

## A Message from the Management



Mamoru Moteki  
Chairman  
The Supervisory Committee

Yoshio Kono  
President and Chief Executive Officer

First, we would like to sincerely thank all our stakeholders for their understanding and support for, and cooperation with, the Norinchukin Bank in its daily operations.

This Annual Report for 2009 contains details of the financial position of the Bank for fiscal 2008, as well as a summary of operations over the year at the JA Bank, JF Marine Bank and Forestry Cooperative System.

We believe that readers of this Report will continue to offer their support for JA Bank, JF Marine Bank, the Forestry Cooperatives and the Norinchukin Bank itself.

As the central bank for the agricultural, forestry, and fishery cooperatives in Japan, the mission of the Norinchukin Bank is to contribute to the development of these industries and to national economic prosperity by providing smooth access to financial resources. Against the background of capital provided by Japan's Agricultural Cooperatives (JA) Fishery Cooperatives (JF) and Forestry Cooperatives, as well as the stable funding base provided by the JA Bank and JF Marine Bank systems, the Norinchukin Bank conducts investment and lending activities which are efficient and sound, and works to return profits to our members.

## ■ Performance in Fiscal 2008

We regret to announce that the Norinchukin Bank was obliged to record a significant loss for the fiscal year ended March 31, 2009, due to recognition of revaluation losses on securitized products as well as stockholdings affected by the global financial market turmoil.

To create a more solid financial foundation in anticipation of a protracted slowdown in the world economy and tougher capital adequacy regulations, we have established the Business Renewal Plan (fiscal 2009-2012) for upgrading our financial and risk management methods and for further expanding our role as the central financial organization for cooperatives in Japan, and we have implemented a capital increase totaling ¥1.9 trillion with funding supplied by our member cooperatives. The increase enabled us to achieve a capital adequacy ratio of 15.65% on a non-consolidated basis at the end of the fiscal year. As a result, we have been able to construct an extremely sound financial position for the Norinchukin Bank.

Based on the JA Bank Medium-Term Management Strategy, we are taking various measures to deliver further advantages to our customers. These include the broadening of our retail financial service offerings, such as the JA Card, JA Bank loans and pensions, and the commencement of free cross-use of ATMs with other banks, and the introduction in April 2009 of a comprehensive

point-based incentive system. As a result of these initiatives, the balance of deposits under the JA Bank system at March 31, 2009 had increased by 1.5% year-on-year to ¥83,309.6 billion.

We also supported local communities by providing information and materials for encouraging awareness of food and farming issues, with the aim of anchoring the JA Bank system more firmly in the community. Another initiative was the interest subsidy projects under the JA Bank and JF Marine Bank systems ( The “Measure against the Rise in Price of Agricultural Materials,” and the “Measures against soaring prices for fuel and materials for fishermen”), to help deal with the serious problems caused by soaring prices for production inputs such as fuel, fertilizer and feed in fiscal 2008. Such measures were intended to help the agricultural, forestry and fisheries sectors in Japan, which have faced severe structural problems in their respective business environments.

We also established a consultation office which specializes in fund-raising for agricultural, forestry and fisheries workers as well as small and medium enterprises (SMEs).

In line with the principle of the Financial Products and Exchange Law, we have begun compiling and issuing reports on internal controls for financial reporting, in the same manner as listed companies, in order to give our financial reporting greater credibility.

## ■ Management Issues for Fiscal 2009

Based on the Business Renewal Plan, the Bank will resolutely adopt the following priority measures:

### **(1) Upgrading our financial and risk management methods**

We aim to construct a well-balanced investment portfolio which focuses on investments in highly safe, high-quality financial products, as well as to establish a stable financial basis for operations, resistant to market volatility, by overhauling our risk management methods. We place priority on balancing capital, risk and return considerations in our portfolio.

We are committed to achieving a level of profitability that ensures the steady distribution of profits to our members, while maintaining a sound capital adequacy ratio and adhering to the latest global regulatory and supervisory regimes.

### **(2) Expanding our role as the central financial organization for cooperatives**

We will redouble our efforts to ensure that the opinions of our member organizations are reflected in our operations, and, as a member of the cooperative system ourselves, we are working to change ways of thinking among executives and staff of the Bank, to contribute to the prosperity of our members and the agricultural, forestry and fisheries industries, as well as to develop the

cooperative banking business. We are also taking measures to strengthen business planning and operations at the JA Bank and JF Marine Bank systems, and improve the training of employees in the agricultural, forestry and fisheries sectors and support their business development, by broadening our financial services as a specialist financial institution based on these industries.

These industries now face a very difficult operating environment in Japan, due to the “graying” of rural society and the lack of business successors, as well as falling profitability due to the soaring prices of inputs. Nevertheless, the role of the Bank within the JA organization has become more important, due to the growing appeal of agriculture, forestry and fishing as full-time professions as well as the heightened awareness among consumers regarding food safety and environmental issues.

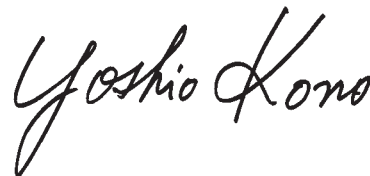
August 2009



Mamoru Moteki  
Chairman  
The Supervisory Committee

The Bank will strive to fully meet the expectations placed in the operations of the JA Bank and JF Marine Bank systems. The Bank will also focus on continuing to build a reputation for reliability among its customers. The Bank will work to accomplish these goals by strengthening its management posture, maintaining the soundness of its business operations, ensuring full compliance with the law and contributing to the local community. At the same time, the Bank aims to raise its profile internationally through a more globalized approach to investment financing, on the basis of continuing trust from a widely diversified range of stakeholders.

We would like to take this opportunity to thank the readers of this Report for their continued understanding of and support for the JA Bank, JF Marine Bank and Forestry Cooperative System, and of the Norinchukin Bank itself.



Yoshio Kono  
President and Chief Executive Officer

## Management Strategy: Q&A

Below is a discussion of measures taken by the Bank, the central organization for cooperatives in Japan, to deal with the turmoil in global financial markets, and an outline of “The Business Renewal Plan.”

### Fiscal 2008 Performance (Non-consolidated): The Impact of the Financial Market Turmoil

#### Q1 Could you comment on the Norinchukin Bank’s performance in fiscal 2008, including its appropriations for losses on securities?

With the turmoil in global financial markets persisting and worsening during fiscal 2008, the Bank posted Ordinary losses of ¥612.7 billion and its first net loss in 13 years, of ¥565.7 billion. The main factors were a decline in interest income and the recognition of revaluation losses on securitized products and stocks.

Underlying the recognition of large-scale losses

on securities in the term under review was an unprecedented fall in market prices as well as the measures the Bank spontaneously took to shore up and stabilize its financial position as quickly as possible, such as appropriating the losses aggressively through sell-offs, and other efforts.

