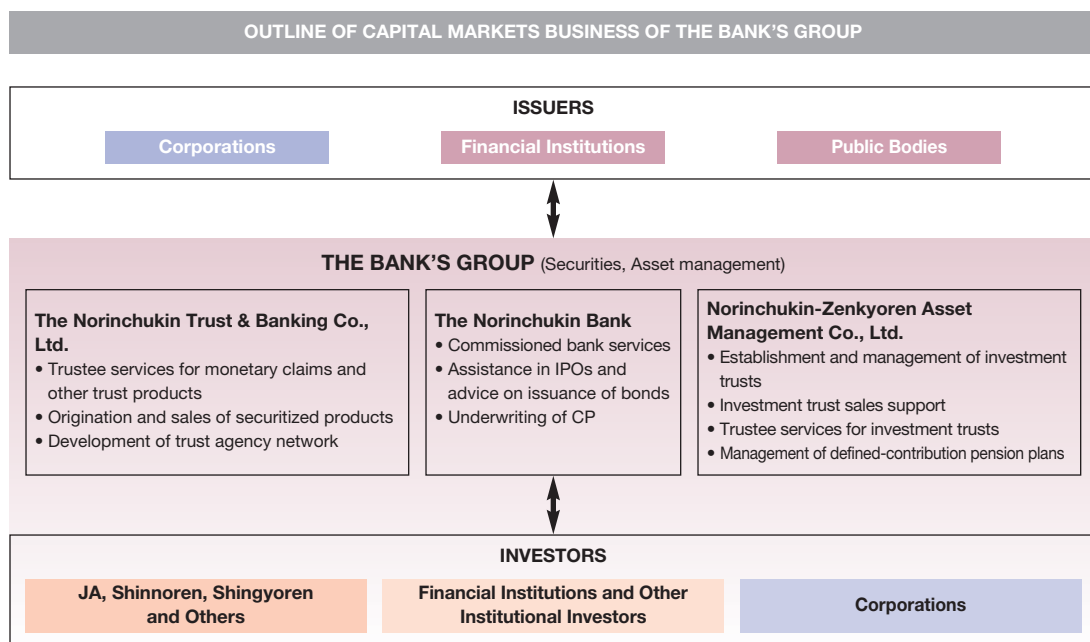
Subsidiaries that are part of the Bank's market securities group continually work to increase operational efficiency based on the Bank's management strategy. They also provide such functions as asset management and support for the cooperative retail business as part of a broader effort to address the increasingly diverse and sophisticated needs of cooperative organizations and other customers.

The Norinchukin Trust & Banking Co., Ltd. provides trust services to cooperative organizations, corporations and other clients and has amassed more than ¥10 trillion in assets under management. Norinchukin-Zenkyoren Asset Management Co., Ltd. develops and provides investment trusts (funds). Also, as an organization that provides mainstay cooperative investment trusts (through OTC sales) the company is committed to achieving highly transparent disclosure and heightened investment performance.

## *The Capital Markets Business Addresses the Needs of Cooperative Organizations and Other Customers.*

Meanwhile, based on a policy that focuses on the concentration of corporate resources in key fields, the operations of Norinchukin Securities Co., Ltd. were transferred to Mizuho Securities Co., Ltd. in March 2004, with formal corporate liquidation procedures completed in September of the same year. Furthermore, London-based Norinchukin International plc ceased its operations in June 2004, and corporate liquidation procedures are under way.

Investment in Mizuho Securities by the Bank in September 2004 was decided based on the expectations that a strengthened relationship and an enhanced business base would further strengthen the ability of cooperative organizations to carry out investment in marketable securities, in light of the strong performance of its securities business that serves cooperative organizations following the assumption from Norinchukin Securities Co., Ltd.



# Financial Information

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## Financial Review

### SUMMARY OF CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2005

In fiscal 2004 (ended March 31, 2005), the Bank's consolidated results encompassed nine consolidated subsidiaries (four less than in the previous fiscal year) and three equity-method affiliates (unchanged).

Below is a summary of the Bank's consolidated results for fiscal 2004.

#### Principle Balance Sheet Items

Total assets at the end of the fiscal year were at ¥61,978 billion (US\$577 billion), up ¥145 billion from the previous fiscal year.

On the procurement side, deposits amounted to ¥40,879 billion (US\$380 billion), down ¥220 billion, and reflecting the procurement of funds from customers and the markets as well as funding trends at the JA and Shinnoren levels. Also, the balance of debentures totaled ¥4,704 billion (US\$43 billion), down ¥509 billion year to year.

In investing activities, the loan balance fell ¥2,097 billion from the previous fiscal year to ¥15,692 billion (US\$146 billion), while the balance of investment securities rose ¥3,916 billion to ¥37,425 billion (US\$348 billion).

#### Principle Income Statement Items

Interest and dividend income rose ¥104 billion to ¥937 billion (US\$8,733 million), mainly because of a higher average balance of investment securities. Other income fell ¥69 billion to ¥239 billion (US\$2,232 million). As a result, total income fell ¥35 billion to ¥1,176 billion (US\$10,965 million). On the other hand, total expenses rose ¥28 billion to ¥981 billion (US\$9,151 million), reflecting the early adoption of impairment accounting which resulted in an impairment loss (extraordinary loss) of ¥29 billion (US\$275 million). In consequence, net income decreased ¥4 billion from the previous fiscal year to ¥139 billion (US\$1,304 million).

#### Capital Adequacy Ratio

The Bank's consolidated capital adequacy ratio calculated according to BIS standards was 12.15% as of March 31, 2005.

Fiscal years ended March 31	Billions of Yen					Millions of U.S. Dollars	
	2000	2001	2002	2003	2004	2004	
Total Income	¥ 1,743	¥ 1,619	¥ 1,463	¥ 1,141	¥ 1,176	\$ 10,965	
Total Expenses	1,602	1,528	1,367	953	981	9,151	
Net Income	117	70	65	144	139	1,304	
Total shareholders' Equity	2,219	1,881	1,767	2,523	2,901	27,042	
Total Assets	60,176	57,579	61,265	61,833	61,978	577,620	

## The Norinchukin Bank and Subsidiaries

Consolidated Balance Sheets  
As of March 31, 2005 and 2004

As of March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Assets</b>			
Cash and Due from Banks (Note 31)	¥ 2,385,245	¥ 3,686,052	\$ 22,230
Call Loans and Bills Purchased	429,463	421,310	4,002
Receivables under Resale Agreements	-	59,784	-
Collateral Deposited under Securities Borrowed	19,321	327,486	180
Commercial Paper and Other Debt Purchased	837,847	654,839	7,808
Trading Assets (Note 3)	383,701	516,108	3,576
Money Held in Trust	4,154,667	3,840,206	38,720
Securities (Note 4)	37,425,281	33,509,192	348,791
Loans and Bills Discounted (Note 5)	15,692,220	17,789,413	146,246
Foreign Exchange Assets (Note 6)	8,828	15,618	82
Other Assets (Note 7)	588,069	928,589	5,481
Premises and Equipment (Note 8)	173,641	209,297	1,618
Deferred Debenture Discounts	180	229	2
Deferred Tax Assets (Note 17)	3,377	3,525	32
Customers' Liabilities for Acceptances and Guarantees (Note 18)	195,576	239,850	1,823
Reserve for Possible Loan Losses	(318,809)	(368,487)	(2,971)
Total Assets	¥ 61,978,612	¥ 61,833,018	\$ 577,620
<b>Liabilities, Minority Interests and Shareholders' Equity</b>			
<b>Liabilities</b>			
Deposits (Note 10)	¥ 40,879,067	¥ 41,099,473	\$ 380,979
Debentures (Note 11)	4,704,361	5,213,816	43,843
Call Money and Bills Sold	3,892,447	3,560,548	36,276
Payables under Repurchase Agreements	3,869,804	3,671,423	36,065
Collateral Received under Securities Loaned	2,135,835	2,109,476	19,905
Trading Liabilities (Note 12)	52,230	67,860	487
Borrowings (Note 13)	888,638	905,363	8,282
Foreign Exchange Liabilities (Note 14)	56	328	1
Other Liabilities (Note 15)	2,186,707	2,306,599	20,379
Reserve for Bonus Payments	4,769	4,430	45
Reserve for Retirement Benefits (Note 16)	8,935	9,363	83
Deferred Tax Liabilities (Note 17)	228,426	81,911	2,129
Deferred Tax Liabilities Relating to Land Revaluation	24,906	34,091	232
Acceptances and Guarantees (Note 18)	195,576	239,850	1,823
Total Liabilities	59,071,763	59,304,539	550,529
<b>Minority Interests</b>			
Minority Interests	5,300	4,581	49
<b>Shareholders' Equity</b>			
Paid-in Capital (Note 21)	1,224,999	1,224,999	11,417
Capital Surplus	25,020	25,020	233
Retained Earnings	833,818	723,322	7,771
Land Revaluation Reserve	55,050	75,350	513
Net Unrealized Gains on Securities, net of taxes	762,659	476,101	7,108
Foreign Currency Translation Adjustments	-	(897)	-
Total Shareholders' Equity	2,901,548	2,523,897	27,042
Total Liabilities, Minority Interests and Shareholders' Equity	¥ 61,978,612	¥ 61,833,018	\$ 577,620

The accompanying notes are an integral part of the financial statements.

## The Norinchukin Bank and Subsidiaries

Consolidated Statements of Operations  
For the fiscal years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Income</b>			
Interest and Dividend Income:			
Interest on Loans and Bills Discounted	¥ 120,714	¥ 135,996	\$ 1,125
Interest on and Dividends from Securities	772,320	649,312	7,198
Other Interest Income (Note 22)	44,032	47,276	410
Fees and Commissions	24,929	25,337	232
Trading Revenue (Note 23)	495	2,413	5
Other Operating Income (Note 24)	75,877	130,411	707
Other Income (Note 25)	138,153	150,627	1,288
Total Income	<u>1,176,524</u>	<u>1,141,375</u>	<u>10,965</u>
<b>Expenses</b>			
Interest Expenses:			
Interest on Deposits	96,199	63,014	897
Interest on Debentures	31,342	41,095	292
Interest on Borrowings	7,257	6,638	68
Other Interest Expenses (Note 26)	542,055	475,879	5,052
Fees and Commissions	10,117	8,980	94
Trading Losses (Note 27)	165	332	2
Other Operating Expenses (Note 28)	85,341	142,851	795
General and Administrative Expenses	114,495	123,695	1,067
Other Expenses (Note 29)	94,849	91,130	884
Total Expenses	<u>981,825</u>	<u>953,616</u>	<u>9,151</u>
<b>Income before Income Taxes and Minority Interests</b>	194,698	187,758	1,814
Income Taxes:			
Current	46,271	47,766	431
Deferred	7,749	(5,187)	72
Minority Interests in Net Income	724	553	7
<b>Net Income</b>	<u>¥ 139,951</u>	<u>¥ 144,626</u>	<u>\$ 1,304</u>
			U.S. Dollars (Note 1)
	2005	2004	2005
<b>Net Income per Share</b>	¥ 64.81	¥ 67.14	\$ 0.60

The accompanying notes are an integral part of the financial statements.

