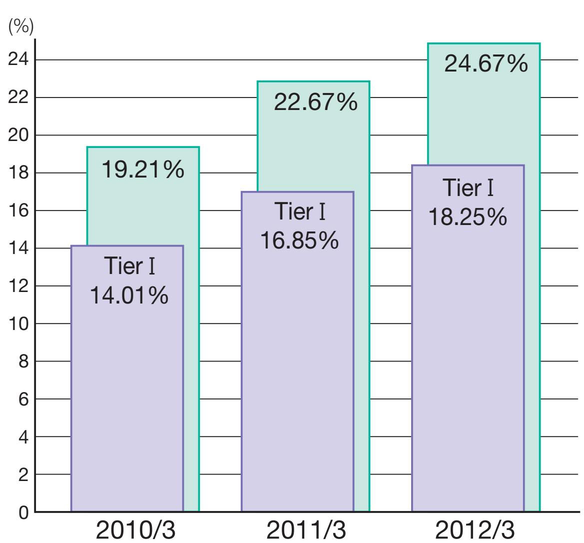
Capital Position

A Strong Capital Base Founded on the Strength of the Cooperative Membership

Capital Adequacy

The Bank considers it a major management priority to secure a sufficiently high level of capital resources in order to maintain and strengthen its financial position. It does so to ensure the "stable return of profits" to its members and to enhance its role as the central bank for Japan's agricultural, forestry, and fishery cooperatives, to contribute to those industries and the development of the cooperative banking business, and to align itself with the diverse needs of its customers. As of March 31, 2012, the Bank's capital adequacy ratio on both a consolidated (nine companies) and non-consolidated basis were both in the 24% range. This was attributable to ordinary profit and a significant improvement in unrealized profits and losses on securities.

Capital Adequacy Ratio (consolidated)



Enhancing the Bank's Capital Adequacy and Financial Position

Amid the unprecedented financial crisis and market turmoil, the Bank carried out a major capital increase during fiscal 2008. Its aim was to ensure operational soundness and to properly meet the needs of members, customers, and domestic and overseas markets, and to maintain their confidence.

In March 2009, the Bank took another step to maintain a sufficient level of capital, the key indicator of soundness for financial institutions, especially for banks with international operations, even in cases where financial market turmoil worsens in the future. With the full understanding and support of members, the Bank raised ¥1,380.5 billion in lower dividend rate stocks, a form of common stock, and increased perpetual subordinated borrowings from ¥963.7 billion to ¥1,476.0 billion. The Bank intends to improve its capital adequacy ratio in both quality and quantity, and strengthen its financial position.

In the years ahead, the Bank faces a trend of stronger international capital regulations for financial institutions. The center of the Bank's management agenda will henceforth be to expand its role as the central organization for the cooperatives, while maintaining its capital at a sufficiently high level, and to ensure "stable return of profits" to its members.

Strong Capital Base

The Bank is rated by the two leading credit rating agencies in the United States—Standard & Poor's and Moody's Investors Service—and has received top-tier ratings among Japanese financial institutions. One of the main factors supporting these ratings is the strong capital base afforded by the membership of the cooperative system.

While major commercial banks in Japan have received injections of public funds to restore financial soundness and facilitate their ability to extend credit, the Bank, based on its capital adequacy, has yet to apply for such an injection.

Methods of Raising Capital

The Bank's paid-in capital is funded from the following sources.

	Common Stocks		Preferred Stocks
Investors	Members, as stipulated by the Norinchukin Bank Law		No restrictions
Voting rights	Yes		No
Par value / Issue price	¥100 / Issued at par value		¥100 / Issued at market value
Dividends	Dividend rates are approved by the Council of Delegates. Dividends are paid after payment of dividends on preferred stock. When dividends are paid on common stocks, participatory dividends are paid to holders of preferred stock.	For lower dividend rate stocks Dividend rates are set by the Council of Delegates. Dividend priority is the same as for common stocks. Under the Bank's Articles of Association, dividends on lower dividend rate stocks have a lower priority than common stocks.	Dividend rates are set by the Council of Delegates. Dividends on preferred stock are composed of preferred dividends and participatory dividends. Participatory dividend priority is the same as for common stocks.

Risk Management

Approach to Risk Management

Essential components of financial institution management are generation of stable profits and maintenance of an optimal portfolio. Management must also address various types of risks arising from changes in the overall business environment, especially volatility in economic conditions and financial markets. Financial institutions must also maintain a high level of public confidence by providing reliable services and maintaining financial soundness.

The Bank's financial position has been significantly influenced by the outbreak of the unprecedented global financial crisis in 2008. However, as a result of a major capital injection in March 2009 and continued financial improvement since then, along with various steps taken to strengthen our risk management system, the Bank was able to maintain a high capital adequacy ratio as of March 31, 2012. As the Bank executes its basic mission of working to recover after the Great East Japan Earthquake, providing a "stable return of profits" to its members, and expanding its role as the central organization for cooperatives as well as financial institution for farmers, fishermen, and foresters, the ceaseless upgrading of our risk-management system continues to be an important management task in helping us to maintain management stability in a global economic and financial environment full of uncertainties.

Risk management initiatives by the Bank are stipulated in its Basic Policies for Risk Management. The policy identifies the types of risks to be managed and the basic framework for risk management, including organizational structure and methodology. In accordance with this policy, the Bank manages individual risks after assessing the materiality of risks it faces in managing its business and identifying risks subject to management taking into account the nature of each type of risk and measures the overall magnitude of these risks using quantitative methods to control integrated risk by comparing the amount of risk with the Bank's capital resources.

To implement integrated risk management, the Bank has set up the Risk Management Committee. At the Committee, the Bank's management discusses important issues relating to its risk management framework and capital adequacy and determines respective management frameworks. The committee also ensures that the total risk amount is kept within capital resource limits. The structure also requires that the integrated risk management status (e.g. significant decisions made by the Risk Management Committee, current overall risk management issues) be reported to the Board of Directors on a regular basis.

The Bank has also established a number of committees based on the type of risk, (i.e. the Market Portfolio Management Committee (market risk and liquidity risk), the Credit Committee, the Credit Portfolio Management Committee, the Cooperative Finance Committee (credit risk), and the Operational Risk Management Committee (operational risk), to enable the management to discuss and decide what measures are needed to control risks that arise in the execution of management strategy and business policies to within an acceptable level. In line with the controls described above, based on the risk management framework, including economic capital management (refer to page 46) determined by the Risk Management Committee, in its portfolio and financial management, the Bank places the highest priority on the provision of "stable return of profits" to its members, while carefully maintaining a balance between return, capital, and risk, amid the uncertain economic and financial conditions surrounding the Bank.

The Bank has set up a number of divisions to manage individual types of risks, as well as a division responsible for overall risk management. The roles and responsibilities of these divisions are clearly defined in the Bank's policy. The Bank also ensures the maintenance of appropriate internal controls among these divisions.