#### Recognition of Losses to Ensure Future Stability

##### ► Performance in Fiscal 2008 (Non-consolidated) (¥billion)

	FY2008	Change from previous fiscal year
Ordinary Income	1,415.7	(46.0)%
<b>Ordinary Expenses</b>	<b>2,028.4</b>	<b>(10.7)%</b>
Ordinary Losses	(612.7)	–

↔ Amount for appropriation of losses on securities: ¥621.6 billion

- Total losses from sales of securities were ¥185.0 billion.
- Total write-offs were ¥346.6 billion.
- Losses on money held in trust were ¥89.9 billion.

#### Q2 Does the Bank’s financial position continue to remain sound?

In preparation for the possibility of further financial markets disorder, the Bank has carried out a major capital increase of approximately ¥1,900 billion, including ¥1,400 billion in lower dividend rate stock added to Tier I regulatory capital provided by its cooperative members. At the same time, we have aggressively reduced risk-weighted assets in accordance with our conservative

portfolio management policy. This has enabled the Bank to increase its capital adequacy ratio by 3.1 percentage points, year-on-year, on a non-consolidated basis, to 15.65% (Tier I ratio: 9.61%). The Bank has, as a result, developed a capital base which allows it to manage its funds in a stable manner.

## Capital Adequacy Ratio: Exceeds the 8% Required by the BIS

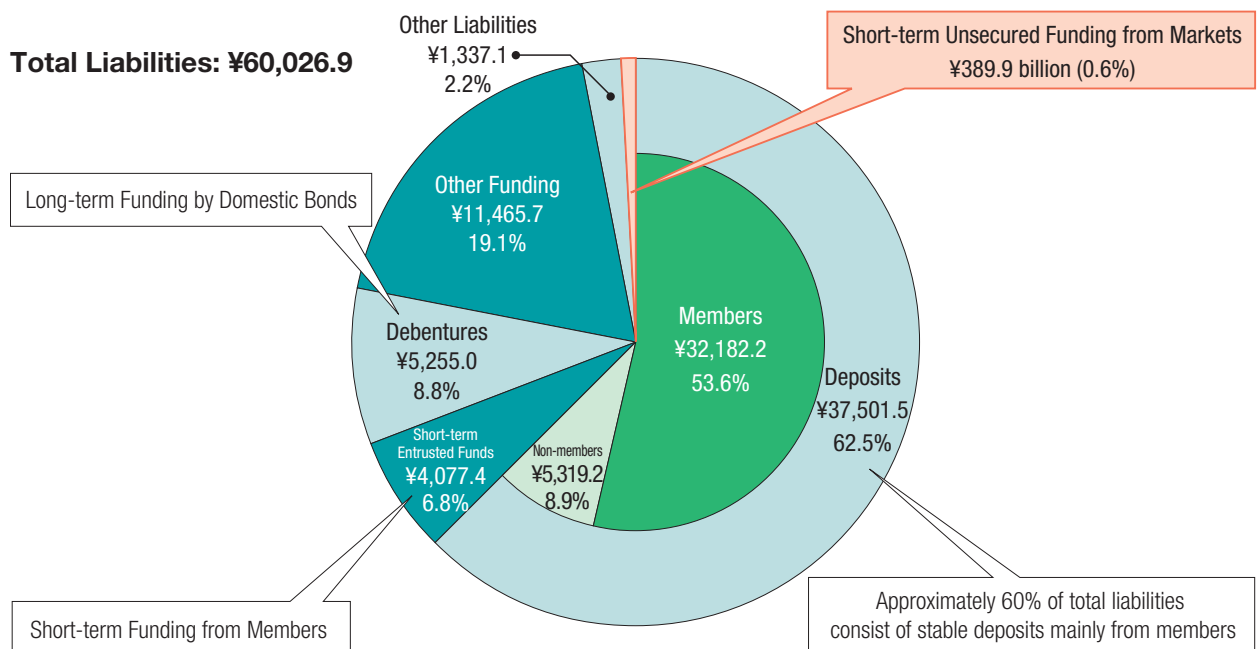
### ▶ Capital Adequacy Ratio Breakdown (Non-consolidated) (¥billion)

	FY2008	Change from previous fiscal year end	
Tier I Capital	2,300.6	(719.2)	
<b>Capital Stock and Capital Surplus</b>	<b>3,446.3</b>	<b>1,405.3</b>	↔ Capital increase from cooperative members
Earned Surplus	788.6	(564.5)	
Unrealized Losses on Other Securities	(1,871.8)	(1,575.3)	
Tier II Capital	1,770.0	444.4	
Deductions	327.1	22.6	
Total Capital	3,743.5	(297.3)	
<b>Risk Weighted Assets</b>	<b>23,917.1</b>	<b>(8,280.8)</b>	↔ Major decline
<b>BIS Capital Adequacy Ratio</b>	<b>15.65%</b>	<b>+3.10%</b>	↔ Capital adequacy ratio and Tier I ratio both higher than in previous term
<b>Tier I Ratio</b>	<b>9.61%</b>	<b>+0.24%</b>	

## (Reference) Despite the market turmoil, the Bank's funding capabilities remain stable

As the chart below shows, unsecured fund procurement from short-term financial markets accounted for only 0.6% (¥389.9 billion) of interest-bearing debt held by the Bank. The financial position of the Bank, the cornerstone of Japan's cooperative banking system, is completely different to that of financial institutions which are dependent on the short-term financial markets. The Bank is always able to procure stable funding at low interest rates.

### ▶ Funding Breakdown (As of the end of March 2009, on a non-consolidated basis) (¥billion)



Note: Other Funding includes Payables under Repurchase Agreements (secured), Payables under Securities Lending Transactions, Borrowed Money (secured, subordinated loans), etc. Other Liabilities includes Acceptances & Guarantees and Reserves. Short-term Unsecured Funding from Markets includes Trading Liabilities, Negotiable Certificates of Deposits, and Call Money and Bills Sold.

### Q3 What comments can you offer regarding securitized products?

In March 2009, the total exposure to securitized products held by the Bank stood at ¥6,170.0 billion. Of that amount, 91.8% of instruments were rated at A or higher.

During the recent turmoil in financial markets, the value of secondary\* and tertiary securitized products were severely affected, but the Bank mainly holds primary securitized products such as asset backed securities (ABSs) and collateralized loan obligations (CLOs).

As a result, most of the losses (in terms of total

value) recognized on securitized products in fiscal 2008 are related to secondary\* and tertiary securitized products. Most securitized products held by the Bank continued to pay interest when due and were fully repaid at maturity.

Furthermore, the balance of sub-prime loan products within our overall securitized product portfolio declined to ¥139.5 billion at the end of fiscal 2008, only 2.2% of the total.

\* Underlying assets of securitized products are in themselves securitized products, (i.e. products that have been resecuritized).