## The Norinchukin Bank and Subsidiaries

### Consolidated Statements of Capital Surplus and Retained Earnings For the fiscal years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)	
	2005	2004	2005	
<b>Capital Surplus</b>				
Balance at the Beginning of the Year	¥ 25,020	¥ 25,020	\$	233
Balance at the End of the Year	¥ 25,020	¥ 25,020	\$	233
<b>Retained Earnings</b>				
Balance at the Beginning of the Year	¥ 723,322	¥ 608,766	\$	6,741
Additions:				
Net Income for the Year	139,951	144,626		1,304
Transfer from Land Revaluation Reserve	20,270	2,988		189
Deductions:				
Dividends	48,212	33,059		449
Change due to exclusion of subsidiaries from consolidation	1,513	-		14
Balance at the End of the Year	¥ 833,818	¥ 723,322	\$	7,771

The accompanying notes are an integral part of the financial statements.



## The Norinchukin Bank and Subsidiaries

Consolidated Statements of Cash Flows  
For the fiscal years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Cash Flows from Operating Activities:</b>			
Income before Income Taxes and Minority Interests	¥ 194,698	¥ 187,758	\$ 1,814
Depreciation of Premises and Equipment	6,491	6,659	60
Losses on Impairment of Fixed Assets	29,488	-	275
Share of Earnings of Affiliates	(641)	(364)	(6)
Net (Decrease) Increase in Reserve for Possible Loan Losses	(49,677)	6,472	(463)
Net Increase in Reserve for Bonus Payments	346	255	3
Net Decrease in Reserve under Special Laws	-	(5)	-
Net (Decrease) Increase in Reserve for Retirement Benefits	(428)	1,221	(4)
Interest and Divided Income	(937,067)	(832,584)	(8,733)
Interest Expenses	676,854	586,627	6,308
Losses on Securities	111,377	113,428	1,038
Gains on Money Held in Trust	(20,214)	(6,546)	(188)
Foreign Exchange (Gains) Losses	(427,161)	1,544,237	(3,981)
Losses on Sales of Premises and Equipment	1,451	3,591	14
Net Decrease in Trading Assets	106,031	1,404,345	988
Net Decrease in Trading Liabilities	(15,630)	(381,199)	(146)
Net Decrease in Loans and Bills Discounted	2,106,860	1,389,751	19,635
Net (Decrease) Increase in Deposits	(518,901)	613,742	(4,836)
Net Increase in Negotiable Certificates of Deposit	106,112	67,518	989
Net Decrease in Debentures	(509,454)	(576,966)	(4,748)
Net (Decrease) Increase in Borrowings (Excluding Subordinated Borrowings)	(43)	22,590	(0)
Net Decrease in Interest-bearing Due from Banks	1,415,894	746,983	13,196
Net Increase in Call Loans and Bills Purchased and Other	(191,163)	(21,191)	(1,782)
Net Decrease in Collateral Deposited under Securities Borrowed	308,165	639,027	2,872
Net Increase (Decrease) in Call Money and Bills Sold and Other	851,382	(1,364,399)	7,935
Net (Decrease) Increase in Short-term Entrusted Fund	(143,238)	242,931	(1,335)
Net Increase in Collateral Received under Securities Loaned	26,358	1,157,418	246
Net Decrease in Foreign Exchanges Assets	6,790	5,680	63
Net Decrease in Foreign Exchanges Liabilities	(272)	(7,464)	(3)
Interest Received	980,868	908,447	9,141
Interest Paid	(667,043)	(642,955)	(6,217)
Other, Net	353,030	(295,447)	3,290
Subtotal	3,801,263	5,519,564	35,425
Income Taxes	(48,292)	(24,373)	(450)
Net Cash Provided by Operating Activities	¥ 3,752,971	¥ 5,495,190	\$ 34,975

## The Norinchukin Bank and Subsidiaries

Consolidated Statements of Cash Flows, continued  
For the fiscal years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Cash Flows from Investing Activities:</b>			
Purchases of Securities	¥ (11,395,880)	¥ (13,581,463)	\$ (106,206)
Proceeds from Sales of Securities	5,034,461	5,819,471	46,919
Proceeds from Redemption of Securities	3,159,833	2,205,297	29,449
Increase in Money Held in Trust	(1,684,658)	(1,417,820)	(15,700)
Decrease in Money Held in Trust	1,410,722	1,428,015	13,148
Purchases of Premises and Equipment	(6,181)	(37,291)	(58)
Proceeds from Sales of Premises and Equipment	2,467	33,301	23
Purchases of Stocks of Subsidiaries (effecting changes in the scope of consolidation)	-	(214)	-
Net Cash Used in Investing Activities	<u>¥ (3,479,235)</u>	<u>¥ (5,550,704)</u>	<u>\$ (32,425)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from Issuance of Subordinated Borrowings	¥ -	¥ 183,500	\$ -
Dividends Paid	(48,212)	(33,059)	(449)
Dividends Paid to Minority Interests	(9)	(4)	(0)
Net Cash (Used in) Provided by Financing Activities	<u>¥ (48,222)</u>	<u>¥ 150,435</u>	<u>\$ (449)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	¥ 0	¥ (222)	\$ 0
<b>Net Increase in Cash and Cash Equivalents</b>	<b>225,514</b>	<b>94,699</b>	<b>2,101</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>468,565</b>	<b>373,865</b>	<b>4,367</b>
<b>Net Decrease in Cash and Cash Equivalents due to exclusion of subsidiaries from consolidation</b>	<b>(246)</b>	<b>-</b>	<b>(2)</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<u>¥ 693,833</u>	<u>¥ 468,565</u>	<u>\$ 6,466</u>

The accompanying notes are an integral part of the financial statements.

# The Norinchukin Bank and Subsidiaries

## Notes to the Consolidated Financial Statements

### 1. Basis of Presentation

The consolidated financial statements have been prepared based on the accounting records maintained by The Norinchukin Bank (“the Bank”) and its consolidated subsidiaries in accordance with the provisions set forth in The Norinchukin Bank Law and in conformity with accounting principles and practices generally accepted in Japan, that are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Agriculture, Forestry and Fisheries of Japan have been reclassified for the convenience of readers.

The consolidated financial statements are intended only to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in Japan.

Amounts in U.S. dollars are included solely for the convenience of readers. The exchange rate of ¥107.30=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2005, has been used for translation purposes. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the aforementioned rate or at any other rate.

The yen figures disclosed in the consolidated financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of rounded figures and the totals listed in the annual report.

### 2. Summary of Significant Accounting Policies

#### (1) Principles of Consolidation

##### Scope of Consolidation

##### Subsidiaries

Subsidiaries are, in general, the companies in which the Bank 1) holds, directly and/or indirectly, more than 50% of the voting shares; 2) holds, directly and/or indirectly, 40% or more of the voting shares and, at the same time, exercises effective control over the decision-making body by directing business policy and deciding on financial and operating policies; or 3) holds more than 50% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, has effective control over the decision-making body, unless evidence exists which shows that the Bank does not have such control.

The number of subsidiaries as of March 31, 2005 was nine, all of which were consolidated. During the fiscal

year ended March 31, 2005, Zaikei Kyodo Center Co., Ltd. and Norinchukin Business Service Co., Ltd. were excluded from the scope of consolidation due to their merger into Norinchukin Career Service Co., Ltd. (Norinchukin Career Service Co., Ltd. renamed itself Norinchukin Business Support Co., Ltd.)

Norinchukin Securities Co., Ltd. and Norinchukin International plc. were also excluded from the scope of consolidation during the fiscal year ended March 31, 2005 due to the completion of its liquidation and it being in the process of liquidation, respectively. The major consolidated subsidiaries are as follows:

The Norinchukin Trust & Banking Co., Ltd.

Norinchukin Business Support Co., Ltd.

#### Affiliates

Affiliates are, in general, the companies, other than subsidiaries, in which the Bank 1) holds, directly and/or indirectly, 20% or more of the voting shares; 2) holds, directly and/or indirectly, 15% or more of the voting shares and also is able to influence the decision-making body through sharing of personnel, provision of finance and technology, and other relationships; or 3) holds more than 20% of the voting shares together with those entities that would vote or agree to vote with the Bank due to their close relationship with the Bank through sharing of personnel, provision of finance and technology and other relationships and, at the same time, is able to influence the decision-making body in a material degree, unless evidence exists which shows that the Bank does not have such influence.

The number of affiliates as of March 31, 2005 was four, three of which were accounted for under the equity method, while the remaining immaterial affiliate is carried at cost. The major affiliate accounted for under the equity method is as follows:

Kyodo Leasing Co., Ltd.

Any difference between the fair value of net assets acquired and acquisition cost is charged or credited to income in the year of acquisition.

All subsidiaries' fiscal year-ends are March 31.

#### (2) Transactions for Trading Purposes

Transactions for trading purposes are those seeking to capture gains arising from short-term market movements or from the differences between markets, interest rates or foreign exchange rates. Such transactions are reported as Trading Assets or Trading Liabilities in the consolidated balance sheets on a trade date basis.

Gains and losses arising from transactions for trading purposes are recorded on a trade date basis.

Securities, monetary claims and certain other items held for trading purposes are valued at the market price prevailing at the end of the fiscal year. Derivatives held for trading purposes, such as swaps, futures and options, are valued on the assumption that they were settled at the end of the fiscal year.

Trading Revenue and Trading Losses include interest received and paid during the fiscal year, gains or losses resulting from any change in the value of securities and monetary claims between the end of the previous fiscal year and the end of this fiscal year, and gains or losses resulting from any change in the value of derivatives between the end of the previous fiscal year and the end of this fiscal year, assuming they were settled at the end of the fiscal year.

### **(3) Financial Instruments**

#### **(a) Securities**

Held-to-maturity debt securities are valued at amortized cost, as determined by the moving average method. Other securities that have a market price are valued at the market price prevailing at the end of the fiscal year (the attributable cost of securities sold is determined by the moving average method). Other securities without a market price are valued at cost as determined by the moving average method or are valued at amortized cost. Investments in affiliates that are not accounted for under the equity method are valued at cost, as determined by the moving average method. The value of Money Held in Trust is calculated by valuing the underlying securities held using the same methods employed to value trading assets and securities described above.

The net unrealized gain or loss on other securities and other money held in trust is reported separately in Shareholders' Equity, on a net-of-tax basis.

#### **(b) Derivatives**

Derivative transactions (other than transactions for trading purposes) are held at fair value.

#### **(c) Hedge Accounting**

##### **①Hedge of Interest Rate Risk**

The Bank applies the deferred method of hedge accounting to manage interest rate risk arising on various financial assets and liabilities, which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks", issued by the Japanese Institute of Certified Public Accountants (JICPA), (JICPA Industry Audit Committee Report No. 24). Hedge effectiveness of a fair value hedge is assessed for each identified group of hedged items, such as loans and deposits, and the corresponding group of hedging instruments, such as interest rate swaps with the same maturity bucket. Hedge effectiveness of a cash flow hedge is assessed based on the correlation between the interest rate risk factor of the hedged items and that of the hedging instruments.

Deferred Hedge Gains/Losses were recorded in the consolidated balance sheets as a result of applying a macro hedging methodology based on "Tentative Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 15), under which the Bank used derivatives to manage the overall interest rate risk arising on various financial assets and liabilities, such as loans and deposits. Such Deferred Hedge Gains/Losses are amortized into Interest Income or Interest Expenses over 7 years, the average remaining maturity, as calculated, based on the maturity and notional amount of the hedging instruments, beginning in the fiscal year ended March 31, 2004.

The unamortized balance of Deferred Hedge Losses and Deferred Hedge Gains under a macro hedging methodology as of March 31, 2005 were ¥71,944 million (\$670 million) and ¥2,060 million (\$19 million), respectively.

##### **②Hedge of Foreign Exchange Rate Risk**

The Bank applies the deferred method of hedge accounting to manage foreign exchange rate risk arising on various financial assets and liabilities denominated in foreign currencies, which is described in "Accounting and

Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25). Hedge effectiveness is assessed by checking whether the amount of the hedged items, such as financial monetary assets and liabilities denominated in foreign currencies, exceeds that of the hedging instruments, such as currency swap or foreign exchange swap transactions, entered into to mitigate the foreign exchange rate risk arising on the hedged items.