Compliance with Basel Banking Regulations

Basel II (the new capital adequacy regulations), which went into effect in Japan in March 2007, requires banks to comply with its three pillars. Pillar I is the introduction of a risk sensitive computational formula for capital adequacy. Pillar II is the financial institution's internal capital adequacy assessment process, consistent with its risk profile, followed by supervisory review. Pillar III is the proactive disclosure to ensure proper evaluation of the effectiveness of Pillar I and Pillar II by the market. The Bank addresses issues related to the three pillars on an ongoing basis.

To calculate its capital adequacy ratio, the Bank has adopted the "Foundation Internal Ratings-Based Approach (F-IRB)" for credit risk and "The Standardized Approach (TSA)" for operational risk, pursuant to the Norinchukin Bank Law Notification regarding Basel II.

Regarding the Basel Banking Regulations, based on the lessons learned from the recent financial crisis, strengthening of Basel II began in 2011, with a focus on reexamining the risk weight of securitized products and taking into account stress period in market risk measurements. Further, step-by-step implementation of Basel III is scheduled to begin in 2013.

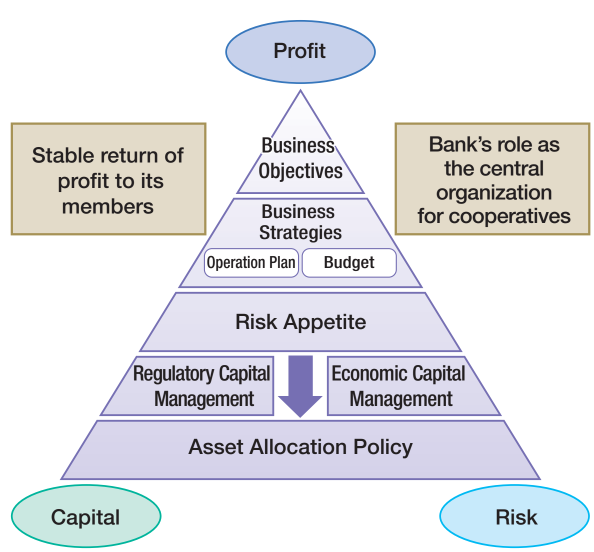
As a global regulatory framework for creating stronger banks and strengthening the global banking system, Basel III will introduce higher standards and quality for capital by introducing the Tier I capital ratio for common equity, strengthened risk acquisition, such as raising regulatory required capital for counterparty credit risk, as well as supplementing capital adequacy regulations based on leverage ratio, and a capital buffer for easing pro-cyclicality. Further, as an international framework for liquidity risk regulation, Basel III will also usher in the liquidity coverage ratio (an indicator that expresses the capacity to deal with large financial outflows under short-term stress conditions) and the long-term net stable funding ratio (an index for measuring the stability of the fund procurement and management structure). The Bank will respond appropriately to any new regulatory requirements when they are implemented.

Internal Capital Adequacy Assessment Process (ICAAP)

To manage profits, capital, and risk in a consistent and efficient manner, the Bank conducts the Internal Capital Adequacy Assessment Process (ICAAP), an assessment process based on the International Convergence of Capital Measurement and Capital Standards: a Revised Framework of the Basel II (Pillar II). Under the ICAAP, the Bank comprehensively manages its capital resources, from both capital (the numerator of the capital adequacy ratio) and risk asset (the denominator of the capital adequacy ratio) perspectives.

The ICAAP is a process for demonstrating the appropriate management of risks facing a company so that it can achieve its business objectives, and a sufficient level of internal capital to cover these risks. The purpose of the ICAAP is not only to understand capital in relation to risk, but to recognize capital adequacy as a "triangular" relationship among profit, capital, and risk needed to attain management objectives and strategies. Its aim is to simultaneously achieve high level of

ICAAP Concept



soundness and profitability through a proper balance between these three factors.

Specifically, the ICAAP ascertains the consistency between the amount of risk quantitatively recognized based on "Risk Appetite," and internally managed capital resources. This process is achieved through two different types of frameworks to maintain capital adequacy: regulatory capital management and economic capital management.

• Risk Appetite

In implementing the Bank's strategies, such as budget and operation plan for attaining its business objectives, Risk Appetite reflects specific views on risk-taking, and defines what types of risk and magnitude of risk the Bank is willing to accept. Under Risk Appetite, the level of risk to be managed is also determined by various related indicators, and from both a qualitative and a quantitative perspective. The proper setting of risk appetite by the Board of Directors is important in order to raise the effectiveness of governance in risk management. The Bank's portfolio management strategy for executing globally diversified investments is called an asset allocation strategy and is viewed as the manifestation of Risk Appetite.

• Risk Appetite and Consistent Business Operation

The Bank establishes a budget and operation plan consistent with Risk Appetite and manages finances and operations by maintaining a balance between risk and capital. Capital management checkpoints are established in order to ensure that capital adequacy is maintained above a certain level determined by Risk Appetite, even in uncertain economic and financial environments.

The checkpoints provide a framework to ensure that capital adequacy is maintained above a predetermined level regardless of volatility caused by various factors. This is done by monitoring key volatility factors and by discussing countermeasures at an early stage.

Specific checkpoints are determined according to the Bank's risk profiles. Under this mechanism, each checkpoint is determined from the two perspectives of regulatory capital management and economic capital management. Appropriate levels of capital are maintained by closely monitoring two major variables: the level of unrealized gains and losses on securities, and measured risk amount.

• Implementation of Stress Tests

In principle, stress tests are performed together with the implementation of the fiscal year's ICAAP. By preparing strict stress scenarios that factor in specific timelines and the ripple effects of risks covering the Bank's entire portfolio, the Bank verifies the impact of these stresses on capital adequacy. Based on this, the Bank implements the ICAAP, which includes a review of countermeasure assumptions at times of stress. In addition, the stress analysis of the portfolio is performed separately along with semi-annual budget planning. The impact of major changes in market risks and credit risks that are to be assumed in day-to-day portfolio management is verified by both the regulatory capital adequacy ratio and economic capital management and this information is used in decision making.