#### Securitized Products Held by the Bank (Fiscal 2008, Non-consolidated)

##### ■ Securitized product exposure: ¥6,170.0 billion

Of which **91.8% is rated A or higher, and 78.3% is rated Triple A or higher**

At the beginning of 2009, ratings agencies introduced more stringent ratings for securitized products. Despite this, securitized products held by the Bank retained their high ratings.

##### ■ Losses on securitized products: ¥306.0 billion

Losses on **primary securitized products, which account for the majority** of the Bank's securitized product holdings, were limited.

Revaluation losses were recognized under applicable accounting standards.

##### ■ Total balance of products with sub-prime loan exposure: ¥139.5 billion

Now accounting for only **2.2%** of the total balance of securitized products

## Investment in Securitized Products (Note 1)

### ■ Most securitization exposure involved highly-rated and primary securitized products (Non-consolidated) (as of March 31, 2009)

#### 1. Exposure by Product (Note 2)

(Billions of Yen)

	AAA	AA	A	BBB	below BB+	Total	Change from previous fiscal year end
ABS	2,453.1	4.6	124.1	47.5	19.8	2,649.4	807.8
RMBS <small>(Note 3)</small>	546.9	43.6	39.6	18.0	4.2	652.5	(195.1)
CMBS	347.3	79.3	98.4	63.5	14.2	602.8	(146.4)
CDO	1,486.0	229.2	212.2	109.2	157.9	2,194.7	(321.1)
CLO	1,343.9	180.9	197.0	66.2	119.9	1,908.1	(89.7)
Resecuritized Products <small>(Note 4)</small>	92.9	35.6	8.6	42.0	37.9	217.2	(195.1)
CBO and Others	49.1	12.6	6.5	1.0	0.0	69.3	(36.3)
Others	0.0	0.0	0.0	0.9	69.3	70.3	(15.7)
<b>Total</b>	<b>4,833.5</b>	<b>356.9</b>	<b>474.5</b>	<b>239.3</b>	<b>265.7</b>	<b>6,170.0</b>	<b>129.3</b>

#### 2. Unrealized Gains/Losses and Total Losses by Product

(Billions of Yen)

	AAA	AA	A	BBB	below BB+	Total	Change from previous fiscal year end	Losses <small>(Note 5)</small>
ABS	(49.3)	(0.7)	(13.0)	(2.9)	(2.6)	(68.8)	(15.3)	0.0
RMBS <small>(Note 3)</small>	(7.7)	(17.2)	(6.3)	(4.6)	0.0	(36.0)	18.0	(60.6)
CMBS	(22.2)	(4.5)	(7.6)	(6.4)	(3.2)	(44.0)	8.6	(0.8)
CDO	(96.3)	(40.2)	(42.8)	(16.5)	(12.6)	(208.5)	73.0	(241.0)
CLO	(69.7)	(22.5)	(38.4)	(9.6)	(12.6)	(153.1)	40.4	(36.9)
Resecuritized Products <small>(Note 4)</small>	(17.6)	(16.3)	(2.8)	(6.8)	0.0	(43.7)	36.9	(193.2)
CBO and Others	(8.9)	(1.2)	(1.4)	0.0	0.0	(11.7)	(4.3)	(10.7)
Others	0.0	0.0	0.0	0.0	0.0	0.0	3.0	(3.4)
<b>Total</b>	<b>(175.7)</b>	<b>(62.7)</b>	<b>(69.8)</b>	<b>(30.5)</b>	<b>(18.5)</b>	<b>(357.5)</b>	<b>87.5</b>	<b>(306.0)</b>

#### 3. Exposure by Currency

(Billions of Yen)

	Exposures Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses <small>(Note 5)</small>
U.S. dollars	4,369.2	628.6	(254.7)	60.0	(203.7)
Euro	807.9	(227.5)	(80.2)	40.0	(58.2)
Pounds sterling	44.3	(19.8)	(2.2)	2.1	(0.4)
Yen	948.4	(251.8)	(20.2)	(14.6)	(43.6)
<b>Total</b>	<b>6,170.0</b>	<b>129.3</b>	<b>(357.5)</b>	<b>87.5</b>	<b>(306.0)</b>

Notes:

- Securitized Products are defined internally based on the definition in Basel II. Includes sub-prime related products.
- The amount of securitization exposure is the net exposure after write-off and revaluation. For some CMBS, the amount of exposure, ¥127.5 billion (Revaluation Losses ¥1.2 billion), which should be included in Specialized Lending (SL) under Basel II, is not included here.
- Includes Sub-prime RMBS. Mortgage-backed securities linked to US Government sponsored entities are not included.
- Re-securitized Products such as ABS-CDO, and CDO's of CDO's. Includes ABS-CDO and CDO's of CDO's that contain sub-prime RMBS as underlying assets.
- Includes the total value of revaluation losses and unrealized losses of financial instruments with embedded derivatives in the fiscal year.

## Reference Calculating the Fair Value of Securitization Exposure

Securitization exposure includes investment securities, monetary claims bought and outstanding loans, as well as accrued income and undrawn commitments.

As for securitized products which are rarely traded (such as credit card debt securities ABS in ABS' and CLO in CDOs), the Bank has determined that the quoted prices provided by brokers or vendors are no longer regarded as fair value, and values such bonds at rationally estimated amounts at the end of the fiscal year.

The Bank's independent middle office comprehensively verifies the accuracy of fair value calculations.



## ■ Aggressive write-offs and revaluations of securitized products (Non-consolidated) (as of March 31, 2009)

### 1. Investment on Sub-prime Loan Related Products (Note 1)

#### (1) Sub-prime Loan related products (Sub-prime RMBS: primary Instruments) (Note 2) (Billions of Yen)

	Exposures	Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses
AAA	27.5		(14.7)	(2.5)	8.7	(21.9)
AA	30.7		(50.0)	(16.9)	6.9	(13.2)
A	17.8		(9.5)	(6.1)	5.8	(8.8)
BBB	9.8		(2.6)	(3.9)	0.9	(6.8)
below BB+	4.2		1.1	0.0	0.0	(9.7)
<b>Total</b>	<b>90.3</b>		<b>(75.8)</b>	<b>(29.6)</b>	<b>22.5</b>	<b>(60.6)</b>

#### (2) ABS-CDO including Sub-prime RMBS (squared instruments) (Notes 3 and 4) (Billions of Yen)

	Exposures	Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses
AAA	2.2		(12.4)	(1.9)	2.7	0.0
AA	0.0		(56.5)	0.0	4.1	0.0
A	0.3		(0.5)	0.0	0.0	(1.0)
BBB	5.6		(0.4)	(0.7)	0.2	0.0
below BB+	19.6		18.2	0.0	0.0	(30.5)
<b>Total</b>	<b>27.8</b>		<b>(51.7)</b>	<b>(2.6)</b>	<b>7.1</b>	<b>(31.6)</b>