The fair value method of hedge accounting, as comprehensive hedging methodologies, are applied for hedging foreign exchange rate risk arising on securities denominated in foreign currencies (other than debt securities), provided that (1) the securities denominated in foreign currencies are identified as hedged items in advance, and (2) spot and forward liabilities that exceed the acquisition costs of the foreign currency securities designated as hedged items exist on a foreign currency basis.

### ③ Internal Derivative Transactions

Internal derivative transactions between trading purpose accounts and other accounts (or inter-division transactions), which are designated as hedges, are not eliminated. The related gains and losses are recognized in the consolidated statements of operations or are deferred in accordance with the hedge accounting rules, because the internal interest rate swap and currency swap transactions, that are designated as hedging instruments, are conducted in a non discretionary manner and are appropriately covered by third party transactions, which are conducted in accordance with the standards articulated by the JICPA Industry Audit Committee Report No. 24 and No. 25.

For certain other assets or liabilities, the Bank applies the deferral method or the accrual method, as specifically allowed for certain interest rate swaps. Under the deferral method, the recognition of income or expenses arising on a hedging instrument is deferred to the period when the income or expenses arising on the hedged item are recognized.

The Bank’s consolidated subsidiaries do not adopt hedge accounting.

## (4) Premises and Equipment

### ① Depreciation

Depreciation of premises and equipment of the Bank is calculated using the reducing-balance method (however, depreciation on buildings acquired after April 1, 1998 (excluding annex facilities of buildings) is calculated using the straight-line method).

The useful lives of premises and equipment are as follows:

Buildings: 15~50 years

Equipment: 4~15 years

Depreciation of premises and equipment of the consolidated subsidiaries is calculated using primarily the reducing-balance method over the estimated economic useful lives of the premises and equipment.

### ② Land Revaluation

In accordance with the Law Concerning the Revaluation of Land, effective as of March 31, 1998, land used for

business purposes has been revalued as of March 31, 1998. The unrealized gain arising on the revaluation, net of deferred tax, was disclosed as Land Revaluation Reserve and included in Shareholders' Equity on the consolidated balance sheets. The related deferred tax liability is included in Liabilities as Deferred Tax Liabilities Relating to Land Revaluation.

The land price used for the revaluation was determined based on third-party appraisals in accordance with Article 2-5 of the enforcement ordinance for the Law Concerning the Revaluation of Land.

The difference (unrealized loss) between the book value of land, after the revaluation undertaken in accordance with Article 10 of the Law Concerning the Revaluation of Land, and the fair value was ¥256 million (\$2 million) and ¥31,123 million as of March 31, 2005 and March 31, 2004, respectively.

### ③ Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council of Japan issued the new Japanese accounting standard for impairment of fixed assets, "The Opinion concerning the Establishment of Accounting Standards for Impairment of Fixed Assets". In addition, on October 31, 2003, the Accounting Standards Board of Japan issued "Implementation Guidance for Accounting Standards for Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guidance No. 6). This standard shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

Therefore, the Bank and its consolidated subsidiaries have implemented early adoption of this standard during the fiscal year ended March 31, 2005. As a result, Income before Income Taxes and Minority Interests decreased by ¥29,488 million (\$275 million) as compared with the amount that would have been recorded if the standard had not been adopted.

All fixed assets are stated at cost less accumulated impairment losses.

### (5) Software

The cost of computer software developed or obtained for internal use is capitalized and amortized using the straight-line method over its estimated useful life of 5 years.

### (6) Debentures

Debenture expenses are charged to income as incurred.

### (7) Foreign Currency Translation

Assets/liabilities denominated in foreign currencies, and accounts of overseas branches in the Bank, are translated into Japanese yen primarily using the exchange rates in effect at the consolidated balance sheet date.

Assets/Liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen using the respective exchange rates in effect at the balance sheet date.

### (8) Reserve for Possible Loan Losses

The Reserve for Possible Loan Losses of the Bank is computed as follows:

a. The reserve for loans to debtors that are legally or substantially bankrupt is provided based on the remaining

amount of the loans after the direct write-off described below and the deduction of the amount expected to be collected through the disposal of collateral or the execution of guarantees. With respect to loans to borrowers who are legally or substantially in bankruptcy that are secured with collateral or guarantees, the remaining amount of the loan, after the deduction of the amount of collateral or the execution of guarantees, is directly written off. The amount of such direct write-offs was ¥55,936 million (\$521 million) and ¥42,763 million for the fiscal year ended March 31, 2005 and 2004, respectively.

- b. The reserve for loans to debtors who are not currently bankrupt, but are likely to become bankrupt, is provided based on the amount necessary, taking into account the overall solvency assessment of the debtor and after deducting the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- c. The reserve for loans to debtors that have “Restructured Loans” (see Note 5(3)), and whose loans exceed a certain specific amount, is provided based on the Discounted Cash Flows Method if the future cash flows of the principal and interest can be reasonably estimated. Under the Discounted Cash Flows Method, the reserve is recognized as the difference between the book value of the loan and its present value of expected future cash flows, discounted by the contractual interest rate before the terms of the loan were restructured.
- d. The reserve for loans other than those indicated above, is provided primarily based on the default rate which the Bank has calculated based on actual defaults experienced in the past.
- e. The specific reserve for loans to countries with financial problems is provided based on the expected amount of losses taking into account the political, economic and other conditions in each country.

All claims are assessed by the Business Units based on the Bank’s internal rules for the self-assessment of asset quality. The Asset Audit Department, which is independent from the Business Units, audits these self-assessments. The reserves described above are determined based upon the results of these audits.

The Reserve for Possible Loan Losses determined by the Bank’s consolidated subsidiaries is computed primarily in the same manner employed by the Bank.

#### **(9) Reserve for Bonus Payments**

Reserve for Bonus Payments represents estimated payment of bonuses attributable to employees in relation to the current fiscal year.

#### **(10) Reserve for Retirement Benefits**

The Reserve for Retirement Benefits, which is provided for the payment of employees’ retirement benefits, represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets taking into account adjustments for unrecognized prior year service costs and unrecognized actuarial differences at the end of the fiscal year.

Any change in plan benefits that impacts the benefit plan is charged to income in the year of change. Any actuarial differences are amortized over 10 years beginning one fiscal year after the year when the difference is identified.

#### **(11) Accounting for Finance Leases**

Accounting for finance leases where the ownership of assets is not transferred to the lessee is consistent with the same accounting principles as for operating leases. Rental expenses under operating leases are charged to



income.

**(12) Consumption Taxes**

Consumption tax and local consumption tax incurred by the Bank and its consolidated subsidiaries are excluded from transaction amounts.

**(13) Income Taxes**

The income taxes of the Bank comprise corporate income taxes, local inhabitant taxes and enterprise taxes. Deferred income taxes are provided for in respect of temporary differences between the tax and accounting basis of recording assets and liabilities in the financial statements.

**(14) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows**

In the consolidated statements of cash flows, Cash and Cash Equivalents comprise cash and non-interest-bearing due from banks, included in Cash and Due from Banks on the consolidated balance sheets.

**(15) Net Income per Share**

Net Income per Share is computed based upon the weighted average number of shares outstanding during the fiscal year.

The total dividend for Lower Dividend Rate Stock and Preferred Stock is deducted from the numerator and the aggregate number of these stocks is deducted from the denominator in the calculation of net income per share.

**3. Trading Assets**

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Trading Securities	¥ 21,916	¥ 91,107	\$ 204	
Derivatives of Trading Securities	-	97	-	
Derivatives of Securities Related to Trading Transactions	57	-	1	
Trading-related Financial Derivatives	52,863	68,132	493	
Other Trading Assets	308,864	356,771	2,878	
<b>Total</b>	<b>¥ 383,701</b>	<b>¥ 516,108</b>	<b>\$ 3,576</b>	

#### 4. Securities

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	
Japanese Government Bonds	¥ 12,889,388	¥ 14,574,559	\$ 120,124	
Municipal Government Bonds	198,696	290,269	1,852	
Corporate Bonds	711,377	793,728	6,630	
Stocks	623,829	520,510	5,814	
Other	23,001,989	17,330,125	214,371	
<b>Total</b>	<b>¥ 37,425,281</b>	<b>¥ 33,509,192</b>	<b>\$ 348,791</b>	

The maturity profile of other securities with stated maturities and held-to-maturity debt securities is as follows:

As of March 31, 2005	Millions of Yen			
	1 Year or Less	Over 1Year ~ 5 Years	Over 5 Years ~ 10 Years	Over 10 Years
Bonds	¥ 268,204	¥ 3,797,717	¥ 4,092,347	¥ 5,622,898
Japanese Government Bonds	57,278	3,383,389	3,868,640	5,561,786
Municipal Government Bonds	79,424	113,804	4,631	835
Corporate Bonds	131,501	300,523	219,076	60,276
Other	381,978	2,381,735	4,351,480	4,664,923
<b>Total</b>	<b>¥ 650,182</b>	<b>¥ 6,179,453</b>	<b>¥ 8,443,828</b>	<b>¥ 10,287,822</b>

As of March 31, 2004	Millions of Yen			
	1 Year or Less	Over 1Year ~ 5 Years	Over 5 Years ~ 10 Years	Over 10 Years
Bonds	¥ 661,779	¥ 4,986,745	¥ 5,957,164	¥ 4,052,867
Japanese Government Bonds	417,632	4,405,220	5,762,479	3,989,226
Municipal Government Bonds	70,635	212,369	6,385	879
Corporate Bonds	173,511	369,154	188,300	62,762
Other	588,295	1,854,951	4,818,549	2,751,849
<b>Total</b>	<b>¥ 1,250,075</b>	<b>¥ 6,841,697</b>	<b>¥ 10,775,713</b>	<b>¥ 6,804,717</b>

	Millions of U.S. Dollars			
	1 Year or Less	Over 1Year ~ 5 Years	Over 5 Years ~ 10 Years	Over 10 Years
As of March 31, 2005				
Bonds	\$ 2,499	\$ 35,393	\$ 38,139	\$ 52,404
Japanese Government Bonds	534	31,532	36,054	51,834
Municipal Government Bonds	740	1,060	43	8
Corporate Bonds	1,225	2,801	2,042	562
Other	3,560	22,197	40,554	43,475
Total	\$ 6,059	\$ 57,590	\$ 78,693	\$ 95,879

#### 5. Loans and Bills Discounted

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
As of March 31			
Loans on Deeds	¥ 13,169,684	¥ 14,787,741	\$ 122,737
Promissory Notes	241,819	348,504	2,254
Overdrafts	2,249,876	2,613,947	20,968
Bills Discounted	30,839	39,220	287
Total	¥ 15,692,220	¥ 17,789,413	\$ 146,246

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
As of March 31			
Loans to Borrowers under Bankruptcy Proceedings	¥ 2,093	¥ 4,455	\$ 20
Loans with Principal or Interest Payments More Than Six Months in Arrears	247,373	360,880	2,305
Loans with Principal or Interest Payments More Than Three Months in Arrears	2,141	2,500	20
Restructured Loans	239,058	283,100	2,228
Total	¥ 490,666	¥ 650,936	\$ 4,573

- (1) The Bank does not accrue interest on "Loans to Borrowers under Bankruptcy Proceedings" and "Loans with Principal or Interest Payments More Than Six Months in Arrears".
- (2) "Loans with Principal or Interest Payments More Than Three Months in Arrears" are loans which are past-due by 3 months or more other than "Loans to Borrowers under Bankruptcy Proceedings" and "Loans with Principal or Interest Payments More Than Six Months in Arrears".
- (3) "Restructured Loans" are loans whereby, in order to support the borrowers' rehabilitation and facilitate the collection of the loan, the terms of the loans are restructured in favor of the borrowers by reducing the interest rate, suspending payments of interest or principal, waiving principal repayments, etc.

