

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
	2005	2004	2005
Japanese Government Bonds	¥12,889	¥14,574	\$120,125
Municipal Bonds	198	290	1,852
Corporate Bonds	711	793	6,630
Equities	623	520	5,814
Foreign Securities	21,299	16,047	198,502
Other	1,702	1,282	15,868
Total	¥37,425	¥33,509	\$348,791

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
Total	¥15,700	(100.0%)	¥17,798	(100.0%)	\$146,323

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.