#### (3) CDO of CDO's including Sub-prime RMBS (cubic instruments) (Notes 5 and 6) (Billions of Yen)

	Exposures	Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses
AAA	16.3		(23.7)	(3.9)	7.4	0.0
AA	0.0		(1.2)	0.0	0.8	0.0
A	0.3		0.3	0.0	0.0	(1.7)
BBB	0.0		0.0	0.0	0.0	0.0
below BB+	4.5		4.5	0.0	0.0	(25.0)
<b>Total</b>	<b>21.3</b>		<b>(20.1)</b>	<b>(3.9)</b>	<b>8.3</b>	<b>(26.7)</b>

#### (4) Total of Sub-prime Loan Related Products (Total of (1) to (3)) (Billions of Yen)

	Exposures	Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses
AAA	46.2		(51.0)	(8.3)	18.9	(21.9)
AA	30.7		(107.8)	(16.9)	11.9	(13.2)
A	18.5		(9.6)	(6.1)	5.8	(11.6)
BBB	15.5		(3.1)	(4.7)	1.2	(6.8)
below BB+	28.5		23.9	0.0	0.0	(65.4)
<b>Total</b>	<b>139.5</b>		<b>(147.7)</b>	<b>(36.3)</b>	<b>38.0</b>	<b>(119.1)</b>

### 2. Investment on Monoline Products (Note 7) (Billions of Yen)

	Exposures	Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses
Financial Products with Monoline guarantees <small>(Note 8)</small>	165.4		(28.2)	(43.4)	(18.0)	0.0
Monoline Products in Securitization business	0.0		0.0	0.0	0.0	0.0
<b>Total</b>	<b>165.4</b>		<b>(28.2)</b>	<b>(43.4)</b>	<b>(18.0)</b>	<b>0.0</b>

### 3. Investment on Leveraged Loans (Note 9)

	Exposures	Gains/Losses	Change from previous fiscal year end
Domestic	42.8		(12.8)
Overseas	155.9		(34.6)
<b>Total</b>	<b>198.7</b>		<b>(47.4)</b>

### 4. Trading of Sub-prime Loan Related Products

The Bank has not originated, underwritten or traded ABCP, SIV, or leveraged loans. The Bank does not own any sub-prime loan related products in its trading account and is not involved in any unconsolidated off-balance sheet transactions. The Bank is only involved in sponsoring 1 SPC to provide liquidity for its domestic customers' account receivables (Exposure: ¥101.2 billion)

### 5. Investment on Bonds Issued by US Housing-related GSEs (Note 10) (Billions of Yen)

	Exposures	Gains/Losses	Change from previous fiscal year end	Unrealized Gains/Losses	Change from previous fiscal year end	Losses
Agency Mortgage Bonds	2,005.7		(1,558.6)	101.7	21.4	0.0
Agency Bonds	1,284.8		(783.3)	66.0	(5.9)	0.0
<b>Total</b>	<b>3,290.5</b>		<b>(2,342.0)</b>	<b>167.8</b>	<b>15.4</b>	<b>0.0</b>

Notes:

- The Bank has not loaned in pure sub-prime loans.
- The ratios by vintage (issuance year) are 99%, 1%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.
- The ratios by vintage (issuance year) are 50%, 30%, and 20% for 2004 and before, 2005-2006, and after 2007, respectively.
- Capital Notes issued by SIV is ¥0 million (After ¥24 million write-off and non-revaluation losses).
- The ratios by (issuance year) are 84%, 16%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.
- CDO's of CDO's include RMBS even if only slightly. Includes only a few sub-prime RMBS.
- Exposure to monoline-CDS, calculated based on the ratio of monoline-CDS ratio to securitized products the amount of held, is ¥5.2 billion.
- Non-guaranteed grade for nonrecourse loan and CLO is above investment grades. No sub-prime related loan products for guaranteed products.
- Based on the Bank's internal definition of loans which mainly target LBOs. The reserve for potential individual loan losses is ¥8.4 billion.
- The Bank has ¥593.1 billion of mortgaged-backed security bonds issued and guaranteed by Ginnie Mae, a US government-owned corporation.

**Measures for the future: The Business Renewal Plan**

**Q4 Please outline the Bank's Business Renewal Plan**

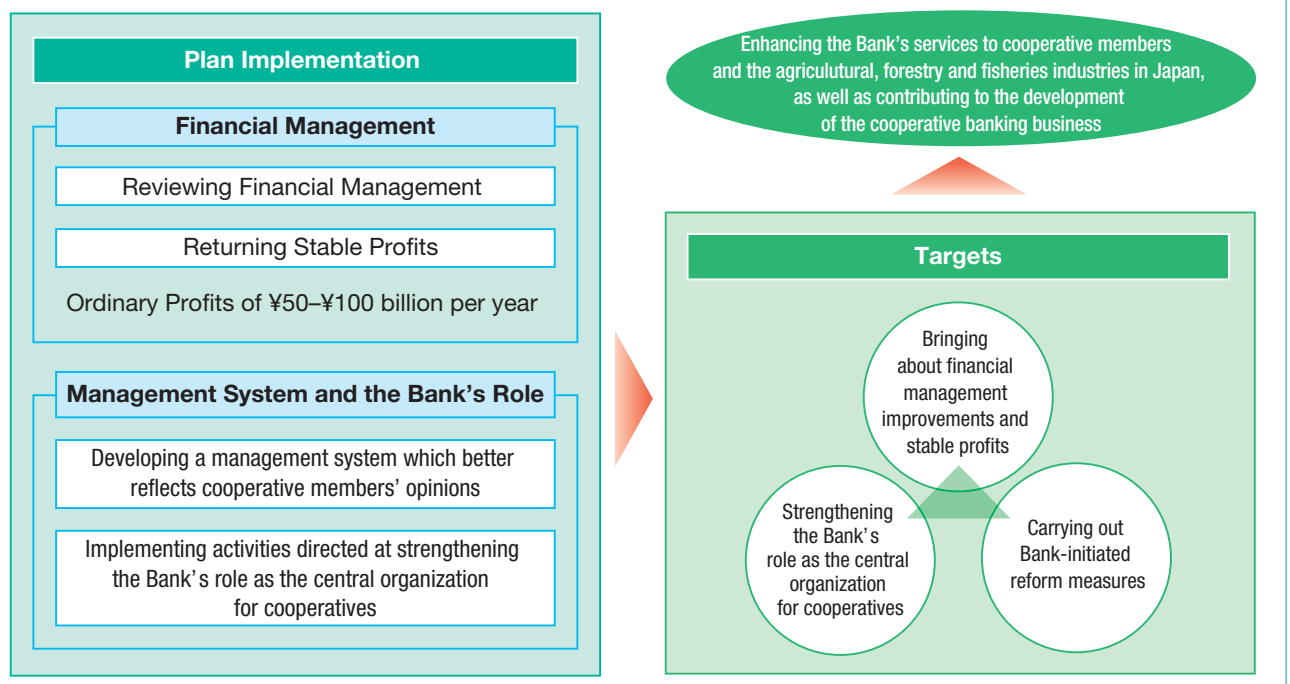
Unprecedented turmoil in the financial markets has led the Bank to carry out large-scale capital increases through investments from its member cooperatives. In fiscal 2009, it announced a commitment to cooperative members to restore profits through a four-year management plan, the Business Renewal Plan, with two major management goals, (1) the reform of fund operations and (2) the reorientation of the organization toward member interests and strengthened functions as a central entity. The earnings target for the period of the plan is an annual ordinary profit of ¥50-¥100 billion. This lower level target, compared with past performance, reflects our repositioning of fund operations. In the past, our priority was to accumulate adequate levels

of retained earnings in order to fulfill our role as the central financial organization serving cooperatives in Japan, maximizing earnings by fully leveraging the Bank's own capital. However, now that we have established a more stable capital base through large-scale capital funding from our member cooperatives, we have decided to conduct investments in the future with an emphasis on lower-risk assets.