## 6. Foreign Exchange Assets

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Foreign Bills Purchased	¥ 123	¥ 1,563	\$ 1	
Foreign Bills Receivable	5,979	10,374	56	
Due from Foreign Banks	2,725	3,680	25	
<b>Total</b>	<b>¥ 8,828</b>	<b>¥ 15,618</b>	<b>\$ 82</b>	

## 7. Other Assets

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Prepaid Expenses	¥ 1,419	¥ 926	\$ 13	
Accrued Income	180,525	186,089	1,682	
Financial Derivatives	125,918	437,327	1,174	
Deferred Hedge Losses	84,716	120,170	790	
Other	195,489	184,075	1,822	
<b>Total</b>	<b>¥ 588,069</b>	<b>¥ 928,589</b>	<b>\$ 5,481</b>	

## 8. Premises and Equipment

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Land	¥ 106,061	¥ 138,672	\$ 988	
Buildings	56,191	57,812	524	
Equipment	5,626	6,126	52	
Other	5,762	6,686	54	
<b>Total Net Book Value</b>	<b>¥ 173,641</b>	<b>¥ 209,297</b>	<b>\$ 1,618</b>	
<b>Accumulated Depreciation Deducted</b>	<b>¥ 98,690</b>	<b>¥ 97,461</b>	<b>\$ 920</b>	

## 9. Assets Pledged

Assets pledged as collateral comprise the following:

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Trading Assets	¥ 38,996	¥ 13,798	\$ 363	
Securities	5,692,788	5,331,583	53,055	

Liabilities related to the above pledged assets are as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Call Money and Bills Sold	¥ -	¥ 80,000	\$ -	\$ -
Payables under Repurchase Agreements	3,869,804	3,650,342	36,065	36,065
Collateral Received under Securities Loaned	1,884,339	1,562,048	17,561	17,561

In addition, as of March 31, 2005 and 2004, Securities totaling ¥2,700,860 million (\$25,171 million) and ¥3,099,465 million, respectively, and Loans and Bills Discounted totaling ¥7,332,995 million (\$68,341 million) and ¥8,532,164 million, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as variation margin for futures transactions. Securities totaling ¥213,292 million (\$1,988 million) and ¥346,807 million as of March 31, 2005 and 2004, respectively, were pledged as collateral for third party borrowings by financial institutions.

#### 10. Deposits

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Time Deposits	¥ 34,257,608	¥ 34,024,582	\$ 319,270	\$ 319,270
Notice Deposits	61,837	93,333	576	576
Ordinary Deposits	1,772,306	1,642,591	16,517	16,517
Current Deposits	98,734	120,809	920	920
Negotiable Certificates of Deposit	422,999	316,886	3,942	3,942
Other Deposits	4,265,581	4,901,270	39,754	39,754
Total	¥ 40,879,067	¥ 41,099,473	\$ 380,979	\$ 380,979

#### 11. Debentures

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
One-year Discount Debentures	¥ 534,260	¥ 657,339	\$ 4,979	\$ 4,979
Long-term Coupon Debentures	4,170,101	4,556,477	38,864	38,864
Total	¥ 4,704,361	¥ 5,213,816	\$ 43,843	\$ 43,843

## 12. Trading Liabilities

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Derivatives of Trading Securities	¥ 282	¥ 1	\$ 3	
Securities Oversold Related to Trading Transactions	-	8	-	
Derivatives of Securities Related to Trading Transactions	22	-	0	
Trading-related Financial Derivatives	51,925	67,850	484	
<b>Total</b>	<b>¥ 52,230</b>	<b>¥ 67,860</b>	<b>\$ 487</b>	

## 13. Borrowings

Borrowings include subordinated loans of ¥888,632 million (\$8,282 million) as of March 31, 2005 and 2004.

## 14. Foreign Exchange Liabilities

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Foreign Bills Sold	¥ 0	¥ 1	\$ 0	
Foreign Bills Payable	33	15	1	
Due to Foreign Banks	21	311	0	
<b>Total</b>	<b>¥ 56</b>	<b>¥ 328</b>	<b>\$ 1</b>	

## 15. Other Liabilities

	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
As of March 31				
Short-term Entrusted Funds	1,609,292	1,752,530	14,998	
Accrued Expenses	60,239	50,420	561	
Income Taxes Payable	48,179	50,329	449	
Unearned Income	3,272	3,787	31	
Financial Derivatives	244,105	79,630	2,275	
Deferred Hedge Gains	52,406	25,280	488	
Other	169,212	344,620	1,577	
<b>Total</b>	<b>¥ 2,186,707</b>	<b>¥ 2,306,599</b>	<b>\$ 20,379</b>	

## 16. Retirement Benefit Plans

The Bank is funding a defined benefit pension plan and, in addition, has a lump-sum payment pension plan. Additional retirement benefits are paid to employees in certain cases. To fund the lump-sum payment pension plan, the Bank has established a retirement benefit trust.

The reserve for retirement benefits as of March 31, 2005 and 2004, are analyzed as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Projected Benefit Obligations	¥ (76,152)	¥ (76,472)	\$ (710)	
Plan Assets	65,125	58,264	607	
Unfunded Retirement Benefit Obligations	(11,026)	(18,207)	(103)	
Unrecognized Transition Amount	-	-	-	
Unrecognized Prior Service Cost	-	-	-	
Unrecognized Actuarial Differences	2,870	8,843	27	
Net Amounts Reported in the Balance Sheets	(8,155)	(9,363)	(76)	
Prepaid Pension Cost	779	-	7	
Reserve for Retirement Benefits	¥ (8,935)	¥ (9,363)	\$ (83)	

Note: Certain consolidated subsidiaries adopt the simplified method to calculate projected benefit obligations.

Assumptions used in the above calculation are as follows:

	2005	2004
Discount Rate	2.0%	2.0%
Expected Rate of Return on Plan Assets	3.0%	3.0%
Method of Attributing the Projected Benefits to Periods of Service	Straight-line Basis	Straight-line Basis
Amortization of Unrecognized Prior Service Cost	Year incurred	Year incurred
Amortization of Transition Amount	Year incurred	Year incurred
Amortization of Unrecognized Actuarial Differences	10 years	10 years

## 17. Accounting for Income Taxes

The major components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2005 and 2004, are as follows:

As of March 31	Millions of Yen		Millions of
	2005	2004	U.S. Dollars
<b>Deferred Tax Assets:</b>			
Reserve for Possible Loan Losses	¥ 82,450	¥ 95,878	\$ 768
Write-off of Loans	12,609	7,202	118
Losses on Revaluation of Securities	6,020	9,934	56
Reserve for Retirement Benefits	9,171	9,370	86
Depreciation of Premises and Equipment	1,648	1,716	16
Net Unrealized Losses on Securities	24	19	0
Loss Carryforwards	-	1	-
Others	33,724	31,689	314
Subtotal	145,650	155,813	1,358
Valuation Allowance	(18,664)	(12,217)	(174)
<b>Total Deferred Tax Assets</b>	<b>126,985</b>	<b>143,595</b>	<b>1,184</b>
<b>Deferred Tax Liabilities:</b>			
Gain from Contribution of Securities to Employee Retirement Benefit Trust	(5,577)	(5,577)	(52)
Net Unrealized Gains on Securities	(345,025)	(215,347)	(3,216)
Others	(1,433)	(1,057)	(13)
<b>Total Deferred Tax Liabilities</b>	<b>(352,035)</b>	<b>(221,982)</b>	<b>(3,281)</b>
<b>Net Deferred Tax Liabilities</b>	<b>¥ (225,049)</b>	<b>¥ (78,386)</b>	<b>\$ (2,097)</b>

## 18. Acceptances and Guarantees

As of March 31	Millions of Yen		Millions of
	2005	2004	U.S. Dollars
Acceptance of Bills of Exchange	¥ 0	¥ 210	\$ 0
Letters of Credit	26,404	26,878	246
Guarantees	169,170	212,760	1,577
<b>Total</b>	<b>¥ 195,576</b>	<b>¥ 239,850</b>	<b>\$ 1,823</b>

All contingent liabilities arising in connection with customers' foreign trade and other transactions are classified under Acceptances and Guarantees. A contra account, Customers' Liabilities for Acceptances and Guarantees, is classified as an asset representing the Bank's right of indemnity from customers.

## 19. Commitments to Overdrafts and Loans

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as no violation of the conditions stipulated in the



commitment agreement exists. The amount of undrawn commitments in relation to such agreements is ¥4,615,830 million (\$43,018 million) and ¥4,768,318 million as of March 31, 2005 and 2004, respectively. The amount, which the Bank and its consolidated subsidiaries could cancel at any time without penalty, is ¥2,343,345 million (\$21,839 million) and ¥2,436,895 million as of March 31, 2005 and 2004, respectively.

The amount of undrawn commitments does not necessarily affect the future cash flow of the Bank and its consolidated subsidiaries because the majority of such agreements are terminated without being exercised. Most of these agreements have provisions which stipulate that the Bank and its consolidated subsidiaries may not extend the loan or may decrease the commitment when there are certain changes in the financial condition of the borrower, certain issues relating to collateral and other reasons. At the time of extending loans to customers, the Bank and its consolidated subsidiaries are able to request collateral in the form of premises or securities as necessary. After extending loans, the Bank periodically checks the financial condition of its customers based on its internal rules and acts to secure loans as necessary.

## 20. Securities Loaned

Securities Loaned under unsecured lending agreements (Saiken Taishaku Torihiki) totaling ¥59,989 million (\$559 million) and ¥169,431 million as of March 31, 2005 and 2004, respectively, are included in Japanese Government Bonds and Other in Securities.

Securities Borrowed under unsecured borrowing agreements (Saiken Taishaku Torihiki) and Securities Received under resale agreements and cash-collateralized borrowing agreements, which can be sold or repledged by the Bank, include securities repledged out totaling ¥250,704 million (\$2,336 million) and ¥556,832 million as of March 31, 2005 and 2004, respectively, and securities held totaling ¥925,354 million (\$8,624 million) and ¥1,200,677 million as of March 31, 2005 and 2004, respectively. No securities were re-loaned as of March 31, 2005 and 2004.

## 21. Paid-in Capital

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Common Stock	¥ 1,200,000	¥ 1,200,000	\$ 11,184	
Preferred Stock	24,999	24,999	233	
Total	¥ 1,224,999	¥ 1,224,999	\$ 11,417	

The Common Stock account includes Lower Dividend Rate Stock with a total par value of ¥1,000,000 million (\$9,320 million).

Lower Dividend Rate Stock is similar to regular common stock but has been issued on the condition that the dividend yield will be set below that relating to common stock.