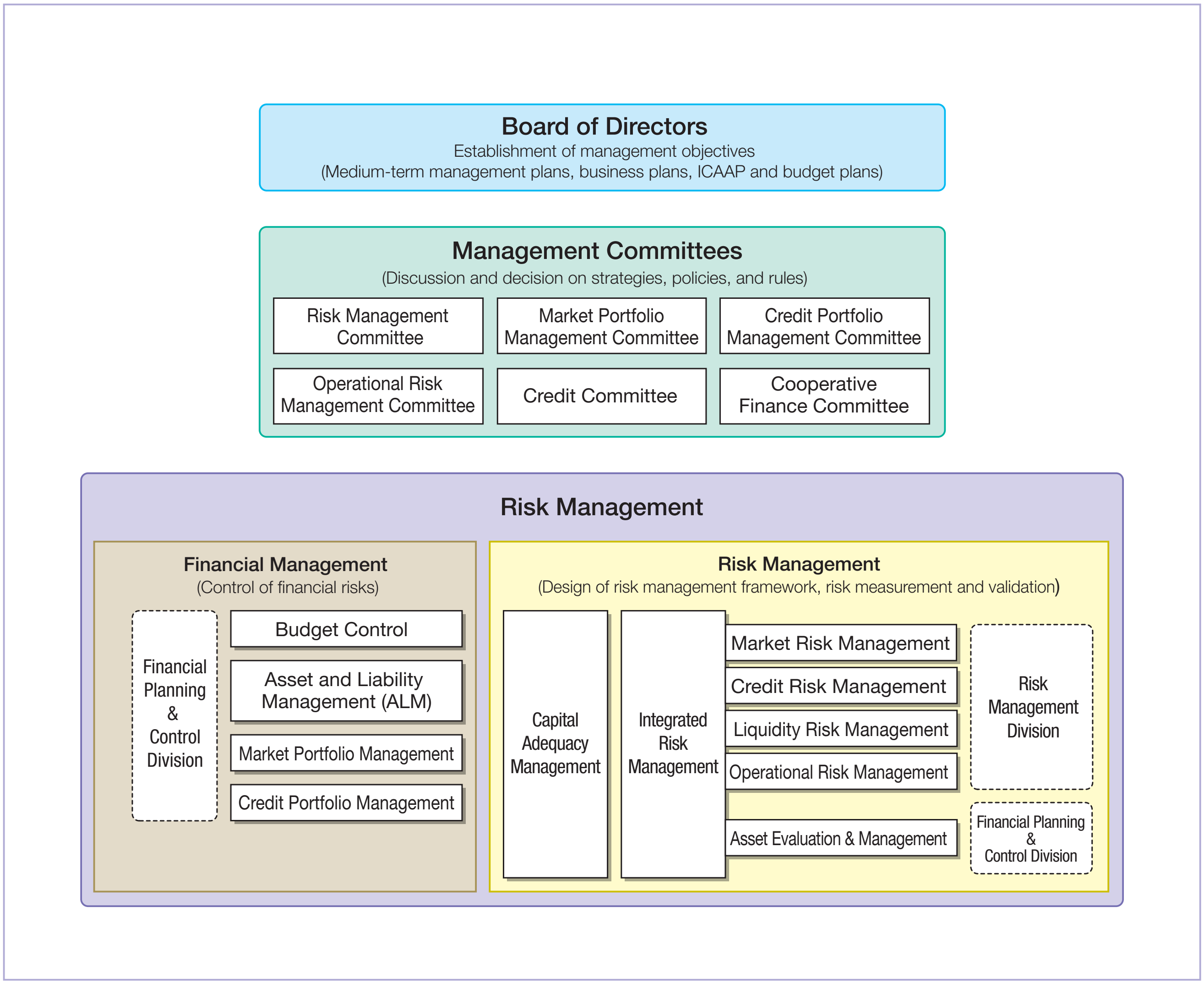
Integrated Risk Management

The Bank has drawn up the Basic Policies for Risk Management, and stipulates a core risk management framework that quantifies and manages risk comprehensively in comparison with capital, which represents the Bank's financial strength. The core function within the risk management process is economic capital management.

Under this economic capital management policy, risks to be covered by capital are measured, and the internal capital for this purpose is applied in advance. The amount of risk is controlled so as not to exceed the applied internal capital by monitoring the changes in the amount of risk caused by market fluctuations and additional risk-taking in a timely manner during the fiscal year. The Bank manages economic capital on both a consolidated and non-consolidated basis.

In economic capital management, the capital applied is principally Tier I capital in the similar definition as in the regulatory capital calculation. Tier II capital is viewed as a buffer for risk in stress situations. The Bank categorizes the types of risks to be controlled into market risk, credit risk and operational risk. To maximize the benefit of the globally diversified investment concept, the Bank manages the economic capital on an aggregate basis instead of allocating the capital to each asset class or to each business segment, as the Bank

Risk Management System



believes such an approach should fit in the business profile of the Bank. In addition, the definition of internal capital applied and the economic capital management framework are determined by the Board of Directors, while the middle office is responsible for monitoring the fluctuations in capital levels and the amount of risk during each fiscal year. These results are reported to the management on a regular basis.

Market risk is primarily measured by Value-at-Risk (VaR), using a historical simulation method with a 99.50% confidence interval and one-year holding period. Credit risk is mainly measured by Value-at-Risk (VaR), using a Monte Carlo simulation method with a 99.50% confidence interval and rating transition within a one-year holding period. Operational risk is measured by The Standardized Approach (TSA), in line with the regulatory capital requirement. This amount is taken as the operational risk volume.

Through these measures, the Bank comprehensively manages risk across the entire business with the goal of further developing its risk management framework.

• Integrated Risk Management Consistent with Financial Management

The Bank's integrated risk management framework is carried out consistently with its financial management framework to maintain a balance between a sound financial position and adequate profitability. The Bank has specifically established the market risk management infrastructure to enable a prompt response to changes in financial market conditions. The Bank conducts analysis from various perspectives, including static and dynamic interest rate sensitivity analyses toward the impact on profit/loss, and price sensitivity analysis of its assets for the impact on interest rate changes. In addition, as a part of asset and liability management (ALM), the Bank measures the risk volume, taking into account of price volatilities of bonds and stocks as well as volatilities in foreign currency exchange rates, and conducts scenario simulations under various stress assumptions. Through the analysis described above, the Bank strives for flexible financial management by understanding the impact of market volatilities on the value of its assets.

Credit Risk Management

Credit risk is the possibility of loss arising from a credit event, such as deterioration in the financial condition of a borrower that causes an asset (including off-balance sheet items) to lose value or to be significantly impaired.

For the Bank, transactions involving credit risk are one of the most important sources of earnings from a strategic point of view. The Bank comprehensively manages credit risk for all credit portfolios and on an individual credit basis for all credit risk assets including loans. In this way, the Bank appropriately manages the amount of credit risk to ensure stable earnings.

• Credit Risk Management Framework

The Bank's credit risk management framework comprises four committees that are managed by the directors and general managers involved in risk management. These committees determine the Bank's credit risk management framework as well as its credit investment policy. The front office executes loan transactions and credit investments in accordance with the credit policy and within the credit limits approved by the committees. The middle office, which is independent from the front office, monitors changes in the credit risk portfolio and reports them to the committees. Feedback is then used for upgrading the risk management framework and for future credit investment planning.

Each of the four committees has a specific role assigned to it by the management. The Risk Management Committee is responsible for deliberation on the basic infrastructure for overall credit risk management, including the Bank's internal rating system, self-assessment system, the economic capital management system. The Credit Committee primarily functions as a venue for the discussion of various credit ceiling systems, which are used to manage credit overconcentration risk.