Through this plan, and with the support of all employees from the management level on down, we are further strengthening our efforts to contribute to the development of the agricultural, forestry and fisheries industries as well as the cooperative banking business in Japan, fulfilling our basic mission.

**Establishing an International Presence by Investing Prudently from a Global Perspective**

► Business Renewal Plan (FY 2009 – FY 2012)



## Q5 What changes do you plan to make to the Bank's investment strategy?

The mission of the Bank is to contribute to the development of the agricultural, forestry and fisheries industries in Japan as the financial organization for cooperatives. Consistent distribution of earnings to member cooperatives is essential for the stable operation of a cooperative banking business that supports the agricultural, forestry and fisheries industries in

Japan. We duly recognize the importance of achieving an appropriate balance between risk and return in our investment and lending strategies. At the same time, in light of the recent turbulence in the financial markets, we are overhauling three aspects of our investment and lending operations: fund management, capital adequacy management and organizational reorientation.

### Fund Management Plan

- **Qualitative reform of the pattern of globally diversified investments:**

A shift from diversified investment based on a case-by-case matching of risk and return models, to a new model which takes into account the likelihood of market price fluctuations and the availability of market liquidity.

- **Overhaul of risk management methods:**

Having learned the lessons of overconfidence in our diversified investment model, we will select only lower-risk credit assets based on a sophisticated and rigorous analysis of stress scenarios.

### Capital Adequacy Management

We will maintain suitable capital adequacy levels while giving due consideration to safe fund management and the strengths of particular business models. We will also maintain a high level of capital adequacy in anticipation of severe future stress and a tougher regulatory environment.

### Organizational Reorientation

The Bank will achieve qualitative reform of globally diversified investments and reform its systems in order to further improve its analysis and credit-screening capabilities

## Toward a Lower-Risk Asset Portfolio

The Bank is rebalancing its market portfolios (which currently have assets totaling approximately ¥45,000 billion), and adopting a basic stance of avoiding short-term trading and holding instruments to maturity to ensure stable returns.

- **Market Assets by Risk: A shift from stocks to (mainly Japanese) bonds**

Proportion of bonds from Japanese issuers in portfolio: **21%** (fiscal 2007) ⇒ **33%** (fiscal 2008)

- **Bonds and Credit Assets by Maturity: In principle, a shift from short-term trading to holding securities to maturity in order to ensure stable returns**

Proportion of securities held for at least one year to five years: **14%** (fiscal 2007) ⇒ **22%** (fiscal 2008)

- **Market Assets by Currency: Ensuring a mix of currencies that prioritizes low risk**

Proportion of assets held in Japanese yen, US dollars or euros:

respectively **37%, 50% and 12%** (fiscal 2007) ⇒ respectively **44%, 47% and 8%** (fiscal 2008)

- **Bonds and Credit Assets by Rating: Maintain a weighting of assets with strong ratings**

Proportion of Triple A and Double A assets (principally Standard & Poor's and Moody's ratings) in the portfolio: **80%** (fiscal 2007) ⇒ **81%** (fiscal 2008)

(Please see Page 71 for a breakdown of market portfolio assets in fiscal 2008).

## Q6 What progress has been made in streamlining operations and increasing efficiency?

To implement the Bank's plan to restore profits without outside assistance, employees of the Bank, from executives on down, are committed to streamlining operations and improving efficiency. Specifically, this will involve

both employee pay cuts and the paring of operating expenses. Remuneration for all directors has already been cut, by at least 20%.

## Q7 How do you propose to strengthen your role as the central organization for cooperatives?

In partnership with the JA, JF and Forestry Cooperatives, the Bank operates a nationwide cooperative banking business, designed to meet the full range of financial needs of Japan's agricultural, forestry and fisheries industries. The cooperative system is the foundation of the Bank's operations. The Bank's measures to strengthen its organizational reorientation and functions will enable smoother and functionally more effective operational management of cooperatives and contribute to the agricultural, forestry and fisheries industries of Japan, enabling us to fulfill the Bank's basic mission and role. The Bank is itself a member of JA Bank and JF Marine Bank. We are committed to strengthened planning and business management and better financial services for agricultural, forestry and fisheries, raising the profile of the Bank by leveraging the brand recognition of JA Bank and JF Marine Bank. We will work to deepen our integration with JA, JF and Shinnoren.

A discussion of our measures to strengthen our financial products and services through cooperation with both JA and JF can be found on Page 18, and in the responses to subsequent questions. In addition, as the central organization for cooperatives in Japan, we are intensifying efforts in the following areas.

### ■ Deeper personnel exchanges

We are increasing and deepening personnel exchanges between the Bank and JA, and the Bank and the Prefectural Banking Federation of Agricultural

Cooperatives (Shinnoren). The Bank dispatches employees to both JA and Shinnoren, to give them a hands-on appreciation of business conditions at the local level in each prefecture, and to provide them with experience in retail operations, as well as training in administrative system management, thus fostering their planning and development skills as employees of the central organization for cooperatives in Japan. At the same time, we are revitalizing training programs for employees of JA and Shinnoren at the Bank, enabling us to improve the quality of human resources across the entire JA Bank network.

### ■ The Bank's own initiatives to provide better financial services for the agricultural, forestry and fisheries industries

In partnership with JA, JF and the Forestry Cooperatives, the Bank aims to strengthen its support for cooperatives through the expansion of financial services and lending activities, support business expansion and contribute to the development of the agricultural, forestry and fisheries industries, as well as protection of the environment. By strengthening our links with cooperative members, agricultural, forestry and fisheries workers, and corporations and their consumers, we also aim to bring about synergies that enable us to contribute to both the development of the agricultural, forestry and fisheries industries and the financial services that support them, as well as to a better environment and more prosperous future for rural communities across Japan.