## 22. Other Interest Income

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2005
Call Loans and Bills Purchased	¥ 1,182	¥ 1,560	\$	11
Receivables under Resale Agreements	62	4,443		1
Collateral Deposited under Securities Borrowed	62	197		1
Cash and Due from Banks	33,958	33,297		316
Other	8,766	7,777		81
<b>Total</b>	<b>¥ 44,032</b>	<b>¥ 47,276</b>	<b>\$</b>	<b>410</b>

## 23. Trading Revenue

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2005
Revenue from Trading Securities and Derivatives	¥ 191	¥ 386	\$	2
Revenue from Securities and Derivatives Related to Trading Transactions	194	-		2
Revenue from Trading-related Financial Derivatives	-	1,104		-
Other Trading Revenue	109	922		1
<b>Total</b>	<b>¥ 495</b>	<b>¥ 2,413</b>	<b>\$</b>	<b>5</b>

## 24. Other Operating Income

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2005
Gains on Foreign Exchange Transactions	¥ -	¥ 3,827	\$	-
Gains on Sales of Bonds	32,857	91,759		306
Gains on Redemption of Bonds	1,260	45		12
Gains on Financial Derivatives	6,772	8,411		63
Other	34,987	26,367		326
<b>Total</b>	<b>¥ 75,877</b>	<b>¥ 130,411</b>	<b>\$</b>	<b>707</b>

## 25. Other Income

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Gains on Sales of Stocks and Other Securities	¥ 3,406	¥ 22,657	\$ 32	
Gains on Money Held in Trust	109,799	110,729	1,023	
Share of Earnings of Affiliates	641	364	6	
Gains on Sales of Premises and Equipment	31	101	0	
Recoveries of Claims Written-off	1,139	354	11	
Other	23,135	16,420	216	
<b>Total</b>	<b>¥ 138,153</b>	<b>¥ 150,627</b>	<b>\$ 1,288</b>	

Note: Other includes gains on Transfer from Reserve for Possible Loan Losses of ¥10,723 million (\$100 million) for the fiscal year ended March 31, 2005.

## 26. Other Interest Expenses

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Call Money and Bills Sold	¥ 1,553	¥ 1,337	\$ 15	
Payables under Repurchase Agreements	75,108	54,445	700	
Collateral Received under Securities Loaned	231	375	2	
Other	465,161	419,721	4,335	
<b>Total</b>	<b>¥ 542,055</b>	<b>¥ 475,879</b>	<b>\$ 5,052</b>	

## 27. Trading Losses

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Losses on Securities and Derivatives Related to Trading Transactions	¥ -	¥ 332	\$ -	
Losses on Trading-related Financial Derivatives	165	-	2	
<b>Total</b>	<b>¥ 165</b>	<b>¥ 332</b>	<b>\$ 2</b>	

## 28. Other Operating Expenses

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2005
Amortization of Debenture Issuance Costs	¥ 334	¥ 389	\$ 3	
Losses on Foreign Exchange Transactions	192	-	2	
Losses on Sales of Bonds	42,582	102,396	397	
Losses on Redemption of Bonds	94	19	1	
Losses on Revaluation of Bonds	-	2,388	-	
Other Operating Expenses	42,137	37,656	392	
<b>Total</b>	<b>¥ 85,341</b>	<b>¥ 142,851</b>	<b>\$ 795</b>	

## 29. Other Expenses

Fiscal year ended March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2005
Transfer to Reserve for Possible Loan Losses	¥ -	¥ 37,641	\$ -	
Write-off of Loans	1,010	6,186	9	
Losses on Sales of Stocks and Other Securities	145	3,284	1	
Losses on Revaluation of Stocks and Other Securities	717	3,242	7	
Losses on Money Held in Trust	11,955	4,080	112	
Losses on Disposals of Premises and Equipment	1,483	3,692	14	
Other	79,537	33,001	741	
<b>Total</b>	<b>¥ 94,849</b>	<b>¥ 91,130</b>	<b>\$ 884</b>	

Note: Other includes losses on impairment of fixed assets of ¥29,488 million (\$275 million) for the fiscal year ended March 31, 2005.

## 30. Losses on Impairment of Fixed Assets

The following losses on impairment of fixed assets are recognized during the fiscal year ended March 31, 2005 and they are included in Other Expenses.

Use	Classification	Millions of Yen	Millions of U.S. Dollars
Business Premises and Equipment	Land and Building, etc.	¥ 24,661	\$ 230
Idle Premises and Equipment	Land and Building, etc.	4,827	45

The Bank grouped its business premises and equipment by the unit of 'head office', 'domestic branches' and 'overseas branches', for which revenue and expenditures are periodically identified. Such grouping was performed by considering the relationship of cash flows between branches and unique functional characteristics of each unit, and idle premises and equipment are considered individually by asset. Training institutes and recreation facilities, which generate no cash flows, are grouped as facilities for common use.

The book value of business premises and equipment is written down to the recoverable amount if the total amount of undiscounted future cash flow generated from an asset group is less than the book value, after land

revaluation. The book value of idle premises and equipment is also written down to the recoverable amount.

The recoverable amount, which is used in the calculation of impairment losses for the fiscal year ended March 31, 2005, is the net realizable value. The net realizable value is calculated based on the appraisal value, etc.

As to consolidated subsidiaries, assets of each individual subsidiary are grouped as a unit and no impairment losses were recognized by any of such asset groups during the fiscal year ended March 31, 2005.

### 31. Cash Flows

The reconciliation of Cash and Due from Banks in the consolidated balance sheets to Cash and Cash Equivalents at the end of year is as follows:

As of March 31	Millions of Yen		Millions of U.S. Dollars	
	2005	2004	2005	2004
Cash and Due from Banks	¥ 2,385,245	¥ 3,686,052	\$ 22,230	
Less: Interest-bearing Due from Banks	(1,691,411)	(3,217,486)	(15,764)	
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>¥ 693,833</b>	<b>¥ 468,565</b>	<b>\$ 6,466</b>	

### 32. Segment Information

#### (a) Segment Information by Type of Business

Segment Information by Type of Business is not shown in this statement, since the business segments, other than the banking business, are immaterial.

#### (b) Segment Information by Location

Fiscal year ended March 31, 2005	Millions of Yen						Elimination and Corporate Assets	Consolidated
	Japan	The Americas	Europe	Asia	Total			
I. Ordinary Income								
(1) Ordinary Income from Third-parties	¥ 1,114,591	¥ 9,925	¥ 24,056	¥ 15,958	¥ 1,164,532	¥ -	¥ 1,164,532	
(2) Inter-segment Ordinary Income	18,465	40,921	109,961	74,120	243,468	(243,468)	-	
Total	1,133,057	50,846	134,017	90,079	1,408,000	(243,468)	1,164,532	
Ordinary Expenses	928,455	46,964	131,321	87,128	1,193,869	(243,468)	950,401	
Ordinary Profit	¥ 204,602	¥ 3,882	¥ 2,695	¥ 2,950	¥ 214,130	¥ -	¥ 214,130	
II. Assets	¥ 67,285,727	¥ 2,752,416	¥ 5,429,024	¥ 3,646,503	¥ 79,113,671	¥ (17,135,058)	¥ 61,978,612	

Fiscal year ended March 31, 2004	Millions of Yen						Elimination and Corporate Assets	Consolidated
	Japan	The Americas	Europe	Asia	Total			
I. Ordinary Income								
(1) Ordinary Income from Third-parties	¥ 1,077,626	¥ 7,289	¥ 30,927	¥ 20,884	¥ 1,136,727	¥ -	¥ 1,136,727	
(2) Inter-segment Ordinary Income	21,482	22,288	99,285	83,350	226,405	(226,405)	-	
Total	1,099,108	29,577	130,212	104,234	1,363,133	(226,405)	1,136,727	
Ordinary Expenses	922,887	23,076	129,419	100,254	1,175,637	(226,447)	949,190	
Ordinary Profit	¥ 176,221	¥ 6,500	¥ 793	¥ 3,979	¥ 187,495	¥ 41	¥ 187,537	
II. Assets	¥ 67,658,370	¥ 2,442,145	¥ 6,024,140	¥ 4,596,470	¥ 80,721,126	¥ (18,888,108)	¥ 61,833,018	

Fiscal year ended March 31, 2005	Millions of U.S. Dollars						Elimination and Corporate Assets	Consolidated
	Japan	The Americas	Europe	Asia	Total			
I. Ordinary Income								
(1) Ordinary Income from Third-parties	\$ 10,388	\$ 92	\$ 224	\$ 149	\$ 10,853	\$ -	\$ 10,853	
(2) Inter-segment Ordinary Income	172	381	1,025	691	2,269	(2,269)	-	
Total	10,560	473	1,249	840	13,122	(2,269)	10,853	
Ordinary Expenses	8,653	438	1,223	812	11,126	(2,269)	8,857	
Ordinary Profit	\$ 1,907	\$ 35	\$ 26	\$ 28	\$ 1,996	\$ -	\$ 1,996	
II. Assets	\$ 627,080	\$ 25,652	\$ 50,597	\$ 33,984	\$ 737,313	\$ (159,693)	\$ 577,620	

Notes: 1. Ordinary Income represents Total Income less certain special income.

Notes: 2. Ordinary Expenses represents Total Expenses less certain special expenses.

Notes: 3. The Bank reported "Ordinary Income" and "Ordinary Profit" that corresponds to Sales and Operating Profit for non-financial companies, for the Bank's head office, branches and the consolidated subsidiaries according to the classification of country or region. The geographic classification was effected by geographical proximity, similarities in economic activities and inter-relationships among these activities.

Notes: 4. "The Americas" includes the United States. "Europe" includes the United Kingdom and "Asia" includes Singapore.

Notes: 5. As mentioned in Note 2. Summary of Significant Accounting Policies, (4) Premises and Equipment, ③ Accounting Standard for Impairment of Fixed Assets, the Bank and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets effective for the fiscal year ended March 31, 2005. As a result, Assets of "Japan" decreased by ¥29,488 million (\$275 million), however, there was no impact on Ordinary Profit of each segment as compared with the amount that would have been recorded if the accounting standard had not been adopted during the fiscal year ended March 31, 2005.

### (c) Ordinary Income from International Operations

Fiscal years ended March 31	Ordinary Income from International Operations		Consolidated Ordinary Income		Ratio of Ordinary Income from International Operations over Consolidated Ordinary Income
	Millions of Yen				Percentage
2005	¥	862,623	¥	1,164,532	74.0%
2004	¥	843,931	¥	1,136,727	74.2%
	Millions of U.S. Dollars				Percentage
2005	\$	8,039	\$	10,853	74.0%

Notes: 1. Ordinary Income represents Total Income less certain special income.

Notes: 2. Ordinary Expenses represents Total Expenses less certain special expenses.

Notes: 3. "Ordinary Income from International Operations" is shown in place of Overseas Sales for non-financial companies.

Notes: 4. "Ordinary Income from International Operations" comprises foreign currency transactions, yen-denominated trade bills, yen-denominated transactions with non-Japanese residents, transactions in the offshore market in Japan, transactions by overseas branches of the parent and transactions by overseas consolidated subsidiaries (excluding Inter-segment Ordinary Income between consolidated entities). The composition of this substantial volume of transactions is not broken down by counterparty. Therefore, segment information by country and region has not been presented.

### 33. Fair Value of Securities

For the Fiscal Year Ended March 31, 2005

#### Trading Securities

	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Loss Recognized as expenses	Carrying Value	Unrealized Loss Recognized as expenses
March 31, 2005				
Trading Securities	¥330,780	¥(44)	\$3,083	\$(0)

Note: The above analysis of Trading Securities includes Trading Securities, Negotiable Certificates of Deposit and Commercial Paper disclosed as "Trading Assets" in the consolidated balance sheet.

### Held-to-maturity Debt Securities that have a Fair Value

	Millions of Yen				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
March 31, 2005					
Japanese Government Bonds	¥18,293	¥18,378	¥84	¥84	¥ -
Total	¥18,293	¥18,378	¥84	¥84	¥ -

	Millions of U.S. Dollars				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
March 31, 2005					
Japanese Government Bonds	\$170	\$171	\$1	\$1	\$ -
Total	\$170	\$171	\$1	\$1	\$ -

Note: Fair value is based on fair prices at the end of the fiscal year ended March 31, 2005.