The Credit Portfolio Management Committee and the Cooperative Finance Committee discuss basic strategies and policies regarding control of the credit risk infrastructure, and decide on business strategy for important or large transactions.

The middle office monitors the credit risk portfolio status and other items. In addition, the status of credit risk measurement (such as market overview; important decisions made by the Credit Committee, Credit Portfolio Management Committee, and Cooperative Finance Committee; overview of the credit risk portfolio; current approach to risk management) is regularly reported to the Board of Directors.

• Credit Risk Analysis Framework

The Bank has steadily upgraded its credit risk analysis capability for each investment risk. To perform highly specialized credit analysis according to borrower characteristics for cooperative loans, corporate loans, credit for financial institutions, overseas borrowers, and securitized products, the Bank leverages its investment and loan knowledge developed over many years and analyzes the borrower's credit by industry and product type.

This is done by having senior credit administrators in charge of specific sectors and products research the borrower's background through financial and cash flow analysis. In addition, the Bank has introduced a framework that enables accurate credit decisions to be made by researching the borrower's industry utilizing the Bank's research capabilities and then comparing the borrower with other companies in the same industry. When evaluating loans to overseas borrowers, the Bank reviews country risk, an inherently different category of risk from domestic corporations, by analyzing economic and political conditions and uses the country ceiling system that takes into account risks that differ from domestic loans. The credit risk on overseas loans is appropriately managed together with the credit review performed by region-specialized senior credit administrators. In addition, structured finance such as those backed by cash flows generated from mortgages, credit cards, and other loans, as well as commercial real estate, are subject to due diligence and credit analysis according to the risk profile of each product. The Bank continuously monitors and reviews the performance of the underlying assets of these products throughout the maturity of investment.

Through those credit analysis systems, the Bank conducts advanced credit risk management based on stringent analytical standards, proprietary financial and cash flow analysis methods, and monitoring reviews.

• The Bank's Internal Rating Framework

Outline of the Internal Rating Framework and Special Features

In addition to the Bank's traditional lending activities as the financial institution specializing in the agricultural, forestry, and fisheries industries, the Bank adopts a management strategy of diversified investment and pursues an optimized investment portfolio by diversifying investment assets according to product profile, region, and industry. Accordingly, the Bank manages these diverse assets that make up its portfolio in an integrated and unified manner and the volume of risk calculated using its credit risk model is controlled so that it is kept within a range that its financial strength, or capital adequacy, can tolerate. In this way, the Bank ensures the soundness of its business and maintains profitability.

The Bank's internal rating framework is designed to evaluate and measure the Bank's credit risk portfolio consistently, and is considered a crucial tool for the integrated management of credit risk. It plays an important role in daily credit risk management and portfolio management, particularly in economic capital management.

Structure and Application of the Internal Rating Framework

The Bank's internal rating framework comprises three components: the Borrower Rating System, the Loan

Recovery Rating System, and the Retail Exposure Internal Rating System.

The Borrower Rating System evaluates the exposure grades of corporate borrowers. The Bank has 15 borrower grades: 10 borrower grades for non-defaulted borrowers and five for defaulted borrowers. Each borrower grade defines the level of credit risk for a borrower.

In principle, borrower ratings are evaluated and assigned using a combination of quantitative and qualitative factors. For certain assets subject to risk-weighted asset calculation for the investment fund, the Bank assigns its internal ratings by using external ratings as the primary factor, those of Standard & Poor's (S&P) and Moody's Investors Service (Moody's).

The Bank clearly maps its internal grades to the scale used by the credit rating agencies (e.g., grade "1-1" corresponds to the external grade "AAA" and "Aaa"). This mapping is based on the comparisons of grades and default probabilities on the same borrowers between internal ratings and credit rating agencies' ratings.

The Loan Recovery Rating System is used to evaluate the factors affecting the recoverability of collateral for corporate exposure. Ratings are assigned according to the expected recovery ratios, and are determined from the assessment of factors that may have an impact on the recoverability, such as loan security (collateral or guarantees), capital structure (senior or subordinate), and other factors affecting recovery for defaulted exposures.

The Retail Exposure Internal Rating System estimates Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) on an exposure pool basis, and allocates exposure according to the type of pool.

As the Bank adopts the F-IRB approach, the internal rating system is the basis for the calculation of the capital adequacy ratio for regulatory capital, the primary indicator for the financial soundness of a bank. At the same time, in its economic capital management, the Bank applies the same probability of default (PD) figures for each rating calculated for capital adequacy ratio regulatory capital to measure the amount of risk deriving from credit risk assets.

In addition, the Bank differentiates interest rates according to the internal ratings and collateral provided in order to maintain a sufficient return based on the degree of credit risk. Further, when managing credit overconcentration risk, the Bank sets a credit ceiling for each rating.

Management of the Internal Rating Framework and Validation Procedures

The internal rating system is managed by dedicated units of the Bank that are segregated from the front office. The system is designed to fit the profile of the Bank's credit portfolio and implemented according to policies and procedures that set forth the objectives of the internal rating system, criteria for each rating grade, evaluation methods and mapping of ratings, approval authority and validation of rating system. Validation and monitoring of the internal rating system to ensure appropriate implementation is performed on a regular basis.

In addition, the Internal Audit Division periodically oversees and audits the Bank's credit risk management, including the appropriateness of estimated parameters and historical default rates, compliance with minimum IRB Approach requirements, and reports to the Board of Directors.

• Self-Assessments, Write-Offs, and Provisions to Reserves Based on Internal Ratings Framework

The Bank conducts self-assessment on a quarterly basis at the end of March, June, September, and December.

The self-assessment process initially classifies debtors in line with the Bank's internal ratings. There are five classifications: standard, substandard, doubtful, debtors in default, and debtors in bankruptcy.

Subsequently, within each of these categories, the credit for each individual debtor is classified into four categories (I, II, III, and IV) according to its recoverability.