■ **Structural Reform and System Development (as of July 1, 2009)**

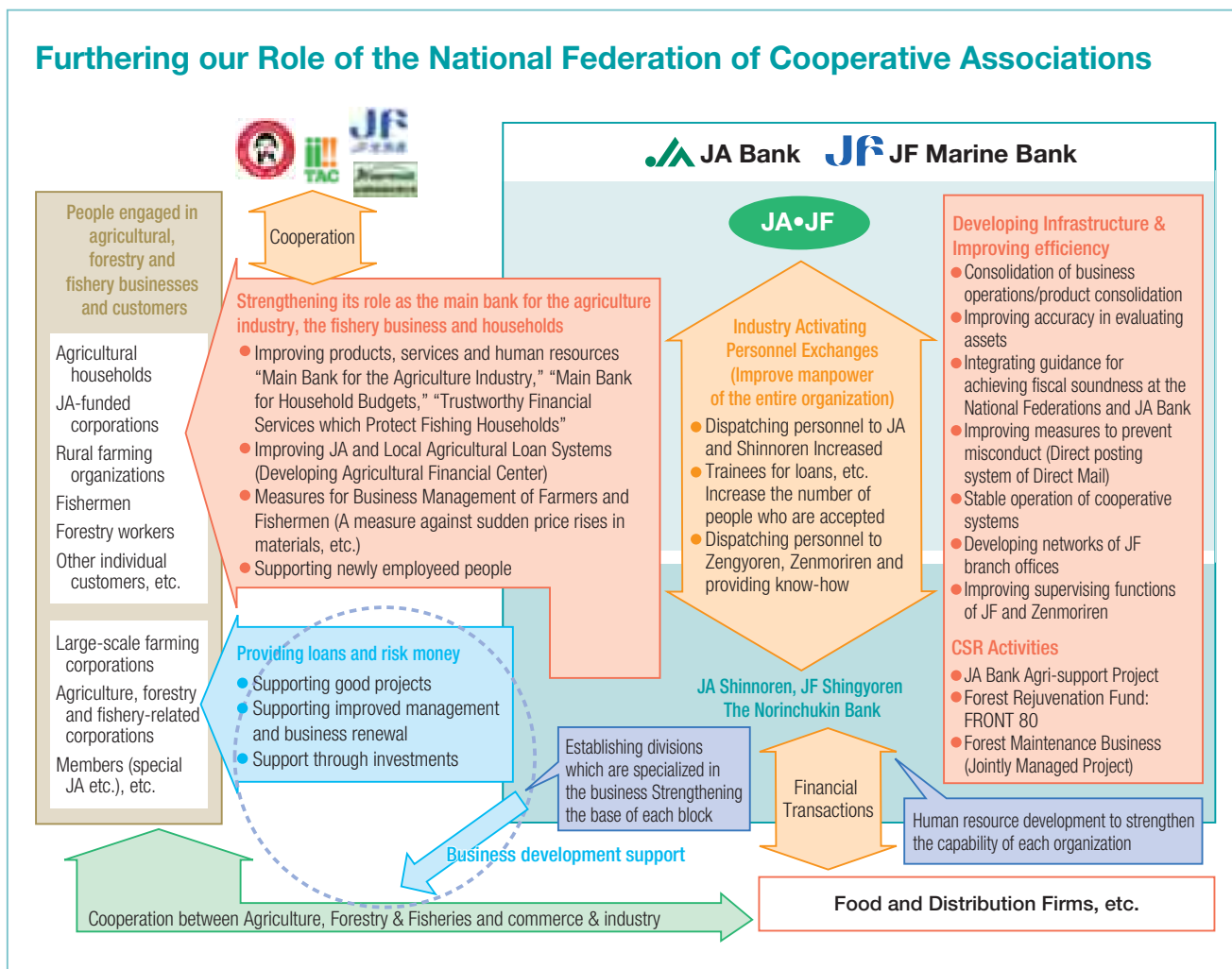
In connection with the above policy, we are undertaking the following structural reforms and system developments.

• **Establishment of a new section within the Agriculture, Forestry, Fishery & Ecology Business Division**

We have established an Ecology & Food Business Promotion Department within the Agriculture, Forestry, and Fishery & Ecology Business Division, which offers expanded financial services and business support for Agriculture, Forestry and Fisheries. Through this Department we are strengthening alliances between member cooperatives and general businesses.

• **Increasing the total number of finance officers that are taking charge of agriculture, forestry and fisheries and sending more Bank employees to JA**  
By the end of fiscal 2012, we will increase the total number of finance officers that are taking charge of agriculture, forestry and fisheries from around 150 at present to around 200, and dispatch around 50 Bank employees over four years to both JA and Shinnoren.

• **Establishment of JA Bank Block Advisor Teams**  
To strengthen the Bank’s retail business capabilities under the JA Bank system, we have established JA Bank Block Advisor Teams. Each team is assigned a specific area, or block of Japan. A JA Bank Management Guidance Division and a JA Bank Planning Promotion Division were newly created after an overhaul of relevant divisions within the Bank.



## Measures for the Future: Our Role as a Member of the JA Bank

### Q8 What will be the role of the Bank within the JA Bank system?

The JA Bank system was launched in 2002 as an alliance of JA, Shinnoren and the Bank, in order to ensure greater reliability and soundness of operations as well as to raise the standard of financial services. By establishing our Bankruptcy Prevention System, a priority policy in the initial period, and through operational integration, currently the second priority, we are creating alliances among the independently managed JA, Shinnoren and ourselves. Providing high-quality financial services through the JA Bank network, which is among the nation's largest, we aim to grow into a top

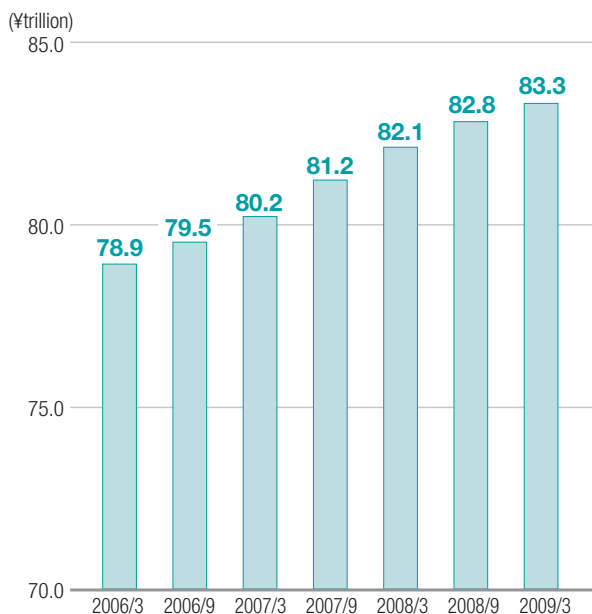
brand in the retail banking sector in Japan.

The role of the Bank within the integrated model will be to takeover the planning and management operations for JA Bank as a whole. Specifically, the Bank will plan strategies and create attractive financial products and services based on an analysis of business environments, as well as install online systems and other financial infrastructure.