### Other Securities held at Fair Value

	Millions of Yen					
	Acquisition Cost	Carrying Value	Net Unrealized Gain			
			Gain	Loss		
March 31, 2005						
Stocks	¥ 304,460	¥ 488,302	¥ 183,842	¥ 185,677	¥ 1,834	
Bonds	13,376,022	13,723,191	347,168	347,506	338	
Japanese Government Bonds	12,536,164	12,871,094	334,930	334,983	53	
Municipal Government Bonds	196,006	198,696	2,689	2,878	189	
Corporate Bonds	643,851	653,399	9,548	9,644	95	
Other	22,429,454	22,945,022	515,568	760,072	244,503	
Total	¥ 36,109,937	¥ 37,156,516	¥ 1,046,579	¥ 1,293,255	¥ 246,676	

	Millions of U.S. Dollars					
	Acquisition Cost	Carrying Value	Net Unrealized Gain			
			Gain	Loss		
March 31, 2005						
Stocks	\$ 2,837	\$ 4,550	\$ 1,713	\$ 1,730	\$ 17	
Bonds	124,660	127,896	3,236	3,239	3	
Japanese Government Bonds	116,833	119,955	3,122	3,122	0	
Municipal Government Bonds	1,827	1,852	25	27	2	
Corporate Bonds	6,000	6,089	89	90	1	
Other	209,035	213,840	4,805	7,084	2,279	
Total	\$ 336,532	\$ 346,286	\$ 9,754	\$ 12,053	\$ 2,299	

Note: 1. The above analysis of Other Securities held at Fair Value includes "Securities", Negotiable Certificates of Deposit disclosed as "Cash and Due from Banks", and Commercial Paper disclosed as "Commercial Paper and Other Debt Purchased" in the consolidated balance sheet.

Note: 2. Carrying values of securities held on the consolidated balance sheet are stated based on the quoted market price at the end of the fiscal year ended March 31, 2005.

### Other Securities Sold during the Fiscal Year

	Millions of Yen			Millions of U.S. Dollars		
	Sales Proceeds	Gains on Sales	Losses on Sales	Sales Proceeds	Gains on Sales	Losses on Sales
March 31, 2005						
Other Securities	¥5,020,198	¥35,470	¥42,809	\$46,787	\$331	\$399



**Carrying Value of Securities without a Fair Value**

March 31, 2005	Millions of Yen	Millions of U.S. Dollars
Other Securities		
Unlisted Stocks (excluding Over-the-counter Stocks)	¥ 135,527	\$ 1,263
Foreign Securities	12,374	115
Other	113,808	1,061

**For the Fiscal Year Ended March 31, 2004**
**Trading Securities**

March 31, 2004	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Loss Recognized as expenses	Carrying Value	Unrealized Loss Recognized as expenses
Trading Securities	¥447,879	¥(246)	\$4,237	\$(2)

Note: The above analysis of Trading Securities includes Trading Securities, Negotiable Certificates of Deposit and Commercial Paper disclosed as "Trading Assets" in the consolidated balance sheet.

**Held-to-maturity Debt Securities that have a Fair Value**

March 31, 2004	Millions of Yen				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
Japanese Government Bonds	¥15,421	¥15,446	¥24	¥52	¥27
Total	¥15,421	¥15,446	¥24	¥52	¥27

March 31, 2004	Millions of U.S. Dollars				
	Carrying Value	Fair Value	Net Unrealized Gain		
			Gain	Loss	
Japanese Government Bonds	\$146	\$146	\$0	\$0	\$0
Total	\$146	\$146	\$0	\$0	\$0

Note: Fair value is based on fair prices at the end of the fiscal year ended March 31, 2004.

**Other Securities held at Fair Value**

March 31, 2004	Millions of Yen					
	Acquisition Cost	Carrying Value	Net Unrealized Gain			
			Gain	Loss		
Stocks	¥ 305,041	¥ 470,248	¥ 165,207	¥ 167,153	¥ 1,946	
Bonds	15,524,587	15,610,730	86,143	157,389	71,245	
Japanese Government Bonds	14,488,242	14,559,137	70,895	140,113	69,217	
Municipal Government Bonds	284,985	290,269	5,284	5,759	475	
Corporate Bonds	751,359	761,323	9,963	11,515	1,552	
Other	16,831,585	17,193,572	361,987	757,439	395,451	
Total	¥ 32,661,213	¥ 33,274,551	¥ 613,337	¥ 1,081,982	¥ 468,644	

March 31, 2004	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
			Gain	Loss	
Stocks	\$ 2,886	\$ 4,449	\$ 1,563	\$ 1,581	\$ 18
Bonds	146,874	147,689	815	1,489	674
Japanese Government Bonds	137,070	137,741	671	1,326	655
Municipal Government Bonds	2,696	2,746	50	54	4
Corporate Bonds	7,108	7,202	94	109	15
Other	159,239	162,664	3,425	7,166	3,741
<b>Total</b>	<b>\$ 308,999</b>	<b>\$ 314,802</b>	<b>\$ 5,803</b>	<b>\$ 10,236</b>	<b>\$ 4,433</b>

Note: 1. The above analysis of Other Securities held at Fair Value includes "Securities", Negotiable Certificates of Deposit disclosed as "Cash and Due from Banks", and Commercial Paper disclosed as "Commercial Paper and Other Debt Purchased" in the consolidated balance sheet.

Note: 2. Carrying values of securities held on the consolidated balance sheet are stated based on the quoted market price at the end of the fiscal year ended March 31, 2004.

#### Other Securities Sold during the Fiscal Year

March 31, 2004	Millions of Yen			Millions of U.S. Dollars		
	Sales Proceeds	Gains on Sales	Losses on Sales	Sales Proceeds	Gains on Sales	Losses on Sales
Other Securities	¥5,467,634	¥113,465	¥105,599	\$51,728	\$1,073	\$999

#### Carrying Value of Securities without a Fair Value

March 31, 2004	Millions of Yen	Millions of U.S. Dollars
Other Securities		
Unlisted Stocks (excluding Over-the-counter Stocks)	¥ 50,261	\$ 476
Foreign Securities	71,353	675
Other	106,693	1,009

#### 34. Fair Value of Money Held in Trust

For the Fiscal Year Ended March 31, 2005

##### Money Held in Trust for Trading Purpose

March 31, 2005	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Gain Recognized as income	Carrying Value	Unrealized Gain Recognized as income
Money Held in Trust for Trading Purpose	¥37,485	¥154	\$349	\$1

##### Other Money Held in Trust (Money Held in Trust other than that for trading purpose or held to maturity)

March 31, 2005	Millions of Yen			
	Acquisition Cost	Carrying Value	Net Unrealized Gain	
			Gain	Loss
Other Money Held in Trust	¥4,056,168	¥4,117,181	¥61,013	¥92,647
				¥31,633

	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
				Gain	Loss
March 31, 2005					
Other Money Held in Trust	\$37,802	\$38,371	\$569	\$863	\$295

Note: Carrying values of Other Money Held in Trust disclosed on the consolidated balance sheet are based on the quoted market price of the underlying assets as at the end of the fiscal year ended March 31, 2005.

**For the Fiscal Year Ended March 31, 2004**

**Money Held in Trust for Trading Purpose**

	Millions of Yen		Millions of U.S. Dollars	
	Carrying Value	Unrealized Loss Recognized as expenses	Carrying Value	Unrealized Loss Recognized as expenses
March 31, 2004				
Money Held in Trust for Trading Purpose	¥30,077	¥(18)	\$285	\$(0)

**Other Money Held in Trust (Money Held in Trust other than that for trading purpose or held to maturity)**

	Millions of Yen				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
				Gain	Loss
March 31, 2004					
Other Money Held in Trust	¥3,732,145	¥3,810,128	¥77,983	¥115,439	¥37,455

	Millions of U.S. Dollars				
	Acquisition Cost	Carrying Value	Net Unrealized Gain		
				Gain	Loss
March 31, 2004					
Other Money Held in Trust	\$35,309	\$36,047	\$738	\$1,092	\$354

Note: Carrying values of Other Money Held in Trust disclosed on the consolidated balance sheet are based on the quoted market price of the underlying assets as at the end of the fiscal year ended March 31, 2004.

### 35. Fair Value of Derivative Instruments

For the Fiscal Year Ended March 31, 2005

#### Interest Rate-Related Derivative Instruments

March 31, 2005			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Exchange-traded Transactions	Interest Rate Futures	Sold	¥ 60,876	¥ -	¥ 101	¥ 101
		Purchased	79,605	-	(39)	(39)
	Interest Rate Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Forward Rate Agreements	Sold	-	-	-	-
		Purchased	-	-	-	-
	Interest Rate Swaps	Rec.:Fix.-Pay.: Flt.	3,909,045	1,635,604	49,036	49,036
		Rec.:Flt.-Pay.: Fix.	2,340,839	1,674,509	(45,045)	(45,045)
		Rec.:Flt.-Pay.: Flt.	-	-	-	-
	Interest Rate Options	Sold	10,000	-	(211)	(211)
		Purchased	57,000	25,000	934	924
	Other	Sold	50,300	10,000	(0)	25
		Purchased	51,000	10,000	(1)	(14)
Total			¥ /	¥ /	¥ 4,774	¥ 4,777

March 31, 2005			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Exchange-traded Transactions	Interest Rate Futures	Sold	\$ 567	\$ -	\$ 1	\$ 1
		Purchased	742	-	(0)	(0)
	Interest Rate Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Forward Rate Agreements	Sold	-	-	-	-
		Purchased	-	-	-	-
	Interest Rate Swaps	Rec.:Fix.-Pay.: Flt.	36,431	15,243	457	457
		Rec.:Flt.-Pay.: Fix.	21,816	15,606	(420)	(420)
		Rec.:Flt.-Pay.: Flt.	-	-	-	-
	Interest Rate Options	Sold	93	-	(2)	(2)
		Purchased	531	233	9	9
	Other	Sold	469	93	(0)	0
		Purchased	475	93	(0)	(0)
Total			\$ /	\$ /	\$ 45	\$ 45

Note: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments accounted for as hedges in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24).

Note: 2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo International Financial Futures Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

### Currency-Related Derivative Instruments

March 31, 2005			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Over-the-counter Transactions	Currency Swaps		¥ 62,831	¥ 40,193	¥ (472)	¥ (472)
	Forwards	Sold	434,475	3,658	(6,385)	(6,385)
		Purchased	414,959	2,296	4,890	4,890
Total			¥ /	¥ /	¥ (1,967)	¥ (1,967)

March 31, 2005			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Over-the-counter Transactions	Currency Swaps		\$ 586	\$ 375	\$ (4)	\$ (4)
	Forwards	Sold	4,049	34	(60)	(60)
		Purchased	3,867	21	46	46
Total			\$ /	\$ /	\$ (18)	\$ (18)

Note: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments 1) accounted for as hedges in accordance with "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25), or 2) designated to certain monetary receivables or payables denominated in foreign currencies and recorded on the consolidated balance sheet.

Note: 2. Determination of fair value:

Fair value is determined based on the discounted net present value of currency-related derivative instruments.

Note

### Stock-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no stock-related derivative instruments during the fiscal year ended March 31, 2005.