Relationship among Internal Rating, Self-Assessment, and Exposure Requiring Mandatory Disclosure under the Financial Revitalization Law

Internal Rating		Self-Assessments: Debtor Classification	Self-Assessments: Asset Category	Self-Assessments: Definition of Asset Category	Exposure Requiring Mandatory Disclosure under the Financial Revitalization Law
1-1	4	Standard	Category I	Debtors who maintain favorable operating conditions and have no particular financial difficulties. Internal ratings 1-1 to 4 are equivalent to investment grades of credit rating agencies.	Standard
1-2	5				
2	6				
3	7				
8-1		Substandard	II	Debtors requiring close monitoring going forward	Standard
8-2					
8-3		Other substandard debtors			
8-4		Debtors under requirement of control			Special attention
9		Doubtful	III	Debtors who are highly likely to fall into bankruptcy	Doubtful
10-1		Debtors in default	IV	Debtor who have effectively fallen into bankruptcy, although no facts have emerged to indicate legal or formal bankruptcy	Bankrupt or de facto bankrupt
10-2		Debtors in bankruptcy		Debtors who are legally and formally bankrupt	

The Norinchukin Bank's Debtor Classification and Reserves for Possible Loan Losses (As of March 31, 2012) (On a Non-Consolidated Basis)

(Billions of Yen)

Self-Assessments: Debtor classification		Category I	Category II	Category III	Category IV	Reserves for Possible Loan Losses	Claims Disclosed under the Financial Revitalization Law	Risk-Managed Loans (Note 2)
Debtors in bankruptcy Debtors in default		Portion deemed to be recoverable through collateral or guarantees		Provisions are made to cover the entire amount	Full amount written off or provisions made	Specific reserve for possible loan losses 177.6	Bankrupt or De facto bankrupt 1.1	Loans to borrowers under bankruptcy proceedings 0.8
Doubtful debtors		Portion deemed to be recoverable through collateral or guarantees		Provision ratio: 78.6%			Doubtful 187.9	Delinquent loans 187.3
Substandard debtors	Special attention	Provision ratio of the uncovered portion: 14.8%				General reserve for possible loan losses 43.9 (Note 1)	Special attention 69.3	Loans with principal or interest payments three months or more in arrears —
	(Claims on debtors under requirement of control)							Restructured loans 69.3
	Other substandard debtors	Claims on substandard debtors other than "Special Attention"					Standard loans 14,552.7	
Standard debtors								

Notes: 1. The expected default ratios for computing the provisions to the general reserve for possible loan losses are 0.34% for standard debtors, 4.57% for substandard debtors (excluding claims under requirement of control), and 4.79% for claims under requirement of control.
2. The difference between the total of claims disclosed under the Financial Revitalization Law and the total of risk-managed loans is the inclusion of claims other than loans.

• Criteria for Write-Offs and Provisions to Reserves

Write-offs and provisions to reserves for possible loan losses are made according to the criteria set by the Bank for each debtor classification by self-assessment. For exposure to standard debtors and substandard debtors, the Bank makes provisions to general reserves for possible loan losses for each category of borrower based on the expected loss ratio, which is calculated from historical loss data, including losses from defaults. For debtors under control requirements with substantial exposure, provisions to specific reserves for possible loan losses are calculated by the Discounted Cash Flow (DCF) method on an individual basis. For exposure to doubtful debtors or lower, provisions to specific reserves for possible loan losses are made, or write-offs are performed, for the amount not recovered by collateral or guarantee to the exposure classified as Category

III, and the amount deemed necessary to the exposure classified as Category IV.

Criteria for Write-Offs and Provisions to Reserves

<table>
<tr><th colspan="2">Debtor Classification</th><th>Criteria for Write-Offs and Reserves for Possible Loan Losses</th><th>Provision Ratio as of March 31, 2012</th></tr>
<tr><td colspan="2">Standard debtors</td><td>Provisions are made to reserve for possible loan losses, by multiplying the total credit exposure by the expected loss ratio based on the historical default ratio.</td><td>0.34%</td></tr>
<tr><td rowspan="2">Substandard debtors</td><td>Other substandard debtors</td><td rowspan="2">Initially, categorize debtors into two groups: “Debtors under requirement of control” or “other substandard debtors,” in accordance with credit quality of debtors. Debtors in the latter group are further classified into sub-categories.
Applies Discounted Cash Flow (DCF) method to debtors with large exposure if classified as “Debtors under requirement of control.”
Provisions are made to reserve for possible loan losses, by multiplying the total credit exposure by the expected loss ratio based on the historical default ratio for each category of borrower.</td><td>4.57%</td></tr>
<tr><td>Debtors under requirement of control</td><td>4.79% (Excluding borrowers to whom the DCF method is applied)</td></tr>
<tr><td colspan="2">Doubtful debtors</td><td>Provisions are made as specific reserve for possible loan losses the necessary amount estimated against the amount classified as Category III (amount not likely to be recovered from collateral or guarantee) on an individual borrower basis.</td><td>78.66% of the unrecoverable portion</td></tr>
<tr><td colspan="2">Debtors in default</td><td rowspan="2">Provisions are made as specific reserve for possible loan losses on an individual borrower basis for the entire amount classified as Category III. Write-offs are performed on an individual borrower basis for the amount classified as Category IV (the amount estimated as uncollectable or unrecoverable), regardless of treatment under criteria in tax law.</td><td rowspan="2">The full amount of the unrecoverable portion is written off or provisioned</td></tr>
<tr><td colspan="2">Debtors in bankruptcy</td></tr>
</table>

Credit Costs in Fiscal 2011 (On a Non-consolidated Basis)

	Billions of Yen
Loan write-offs	¥ 1.7
Provision to general reserve for possible loan losses	(13.2)
Provisions to specific reserve for possible loan losses	(4.5)
Provision to reserve for specified overseas debts	—
Other	0.0
Total credit costs	¥ (6.9)

• Credit Overconcentration Risk

Credit overconcentration risk is defined as the risk of incurring unexpected huge losses triggered by simultaneous credit event such as event of default, due to overconcentration of credit exposure to specific groups of borrowers, industries or regions. To mitigate such risk, the Bank has installed credit ceiling systems according to the profile of credit exposures, namely, Country Ceilings (for credit exposure to individual countries or regions), Corporate Ceilings (for credit exposure to corporations), and Bank Ceilings (for credit exposure to financial institutions). Total credit exposure for each ceiling category is monitored on a regular basis and controlled to avoid any overconcentration of credit exposure.

Regarding the corporate ceiling, maximum lending limits are set for each borrower, based on the rankings assigned by the internal rating system. Limits are set and lending is managed not only on an individual debtor basis but also on a corporate group basis. The Bank Ceiling is precisely managed and credit limits are set for each type of transaction. Regular reviews are also performed on overconcentration of credit exposure of each industry.

• Measuring Credit Risk

The Bank measures the amount of credit risk using statistical based methods, and applies it to economic capital management.

Methods for Measuring Credit Risk

The Bank uses the internal model for credit risk (the Monte Carlo Method) in estimating credit risk, and measures credit risk. The scope of measurement includes loans, guarantees, foreign exchange, and securities (e.g. corporate bonds), as well as off-balance-sheet transactions (e.g. swaps). The Bank measures the amount of credit risk by defining it as the potential impairment amounts incurred from credit exposure.