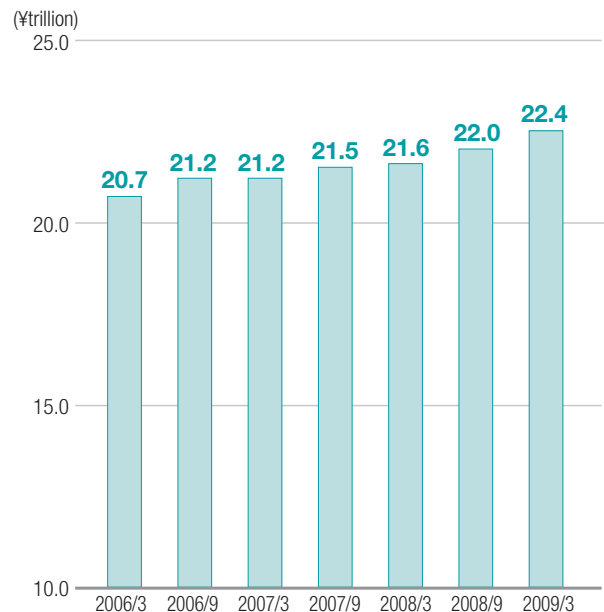
(For more details on the JA Bank system, please see Page 30.)

### Providing Reliable Financial Services Rooted in the Community

Balance of Savings (JA)



Balance of Loans (JA)



## Q9 Please outline the JA Bank “Step-Up” Plan

Under its three-year Medium-Term Management Strategy launched in fiscal 2007, the JA Bank “Step-Up” Plan, JA Bank sets business performance targets for all JA units around Japan and takes a Bank-wide approach to meeting them.

The Bank is also laying the groundwork for a new

JA Bank Medium-Term Management Strategy, using the keyphrases, the “main bank for the agriculture industry,” and, the “main bank for household budgets.” This is premised on a drive to strengthen the roles of JA Bank under the Business Renewal Plan.

### ► Numerical Targets of the JA Bank

	FY2008 (results)	FY2009 (projected)
Outstanding JA Bank loan amounts (¥trillion)	8.0	8.5
Number of JA card holders	0.68 million	1.31 million
Outstanding retail deposit amounts (¥trillion)	75.5	77.1
Numbers of newly obtained pension accounts	0.94 million	1.51 million

### The JA Bank Medium-Term Management Strategy (Fiscal 2007 through Fiscal 2009) The JA Bank “Step-Up” Plan

#### 1. Policies to Increase the Core Customer Base

- (1) Enhancing the Responsiveness of Financial Services for Core Farmers
- (2) Demonstrating the Bank’s ability to provide advice to Major Clients

#### 2. Implementing Competitive Strategies in the Retail Financial Market

- (1) Expanding JA Bank loans
- (2) Developing a strategy for JA Bank cards
- (3) Promoting individual deposits and pensions
- (4) Expanding sales of Japanese government bonds and investment trusts
- (5) Establishing a more efficient retail business system

#### 3. Upgrading Management Control Systems as a Financial Institution

The JA Bank will adopt measures to enhance the sophistication of its management control systems, to respond properly to new regulatory requirements, including the Basel II regulations, and to conduct appropriate risk management activities.

#### 4. Establishing a New Business Model for the JA Bank as a Whole

The JA Bank will seek out a new business model through promoting the integration of JA’s “face-to-face consultation services for cooperative members and clients” and the “advantage of economies of scale and backup support functions” provided by Shinnoren and the Bank.

## Q10 Please describe JA Bank's financial services for core farmers

JA Bank is committed to contributing proactively to the prosperity and development of local farming communities through fund provision and subsidized-interest loans, under its keystone policy of strengthening financial services for core farmers.

### ■ Wide-Ranging Funding Services for Core Farmers

The JA Bank offers a wide range of funding facilities, tailored to various categories of users and purposes of financing. Offerings to date include the JA Agricultural Equipment and Greenhouse Loans, a small-lot facility for the purchase of farming tools and production equipment, and the Agri-Super Fund, a short-term working fund facility to help managers of rice paddies and arable (dry crop) farms to stabilize their incomes. In 2008, JA Bank began offering JA Core Farmer Assistance Loans (short-term working capital funding) for JA member farmers eligible for the qualified income tax return declaration program.

JA Bank also has a wide range of other measures to help farmers. In fiscal 2008, to reduce the cost burden to farmers from soaring prices for production inputs, the Bank established the “fiscal 2008 subsidized-interest program to offset soaring prices for agricultural production inputs,” a subsidized-interest fund facility to meet farmers' working capital needs.

### ■ The Bank's Finance Measures for Core Farmers

In April 2005, the Bank launched its Agribusiness Loans program, for agricultural businesses such as production, processing and marketing of rice, production and processing of vegetables, livestock farming and gardening. As an investor in the Group company Agribusiness Investment & Consultation Co., Ltd., the Bank also helps agricultural businesses shore up their financial positions. In November 2006, in partnership with the Kyohei Mutual Fire & Marine Insurance Co., Ltd. and the National Federation of Agricultural Cooperative Associations (JA Zen-Noh), the Bank created a support fund mechanism under which loans are secured by using livestock as collateral.

### ■ JA Group National Agricultural and Livestock Producers' Business Conference

In February 2009, the third national business conference to help farmers expand marketing channels was held in Roppongi Hills in Tokyo. Sponsored by the Central Union of Agricultural Cooperatives (JA Zenchu), JA Zen-Noh, the JA Bank, and the National Mutual Insurance Federation of Agricultural Cooperatives (JA Kyosai), the event was attended by 136 groups from all around Japan, who displayed over 1,000 regional specialty products. Approximately 2,500 business partners of the Bank and other visitors attended the event.