### Bond-Related Derivative Instruments

March 31, 2005			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Exchange-traded Transactions	Bond Futures	Sold	¥ 36,984	¥ -	¥ (228)	¥ (228)
		Purchased	1,182	-	(19)	(19)
	Bond Futures Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Bond Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			¥ /	¥ /	¥ (247)	¥ (247)

			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
March 31, 2005						
Exchange-traded Transactions	Bond Futures	Sold	\$ 345	\$ -	\$ (2)	\$ (2)
		Purchased	11	-	(0)	(0)
	Bond Futures Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Bond Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			\$ /	\$ /	\$ (2)	\$ (2)

Note: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments accounted for as hedges.

Note: 2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on an option pricing model or other models as appropriate.

#### Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2005.

#### Credit Derivative Instruments

The Bank and its consolidated subsidiaries held no credit derivative instruments during the fiscal year ended March 31, 2005.

#### For the Fiscal Year Ended March 31, 2004

#### Interest Rate-Related Derivative Instruments

			Millions of Yen				
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss	
				Over 1Year			
March 31, 2004							
Exchange-traded Transactions	Interest Rate Futures	Sold	¥ 71,754	¥ -	¥ (12)	¥ (12)	
		Purchased	50,764	-	180	180	
	Interest Rate Options	Sold	-	-	-	-	
		Purchased	-	-	-	-	
Over-the-counter Transactions	Forward Rate Agreements	Sold	-	-	-	-	
		Purchased	-	-	-	-	
	Interest Rate Swaps	Rec.:Fix.-Pay.:Flt.		10,524,756	3,668,002	98,139	98,139
		Rec.:Flt.-Pay.:Fix.		3,240,111	2,064,668	(84,956)	(84,956)
		Rec.:Flt.-Pay.:Flt.		20,000	-	20	20
	Interest Rate Options	Sold		15,000	10,000	(469)	(469)
Purchased			63,000	57,000	1,443	1,443	
Other	Sold		55,300	50,300	(12)	(12)	
	Purchased		56,000	51,000	7	7	
Total			¥ /	¥ /	¥ 14,340	¥ 14,340	

March 31, 2004			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Exchange-traded Transactions	Interest Rate Futures	Sold	\$ 679	\$ -	\$ (0)	\$ (0)
		Purchased	480	-	2	2
	Interest Rate Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Over-the-counter Transactions	Forward Rate Agreements	Sold	-	-	-	-
		Purchased	-	-	-	-
	Interest Rate Swaps	Rec.:Fix.-Pay.: Flt.	99,572	34,702	928	928
		Rec.:Flt.-Pay.: Fix.	30,654	19,533	(804)	(804)
		Rec.:Flt.-Pay.: Flt.	189	-	0	0
	Interest Rate Options	Sold	142	95	(4)	(4)
Purchased		596	539	14	14	
Other	Sold	523	476	(0)	(0)	
	Purchased	530	482	0	0	
Total			\$ /	\$ /	\$ 136	\$ 136

Note: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments accounted for as hedges.

Note: 2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo International Financial Futures Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

#### Currency-Related Derivative Instruments

March 31, 2004			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Over-the-counter Transactions	Currency Swaps		¥ 74,040	¥ 71,512	¥ 2,003	¥ 2,003
	Forwards	Sold	298,069	8	229	229
		Purchased	1,365,625	63	(2,203)	(2,203)
Total			¥ /	¥ /	¥ 28	¥ 28

March 31, 2004			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
				Over 1Year		
Over-the-counter Transactions	Currency Swaps		\$ 700	\$ 677	\$ 19	\$ 19
	Forwards	Sold	2,820	0	2	2
		Purchased	12,920	1	(21)	(21)
Total			\$ /	\$ /	\$ 0	\$ 0

Note: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments accounted for as hedges (see Note 3 below).

Note: 2. Determination of fair value:

Fair value is determined based on the discounted net present value of currency-related derivative instruments.

Note: 3. Currency Swaps accounted for under the accrual method are excluded from the above analysis.

The Bank and its consolidated subsidiaries held no currency swaps which are accounted for under

the accrual method on the basis of the temporary treatment described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25), for the fiscal year ended March 31, 2003.

The above analysis excludes foreign exchange forward contracts and currency options, which are 1) revalued at the exchange rates prevailing at the end of the fiscal year and changes in fair value are included in the consolidated statement of operations, 2) designated to certain monetary receivables or payables denominated in foreign currencies and recorded on the consolidated balance sheet, or 3) designated to the monetary receivables or payables denominated in foreign currencies which are eliminated for consolidation purposes.

The above mentioned transactions related to currency derivatives are as follows:

#### Stock-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no stock-related derivative instruments during the fiscal year ended March 31, 2004.

#### Bond-Related Derivative Instruments

			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
March 31, 2004			Over 1Year			
Exchange-traded Transactions	Bond Futures	Sold	¥ 21,610	¥ -	¥ 130	¥ 130
		Purchased	2,995	-	(8)	(8)
	Bond Futures	Sold	-	-	-	-
	Options	Purchased	-	-	-	-
Over-the-counter Transactions	Bond Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			¥ /	¥ /	¥ 121	¥ 121

			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain /Loss
March 31, 2004			Over 1Year			
Exchange-traded Transactions	Bond Futures	Sold	\$ 204	\$ -	\$ 1	\$ 1
		Purchased	28	-	(0)	(0)
	Bond Futures	Sold	-	-	-	-
	Options	Purchased	-	-	-	-
Over-the-counter Transactions	Bond Options	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			\$ /	\$ /	\$ 1	\$ 1

Note: 1. Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments accounted for as hedges.

Note: 2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at Tokyo Stock Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative Instruments is determined based on a discounted net present value model, option pricing model or other models as appropriate.

#### Commodities-Related Derivative Instruments

The Bank and its consolidated subsidiaries held no commodities-related derivative instruments during the fiscal year ended March 31, 2004.



### Credit Derivative Instruments

			Millions of Yen			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain
				Over 1Year		
March 31, 2004						
Over-the-counter Transactions	Credit Default Swaps	Sold Purchased	¥ 111,000	¥ 107,500	¥ 3,474	¥ 3,474
	Other	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			¥ /	¥ /	¥ 3,474	¥ 3,474

			Millions of U.S. Dollars			
			Contract Amount or Notional Amount		Fair Value	Unrealized Gain
				Over 1Year		
March 31, 2004						
Over-the-counter Transactions	Credit Default Swaps	Sold Purchased	\$ 1,050	\$ 1,017	\$ 33	\$ 33
	Other	Sold	-	-	-	-
		Purchased	-	-	-	-
Total			\$ /	\$ /	\$ 33	\$ 33

Note: 1. Derivatives instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations. The above analysis excludes derivative instruments accounted for as hedges.

Note: 2. Determination of fair value:

Fair value is determined based on prices of the underlying items and the terms of contracts of credit derivative transactions.

Note: 3. "Sold" means the underwriting of credit risk and "Purchase" means the transferring of credit risk.

### 36. The Norinchukin Bank (Parent Company)

#### (a) Non-consolidated Balance Sheets

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
<b>Assets</b>			
Cash and Due from Banks	¥ 2,374,629	¥ 3,573,051	\$ 22,131
Call Loans and Bills Purchased	417,463	404,310	3,891
Collateral Deposited under Securities Borrowed	19,321	327,486	180
Commercial Paper and Other Debt Purchased	837,847	654,839	7,808
Trading Assets	383,701	489,733	3,576
Money Held in Trust	4,154,667	3,840,206	38,720
Securities	37,427,294	33,553,036	348,810
Loans and Bills Discounted	15,700,481	17,798,230	146,323
Foreign Exchange Assets	8,828	15,618	82
Other Assets	570,737	918,628	5,319
Premises and Equipment	171,167	206,080	1,595
Deferred Debenture Discounts	180	229	2
Customers' Liabilities for Acceptances and Guarantees	195,551	240,124	1,823
Reserve for Possible Loan Losses	(314,586)	(365,392)	(2,932)
<b>Total Assets</b>	<b>¥ 61,947,285</b>	<b>¥ 61,656,184</b>	<b>\$ 577,328</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Deposits	¥ 40,885,654	¥ 41,298,690	\$ 381,041
Debentures	4,704,414	5,216,869	43,844
Call Money and Bills Sold	3,892,447	3,560,548	36,276
Payables under Repurchase Agreements	3,869,804	3,350,321	36,065
Collateral Received under Securities Loaned	2,135,835	2,109,476	19,905
Trading Liabilities	52,230	67,860	487
Borrowings	888,632	888,675	8,282
Foreign Exchange Liabilities	56	328	1
Other Liabilities	2,168,489	2,285,535	20,210
Reserve for Bonus Payments	3,985	3,696	37
Reserve for Retirement Benefits	8,182	8,637	76
Deferred Tax Liabilities	228,007	81,122	2,125
Deferred Tax Liabilities Relating to Land Revaluation	24,906	34,091	232
Acceptances and Guarantees	195,551	240,124	1,822
<b>Total Liabilities</b>	<b>59,058,199</b>	<b>59,145,979</b>	<b>550,403</b>
<b>Shareholders' Equity</b>			
Paid-in Capital	1,224,999	1,224,999	11,417
Capital Surplus	25,020	25,020	233
Retained Earnings:			
Legal Reserve	237,366	208,366	2,212
Voluntary Reserves	388,120	323,101	3,617
Unappropriated Retained Earnings	195,968	177,436	1,826
Land Revaluation Reserve	55,050	75,350	513
Net Unrealized Gains on Securities, net of taxes	762,559	475,929	7,107
<b>Total Shareholders' Equity</b>	<b>2,889,085</b>	<b>2,510,205</b>	<b>26,925</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>¥ 61,947,285</b>	<b>¥ 61,656,184</b>	<b>\$ 577,328</b>

## (b) Non-consolidated Statements of Operations

Fiscal year ended March 31	Millions of Yen		Millions of
	2005	2004	U.S. Dollars
			2005
<b>Income</b>			
Interest and Dividend Income:			
Interest on Loans and Bills Discounted	¥ 115,108	¥ 130,360	\$ 1,073
Interest on and Dividends from Securities	774,647	648,473	7,219
Other Interest Income	44,028	42,860	410
Fees and Commissions	17,025	18,810	159
Trading Revenue	495	2,028	5
Other Operating Income	72,716	123,927	678
Other Income	139,858	150,355	1,303
Total Income	1,163,879	1,116,817	10,847
<b>Expenses</b>			
Interest Expenses:			
Interest on Deposits	96,200	68,095	896
Interest on Debentures	31,361	41,411	292
Interest on Borrowings	7,256	5,810	68
Other Interest Expenses	542,054	467,436	5,052
Fees and Commissions	8,703	8,113	81
Trading Losses	165	607	2
Other Operating Expenses	85,341	142,848	795
General and Administrative Expenses	106,370	111,389	991
Other Expenses	93,842	89,209	875
Total Expenses	971,297	934,923	9,052
Income before Income Taxes	192,581	181,894	1,795
Income Taxes:			
Current	44,099	44,458	411
Deferred	7,989	(4,450)	75
Net Income	¥ 140,492	¥ 141,886	\$ 1,309

	Yen		U.S. Dollars
	2005	2004	2005
Net Income per Share	¥ 65.08	¥ 65.77	\$ 0.61

### 37. Appropriation of Retained Earnings

The following dividends were approved at the shareholders' meeting held on June 24, 2005.