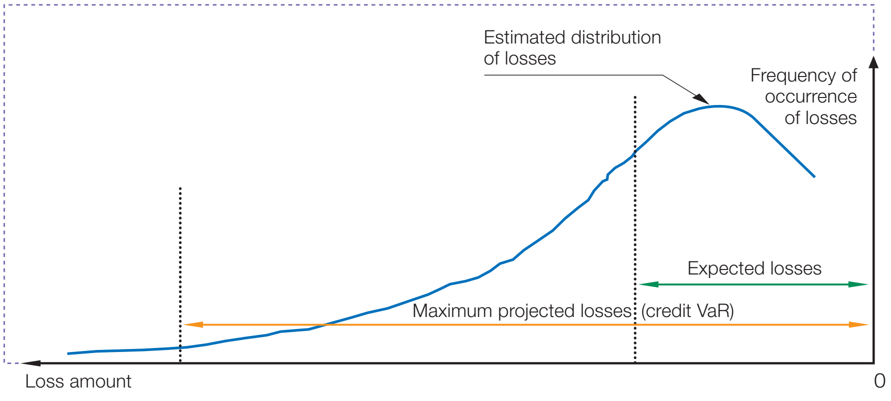
The method of measuring credit risk involves performing simulations on tens of thousands of scenarios involving losses and the deterioration of asset value resulting from customer actions, product default, rating changes and other factors, using statistical models. Using the simulation results, the Bank estimates the distribution of potential losses on the Bank's credit portfolio over the next year. Key parameters for the simulation include probability of defaults (PD) for each rating category, rating transition probability (likelihood for changes of one rating category to another rating category), and correlation among credit exposures.

The economic capital of the Bank is managed by calculating two figures for the amount of credit risk, namely the "Expected Loss (EL)," the average indicator of losses on simulated scenarios, and the "Maximum Projected Loss," defined as the potential losses incurred in a specific confidence interval in the simulation. Utilizing EL and UL, the Bank monitors the utilization of allocated risk capital against the amount of risk under economic capital management.

Market Risk Management

The Bank deems market risk, such as interest risk and equity risk, to be one of the most significant risk factors affecting the Bank's earnings base, along with credit risk. Through active and appropriate risk-taking supported by a robust risk management framework, the Bank aims to retain a stable level of profit by constructing a sound and profitable market portfolio that balances profit, capital, and risk. The Bank's investment principle is to maintain a good balance of risk in its globally diversified investment portfolio in viewing the amount of aggregated market risk, the risk-return profile of each asset class, and the correlation among asset classes. Asset allocation is decided after considering the risk balance described above and other crucial factors, such as the financial position of the Bank and the market environment. To ensure the effectiveness of market risk management through the execution process of investments, the Bank ensures the segregation of duties among divisions in charge of decision-making (planning) for allocation policy, execution of individual transactions, and monitoring of risk positions. Specifically, the Risk Management Committee is

Illustration of Credit Risk Measurement Model



The loss distribution of the Bank's credit portfolio is estimated based on the Bank's credit risk measurement model. Credit risk parameters, including expected loss and Credit Value-at-Risk (VaR) are calculated using this model.

responsible for and discusses overall risk management, the Market Portfolio Management Committee sets market portfolio allocation policy, the front office executes transactions in accordance with the allocation policy, and the middle office monitors. Matters relevant to the market risk portfolio management activities (such as market conditions, major investment decisions made by the Market Portfolio Management Committee, condition of the market portfolio, and views on near-term market portfolio management) are reported to the Board of Directors on a regular basis.

Going forward, the Bank continues to upgrade its market risk management framework and further improves risk management by implementing various measures such as increasing the number of staff in charge, enhancing technical elements, such as the information technology infrastructure, and refining risk measurement techniques.

• Market Portfolio Management

The fundamental element of the Bank's market risk management is management of allocated capital under an economic capital framework. The key objectives of risk management of the market portfolio are to construct an optimal market portfolio through active adjustment of the risk balance among asset classes according to the economic and financial conditions and to manage the risk balance and the level of earnings of the market portfolio in line with the financial position of the Bank. Specifically, the risk balance of the market portfolio is managed by analyzing and understanding the situation of the market portfolio based on market risk measured by the middle office, including the amount of aggregate risk, risk indicators, such as Value at Risk (VaR) and Basis Point Value (BPV), and correlation among asset classes. The Bank also analyzes and takes into account its financial position, based on the outlook of economic and financial conditions supported by research into macro-economic factors and the financial markets, and simulations of earnings, unrealized gains and losses of the portfolio, and the capital adequacy ratio. In principle, market risk measurement covers all financial assets and liabilities in the Bank's portfolio, and employs the Internal Model (historical simulation method) for the calculation of VaR. Moreover, by using an alarm point for losses in each asset class and risk volume increase, as well as VaR based on the variance-covariance method taking into account the impact of short-term market fluctuations, the Bank can quickly detect changes in the market environment and then review our market portfolio management policies expeditiously and flexibly.

The basic framework of market risk management is described in the following section.

Decision Making

Material decisions on market investments are made at the Board level. The Board of Directors formulates the annual allocation policy. Based on this, the Market Portfolio Management Committee-composed of Board members involved in market portfolio management-makes decisions, together with general managers, on specific policies related to market investments after reviewing and discussing them.

Decision-making on market investment is carried out after examining the investment environment, including the financial markets and the economic outlook, the current position of the securities portfolio, and the asset and liability management (ALM) situation of the Bank. The Market Portfolio Management Committee holds meetings on a monthly basis in practice on a weekly basis, as well as when needed, in a flexible manner, to enable prompt responses to changes in market conditions.

In addition, to facilitate close communication regarding the market environment on a regular basis, relevant board members and the general managers in charge of the market portfolio hold meetings to share information and awareness on a weekly basis to make both timely and appropriate decisions.

Execution

Based on the investment decisions made by the Market Portfolio Management Committee, the front office execute securities transactions and risk hedging. The front office is not only responsible for executing securities transactions and risk hedging but also monitoring market conditions closely and proposing new investment strategies. Additionally, they also make other recommendations to the Market Portfolio Management Committee.

Monitoring

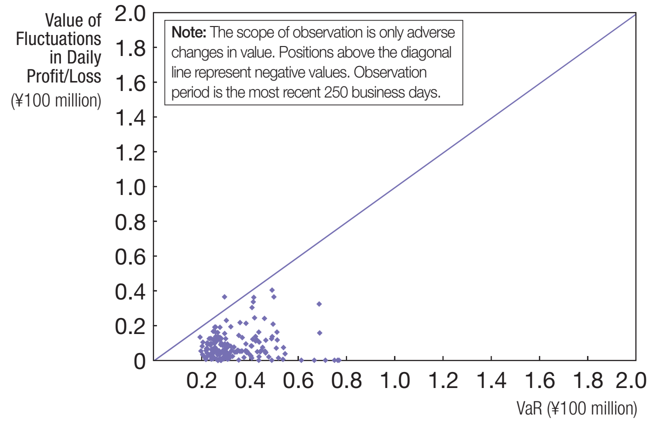
The term "monitoring functions" refers to checking whether the execution of transactions made by the front office is compliant with the investment decisions approved by the Market Portfolio Management Committee, and measuring the amount of risk in the Bank's investment portfolio. To maintain an appropriate risk balance among asset classes, various risk indicators as well as risk amount measured for economic capital management are monitored. The middle office, which is independent of the front office, is responsible for those risk measurements and regularly report to the Board of Directors about the results of monitoring, mainly conducted on a daily basis. Monitoring results reported to the Board are used to analyze the current situation of the market portfolio and as a data source for discussing the investment strategies of the Bank in the near future by the Market Portfolio Management Committee.