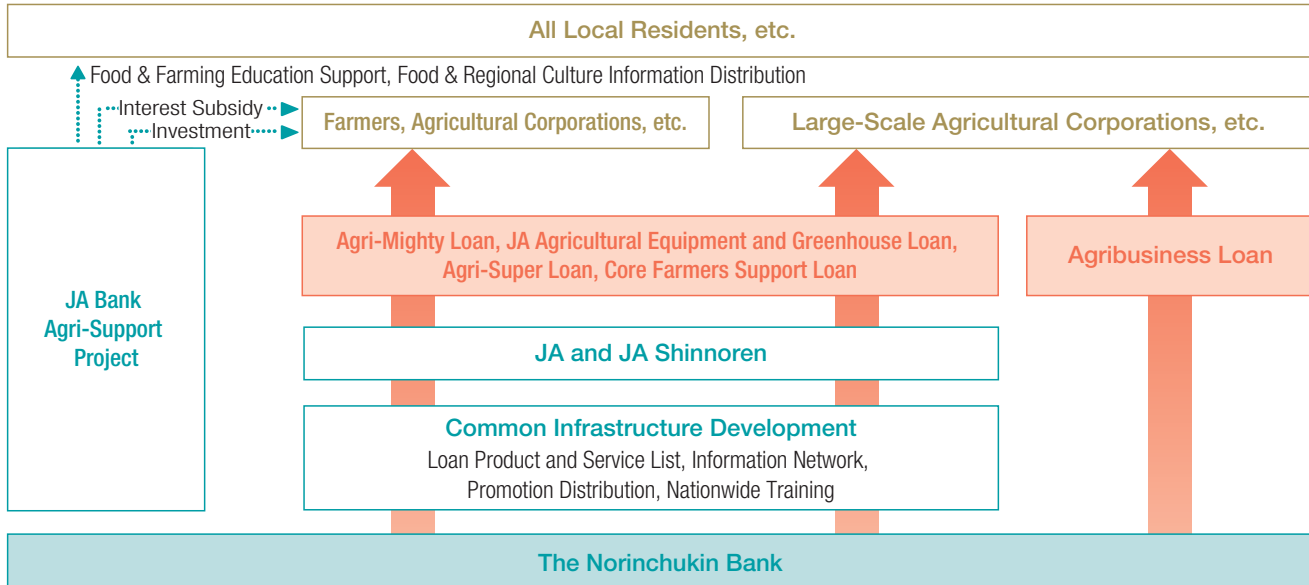
### Major Agricultural Funds

(balance of loans outstanding, as of March 31, 2009)

- Agri-Mighty Loan: **¥106.5 billion**
- Loans made under JA Agricultural Equipment and Greenhouse Loans program to help farmers buy production equipment: **¥103.2 billion**
- Loans made under the income support facility Agri-Super Fund for managers of rice paddies and arable farms: **¥500 million**
- Agribusiness Loan: **¥11.9 billion**



► Supporting core farmers as their Main Bank



**Q11** How will the next version of the JASTEM System work?

JASTEM is a centralized, nationwide online transaction processing system operated by JA Bank. It is one of the largest mass-retail type systems of its kind in Japan, covering 740 different JA product and service categories (as of July 1, 2009), with data processing capabilities covering approximately 46 million accounts and data from approximately 12,000 ATMs.

The JASTEM System was set up to take over joint operation of online systems that were managed by individual prefectural and regional units under the nationwide Shinnoren network. The system went online in October 1999. In 2002, the Bank took over development and operation of the system and, later, units from every prefecture in Japan began to join. At the moment, all JA organizations use this system, which makes available a nationwide infrastructure for common services, strengthening both efficiency of operations and risk management.

Currently, a successor to JASTEM is under development. Operation is scheduled for launch between January 2010 and May 2011 in a four-phase migration progressively covering all prefectures and regions of

Japan. Customers are asked to understand that this migration will involve repeated suspension of ATM and other services. Preparations for the migration are currently proceeding on schedule, with appropriate measures being taken to ensure the proper management of risk.

For the development of retail banking operations, it is essential that a system be developed that supports the range of operational requirements at JA Bank, including cutting costs through the rationalization of JA administrative operations and ensuring that customers have the convenience of being able to access our consistently high-quality financial services from anywhere within Japan. To increase the number of customers who use JA Bank as their main financial institution and to expand the scale of business, we are steadily upgrading JASTEM, achieving an appropriate balance between the need to cut costs and the need to improve services, while also strategically expanding the range of financial products which the Bank offers and centralizing the Bank’s administrative processes.

## Q12 What measures is the Bank taking to contribute to local communities?

### ■ Corporate social responsibility (CSR) activities undertaken independently by the Bank (forestry rejuvenation, etc)

The Bank has long been committed to CSR activities. In March 2005, we set up the Forest Rejuvenation Fund (FRONT80) and began supporting initiatives to revitalize private-sector forestry. Then, in fiscal 2007, the JA Bank Agri-Eco-Support Fund was established with Bank financing; through this fund the JA Bank Agri-Support Project was developed (please see next page for a more detailed description).

In fiscal 2008, the Bank deepened its CSR commitment through establishment of a CSR committee and dedicated office. In addition, in December 2008,

the Bank published its first CSR report (CSR Report 2008) as a tool to publicize its CSR initiatives among cooperatives and other stakeholders.

Under the Business Renewal Plan, contributing to the development of the agricultural, forestry and fisheries industries and to environmental protection is designated as a management priority. While strengthening internal management and broadening the scope of the Bank's CSR activities in our capacity as the central organization of the cooperative movement in Japan, we are also committed to supporting (1) member cooperatives, (2) the agricultural, forestry and fisheries industries, and (3) the community at large.

### Policy for CSR Initiatives

The Norinchukin Bank is a financial institution rooted in the agricultural, forestry, and fisheries cooperatives of Japan as well as an active participant in global markets. To win trust from our wide range of stakeholders and to contribute to the sustainable development of the Japanese economy and society, we have determined that public trust in the Bank depends on a strong internal management system, including "A thoroughgoing compliance with laws and regulations" as well as "Human resources policies that enable a diversity of staff to play an active role." In all aspects of the Bank's activities, we continue to actively participate in:

1. Contribution to the Bank's shareholders and members
2. Contribution to the promotion of the agricultural, forestry and fisheries industries
3. Contribution to society

We proactively conduct CSR activities in order to make contributions by means of these three pillars.

## JA Bank Agri-Support Project

In line with its policy of deploying more extensive measures for Japan’s agricultural and farming villages, which are facing major agricultural system reform, as well as fulfilling its duties to society, the JA Bank has initiated the JA Bank Agri-Support Project.

- **Summary of activities:**

- A three-pronged approach

- Providing support for core farmers

- Offering assistance for activities that contribute to agriculture and regional communities

- Promoting activities that improve the understanding of, and increase interest in, agriculture

- **Business entity:** Limited liability intermediary corporation JA Bank Agri Eco Support Fund

- **Total project cost:** Approx. ¥10 billion over a three-year period (provided by the Bank)

- **Implementation term:** Three years from fiscal 2007 to fiscal 2009

	FY2007	FY2008	FY2009
Providing support for core farmers	<b>Interest Subsidy Project:</b> Implemented interest subsidy to Agricultural Loans provided by JA Granted subsidies in 31,864 cases for an amount totaling ¥495 million during FY2008		
		<b>Investment Project:</b> Supplied funds and supported training at corporations which engage in the promotion of agricultural and environmental contributions through the Agri Eco Support Funds. Invested in 4 corporations for an amount totaling ¥208 million during FY2008	
Offering assistance for activities that contribute to agriculture and regional Communities		<b>JA Bank Food &amp; Farming Education Support Project:</b> Providing gifts of food and farming related textbooks to 20,896 elementary schools Providing financial assistance for JA's food and farming education related activities throughout Japan	
Promoting activities that improve the understanding of, and increase interest in, agriculture	<b>Food and Regional Culture Information Distribution Project:</b> Providing information on the state of agricultural production today through posting an article in "Today's Cooking," a magazine published by NHK (Japan Broadcasting Corp.), as well as holding local events		

Based on the three-year results of these activities, a decision will be made regarding whether or not to add or continue necessary projects.