	Millions of Yen		Millions of U.S. Dollars	
Cash Dividends:				
Special Dividends	¥	33,612	\$	313
Dividends on Common Stock (at the rate of 3% of the ¥ 100 face value, or ¥ 3.00 per share)		6,000		56
Dividends on Lower Dividend Rate Stock (at the rate of 1% of the ¥ 100 face value, or ¥ 1.00 per share)		10,000		93
Dividends on Preferred Stock (at the rate of 10% of the ¥ 100 face value, or ¥ 10.00 per share)		328		3

### 38. Subsequent Events

At the Supervisory Committee meeting on May 24, 2005, a resolution was passed for the Bank to issue additional shares of common stock on December 1, 2005, up to a maximum amount of ¥225.7 billion (\$2.1 billion), in order to increase capital.

Report of Independent Auditors

To the Board of Directors of  
The Norinchukin Bank

We have audited the accompanying consolidated balance sheets of The Norinchukin Bank and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of operations, capital surplus and retained earnings, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Norinchukin Bank and its subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2(4)③, The Norinchukin Bank and its subsidiaries adopted the accounting standard for impairment of fixed assets effective for the fiscal year ended March 31, 2005.

As described in Note 38, at the Supervisory Committee meeting on May 24, 2005, a resolution was passed for The Norinchukin Bank to issue additional shares of common stock in order to increase capital.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.



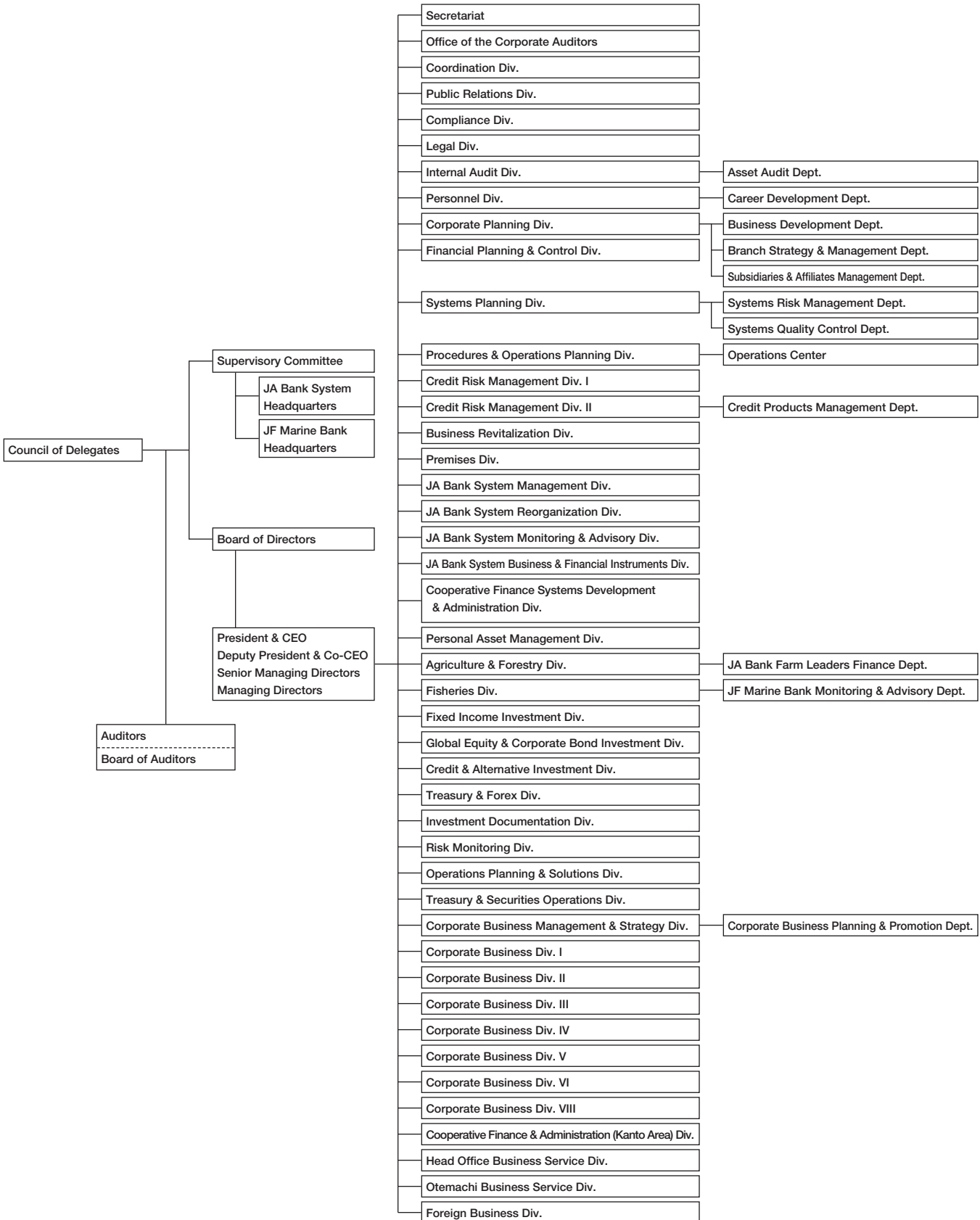
ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 24, 2005

# Organization

(As of August 1, 2005)



# Directors and Auditors

(As of July 1, 2005)

## Members of Board of Directors (International & Market-Related Business)



**Hirofumi Ueno**  
*President & Chief Executive Officer*



**Junji Sato**  
*Deputy President & Co-Chief Executive Officer*



**Shizuharu Kubono**  
*Senior Managing Director*



**Yoshio Kono**  
*Senior Managing Director*



**Naoaki Yamazaki**  
*Senior Managing Director*



**Yoshinori Yasuda**  
*Managing Director*



**Masanobu Takatani**  
*Managing Director*

### BOARD OF DIRECTORS

#### **President**

#### **& Chief Executive Officer**

Hirofumi Ueno

#### **Deputy President**

#### **& Co-Chief Executive Officer**

Junji Sato

#### **Senior Managing Directors**

Shizuharu Kubono

Yoshio Kono

Naoaki Yamazaki

#### **Managing Directors**

Takashi Kato

Mitsuru Hotta

Yoshinori Yasuda

Masanobu Takatani

Masataka Miyazono

Noboru Shibata

Hiroshi Matsumoto

Wataru Nemoto

Akira Ozaki

### SUPERVISORY COMMITTEE

Isami Miyata

Kazuyoshi Suzuki

Shouji Uemura

Masao Iizuka

Katsuei Konno

Toshikazu Okawa

Toshiro Tsushio

Tamotsu Kuwada

Shizuma Sakai

Tadashi Endo

Motonori Baba

Iehiro Honma

Mikio Wakatsuki

Hirofumi Ueno

Junji Sato

### BOARD OF AUDITORS

Hiroshi Nakagawa

Hideo Gamou

Masaoki Kojima

Yasuhiko Kishi

# History

## Milestones in the Bank's 82-Year History

- |             |  |             |   |
|-------------|--|-------------|---|
| <b>1923</b> | <ul style="list-style-type: none"><li>• The Bank established with government funds under special legislation as the central bank for industrial cooperatives</li></ul>   | <b>1996</b> | <ul style="list-style-type: none"><li>• Laws concerning the integration of the Bank and Shinnoren enacted</li></ul>   |
| <b>1938</b> | <ul style="list-style-type: none"><li>• Gyokyo joins the Bank</li></ul>  | <b>1998</b> | <ul style="list-style-type: none"><li>• Issuance of ¥1 trillion in lower dividend rate stock to Shinnoren and Shingyoren and ¥0.5 trillion in subordinated loan transaction completed</li></ul>               |
| <b>1943</b> | <ul style="list-style-type: none"><li>• Forestry cooperatives (Shinrinkumiai) join the Bank</li><li>• The Bank's name officially changed to the Norinchukin Bank</li></ul>   |             | <ul style="list-style-type: none"><li>• Substantial reorganization of the market risk investment sections, updating these to match global asset management styles</li></ul>                                   |
| <b>1950</b> | <ul style="list-style-type: none"><li>• The first Norinchukin Bank debentures issued</li></ul>   |             | <ul style="list-style-type: none"><li>• Representative offices open in Hong Kong and Beijing</li></ul>  |
| <b>1959</b> | <ul style="list-style-type: none"><li>• Redemption of the government's equity stake completed, thereby becoming a private bank</li></ul>   | <b>2000</b> | <ul style="list-style-type: none"><li>• Norinchukin-Zenkyoren Asset Management Co., Ltd., begin</li></ul>   |
| <b>1974</b> | <ul style="list-style-type: none"><li>• Foreign exchange operations begin</li></ul>  | <b>2001</b> | <ul style="list-style-type: none"><li>• The Norinchukin Bank Law is revised</li></ul>   |
| <b>1977</b> | <ul style="list-style-type: none"><li>• Investment and trading in foreign currency denominated bonds begin</li></ul>   |             | <ul style="list-style-type: none"><li>• The Law concerning the reorganization and strengthening of credit business by the Bank and specified cooperatives is revised</li></ul>                                |
| <b>1982</b> | <ul style="list-style-type: none"><li>• A representative office opens in New York (the Bank's first overseas foothold)</li></ul>   | <b>2002</b> | <ul style="list-style-type: none"><li>• The JA Banking System begins</li></ul>  |
| <b>1984</b> | <ul style="list-style-type: none"><li>• The New York Representative Office upgraded to branch status</li></ul>   |             | <ul style="list-style-type: none"><li>• 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</li></ul> |
| <b>1985</b> | <ul style="list-style-type: none"><li>• A representative office opens in London</li></ul>  |             | <ul style="list-style-type: none"><li>• The consolidation of Shinnoren with the Bank begins</li></ul>   |
| <b>1986</b> | <ul style="list-style-type: none"><li>• Fiduciary services for corporate bonds begin</li><li>• Norinchukin International plc opens in London</li></ul>   | <b>2003</b> | <ul style="list-style-type: none"><li>• JF Marine Bank implements fundamental policies (January)</li></ul>  |
| <b>1989</b> | <ul style="list-style-type: none"><li>• The Bank's U.S. dollar denominated notes issued in the Euromarket</li></ul>  |             | <ul style="list-style-type: none"><li>• Another ¥183 billion is procured through the issuance of perpetual subordinated loans</li></ul>   |
| <b>1990</b> | <ul style="list-style-type: none"><li>• A representative office opens in Singapore</li></ul>   | <b>2004</b> | <ul style="list-style-type: none"><li>• Norinchukin Securities Co., Ltd., liquidated</li></ul>  |
| <b>1991</b> | <ul style="list-style-type: none"><li>• The London Representative Office upgraded to branch status</li></ul>   |             | <ul style="list-style-type: none"><li>• Integration of prefectural Shinnoren (total of nine)</li></ul>  |
| <b>1993</b> | <ul style="list-style-type: none"><li>• The Singapore Representative Office upgraded to branch status</li><li>• Norinchukin Securities Co., Ltd., established</li><li>• Norinchukin Investment Trust Management Co., Ltd., established</li></ul> |             |   |
| <b>1995</b> | <ul style="list-style-type: none"><li>• Preferred stocks issued, opening the way for capital increases through the participation of ordinary investors</li><li>• The Norinchukin Trust &amp; Banking Co., Ltd., established</li></ul>            |             |   |



# Network

(As of August 1, 2005)

## Overseas Branches

### New York Branch

Toshifumi Tsukitani, *General Manager*

29th Floor, 245 Park Avenue,  
New York, NY 10167-0104, U.S.A.  
Telephone: 1-212-697-1717  
Fax: 1-212-697-5754  
SWIFT: NOCUUS 33

### London Branch

Masataka Nakayama, *General Manager*

4th Floor, 155 Bishopsgate,  
London EC2M 3YX, U.K.  
Telephone: 44-20-7588-6589  
Fax: 44-20-7588-6585  
SWIFT: NOCUGB2L

### Singapore Branch

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