• Trading Operations

The Bank's trading operations that aim to generate profits from short-term market fluctuations are organizationally separated from the front office. The front office in charge of trading activities conducts trades within the approved position and loss limits determined from a risk-return perspective. The middle office, which is segregated from the front office, measures the amount of risk including VaR and monitors the status of risk taking by the front office.

The risk involved in trading operations is managed under an integrated risk management framework and within the market risk management framework with economic capital management as a critical element of the framework.

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



Changes in Interest Rate Risk (with a one-day holding period) in Trading Divisions

	VaR (in ¥100 million)
June 30, 2011	0.3
September 30, 2011	0.4
December 30, 2011	0.2
March 30, 2012	0.2

Risk Measurement Methods

The Bank uses an internal model approach for risk measurements. The model employs a variance-covariance method with a one-tailed 99% confidence interval and a 10-business day holding period, and measures VaR on a daily basis. The Bank's model is internally developed and periodically validated by both the middle office and the Internal Audit Division, as well as by outside experts, from the quantitative and qualitative perspectives. The Bank continues to apply cutting-edge financial and information technologies to the upgrading of its risk measurement methods.

In addition, to validate the Bank's internal model, the amount of risk calculated by the model is compared with the volatilities in actual profit and loss on a daily basis (known as back testing). When discrepancies between the model's estimates and actual results due to the designs of the model go beyond a certain level, the Bank scrutinizes the relevant model factors and revises the model if necessary. The Bank also performs a series of monthly stress tests assuming extremely volatile market situations, such as the largest interest rate changes in the last five years on a monthly basis.

Glossary of Terms

VaR (Value at Risk)
VaR is the maximum possible loss over a specified holding period and within a certain confidence interval. The Bank calculates VaR by setting specific holding periods and confidence intervals, and applying the appropriate measurement method to measure the risk.

BPV (Basis Point Value)
BPV refers to the changes in the value with respect to a 0.01% change in interest rates given the current position. The Bank uses total delta as the indicator of the impact of the change assuming a parallel shift in the yield curve.

Liquidity Risk Management

The Bank defines liquidity risk as the following: "The risk towards financial losses incurred from a difficulty in securing funds required for activities of the Bank, or from being forced to procure funds at significantly higher funding costs than normal as a result of a maturity mismatch between investment and funding procurement, or as a result of an unforeseen fund outflow from the Bank (cash flow risk)." It is also defined as: "The risk towards financial losses arising from being unable to execute transactions in the market due to market turmoil, or from being forced to execute transactions under significantly less favorable conditions than normal occasions (market liquidity risk)." The Bank properly manages liquidity risk based on these definitions.

The appropriate management of cash flow risk is a prerequisite for business continuity and stable portfolio management. Considering the characteristics of the Bank, such as its steady fund procurement structure, which is primarily centered on deposits from its membership, together with its assets of low market liquidity that holds, and examining the funding procurement capability under stressed environments, the Bank takes initiatives to diversify and enhance the varieties of funding instruments, placing emphasis on the stability of cash flows. Cash flow management is conducted on an aggregated basis at the head office. For this purpose, various operating limits including currency, funding instruments and individual funding office are established considering the global market situation and these are approved by the Risk Management Committee. Specific cash flow management plan is reviewed on a quarterly basis with the Bank's investment portfolio projection and its expected funding procurement capacity, and it is approved by the Market Portfolio Management Committee. Execution strategies are discussed every week based on a predetermined financial plan. The Bank strives for the appropriate cash flow management in response to circumstances by constantly monitoring market conditions. The execution status is continuously reviewed each and every month.

Market liquidity risk is considered to be an important factor for investment decisions in order to maintain a flexible asset allocation framework that enables prompt responses to changes in market conditions. Investment strategies are also prepared through assessing the market liquidity (cash-convertibility) of each type of financial product. Market liquidity risk is applied to the evaluation of stabilities on funding procurement as well. For this reason, the middle office regularly reviews and analyzes the market liquidity of financial products, including the market size of each asset class and product. The results of these analyses are reported to the Risk Management Committee and the Market Portfolio Management Committee.

The operational status of liquidity risk management is also regularly reported to the Bank's Board of Directors.

Operational Risk Management

As its basic policy for the management of operational risk, the Bank has adopted the “Operational Risk Management Policy” by its Board of Directors. Under this Policy, the Bank clearly states the definition, management framework, and basic management processes of operational risk.

• The Objective of the Operational Risk Management

The Bank categorizes and ranks by importance each risk arising from daily operations such as processing risk, legal risk, and IT systems risk; and handles these risks according to their category and rank. This allows the Bank to reach its objective of effectively allocating the organization’s management resources, and at the same time minimizes the likelihood of risk event occurrence arising from business operations which per se do not generate profit, and losses incurred from such events.

• Definition of Operational Risk

The Bank defines operational risk as the risk that arises in the course of business activities which per se do not generate profit. These risks are different from market risks, credit risks, and liquidity risks, the types of risks the Bank actively takes to generate profits. Operational risk is further broken down into subcategories, such as processing risk, legal risk, IT systems risk, personnel risk, tangible assets risk, information security risk, business continuity risk, reputational risk, and regulatory risk.

• Organizational Structure of Operational Risk Management

Important issues such as the basic policies and annual planning of the Bank’s operational risk management are approved by its Board of Directors. The Operational Risk Management Committee, comprised of relevant members of the Board as well as the heads of related divisions, is set under the Board’s supervision, and monitors the current status of the Bank’s operational risk management. The committee also promotes cross-risk as well as cross-divisional approaches towards managing operational risk. Furthermore, an operational administrator is designated in each branch and division.

The administrator is in charge of the operational risk management of his or her branch (division), and acts as a liaison officer between the branch (division), and the functional units stated above.

• Basic Approach of Operational Risk Management

Of the various subcategories of operational risk, for those risks (such as processing risk, legal risk, IT systems risk, personnel risk, tangible assets risk, and information security risk) for which the bank’s key management strategy is the prevention of risk event occurrence, the Bank has put into effect the following controlling measures. In order to identify, analyze, assess, monitor, manage, and mitigate risk effectively, the Bank employs the results of its RCSA (Risk & Control Self Assessment), as well as the information of actual risk and near-miss events which have been accumulated using the organization’s operational risk reporting framework. In addition, management standards which have been designed to meet the characteristics of specific risks and which the Bank deems capable to effectively control the said risks, have been implemented in the organization’s operational risk management framework. The Bank’s RCSA is carried out in the following manner. Each division identifies the potential risks inherent in the business activities they are in charge of, analyzes the effectiveness of the controls which have been put in place, and assesses what risks reside. Important vulnerabilities which have been recognized as a result of the RCSA are tended to by including their control into the annual risk management plan. The Bank’s operational risk reporting framework amasses and analyzes information based on a clear reporting standard which comprehends the classification of loss events defined by Basel II. From the collected information, specific cases may be fed back to the Bank’s RCSA (for example when a certain reported risk was overlooked by the assessment made by the division in charge), and new controls may be imposed to prevent their recurrence.

For business continuity risk, which constitutes part of the group of risks the Bank defines its key management strategy as the mitigation of the impact and effect of risk events following their occurrence, the Bank is currently enhancing its ability to counter such risks, incorporating lessons learned from the East Japan Great Earthquake. In addition, the Bank augments the effectiveness of its business continuity framework through regular drills which assume scenarios such as the occurrence of an earthquake in the Tokyo metropolitan area, or the outbreak of a pandemic.

Risks other than the above (such as reputational risk, regulatory risk, and risks associated with changes to legal systems), are defined as risks which should be dealt in accordance with the Bank's business judgment. The Bank strives to take proactive actions in order to prevent the occurrence of risk events of this type, and continuously monitors these risks for signs of change, and endeavors to incorporate those changes in the Bank's management strategy.

The Bank's current status in operational risk management is reported to the Operational Risk Management Committee and the Board of Directors periodically, and (based on these reports) the basic policy for the management of operational risk is reviewed when necessary. In addition, the overall operational risk management framework is subject to thorough internal audit on a regular basis, in order to continuously improve its effectiveness.

The Bank has adopted the Standardized Approach (TSA) for calculating operational risk capital charges, as required by Basel II.

• Processing Risk Management

The Bank defines processing risk as the risk of suffering losses caused by improper activities performed in the course of business or by the Bank's directors or employees. To be more precise, processing risk is defined as the risk of suffering losses due to accidents, fraud, or failing to comply with the established procedure manuals; or the risk of inadequate performance of business operations due to faults in the procedure manuals or the lack of a manual itself. The Bank manages its processing risk based on its Policy and Procedures for Administrative Management.

The organization's framework for managing processing risk comprises the following procedures. A processing risk management plan which includes methods for further development of risk mitigation measures and steps to enhance the current risk management framework is created based on the result of the Bank's process RCSA, as well as the information of actual risk and near-miss events which have been accumulated using the organization's operational risk reporting framework. The progress of this plan is reported to the Bank's management (namely the Operational Risk Management Committee) periodically. In addition, various procedures, such as implementing preventive procedures for specific risk events which have surfaced in the past, updating the current procedure manuals, carrying out self-checking exercises, and hosting staff training sessions, have been continuously performed by the Bank in order to mitigate the occurrence of processing risk events. Should there be any major environmental changes in the Bank's business procedures (for example due to the adoption of new products and services, organizational restructuring, etc.), and should this change have a certain impact on the current business processes and operating manuals, the Bank takes steps deemed necessary to address this change.

• IT Systems Risk Management

The Bank defines IT systems risk as the risk of suffering losses from computer system crashes, errors, system defects, improper computer use, or from the inadequate operation of system development projects. The Bank manages its IT Systems risk based on its "IT Systems Risk Management Standards."

Specifically, the Bank incorporates new measures to face emerging risks generated by changes in the domestic and international environment, while simultaneously taking steps to upgrade its management of IT systems risk, by formulating and implementing Risk and Control Self-Assessment (RCSA) and risk management plans. The bank collects and analyses information on system failure, and reports the analysis along with future prevention plans, to the Bank's management. In addition to the above, the Bank endeavors to adopt measures necessary to address system failure. For example, in order to minimize the impact of such failures, the Bank has reexamined its system recovery procedures, using scenarios of major system failures. In this way, the Bank strives to strengthen its internal controls and management of IT systems risk, in order to respond to the public's demand, for a stable financial service (which constitutes part of the social infrastructure), and for a more rigorous management of information security.

• Legal Risk Management

The Bank defines legal risk as the risk of incurring losses or facing transactional problems in the context of a management decision or execution of a business operation, by violating the law or by entering an inappropriate contract. The Bank manages its legal risk based on its "Legal Risk Management Standards."

As the Bank reorganizes the agricultural and fishery cooperative banking system, offers new financial services, and engages in investment activities, in addition to providing traditional financial services, the Bank considers legal risk management to be a key management issue for all of its branches and divisions, and strives to enforce its legal management framework.

• Business Continuity Risk Management

The Bank defines business continuity risk as the risk of being incapable of continuing critical businesses in the aftermath of a natural disaster or a major system failure, due to lack of effective countermeasures. The Bank treats its business continuity risks based on its Basic Business Continuity Policy, Policy and Procedures for Business Continuity, and Guidelines for Establishment and Management of Emergency Headquarters; and enhances its ability to handle such risks through regular drills.

In 2011, the Bank set up a disaster countermeasures office to deal with the effects of the East Japan Great Earthquake, and the power shortages that followed. The office discussed and executed the necessary means to continue the Bank's business, and organized emergency measures for the withdrawal of client deposits of the agricultural and fishery cooperatives hit by the earthquake and subsequent tsunamis. Issues which have surfaced from these experiences are currently being incorporated into the Bank's framework to counter business continuity risk, and the Bank works ceaselessly to enhance its ability to meet such risk.

Risk Management in Group Companies

The associated companies in the Norinchukin Bank Group are managed in accordance with the Bank's Management and Operation Policy and Regulations for Group Companies. Each of these companies prepares a feasible and effective risk management policy and framework, taking into account the Bank's Risk Management Policies as well as the nature of its own business activities and risk profile. The Bank and each group company then confer and decide on a risk management system for the company in question, taking into consideration the characteristics of the risks the company bears.

To ensure adequate risk management and compliance throughout the group, the department with overall responsibility for group companies works together with other related departments as and when necessary, and categorize group companies according to risk profiles and other characteristics. The required risk management frameworks and controls are specified by the Bank in its policies for each category of group company. The risk management of group companies is performed based on those policies. When deemed necessary, meetings between the Bank and group companies are held and attended by executive management and working-level managers. With regard to the risk management framework of group companies and their administrative operations, the Bank's Internal Audit Division oversees and conducts audits in accordance with the Internal Audit Policy Rules and relevant policies.

In addition, the Bank performs economic capital management on a consolidated basis and ensures that it maintains its economic capital within the allocated capital by exhaustively monitoring and measuring the Bank's risks including the risks of consolidated subsidiaries. Among consolidated entities, The Norinchukin Trust & Banking Co., Ltd. and Kyodo Housing Loan Co., Ltd. manage market risk, credit risk, liquidity risk, and operational risk. Other consolidated entities manage risks that are classified under operational risks.

Based on the efforts described above, the Bank seeks to upgrade its management of risk for the entire group.